Board Characteristics and Financial Performance of Government-Owned Sugar Manufacturing Companies in Kenya

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Board Characteristics and Financial Performance of Government-Owned Sugar Manufacturing Companies in Kenya

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Abstract

The board of directors is tasked with the obligation and the responsibility of administering changes and operations that support the mission of the organization to realize its vision. Kenya in the recent past, has witnessed a number of organizations listed in the NSE collapsing with the board of directors taking the blame. Specifically, the study sought to establish the association between; board diversity, board independence, board size and financial performance of government-owned sugar manufacturing companies in Kenya. The study sought to determine whether firm attributes have a moderating impact on the relationship between board characteristics and financial results of Kenyan government-owned sugar manufacturing companies. The study adopted the Agency Theory and Stewardship Theory. The study targeted the Government-Owned Sugar manufacturing companies in Kenya during the years 2000 to 2016 when the companies were operational. The study used secondary data where panel data was used. The findings indicated that board diversity and financial performance of government-owned sugar manufacturing companies. In addition, board independence and financial performance of government-owned sugar manufacturing companies was also significant. Board Size had a positive but insignificant relationship with financial performance of government-owned sugar manufacturing companies in Kenya. Firm attributes had no significant moderating effect on the relationship between board characteristics and financial performance of government-owned sugar manufacturing companies. The study recommended that the board members should consist of at least half gender diversity of the board members as determined by the board based on the requirements stipulated by the trade authority. Further, the study recommended that the board members must be independent directors, and their independence should be continuously maintained and reviewed at least annually.

Keywords: *Board Diversity, Board Independence, Board Size, Firm Attributes & Financial Performance*

1.1 Introduction

Financial performance is of strategic importance to corporations. This is largely because, it is essential for the survival of corporations in the competitive and uncertain environment (Kegode, 2015). Diversity of managers and board of directors members has been one of the most important board of directors characteristic issues; thus, corporate financial reporting. Gender diversity promotes different ways of thinking (Al-Matari, Al-Swidi, Fadzil & Al-Matari, 2016). Companies involving more women on board of directors and senior management levels reflect protecting the interests' of various stakeholders; thus, a positive relationship is expected between women's presence on board of directors and senior management and corporate financial reporting (Arslan, Zaman, Malik & Mehmood, 2014). Females bring different characteristics to board of directorss where they are perceived to have a more participative, democratic and communal leadership style (Liao, 2015). This may lead to improved board of directors effectiveness as a result of the improved quality of board of directors deliberations and better supervision of the firm's financial reporting

The sugar industry in Kenya is vital to the economic growth as a source of revenue for stakeholders along the business process, as well as a source of sugar for consumption and as a raw material for industries (Obange, Onyango, & Siringi, 2017). Moreover, agriculture is generally considered as the main economic sectors and is projected to inspire growth in Kenya's economy to a projected 10% of GDP annually from 2008 to 2030, according to MoALF (2015) in its revised Strategic Plan 2013 – 2017 (MoALF, 2015). The sugar cane sector in Kenya generates an approximate income of Kshs. 13 billion annually, its source of employment to over 600,000 people and directly and indirectly gives support to over 6 million people (Obange *et al.,* 2017). Despite the importance of the sector, government sugar manufacturing firms in Kenya are faced with a huge debt burden, high input, sugar production prices and recurring poor performance (KSB, 2016). On the other hand, economic liberalization as a result of the COMESA and WTO agreements, high production costs, poor state of some factories, poor state of highways, inadequate research and insufficiently funded KSB, Strategic plan are all obstacles that the industry continues to face (Kegode, 2015).

Additionally in the Kenyan sugarcane industry especially the government owned, there are some serious issues with the deteriorating working conditions. Then again, most of the sugar companies have resulted to privatization. The sugar market has then been liberalized which has encouraged low priced sugar to enter Kenya market. Kenya is struggling with high cost of production, mismanagement of the sugar companies and corruption (Obange *et al.*, 2017). Due to liberalization government have stop paying farmers and most parastatal based sugar companies has been set for privatization. Liberalizing the sugar industry would result to cheap importation of sugar killing the local sugar (Kegode, 2015). The sugar industry in Kenya has been existence since the early 1920s with the creation of initial sugar factories. A report by the Export Processing Zone Authority (2005) indicated that the sugar industry supports more than five million people in the country; representing more than 15% of the entire Kenyan population. The flat regions largely in the Western, Nyanza, and Coastal regions of Kenya are predominantly where sugarcane is grown in Kenya.

Past research has indicated that about 80-85% of the cane supply comes from small-scale growers while 15-20% is supplied by the nucleus estates of the sugar companies. The sector has had immense challenges with most industries requiring bailout from the government; for instance, Miwani and Muhoroni are currently under receivership (Sucam, 2013). Over 150 smaller, artisanal

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sugar factories compete for cane with the larger factories in Kenya's sugar industry (Harding, 2005). Agro-chemical and Food Company, which began in the early 1980s with a government interest, is another related industry. This scenario has boosted rural infrastructure growth, including feeder roads and transportation services, as well as medical and other social services all of which are critical to western Kenya's economic well-being. Kenya has 11 sugar factories with an annual production capacity of about 600,000 tons of sugar, compared to the annual domestic demand of 800,000 tons, resulting in a 200,000-ton shortfall. Private investments in the sugar industry in Kenya began in 1922 at Miwani, followed by the Ramisi sugar company in 1927 (KSB, Strategic plan 2009 -2014). Despite being the first established government owned sugar companies, they have since closed operations. Muhoroni Sugar Company was the third established sugar parastatal in 1966 and is currently under receivership, (KSB, Service charter, 2010).

1.2 Problem Statement

Kenya's manufacturing sector expanded at a rate of 3.5 percent in 2016 and 3.2 percent in 2015, accounting for 10.3 percent of the country's GDP (KNBS, 2018). Manufacturing, on the other hand, has been rising at a slower pace than the economy, which grew by 5.6 percent in 2015. This means that manufacturing's share of GDP has been decreasing over time. It is therefore not surprising that, the performance of sugar manufacturing companies in Kenya over the past decade has been depreciating, with manufacturing growth of 4.3 percent significantly lagging overall economic growth of 6.2 percent (World Bank, 2017).

As a remedy, good corporate governance tries to oversee business goals by regulating relationships between top management, the board of directors, shareholders, and other stakeholders (OECD, 2015). The need of proper corporate governance systems in reducing the excessive vulnerability of corporations, particularly government-owned entities where board members are nominated arbitrarily by the executive, demonstrates the link between board characteristics and financial performance (Titman & Wessel, 2018). In the existing literature review, the relationship between the board of characteristics and financial performance is largely debated in the context of establishing the relevance and role of good corporate governance board in supervising the activities of the company and decision making consequently affecting the capability to successfully engage in reaching the objectives of the firm for instance; (Ireri, 2013; Cooper *et al.*, 2015; and Titman & Wessel, 2018).

Biase and Onorato (2021) study however, submitted recently that there are few studies in the literature on how the characteristics of boards of directors affect the performance especially under the control effect of firm characteristics for instance firm age. Although there is a strong belief that corporate governance is critical to firm success, especially at the board level, empirical evidence has not been particularly helpful in this regard. There has been inconsistency in the findings by various studies. For instance, the studies by Muigai (2011), Charas (2014) and Victor *et al.*, (2014) discovered a correlation between board composition and financial results. However, other studies (Raymond *et al.*, 2010; Horvath & Spirollari, 2012) are inconclusive. The existing studies find limited support that financial results are strongly linked to board characteristics. The disparities in results are due in part to methodological shortcomings caused by incorrect conceptualization and poor methodology (Lawal, 2012). To bridge this gap, the current study used a model which incorporates the moderating effect of firm attributes so as to rid the notion of a direct relationship.

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1.3 Objectives of the study

i. To examine the effect of board diversity on financial performance of Kenyan government-owned sugar manufacturing companies
ii. To ascertain the effect of board independence on financial performance of Kenyan government-owned sugar manufacturing companies
iii. To establish the effect of board size on financial performance of Kenyan government-owned sugar manufacturing companies
iv. To determine the moderating effect of firm attributes on the relationship between board characteristics and financial performance of Kenyan government-owned sugar manufacturing companies

1.4 Research Hypotheses

H_{o1}: Board diversity has no significant effect on financial performance of Kenyan government-owned sugar manufacturing companies.

H_{o2}: Board independence has no significant effect on the financial performance of Kenyan government-owned sugar manufacturing companies.

H_{o3}: Board size has no significant effect on financial performance of Kenyan government-owned sugar manufacturing companies.

H_{o4}: Firm attribute has no significant moderating effect on the relationship between board characteristics and financial performance of Kenyan government-owned sugar manufacturing companies.

2.1 Theoretical Review

2.1.1 Agency Theory

The principal and the agent's interests often diverge, according to agency theory, because of the division of ownership and control in modern companies (Hoskisson *et al.*, 1999). In view of that, managers must be controlled using monitoring mechanisms that observe their deviant behaviors (Achim, Borlea, & Mare, 2016). Good corporate governance, according to the agency model proposition, must balance the conflict of interests between the managers and stakeholders. Since the agency supposition suggests that the board of directors serves as members of the company's various shareholders and stakeholders for monitoring and managing the actions of the managers, a board with a large number of directors is desired for the proposed research (Achim *et al.*, 2016). In application to the study, agency theory stems from verification of the determinants of board composition with regards to board size and independence. The agency literature suggests that outside directors on the board, managerial equity ownership, dividend payments, and debt leverage also serve as important devices in reducing agency conflicts in firms and provide important monitoring functions. Additionally, larger boards allow for efficient oversight by reducing the CEO's dominance on the board and protecting shareholders' interests. They further highlighted that, the independence of a board is fundamental to the best interests of shareholders. Therefore, agency theorists advocate the need for 15 non-executive directors as they can best represent the shareholder interests.

2.1.2 The Stewardship Theory

The Stewardship Theory asserts that agents are responsible stewards of resources entrusted to them, rendering monitoring unnecessary. This is in divergence with the theory of agency which makes an assumption that agents and principals possess conflicting interests (Bathula, 2008). The Stewardship Theory is based on the premise that, given the option between self-serving actions and pro-organizational behavior, a steward would prioritize cooperation over defection (Davis, Schoorman, & Donaldson, 1997). The Stewardship Theory applies to the study from the pedestal that it proposes how and why company executives protect the interests of the owners or shareholders and make decisions on their behalf. This adequately covers for board diversity such that a good steward is keen to defend their standing as skilful decision makers and as a result the directors run the firms in a manner that capitalize on monetary performance as this performance influences on discrete performance.

2.2 Empirical Literature

A study conducted by assessed Daiily and Daliton (2013) expressed that expanding board gender orientation enhanced the making of leaderships decisions, as a more extensive assortment of perspectives and issues are viewed and a more extensive scope of results. The more female executives may empower more participative correspondence among board individuals, in the event that one expect that gender contrasts in authority styles, as confirm in a few examinations, likewise occur at the board levels, if female executives are more involving, majority rule and integrated than men. By involving more ladies on a board could be energize more and have open discussions amongest individuals from the board. A more extensive viewpoint may empower the board to better evaluate the necessities of assorted partners, the outcome may improve the board's capacity to viably address disclosure exposure issues.

According to Adams and Ferreira (2013) on their study on women in the boardroom and their impact on governance and performance, the study states that representation of women at the board level is still low. Concerned by the low representation of ladies on the board, number nations are instituting laws to encourage expanded cooperation of ladies. The contention that has been advanced is that there is a connection between ladies portrayal on the board and enhanced firm performance. Higher extent of ladies directors at the board corresponds with better firm performance. A more differing top managerial staff may provoke a predominant cognizance of business sectors that are themselves expanded similar to gender orientation, increment firm imagination and inventiveness, enhance basic leadership as more choices are assessed, select more beneficial board individuals, and enhance the picture of the firm.

Anis, Chizema, Lui, and Fakhreldin (2017) found that the Egyptian capital market is still emerging and lacks reasonable investors in their research on the effect of board characteristics on firms' financial results of Egyptian listed companies. As a result, Egypt needs institutions to take on the challenge of cultivating more sophisticated investors in the market. They also stated that while investor education is expensive and time consuming, the government should consider taking responsibility for providing technical training to assist investors if it really intends to grow the capital market.

Cheing and Courteinay (2016) saw that independent executives have a significant motivating to perform out their basic leadership to keep up their standing and reputation. The existence of

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independent executives on boards could heighten the nature of financial statements. For instance, they are related with less revenue management. Such findings might be owing to the positive relationship between the quantity of autonomous executives and firms' optional choices to expand the degree of independence on the review board of trustees over the recommended least. Chen and Jaggi (2009) expressed that incorporation of autonomous non-official directors on corporate board enhances the thoroughness and nature of revelation. They additionally states propose that bankrupt firms have a tendency to have a lower extent of outside directors.

Abeysekera (2010) conducted a study on the effect of the size of board on capital disclosure in firms at the NSE. The investigation utilized the best 26 firms positioned by the Nairobi Securities Exchange for market capitalization between 2002 and in 2003 and analyzed, the impact of board on company's disclosure. The investigation distinguished capital exposure by three various classifications: the human capital, external capital and finally internal capital. The results showed that for firms that more versus those that revealed less, utilizing the mean for all organizations for every exposure result. Utilizing logistic regression, the examination broke down the effect of board estimate on each exposure result and found that associations unveiling more inward capital and more key human capital had greater boards. The outcomes gave learning into how a greater board size can support boards with defeating capacity insufficiencies in making additional strategies for self-interests especially on salaries.

Okiro (2016) examined the connection between board size and board composition on firm performance utilizing selected organizations at the Nairobi Stock Exchange. He established there was no noteworthy connection on the size of the board and the disclosure of the firms. Baker and Gompers (2013) point out that organizations with complex organizations require bigger boards due to the troubles engaged with observing and instructing such firms and furthermore prerequisite concerning more noteworthy linkages to the outer condition. Extensive boards are generally greater than little boards and, therefore, are viewed as essential for authoritative adequacy and help fortify the connection amongst partnerships and their surroundings, give guidance and exhortation in regards to key alternatives for the firm and assume a vital part in making corporate personality. Further, expansive boards, individuals with differing foundations convey learning and brains to the boardroom.

Wanjiku *et al.*, (2014) found out that the older the firms, the greater the likelihood for them to have strong internal control mechanisms and that, the age of the company has also an ambiguous effect on company performance. Namita and Bharti, (2015) evaluation study on shareholder types, corporate governance and firm performance however, submitted that, older firms are more efficient than younger firms, hence a higher financial performance. The study used firm age as one of the moderating variables of firm attributes so as to determine how it influences the direct link between board characteristics and financial performance.

Omesa (2015) conducted a study on effect of liquidity on the financial performance of financial institutions listed in the Nairobi securities exchange. The study adopted descriptive research design where secondary data was retrieved from the balance sheets, income statements and notes of 19 financial institutions in the NSE for period covering 2010-2014. The results indicated that the relationship between liquidity and financial performance is weak with an adjusted R2 of 55.17% and that capital structure had a significant relationship with ROA while liquidity had an insignificant relationship. The results further show that there is a negative relationship between

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NSE listed financial institutions' cash position indicator with ROA. This might be explained with the view that with inadequate cash position, then the firm borrow at possible high interest rate costs and thus reduce the firm's financial performance. The study concluded that liquidity management is not a contributor alone of the firm's financial performance and there exist other variable that influence ROA.

2.3 Conceptual Framework

The conceptual structure depicts the relationship between the study variables in diagrammatic form. The study categorized board characteristics into: board diversity, board independence and board size and try to establish the influence they exert on the pecuniary performance. Additionally, the study will try to verify the moderating effect of firm attributes between board characteristics and financial performance. The dependent variable for the study: financial performance of government-owned sugar manufacturing companies in Kenya.

Independent Variables **Dependent Variable**

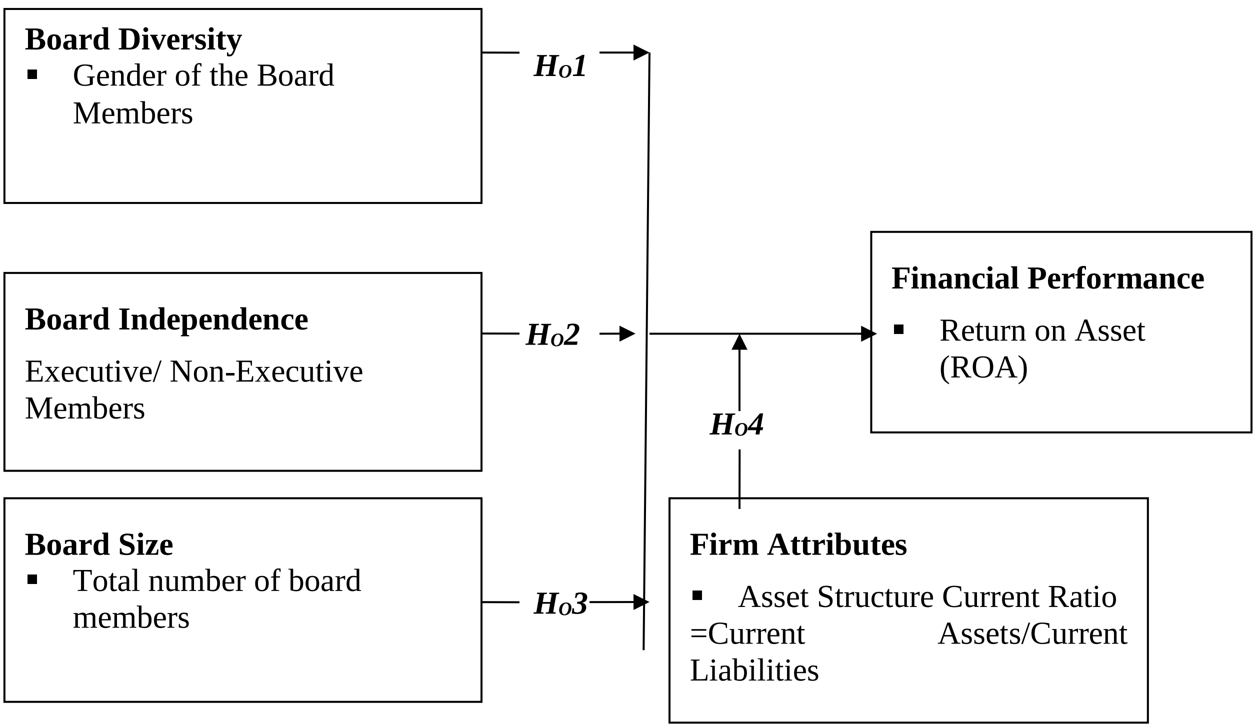

Figure 1: Conceptual Framework

3.1 Methodology

The study adopted the descriptive research design. The study targeted the Government-Owned Sugar manufacturing companies in Kenya during the years 2000 to 2016 when the companies were operational. The study used secondary data where panel data was used. Panel data was consolidated and used in the analysis as it deals with the observations on the same subjects in different times. STATA software was used to analyze the data collected.

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4.1 Results and Findings

4.2 Descriptive Statistics

The descriptive statistics shows the mean, standard deviation, minimum and maximum values of the variables Financial Performance (ROA), Board Diversity, Board Independence and Firm Attribute (Current Ratio) for the sugar companies. The results are depicted in ratios/percentage and are presented in Table 1.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Return on Assets	102	0.017	0.007	0.009	0.030
Board Diversity	102	0.271	0.118	0.100	0.500
Board Independence	102	0.268	0.114	0.110	0.510
Board Size	102	9	2	7	14
Firm Attribute (Current Ratio)	102	0.471	0.130	0.300	0.700

Return on Assets had a mean of 0.017 and a standard deviation of 0.007. The Return on Assets mean of 1.7% implied that most of the Kenyan government-owned sugar manufacturing companies had low returns from their assets. The Board Diversity ratio of women to men had a mean of 0.271 and a standard deviation of 0.118. This implied that on average, the number of women were less than half the total board members. The Board Independence ratio of non-executive to executive members had a mean of 0.268 and a standard deviation of 0.114. This implied that on average, the number of non-executive to executive members were less than half the total board members. Board size members had a mean of 9 members and a standard deviation of 2. This implied that on average, the number of board members were 9 over the study period. Firm Attribute as depicted by the Current Ratio had a mean of 0.471 and a standard deviation of 0.130. This implied that most of the Kenyan government-owned sugar manufacturing companies had low current assets as compared to their current liabilities. This is also depicted by the minimum of 30% implying that some of the Kenyan government-owned sugar manufacturing companies had 3 times less current assets to current liabilities.

4.3 Regression Analysis

The regression includes techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent and one or more independent variables. The results before moderation are presented in Table 2.

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Table 2: Regression Analysis

ROA	Coef.	Std. Err.	z	P>|z|
Board Diversity	0.0328	0.0048	6.780	0.000
Board Independence	0.0207	0.0050	4.170	0.000
Board Size	0.0001	0.0002	0.720	0.470
_cons	0.0011	0.0020	0.540	0.586
Wald chi2(4)	216.30			
Prob>chi2	0.000			
R squared Overall	0.6882			

The regression equation was as shown below;

$Y_{it} = 0.0011 + 0.0328X_{1it} + 0.0207X_{2it} + 0.0001X_{3it}$

Where;

Y= Financial Performance

X_{1it} = Board Diversity of Company *i* at time *t*

X_{2it} = Board Independence of Company *i* at time *t*

X_{3it} = Board Size of Company *i* at time *t*

The overall R squared of 0.6882 implied that the variables namely Board Diversity, Board Independence and Board Size explained 68.82% on the variations on financial performance of government-owned sugar manufacturing companies in Kenya. The overall model was significant as indicated by the Prob>chi2 of 0.000 with a Wald chi2 (4) of 216.30. In addition, the constant of 0.0011 showed that when board diversity, board independence and board size are held constant, on financial performance of government-owned sugar manufacturing companies in Kenya will remain at 0.0011 units.

The results further portrayed a positive and significant relationship between Board Diversity and financial performance of government-owned sugar manufacturing companies in Kenya (β= 0.0328, p=0.000). There was a positive and significant relationship between Board Independence and financial performance of government-owned sugar manufacturing companies in Kenya (β= 0.0207, p= 0.000). Lastly, Board Size had a positive but insignificant relationship with financial performance of government-owned sugar manufacturing companies in Kenya (β= 0.0001, p= 0.0470). Husie and Soliberg (2016) established that females contribute on corporate boards by making partnerships, planning and association, partaking in imperative choices, taking influential positions and being noticeable. Bujaki and McConomy (2012) also found that organizations with more independent directors would probably reveal corporate governance information.

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Moderating Effect of Firm Attribute

The fourth objective was to determine the moderating effect of firm attributes on the relationship between board characteristics and financial performance of Kenyan government-owned sugar manufacturing companies. Each of the independent variables was moderated by the variable Firm Attribute (Current Ratio). Results for the moderation effect are presented in Table 3.

Table 3: Moderating Effect

ROA	Coef.	Std. Err.	z	P>|z|
Board Diversity *Firm Attribute	0.0235	0.0061	3.84	0.000
Board Independence*Firm Attribute	0.0143	0.0057	2.52	0.012
Board Size*Firm Attribute	0.0177	0.0055	3.19	0.001
_cons	0.0018	0.0011	1.72	0.086
Wald chi2(4)	225.74			
Prob>chi2	0.000			
R squared Overall	0.6973			

The regression equation was as shown below;

$Y_{it} = 0.0018 + 0.0235X^*M_{1it} + 0.0143X^*M_{2it} + 0.0177X^*M_{3it}$

Where;

Y= Financial Performance

X_{1it} = Board Diversity of Company *i* at time *t*

X_{2it} = Board Independence of Company *i* at time *t*

X_{3it} = Board Size of Company *i* at time *t*

M= Moderation Term (Current Ratio)

The overall R squared of 0.6973 implied that when interacted with firm attribute of current ratio, Board Diversity, Board Independence and Board Size explained 69.73% on the variations on financial performance of government-owned sugar manufacturing companies in Kenya. The overall model was significant as indicated by the Prob>chi2 of 0.000 with a Wald chi2 (4) of 225.74. In addition, the constant of 0.0018 showed that when the interaction of firm attribute with Board Diversity, Board Independence and Board Size are held constant, financial performance of government-owned sugar manufacturing companies in Kenya will remain at 0.0018 units.

The results further portrayed a positive and significant relationship between Board Diversity moderated with Firm Attribute and financial performance of government-owned sugar manufacturing companies in Kenya (β= 0.0235, p=0.000). There was a positive and significant relationship between Board Independence moderated with Firm Attribute and financial performance of government-owned sugar manufacturing companies in Kenya (β= 0.0143, p= 0.012). Lastly, Board Size moderated with Firm Attribute had a positive but insignificant relationship with financial performance of government-owned sugar manufacturing companies in

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Kenya (β= 0.0177, p= 0.001). This is consistent with Sanghani (2014) who investigated the effect of current ratio on financial performance of non-financial companies listed at the NSE. The study established that current ratio positively affects the financial performance of non-financial companies listed at the NSE. The study also revealed that an increase in operating cash flow ratio positively affects the financial performance of non-financial companies listed at the NSE.

5.1 Conclusion

Based on the study findings, the study concluded that board diversity with more female board members was suitable for enhanced financial performance of government-owned sugar manufacturing companies. Board gender orientation enhances the making of leaderships decisions, as a more extensive assortment of perspectives and issues are viewed and a more extensive scope of results. The female executives may empower more participative correspondence among board individuals. Female executives are more involving, majority rule and integrated than men. By involving more female members on a boards could be energize more and have open discussions amongst individuals from the board.

The study concluded that board independence was vital in determining financial performance of government-owned sugar manufacturing companies. The existence of independent executives on boards raises the nature of financial performance, as they are independent. Companies with of independent non-official directors on corporate board enhances the thoroughness and financial performance. Independent executives are more compelling in participating in the company's performance.

The study concluded that the board size was crucial in determination of financial performance of government-owned sugar manufacturing companies. Expansion of the board individuals enhances the ability of the board in observing and controlling administration activities. This controls and maintains the truthfulness and honesty of corporate information of the company. As bigger boards have diverse capabilities and various opinions, it expands their observing limits, and upgrades the company's divulgence arrangements report a positive effect between the size of the board and degree of intentional exposure, showing a board's capacity to impact directors to seek finacial perfomance. Extended boards are thus essential for management suitability and help fortify the connection amongst partnerships and their surroundings, give guidance and exhortation in regards to key alternatives for the firm and undertake a vital part in making corporate personality. Further, larger board size members with differing expertise convey knowledge and intelligences to the boardroom.

Lastly, the study concluded that firm attributes were significant in moderating the relationship between board characteristics and financial performance of government-owned sugar manufacturing companies. The study found that government-owned sugar manufacturing companies had low current assets as compared to their current liabilities. This implying that some of the government-owned sugar manufacturing companies had low current assets to current liabilities and thus not able to meet short term financial obligations. The current assets enables the companies meet their short term cash requirements.

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6.1 Recommendation

The study recommends that the board members should consist of at least half gender diversity of the board members as determined by the board based on the requirements stipulated by the trade authority. Board members should review their composition periodically to confirm that members have the knowledge and experience they need to be effective. In addition to industry knowledge, board members should have a strong grasp of internal control over financial reporting and financial reporting and accounting issues such as revenue recognition, pensions and other postemployment benefits, financial instruments, and critical accounting policies.

Further, the study recommends that the board members must be independent directors, and their independence should be continuously maintained and reviewed at least annually. The sugar manufacturing companies should have policies in place to allow timely identification of changing relationships or circumstances that may affect the independence of board members. The study recommends that the sugar manufacturing companies should strategize ways to strengthen the independence of the board members by having a balance between the executive and non-executive board members.

The study recommends that the board structure has a direct impact over the firm's financial and reputational performance and must be carefully analyzed by shareholders to balance the size according to expected results and firm's features like family ownership, exportation activities and norms of stock markets.

Firm attributes are a crucial factor on financial performance of the sugar manufacturing companies. As indicated by the significant impact of the current ratio, inability to meet the short-term liabilities may affect the company's operations and in many cases, it may affect its reputation too. Lack of cash or liquid assets on hand may force a company to miss the incentives given by the suppliers of credit, services, and goods. The study recommends that the companies maintain a balanced current assets to current liabilities to be able to meet their current cash needs.

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