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Research paper

# The Impact of Board Demographic Diversity on The Financial Performance of Banks In South Sudan

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**ABSTRACT**

This study examines the influence of demographic characteristics of board members specifically age, gender, and ethnicity on the financial performance of commercial banks in South Sudan. Financial performance was evaluated using two widely recognized indicators: Return on Assets (ROA) and Net Interest Margin (NIM). The results of the analysis indicated that none of the examined diversity dimensions had a statistically significant effect on either ROA or NIM. These findings suggest that demographic diversity among board members does not appear to be a determining factor in the financial outcomes of South Sudanese commercial banks. Consequently, the evidence implies that age, gender, and ethnicity may not play a decisive role in shaping bank profitability within this context. Overall, the data support the conclusion that there is no direct empirical relationship between board demographic diversity and financial performance in the South Sudanese banking sector. These results contribute to the broader literature on corporate governance by highlighting the potential limitations of demographic diversity as a predictor of financial outcomes in emerging market settings.

## 1 INTRODUCTION

Corporate governance (CG) has gained increasing attention in both academic and professional domains due to its critical role in promoting transparency, accountability, and overall organizational performance. Effective governance mechanisms are widely recognized as essential for ensuring that organizations operate in alignment with stakeholder interests, minimize risks, and enhance long-term value creation (Mahadeo et al., 2018). Central to these mechanisms is the Board of Directors (BOD), which serves as the primary oversight body responsible for monitoring management, providing strategic guidance, and ensuring that executive decisions are aligned with the objectives of shareholders (Adams & Ferreira, 2009). Within the framework of agency theory, the board functions as a safeguard against potential self-serving or opportunistic behaviors by management, thereby protecting shareholder value and promoting organizational stability.

A growing body of research emphasizes the importance of demographic diversity on boards, particularly with respect to gender, age, and ethnicity, as an integral component of effective governance. Scholars argue that diverse boards can contribute multiple perspectives, foster innovative problem-solving, and improve decision-making processes, potentially enhancing financial performance (Erhardt et al., 2003; Low et al., 2015). At the same time, there is recognition of potential challenges associated with diversity, such as increased interpersonal conflicts, communication barriers, and slower consensus-building, which may reduce board efficiency if not managed appropriately (Talavera et al., 2018). Thus, the impact of demographic diversity on organizational outcomes is nuanced, highlighting the need for empirical investigation across different contexts.

The banking sector provides a particularly compelling context for examining the effects of board diversity. Banks play a pivotal role in national economic development, are highly regulated, and are

exposed to both financial and reputational risks, making the governance of these institutions especially consequential. Despite growing global advocacy for inclusive governance, significant disparities persist. For instance, the Global Banking Alliance for Women (2021) reports that women occupy only 20% of board seats among the top 100 global banks. In South Sudan, female representation is even lower, with women holding only 10% of commercial bank board positions (Bank of South Sudan, 2020). Beyond gender, boards in South Sudan also demonstrate limited variation in age and ethnicity, despite the country's post-conflict, multicultural environment. This lack of diversity raises important questions about whether broader representation could enhance decision-making quality and, in turn, improve financial performance within the banking sector.

Given the limited research on board diversity in fragile and emerging economies, this study seeks to examine how demographic characteristics of board members specifically gender, age, and ethnicity influence financial performance in South Sudanese commercial banks. By addressing this gap, the study contributes both to the literature on corporate governance in post-conflict economies and to practical policy discussions regarding the promotion of inclusive and effective board structures in the banking sector.

Although there is a growing global push toward more inclusive practices in corporate governance, commercial banks in South Sudan still demonstrate minimal diversity in board composition, particularly regarding gender, ethnicity, and age. While previous international research offers conflicting results on how such diversity influences financial outcomes (Liu et al., 2019; Adams & Ferreira, 2019), there remains a significant gap in empirical studies focused on developing or post-conflict nations like South Sudan. This research seeks to address that gap by investigating whether variations in board demographics, specifically gender, ethnic background, and age, have any measurable impact on the financial performance of banks, using Return on Assets (ROA) and Net Interest Margin (NIM) as key indicators.

To explore this relationship, this study adopts a quantitative approach using panel data covering five fiscal years (2013/14–2017/18) from 17 commercial banks in South Sudan. Board-level demographic data were analyzed, including the proportion of women (gender diversity), the presence of multiple ethnic groups (ethnic diversity), and the variation in ages (age diversity) among board members. The study took into account board size, business size, financial leverage, and firm age in order to account for other variables that could affect financial performance. While business size frequently offers scale advantages (Demsetz & Lehn, 1985), board size can influence monitoring and decision-making (Yermack, 1996). Because too much debt might impair performance, leverage affects profitability (Jensen, 1986). Experience and operational maturity are reflected in the firm's age (Loderer & Waelchli, 2010). The impacts of board demographic diversity are better isolated thanks to these control variables. In order to account for unobserved heterogeneity and the strategic importance of board composition, the analysis employed fixed-effects regression models, which are based on resource dependence theory (Pfeffer & Salancik, 1978) and agency theory (Jensen & Meckling, 1976).

The primary objectives of this study are fourfold. First, it aims to examine the influence of gender diversity on the financial performance of commercial banks in South Sudan. Second, the study seeks to assess how ethnic diversity among board members affects financial outcomes. Third, it evaluates the impact of age diversity within the board on overall bank performance. Finally, the study intends to provide both theoretical and practical insights into how demographic diversity in governance structures influences firm performance, with a particular focus on fragile, multicultural environments.

## 2. LITERATURE REVIEW

### 2.1 Corporate Governance and the Role of the Board

Corporate governance provides the structural foundation for ensuring responsible management, strategic oversight, and protection of stakeholder interests in business organizations (Adams, 2018). The Board of Directors (BOD) holds a pivotal position in this framework, responsible for overseeing executive leadership, ensuring that managerial decisions are aligned with shareholder interests, and minimizing potential agency problems (Mahadeo et al., 2018). Key board responsibilities include appointing senior

executives, formulating strategic objectives, ensuring compliance with regulations, and maintaining constructive relationships with stakeholders (Ferreira, 2011; Mori, 2014).

**2.2 Board Diversity and Theoretical Perspectives**

Several theoretical perspectives have been used to explain how board diversity can influence organizational performance. Agency theory suggests that diverse boards enhance oversight capabilities and mitigate self-interested managerial behavior by introducing a range of viewpoints, which reduces the risk of groupthink (Sarhan et al., 2019). Resource dependence theory posits that boards with demographic diversity can facilitate broader access to external networks, resources, and stakeholders, thereby improving the organization's adaptability and resilience in dynamic environments (Talavera et al., 2018). Additionally, human capital theory emphasizes that board members with diverse backgrounds contribute a wide array of expertise, knowledge, and perspectives, which can strengthen strategic decision-making and foster innovation (Ferrero-Ferrero et al., 2015). Collectively, these theoretical frameworks highlight the multifaceted ways in which board diversity may shape organizational outcomes, providing a strong rationale for examining its role in the performance of commercial banks.

**2.3 Gender Diversity**

Gender diversity on boards is the most extensively studied dimension of board composition and has attracted significant attention in both corporate governance research and practice. Empirical evidence suggests that increased female representation can contribute positively to financial performance, as women may introduce distinct leadership styles, alternative perspectives, and collaborative decision-making approaches that enrich board deliberations and strategic outcomes (Liu et al., 2015; Low et al., 2016). These contributions are often linked to enhanced monitoring, reduced groupthink, and more comprehensive risk assessment processes. However, some scholars argue that gender inclusion in boards can be superficial or symbolic, serving primarily as a tokenistic gesture rather than a substantive change in governance practices. In such cases, the presence of female directors may have limited impact on performance or may even lead to over-monitoring and role ambiguity (Adams & Ferreira, 2009; Kanter, 1977). In contrast, a third body of research reports no statistically significant relationship between gender diversity and firm performance, suggesting that the effect of gender representation may be contingent on contextual factors such as organizational culture, board structure, or the level of female participation (Carter et al., 2010; Mazzotta et al., 2017). Collectively, these findings indicate that while gender diversity has the potential to enhance board effectiveness, its impact is complex and may vary across organizational and cultural contexts, underscoring the need for further empirical investigation.

**2.4 Ethnic Diversity**

The Research on ethnic diversity in boardrooms is relatively sparse, especially in regions with more homogeneous populations or in Western contexts. In more culturally diverse societies, such as those in Africa and Asia, findings are mixed. Some researchers highlight that ethnic diversity can improve a firm's legitimacy and facilitate access to new markets and networks (Ujunwa et al., 2012; Cheong & Sinnakkannu, 2014). Conversely, others argue that diversity may lead to misunderstandings or friction within the boardroom, negatively affecting board cohesion and decision-making (Hassan et al., 2017).

**2.5 Age Diversity**

Age Studies examining the impact of age diversity in board composition are limited and present inconclusive results. On one hand, having directors from different age groups may provide a range of experiences and perspectives that enrich the board's strategic capacity (Ferrero-Ferrero et al., 2015). On the other hand, generational gaps can result in communication issues and hinder the board's overall effectiveness (Talavera et al., 2018).

**2.6 Research Gaps and Hypotheses**

Despite the growing interest in board diversity, empirical research remains limited in fragile and post-conflict contexts such as South Sudan. Governance dynamics in these environments often differ substantially from those in stable economies, and the implications of demographic diversity may vary accordingly. For instance, factors such as political instability, institutional fragility, and cultural heterogeneity could influence how board composition affects decision-making and organizational

outcomes. Drawing on the reviewed literature, this study proposes the following hypotheses to examine the relationship between board diversity and financial performance in South Sudanese commercial banks:

Hypothesis 1: Gender diversity positively affects the financial performance of banks.

Hypothesis 2: Ethnic diversity has a significant influence on financial outcomes.

Hypothesis 3: Age diversity contributes to variations in financial performance.

By testing these hypotheses, the study seeks to provide insights into the role of demographic diversity in governance structures within fragile, multicultural economies, thereby addressing a critical gap in the corporate governance literature.

## 3. METHODS

This study employed a quantitative research methodology using panel data analysis to investigate the impact of demographic diversity on the financial performance of commercial banks in South Sudan. The unit of analysis was the board of directors (BOD) for each of the 17 licensed commercial banks operating in the country. The analysis covered a five-year period, from 2013/14 to 2017/18, allowing for an assessment of both cross-sectional and temporal variations in board composition and financial outcomes. By adopting a panel data approach, the study was able to control for unobserved heterogeneity across banks and capture the dynamic relationship between board diversity and performance over time.

### 3.1. Data Collection

Given the relatively small number of commercial banks in South Sudan, a census sampling approach was employed, encompassing all 17 licensed banks operating in the country. Financial performance data were obtained from publicly available financial statements and institutional documents, accessed through official bank websites as well as onsite visits when necessary. Information regarding board composition including gender, age, and ethnicity was collected from public records and official disclosures provided by the banks. This approach ensured comprehensive coverage of both financial outcomes and board characteristics, facilitating a robust analysis of the relationship between demographic diversity and bank performance.

### 3.2. Variable Measurement

To quantitatively examine the impact of board demographic diversity on financial performance, the study employed a structured set of dependent, independent, and control variables, operationalized based on established methodologies from prior corporate governance and financial literature.

*Dependent Variables*

Financial performance was measured using two key indicators:

*Return on Assets (ROA):* ROA reflects the efficiency of a bank in utilizing its total assets to generate profits. It was calculated as the ratio of net income to total assets, consistent with the approach outlined by Abor (2005). Higher ROA values indicate more effective management and stronger overall performance.

*Net Interest Margin (NIM*): NIM measures the difference between interest income and interest expenses relative to the bank's earning assets. This metric was computed as net interest income divided by total earning assets, following the methodology of Berger and Bouwman (2013). NIM provides insight into a bank's core profitability from lending and investment activities.

*Independent Variables*

The primary focus of the study was on board demographic composition, captured through three variables:

*Gender Diversity:* Measured as the proportion of female directors on the board, calculated by dividing the number of female directors by the total board size. This measure reflects gender inclusivity at the governance level and has been widely used in prior diversity-performance studies (Adams & Ferreira, 2019).

*Ethnic Diversity:* Ethnic diversity was coded as a dummy variable, assigned a value of 1 if a board included members from more than two distinct ethnic groups, and 0 otherwise. This approach follows the method proposed by Richard (2010), enabling the analysis of ethnocultural heterogeneity.

*Age Diversity:* Age diversity was measured using the coefficient of variation, defined as the standard deviation of board members' ages divided by the mean. This metric captures generational differences and the spread of experience across board members (Harrison et al., 2010).

*Control Variables*

To isolate the effects of board diversity and minimize potential omitted variable bias, the following control variables were included:

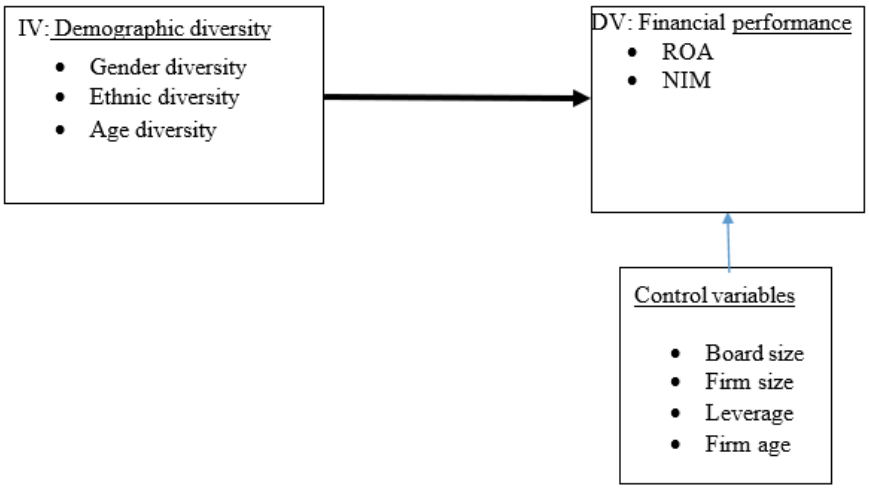
*Board Size*: Total number of directors on the board, accounting for potential effects of board scale on decision-making and oversight.

*Firm Size:* Measured as the natural logarithm of total assets, reflecting economies of scale that may affect financial performance.

*Financial Leverage:* Defined as total debt divided by total assets, capturing the bank's capital structure and associated risk exposure.

*Firm Age:* Calculated as the natural logarithm of the number of years since the bank's establishment, capturing experience, operational stability, and established networks.

Figure 1. Conceptual framework




Source: author's compilation

### 3.3. Conceptual Framework

The conceptual framework of this study illustrates the hypothesized relationships between board demographic diversity and financial performance, while controlling for structural and organizational factors (Figure 1). The independent variables gender diversity, ethnic diversity, and age diversity are expected to influence the dependent variables, ROA and NIM, either positively or negatively. Control variables, including board size, firm size, financial leverage, and firm age, are incorporated to account for additional factors that may impact financial outcomes. This framework provides a structured basis for testing the study's hypotheses and understanding how board composition shapes financial performance in the context of South Sudanese commercial banks.

Table 1. Variable Specification

| Variable | Measurement | Reference |
|---|---|---|
| ROA | Net profit / Total assets | Abor (2005) |
| NIM | Net interest income / Earning assets | Berger & Bouwman (2013) |
| Gender Diversity | Proportion of female board members | Adams & Ferreira (2009) |
| Ethnic Diversity | Dummy: 1 if >2 ethnic groups, else 0 | Richard (2000) |
| Age Diversity | Coefficient of variation of board members' ages | Harrison et al. |
| Board Size | Number of board members | Bhagat & Bolton (2008) |
| Firm Size | Log of total assets | Ross et al. |
| Leverage | Total debt / Total assets | Brealey et al. |
| Firm Age | Log of firm's age | Loderer & Waelchli (2010) |

### 3.4. Model Specification and Data Analysis

To assess the effects of board demographic diversity specifically age, gender, and ethnic composition on the financial performance of commercial banks, as measured by Return on Assets (ROA) and Net Interest Margin (NIM), a series of regression models were employed. These models were designed to quantify the individual and combined impact of each diversity dimension while controlling for key organizational and structural factors, including board size, firm size, financial leverage, and firm age. By applying these regression specifications, the study aims to identify whether and how variations in demographic composition translate into measurable differences in bank performance over time.

*Model for gender diversity*

$$ROA_{it} = \beta_0 + \beta_1 \text{Gender Diversity}_{it} + \beta_2 \text{Board Size}_{it} + \beta_3 \log(\text{Firm Size})_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \log(\text{Firm Age})_{it} + \varepsilon_{it}$$

$$NIM_{it} = \beta_0 + \beta_1 \text{Gender Diversity}_{it} + \beta_2 \text{Board Size}_{it} + \beta_3 \log(\text{Firm Size})_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \log(\text{Firm Age})_{it} + \varepsilon_{it}$$

*Model for ethnic diversity*

$$ROA_{it} = \beta_0 + \beta_1 \text{Ethnic Diversity}_{it} + \beta_2 \text{Board Size}_{it} + \beta_3 \log(\text{Firm Size})_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \log(\text{Firm Age})_{it} + \varepsilon_{it}$$

$$NIM_{it} = \beta_0 + \beta_1 \text{Ethnic Diversity}_{it} + \beta_2 \text{Board Size}_{it} + \beta_3 \log(\text{Firm Size})_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \log(\text{Firm Age})_{it} + \varepsilon_{it}$$

*Model for age diversity*

$$ROA_{it} = \beta_0 + \beta_1 \text{Age Diversity}_{it} + \beta_2 \text{Board Size}_{it} + \beta_3 \log(\text{Firm Size})_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \log(\text{Firm Age})_{it} + \varepsilon_{it}$$

$$NIM_{it} = \beta_0 + \beta_1 \text{Age Diversity}_{it} + \beta_2 \text{Board Size}_{it} + \beta_3 \log(\text{Firm Size})_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \log(\text{Firm Age})_{it} + \varepsilon_{it}$$

## 4. RESULTS

The descriptive statistics provide an overview of the dataset's salient features. The average age diversity of boards was moderate (mean = 0.1506), and the gender diversity was low, with only 17% of board members being women. 65% of boards had members from more than two ethnic groups, indicating a higher level of ethnic diversity. Performance-wise, the average Return on Assets (ROA) was 2.56%, indicating a moderate level of profitability, while the average Net Interest Margin (NIM) was 20%, although there was more variety among banks. A high level of financial leverage (mean = 0.8549) and an average board size of roughly 10 members suggested a heavy reliance on debt. As a reflection of variations in bank scale and maturity, the average firm size and age also varied (Table 2).

Table 2. Descriptive Statistics of Study Variables

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| Age Diversity (AD) | 85 | 0.1506 | 0.0378 | 0.0906 | 0.3210 |
| Gender Diversity (GD) | 85 | 0.1696 | 0.1561 | 0 | 0.6364 |
| Ethnic Diversity (ED) | 85 | 0.6471 | 0.4807 | 0 | 1 |
| ROA | 85 | 0.0256 | 0.0060 | 0.0129 | 0.0470 |
| NIM | 85 | 0.2003 | 0.1112 | 0.0660 | 0.6589 |
| Board Size | 85 | 10.4588 | 1.4845 | 7 | 13 |
| Financial Leverage | 85 | 0.8549 | 0.0452 | 0.7405 | 0.9591 |
| Log of Firm Size | 85 | 23.1243 | 1.2602 | 20.6861 | 26.9162 |
| Log of Firm Age | 85 | 2.2869 | 0.5653 | 0.6931 | 3.8501 |

### 4.1. Regression Analysis

Table 3, 4, 5 presents a summary of the fixed effects regression results, illustrating the impact of board demographic diversity specifically age, gender, and ethnic composition on the financial performance of commercial banks, as measured by Return on Assets (ROA) and Net Interest Margin (NIM). The table highlights the estimated coefficients for each diversity variable, controlling for board size, firm size, financial leverage, and firm age, thereby providing insights into the relationship between demographic heterogeneity and bank performance.

Table 3. Regression Results: Gender Diversity

| Variable | ROA Coefficient | ROA P-Value | NIM Coefficient | NIM P-Value | Significance (Notes) |
|---|---|---|---|---|---|
| GD (Gender Diversity) | 0.0053 | 0.635 | 0.0036 | 0.962 | Not significant in both models |
| BS (Board Size) | -0.0001 | 0.933 | 0.0015 | 0.808 | Not significant in both models |
| FL (Financial Leverage) | -0.2010*** | 0.000 | -0.0460 | 0.897 | Significant for ROA only (at 1%) |
| lnFS (Log Firm Size) | -0.0039 | .250 | -0.0197 | 0.386 | Not significant in both models |

| | | | | | |
|---|---|---|---|---|---|
| lnFA (Log Firm Age) | 0.0167** | .023 | 0.0831* | 0.093 | Significant in both (5% for ROA, 10% for NIM) |
| _cons (Constant) | 0.2482 | .000 | 0.3612 | 0.181 | Constant is significant for ROA only |

Table 4. Regression Results: Ethnic Diversity

| Variable | ROA Coefficient | ROA P-Value | NIM Coefficient | NIM P-Value | Significance (Notes) |
|---|---|---|---|---|---|
| ED (Ethnic Diversity) | 0.0016 | 0.634 | 0.0107 | 0.638 | Not significant in both models |
| BS (Board Size) | 0.0000 | 0.983 | 0.0019 | 0.754 | Not significant in both models |
| FL (Financial Leverage) | -0.1996 | 0.000 | -0.0742 | 0.831 | Significant for ROA only (at 1%) |
| lnFS (Log Firm Size) | -0.0041 | 0.219 | -0.0203 | 0.368 | Not significant in both models |
| lnFA (Log Firm Age) | | | 0.0829 | 0.091 | Significant for NIM only (at 10%) |
| _cons (Constant) | | | 0.3653 | 0.162 | Constant not significant |

Table 5. Regression Results: Age Diversity

| Variable | ROA Coefficient | ROA P-Value | NIM Coefficient | NIM P-Value | Significance (Notes) |
|---|---|---|---|---|---|
| AD (Age Diversity) | 0.004 | 0.868 | 0.0001 | 0.999 | Not significant in both models |
| BS (Board Size) | 0.0001 | 0.948 | 0.0015 | 0.846 | Not significant in both models |
| FL (Financial Leverage) | -0.1938 | 0.000 | -0.0417 | 0.903 | Significant for ROA only (at 1%) |
| lnFS (Log Firm Size) | -0.004 | 0.227 | -0.0198 | 0.381 | Not significant in both models |
| lnFA (Log Firm Age) | 0.017 | 0.021 | 0.0834 | 0.091 | Significant in both (5% for ROA, 10% for NIM) |
| _cons (Constant) | 0.0547 | 0.000 | 0.3705 | 0.193 | Constant significant for ROA only |

## 5. DISCUSSION

The empirical analysis conducted in this study reveals that demographic diversity in the boardroom specifically gender, ethnicity, and age does not have a statistically significant impact on the financial performance of commercial banks in South Sudan, as measured by Return on Assets (ROA) and Net Interest Margin (NIM).

Despite a body of literature suggesting that gender-diverse boards can enhance decision-making, governance quality, and innovation (Adams & Ferreira, 2009), this study's results do not align with those positive assertions. In the South Sudanese context, the absence of a significant relationship between gender diversity and financial performance may reflect deeper structural and cultural dynamics. One possible explanation is tokenism a situation where female board members are appointed primarily for appearance rather than influence, thereby limiting their role in strategic decisions (Kanter, 1977). Additionally, societal

norms and organizational culture may constrain the active participation of women, preventing the realization of the potential benefits that gender diversity can offer.

The findings also indicate that ethnic diversity on boards does not significantly influence financial performance. This result is particularly notable given South Sudan's ethnically diverse population and post-conflict setting. In theory, ethnically diverse boards may bring wider perspectives and enhance legitimacy, particularly in multicultural markets. However, without deliberate efforts to promote inclusion and equitable decision-making, diversity may not translate into improved outcomes. In fact, it could even lead to fragmentation or lack of cohesion in strategic discussions (Williams & O'Reilly, 1998). This suggests that diversity must be accompanied by strong governance practices and inclusive leadership structures to be effective.

Similar Age diversity among board members did not have a statistically significant impact on the financial performance of South Sudanese banks, which is in line with the results for gender and ethnic diversity. Age-diverse boards are supposed to bring a variety of experiences, abilities, and generational viewpoints; however, these possible advantages can be outweighed by misaligned values and communication obstacles between age groups.

Human capital theory, which contends that diversity in background, experience, and knowledge associated with age differences can enhance strategic decision-making and problem-solving, is somewhat at odds with this conclusion (Becker, 1964; Ferrero-Ferrero et al., 2015). Nonetheless, it is consistent with research by Talavera et al. (2018), who noted that, especially in formal and hierarchical settings like the banking industry, generational disputes and a lack of group cohesion may offset the benefits of age variety. The benefits of having an age-diverse board may be limited in highly regulated businesses where standardization and conformity are prioritized over innovation and flexibility.

Financial leverage showed a statistically significant and negative connection with ROA, in contrast to the diversity variables, suggesting that banks with larger debt ratios are typically less profitable. This result is in line with conventional financial theory, especially the Trade-Off Theory, which contends that excessive leverage lowers business performance by raising operational limitations and financial distress costs, even though debt might be advantageous in certain situations (Jensen, 1986; Myers, 1984). Previous empirical research also supports this finding. Zeitun and Tian (2007), for example, discovered a negative correlation between leverage and business performance in developing nations, emphasizing that companies with high debt levels frequently face greater risks, more stringent financing requirements, and less flexibility in reacting to changes in the market. High debt may further limit banks' resilience and strategic agility in the South Sudanese setting, where economic volatility and weak capital markets predominate, ultimately impacting profitability.

## 6. CONCLUSION

This study contributes to the growing body of literature on corporate governance by providing empirical evidence from a fragile, post-conflict economy South Sudan on the relationship between board demographic diversity and bank financial performance. Using panel data from 17 commercial banks over a five-year period, the study specifically examined the effects of gender, ethnicity, and age diversity on two performance indicators: Return on Assets (ROA) and Net Interest Margin (NIM). Unlike many studies conducted in developed economies, this study found that none of the demographic diversity variables had a statistically significant effect on bank financial performance. This suggests that in fragile contexts with limited institutional capacity and weak governance culture, diversity alone may not be sufficient to drive financial performance. These findings challenge the universality of theories like agency theory and resource dependence theory, which often assume a direct positive relationship between diversity and firm outcomes. Practically, the study emphasizes that efforts to diversify boards in developing countries should focus not only on representation but also on empowerment, competency, and inclusive governance culture. The study is subject to several limitations. First, it focuses only on demographic diversity (gender, ethnicity, age) and does not include cognitive or functional diversity (e.g., education, expertise). Second, the data relies on publicly available records and may not capture the full scope of board dynamics or informal

decision-making. Third, the scope is limited to commercial banks, which may not generalize to other sectors with different governance or risk profiles.

This study can expand in the following ways. First, expand the analysis to include functional and cognitive diversity, such as educational background, financial expertise, or tenure. Second, use mixed-methods approaches (e.g., interviews, case studies) to explore how board members interact, influence strategy, and make decisions. Third, examine the role of moderating variables, such as board independence, institutional quality, or leadership style, in shaping the diversity–performance relationship. Fourth, conduct comparative studies between countries in similar fragile contexts to validate or challenge the findings across settings. Finally, explore diversity effects in other industries such as telecommunications, insurance, or manufacturing to assess sector-specific dynamics.

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