

**IMPACT OF A DIVERSE BOARD ON THE FINANCIAL EFFICIENCY OF CORPORATIONS
IN NIGERIA**

¹Emmanuel Atagboro *PhD, MNAA* & ²Tonye Ogiriki *PhD*

¹Lecturer 1, Department of Accounting, Faculty of Management Sciences, Niger Delta University, Wilberforce Island, Amassoma, Bayelsa State. ²Associate Professor, Department of Accounting, Management Sciences, Niger Delta University, Amassoma, Bayelsa State, Nigeria

Email: atagboroemmanuel@yahoo.com, atagboroemmanuel@ndu.edu.com, tonyeogiriki@gmail.com

ABSTRACT

This study aimed to determine if and how a more diverse board of directors impacted financial efficiency at Nigerian corporations. Twenty-two (22) deposit money banks traded on the Nigerian Exchange Group had their 2020 audited financial reports combed through for supplementary information. Research employed Ordinary Least Squares estimation through the E-views statistical software. The return on assets was the dependent variable, whereas the size of the board, the makeup of the board, and the percentage of women on the board were the independent factors. According to the results of a regression analysis, the nationality of board members has little affect on the return on assets, although the gender and size of the board both have substantial effects. According to the study's findings, Nigerian businesses benefited greatly from having more ethnically and racially diverse board members. Banks were instructed to increase the number of women on their boards and reduce the number of foreign board associates because there is no link between the nationality of board memberships and the rate of return on assets. In addition, the board should not be excessively huge but rather made up of knowledgeable specialists.

Keywords: *Board gender, board nationality and board size, and Financial Performance*

INTRODUCTION

There have been major shifts in business operations and corporate governance procedures during the past few decades. Improvements in corporate performance and accountability are the fundamental means through which corporate governance seeks to increase shareholder value and safeguard the interests of all of the firm's stakeholders. This fulfills the company's ethical obligation to maximize both shareholder wealth and the welfare of all stakeholders (Ibrahim & Abdullahi, 2019). Management that maximizes profits is in everyone's best interest, including that of the company's creditors, host societies, providers, stockholders, workers, customers, and the government. Increased tax income is one way in which good corporate governance encourages capital formation; this money is used by the government for things like infrastructure improvement (Okoye, Evbuomwan, Achugamonu & Araghan, 2016). To strike a balance between shareholder wealth and the interests of other participants, the board of executives has been regarded as a critical instrument for controlling and supervising corporate operations.

The board of directors' duties extend beyond just formulating corporate strategy; they also often oversee the hiring, performance evaluation, and compensation of senior executives (Minguez & Campbell, 2010). The board's mission is to safeguard shareholder value by focusing management on maximizing return on investment (Mahadeo, Soobaroyen & Hanuman, 2012). Ujunwa (2012) claims that a corporation's financial efficiency is heavily rely on the makeup of its board of directors. While there is widespread agreement that directors have the ability to affect business performance, the extent to which diversity contributes to this is still a point of contention in the field of corporate governance. Diversity fosters debate, idea exchange, and group performance, since a more varied board will bring a variety of views and insights to the task of confronting and resolving problems. On the other hand, this will eventually result in increased

organizational value and performance as a result of improved decision-making (Minguez & Campbell, 2010).

Following that, Hilb (2012) asserted that board diversity is critical for the generation of brilliant ideas. He also insisted that bringing together people of different generations, ethnicities, academic fields, and sexes is the best way to increase differences. It's important to note, nevertheless, that only well managed variety may turn into a market advantage. It is important to build a diverse board based on strategic considerations. To promote corporate governance, regulation advises that directors come from a variety of backgrounds to ensure the board's independence (Hewa-Wellalage & Locke, 2012). In light of this, this study will explore the inspiration of board multiplicity on financial efficiency of organizations in Nigeria.

Statement of the Problem

Globalization has had a profound effect on the composition and degree of diversity inside organizations, as well as on external issues such as international competitive pressure, new technology, market instability, and societal changes, all of which contribute to today's complicated business climate (Woschkowiak, 2018). Demands from shareholders and institutional investors for greater diversity in corporate and board leadership have brought this issue to the forefront of the public consciousness, where it has been debated in the press and in political circles (Adams, 2015). However, Nigeria periodically encountered crises owing to deteriorating profitability and a lack of public trust in banking operations due to insufficient governance standards until 2003, when the country adopted the SEC's corporate power guideline. Large amounts of non-performing debt can be traced back to institutions' reckless lending practices, including directors' loans to themselves and staff' collusion with outsiders to cheat banks (Akpan & Riman, 2012). The code was not written with the banking industry in mind, but it does aim to limit corporate malfeasance and advance environmentally friendly methods of doing business.

Numerous attempts have been made to examine how having a varied board of executives affects the success of a business, but the results have been inconsistently published in academic journals and professional journals concerned with accounting. Having a board with a wide range of perspectives has been linked to increased profits for businesses in a number of studies (Erhardt, Werbel & Shrader, 2003). Inconclusive research suggests a positive correlation between board diversity and profits, though (Braendle, Stiglbauer, Ababneh & Dedousis, 2020; Adams & Ferreira, 2019). Researchers in these works examined various facets of board diversity. Age, color, nationality, and gender are other factors. Despite the extant studies of research and varied results, the trend from revisions and reviews of corporate governance laws demonstrates a continuing need to examine board characteristics that increase performance and decrease business failures and scandals (Ujunwa, Nwakoby & Ugbam, 2012). In light of this, the drive of this study was to analyze how having a varied board affects the bottom line of businesses in Nigeria.

Research Questions

As a result of these purposes, this investigation seeks to answer the following research questions.

- i. To what extent does board gender significantly affect firms' Return on Assets(ROA)?
- ii. To what extent does board nationality significantly affect firms' ROA?
- iii. To what extent does board size significantly affect firm's ROA?

Research Hypotheses

The following research propositions were constructed in null basis to guide the researcher.

Ho₁: There is no substantial effect of board gender on ROA of Firms in Nigeria.

Ho₂: Board nationality has no momentous effect on firms' ROA in Nigeria.

Ho₃: There is no substantial effect of board size on ROA of Organizations in Nigeria.

This study's significance cannot be overstated since it will aid in maximizing the favorable upshot of board multiplicity on the financial efficiency of corporations in Nigeria. At the management and

policy levels, firms will use research findings to strengthen their boards, particularly in terms of gender and nationality diversity. Additionally, this study will act as a reference and source of information for researchers interested in any of the variables under study.

Review of Literature

Conceptual Framework

Corporate Governance

Company law in Nigeria predates the country's independence from the United Kingdom in 1960, during the colonial era. However, the British colonial government enforced a system of Anglo-Saxon commercial law and regulation before to independence (Adegbite & Nakajima, 2011). Throughout this period, Nigerian companies were controlled by the rules of British-derived company legislation. Nigeria received the Anglo-Saxon corporate governance structure as a result (Okike, 2017). After gaining independence, Nigeria's government repealed the 1922 Companies Ordinance and replaced it with the 1968 Companies Act, which was modeled after the 1948 UK Companies Act. As a result, in England, America, and Canada, the reaction to the difficulties caused by the Board's ineffectiveness and a lack of market leadership in corporate performance began. But in a very short time, the private sector has both defined and expanded the scope of that ecosystem (Baghani, Rivandy & Saghiri, 2014).

Numerous researchers and organizations have taken positions on company administration. According to Baghani et al. (2014), company administration is described as the process through which a corporation ensures its performance, objectives, and goals are met by enhancing its credibility, competence, transparency, communication, and accountability. According to Monks and Minow (2008), company administration is a framework that ensures an equitable distribution of authority among management, the board of executives, and the corporation's shareholders. The International Finance Corporation (2012) also provided a definition of company administration as a framework by which businesses are guided and governed. They continued by describing governance as a critical component of sustainable growth since it not only helps firms attract investment and thrive, but also makes them more responsible. Thomsen and Conyon (2012) adopted a definition similar to that of the International Finance Corporation, defining corporate governance as the process of controlling and directing firms through ownership, the board of executives, company law, incentive, and other methods. Additionally, they observed that the majority of these corporate governance procedures are more critical than others. Forms of informal governance, such as the law, ownership, boards of directors, incentives, and stakeholder pressure, are included here. However, each method has its own benefits and drawbacks, and the vast majority are obligatory for improving an organization's financial performance.

Corporate governance's primary goal under a stockholder wealth model is to maximize returns to stockholders. To accomplish this goal, strong corporate governance should place a premium on the board of executives developing and implementing stratagems that ensure corporation development and value enhancement while also accommodating the interests of other stakeholders (Moffett, Stonehill & Eiteman, 2016). Boards should act in the company's and shareholders' best interests, be fully educated, treat all stakeholders equally, and adhere to high ethical standards. The next section will explore the board of directors in further detail with regards to diversity (Okike, 2017).

Diversity

Diversity in an executive board is necessary to provide sound corporate management of a company. The Nigerian Code of Corporate Administration further bolsters the value of a diverse Board of Directors by requiring that the Committee be created in a fashion that ensures a broad variety of perspectives without compromising on legality, honesty, accessibility, liberation (Obigbemi, Omolehinwa, Mukoro, Ben-Caleb & Olusanmi, 2016). Studies of diversity may be broken down into two categories. Both demographic and cognitive factors are at play here.

Differences in age, gender, color, ethnicity, and so on might be addressed from a sociological point of view, whereas differences in intelligence can be seen from a psychological or philosophical vantage point (Omoye, Alade & Eriki, 2013). The demographic viewpoint looks at characteristics that are by definition unchangeable since they are fundamental. The cognitive viewpoint, on the other hand, is grounded in observable characteristics that are susceptible to learning and growth. These cognitive attributes cannot be noticed at first glance but can only be detected by long-term observation and questioning.

Board Diversity

Diversity on a corporate board has been shown to improve decision making since it brings together individuals with a wide range of backgrounds, viewpoints, and expertise. In most cases, a multicultural company is better able to attract and keep talented employees (Mazur & Bialostocka, 2010). Since many definitions of diversity center on the varying score of subjects within a group on a given trait, Harrison and Klein (2017) tackled a challenging topic on the idea of diversity in research, identifying a disparity on how researchers define diversity. As Harrison and Klein (2017) pointed out, these definitions still leave open the question of how and on what type of feature these topics vary. In their article, they advocated classifying people according to three types of transformations: Separation, Variety, and Disparity (Harrison & Klein, 2017).

- **Separation:** This suggests that there is a difference between the individuals on the horizontal axis. Ethical beliefs, norms, aims, and methods are some examples.
- **Variety:** This type of variety may be categorized by the subjects' place in society (qualitative groups). For example, diversity through variety may describe a project team made up of people with different areas of competence.
- **Disparity:** this implies that individuals possess varying shares of socially valuable goods or resources. Examples might include varying degrees of remuneration, social status, or decision-making authority (Harrison & Klein, 2017).

When used to the context of this paper, however, diversity can be understood to include the presence of both gender and ethnic variety on corporate boards.

Diversity of Board Gender

Scholars and academics are increasingly interested in gender variety on boards, and the matter has become widely debated in the general and business press. In 2008, women made up 16% of board members in the United States, and 89% of boards included at least one-woman director. There are now more women than there were in 2003 (13%), indicating that women are increasingly taking positions of power on boards of directors (Larcker & Tayan, 2011). Still, women make up a disproportionately small percentage of board members compared to their overall population representation.

More women in leadership roles has been shown to improve business outcomes and boost bottom lines in the past. For instance, women may have a different way of weighing the pros and disadvantages of certain actions than males do, which may result in better decision making. Having women on board can also promote autonomy by decreasing the social similarities that lead to hasty agreement (Adams & Ferreira, 2019). Female directors, according to Adams, Gray, and Nowland's (2010) argument, are more likely to think for themselves and to make the oversight process more effective.

Board Nationality

As the world becomes increasingly interconnected, several businesses have adjusted their board composition to include more non-Americans (Oxelheim, Gregoric, Randoy & Thomsen, 2013). This change is predicated on the belief that having a diverse board of directors, including members from outside the United States, will lead to more creative and effective investment and operational strategies. To this end, corporations have benefited from the worldwide connections and resources made possible by their foreign directors (Oxelheim et al. 2013). Such evidence demonstrates the

competitive benefits organizations may get from hiring directors from a variety of backgrounds and cultures. With their combined expertise, the board of directors is better equipped to adapt to shifting market conditions and go on profitably.

Board Size

The number of members on a corporation's board of executives is subject to change from one organization to the next. The average size of a medium to big business is ten people. Of course, not all businesses use a board of directors. It is not required to have a board of executives. This may be affected by the corporation's size. Consequently, the board of executives of many SME's and MFI's is often rather small. In addition, a bigger number of board members is often necessary to oversee the operations of a larger organization. As the board grows in size, it will be better able to perform its oversight duties. One drawback of having a larger group is that it may be more difficult to communicate and make decisions (Thomsen & Conyon, 2012).

Firm Performance

The idea of performance is all-encompassing, affecting every area of the business and even its relationships with its customers. Due to the consequential nature of the decisions made in the present, businesses must regularly assess their performance in all areas, including finance, production, marketing, management, and general operations (Oparanma, 2010). According to Sefiani and Bown (2013), a company's performance is an indicator of how well it's meeting its goals and objectives. As a result, success is the top concern of business owners. According to Oparanma (2010), the three tiers of management have a significant impact on an organization's overall success. According to the writers, a company's success may be gauged by looking at how it fares in the market and how it is positioned for the future. Organizational efficiency mostly manifests itself in monetary performance. While such measures of performance are essential, they alone are insufficient to assess success. Financial success is evaluated using accounting-based metrics including Return on Sales (ROS), ROA, and ROE (Fred, Omotayo, Maxwell, Adeshola, Augusta & Stephen, 2018).

Factors That Impact Businesses' Bottom Lines

Financial efficiency is a quantitative measure of an organization's financial status over a certain time period. It may also be used to investigate comparable companies in the same sector or to analyze organizations or segments within a conglomerate. This research aims to better understand the following aspects of financial efficiency:

Capital Structure

Long-term capital (common shares and reserves, hybrid securities, convertible loan stock, and bank loans) and short-term liabilities (such as an overdraft) make up a business' capital structure. One definition of a company's capital structure is its obligation composition (Nirajini, 2013). Capital structure serves as a yardstick for an organization's risk level, and fixed costs are critical, whether they are included in the production process or are incurred as fixed financial expenses. Financing or capital structure decisions are significant administrative decisions since they have an impact on shareholder return and risk (Nirajini, 2013).

According to agency theory, excluding top management and proprietorship has a detrimental upshot on corporate efficiency, as there is no motivation for management to operate at peak capacity. While debt may be utilized to promote work ethics and administrative performance, a rise in the amount of debt forces the firm into greater financial difficulties. Similarly, Wruck (1990), as described in Nirajini (2013), asserts that financial distress is more likely to cause commercial banks to fail; this alone motivates the administration to improve firm execution, as they do not wish to suffer job losses or a negative reputation as a result of bankruptcy, as was the case with Imperial Bank Limited. The performance of the company serves as a yardstick of both operating profit and relative market share.

Firm Size

From a variety of perspectives, a firm's size affects its performance. The formalization of procedures and the extensive resources available to a large organization are both essential factors in realizing economies of size and scope. Due to these factors, larger companies are able to outperform their smaller counterparts in business (Nirajini, 2013). Employee count is a commonly used metric for determining the size of a business (Konrad & Mangel, 2015). Economic theory dictates that increasing firm size takes incremental progressive conditions into account, since increased firm size enables it to raise entry barriers for new entrants and use economies of scale to achieve greater efficiency.

The positive nexus between firm size and productivity results from the implementation of more visible differentiation and specialization methods, which result in increased efficiency. Additionally, available research suggests that larger firms can benefit from economies of scale. The underlying hypothetical propositions assert that a firm's size as measured by probability can be found in the firm's obsolete points of view and the concept of economies of scale. For a variety of reasons, economies of scale occur. They can be organizational in nature, such as labor division and specialization of skills; fiscal in nature, such as a large firm increasing its credit costs and obtaining discounted rates on large purchases; or technical in nature, such as the division of high fixed costs over a critical number of units. According to this view, a positive correlation exists between firm size and benefit (Amato & Amato, 2014, Jermanis, 2016).

Macroeconomic Variables

Given the expanded financial and economic integration that exists today, no firm can claim to be unaffected by what is occurring on the international economic stage. Interest rates, inflation, and political risk all have an upshot on a firm's efficiency. A corporation's performance is strongly influenced by the environment in which it operates. Porter (2008) asserts in Nirajini (2013) that it is a crucial component of budgetary execution and that its evolution varies across industries. For example, the effect produced by the affirmation of a political threat is typically recognized as an exceptional item in accounting. Several recent studies have revealed the difficulty with this association's use of "phenomenal objects" as a tool for income equalization (Nirajini, 2013).

According to some research, the trend in the Gross Domestic Product dictates the demand for bank assets. Credit demand declines when GDP growth slows, severely affecting banks' profitability. In comparison, a growing economy, as defined by positive GDP growth, has a higher interest rate on loans due to the business cycle's nature. Credit interest is at an all-time high during the boom period, comparable to the depression era (Wainaina, 2013).

Board Diversity and Firm Performance

It has been argued that a more varied board might lead to better business results. Despite the fact that many businesses aim to have a diverse board structure, the impact that this has on their bottom line is unclear (Hassan & Marimuthu, 2018). Marimuthu (2008) and Allen, Gail, and Wheatley (2008) agree that a diverse workforce improves an organization's productivity. There is a positive nexus between the gender of board members and Tobin's Q as a measure of financial execution, a conclusion that is supported by Fan (2012). According to research conducted by Allen et al. (2008), the amount of diversity present in an organization's upper management and non-management ranks is directly correlated with the effectiveness of that company.

Theoretical Framework

This section discusses theories that underpin the concept of board diversity and corporation efficiency. The theories discussed are agency theory and signaling theory

Agency Theory (AT)

The connection between shareholders and board of directors is a contract, according to Jensen and Meckling's (1976) agency theory. According to this view, the board's watchdog function helps bring management's goals into line with those of the company's owners. This, in turn, makes it more likely that management will prioritize shareholder returns. The idea goes on to state that a well-rounded board is better equipped to handle the agency dilemma between management and shareholders, leading to improved business performance (Fama & Jensen, 1983 cited in Nicholson & Kiel, 2017).

To lessen the agency friction between owners and managers, board involvement is required. Cost and practicality prevent shareholders from always keeping an eye on management. For minority shareholders, it may be challenging to keep tabs on how their money is being used by the company's management. Therefore, shareholders established a board of directors to oversee management and protect their interests. Scholars interpreting agency theory have suggested that boards are formed when economic players decide how to address the firm's governance problems (Oxelheim, et. al., 2013). Further, AT argues that appointing a larger number of sovereign executives makes it easier to keep an eye on a corporation since managers are less likely to act in their own self-interest (Nicholson & Kiel, 2017).

Signaling Theory

In order to explain the behavior of two or more groups with information asymmetry, or the inability to share knowledge among them, signaling theory was developed. Strategies and activities for reducing information imbalance between stakeholders are part of signaling theory (Connelly, Certo, Ireland & Reutzel, 2011). Companies with diverse boards send a message to their stakeholders that they uphold important societal ideals, as described by Connelly et al. (2011). Due to informational gaps, consumers are more likely to base their opinions on a company's actions and symbols than on the facts presented to them, supporting the central tenet of signaling theory that corporations employ overt forms of communication to elevate their standing in the eyes of the public (Miller & Triana, 2016). Thus, the composition of boards sends signals to the market about the goals of companies, either knowingly or unwittingly.

Stakeholders may, therefore, interpret increased diversity on corporate boards as evidence that businesses are making efforts to incorporate a wide range of perspectives and interests into their governance processes and, ultimately, into the development and implementation of strategies and operations aimed at enhancing performance.

Social Capital Theory

The term "social capital" refers to the value of an individual's or a community's ability to form and maintain meaningful, long-term, mutually beneficial, and interdependent interactions with other people in formal settings (Sealy & Vinnicombe, 2017). The term "social capital" refers to the benefits a person or group of actors has because of their position within a larger social network. Because members of a diverse board of directors may contribute many forms of social capital, this theory argues that boards of directors should strive for more diversity. For instance, because men and women differ greatly in terms of social capital, a board that includes members from both sexes is more likely to have high levels of social capital. The same holds true for multiethnic boards (Adams & Ferreira, 2019). This is true because the many ethnicities bring with them vastly varied cultural backgrounds, which in turn produce wildly different forms of social capital (Luckerath-Rovers, 2011). Furthermore, having members of different generations on the panel of executives provides a great deal of social capital. This is due to the fact that members of all generations are able to contribute valuable information on a wide range of social capitals, and that various age groups have distinct insights demands. Therefore, a board with several sources of diversity is more likely to have high levels of social capital, and hence to outperform a board with no such variety (Carter, D'Souza, Simkins, & Simpson, 2010).

Empirical Review

The impact of a varied board on a corporation's bottom line was studied by Ombaba (2016). In this analysis, we used panel data from 2004-2014 that included information from companies that were traded on the Nairobi Securities Exchange. According to regression analysis, board liberation has a large and detrimental impact on company efficiency. The research also shows that boards with representation from both sexes have a higher Return on Assets (ROA).

Rajula (2016) studied the effect of a diverse board of executives on the bottom lines of Kenyan Deposit Money Banks. In this investigation, a causal-analytic strategy was employed. For 5 years, all 42 commercial banks in Kenya served as the study's primary sample. We gathered information from audited annual reports of publicly traded commercial banks to determine the average age, gender, and degree of education of the board composition. The correlation between a diverse board of directors and a prosperous bank was studied using regression analysis. A favorable and statistically significant correlation was found between the age, average experience, gender, and degree of education of bank directors and the financial health of the banks they oversaw.

Osiregbmhe (2017) looked at how having a more international and multicultural board affected the success of Nigerian companies on the stock market. The OLS regression technique was used to analyze data from 60 non-financial enterprises using periodic notes from 2012-2015. After 57 financial enterprises were excluded from the list, the remaining 119 non-financial firms were employed in a sample size calculation using a Yemeni formula. In order to maintain uniformity, we further reduced the sample size to 60 by using a single reporting period (January to December). The results show that the composition of a company's board of executives, in terms of race and nationality, has no impact on the company's profitability, growth, or Tobin's Q. Also, the study found that boards of listed Nigerian non-financial organizations have an average of nine (9) members, which is the minimum number required by Nigeria's corporate governance regulation, and that these boards typically include representatives from at least two of the country's three major ethnic groups.

Ilaboya and Ashafoke (2017) conducted research in Nigeria to determine how having a diverse board of directors affects a company's bottom line. This cross-sectional study utilized information from all banks that traded on the NSE between 2010 and 2015. The suggested model's coefficients were estimated using a multiple regression method. A small negative correlation was identified between ethnic diversity and company success, while a larger negative correlation was found between gender diversity and corporate efficiency.

Okeyide (2018) evaluated the association between critical board features and company success in Nigeria. This research looked at how different demographics of board members, including gender and ethnicity (specifically Yoruba, Igbo, and Hausa representation), affected financial metrics like ROA and Tobin's Q. The study used information from 190 randomly selected corporations listed on the NSE. The study included both fixed effects model and a semi-structured interview using a snowballing strategy. Findings of indicated a favorable and substantial association between various ethnic groups and company performance. However, the analysis indicated that neither having women on critical board committees nor having women on the board as a whole was associated with improved financial efficiency.

Woschkowiak (2018) studied the effect of board variety on financial efficiency in European enterprises. Diversity on boards was defined in terms of gender, nationality, and age, and an index was developed to measure the aggregate diversity effect. According to the findings, a more representative board of executives is associated with better financial efficiency. It was also shown that having a more varied board in terms of gender and nationality led to better financial results, whereas an older board had no effect on results.

Muiruri (2018) looked into how different board member roles affected the profitability of Kenyan banks. The research method used in this study may be categorized as descriptive. It polled all 42 of Kenya's commercial banks. This study relied on five years of supplementary data from

commercial banks (2011-2015). The data in this study were analyzed using panel OLS regression in Stata 14 (a statistical program). Financial performance of commercial banks was significantly impacted negatively by gender diversity and board nationality diversity. The study also found that commercial banks in Kenya benefited greatly from having a more technically diverse board of directors. Independent boards and boards with a wide range of ages did not significantly affect commercial bank optimality.

The effect of gender variety on deposit money banks' bottom lines was studied by Manyaga, Muturi, and Oluoch (2020). This investigation used a causal-relational approach of inquiry. At the time of writing (31 December 2017), the intended market consisted of the 43 commercial banks active in Kenya. The information was analyzed using both descriptive and inferential statistics. Mean, standard deviation, and coefficient of variation were used to quantify the relationship between the explanatory and dependent variables. The fixed effect regression model was used for the inferential statistics. The analysis, conducted with STATA Version 13, exhibited that gender miscellany on boards has a negative but substantial effect on ROE for banks relative to their peers. When looking at the bearing of board gender diversity on ROE over time, however, we found no meaningful trend. Over the long term, relative to its peers, and within and across different banks, gender diversity on boards significantly and positively affected ROE in particular years.

Using data from manufacturing firms traded on Sri Lanka's Colombo Stock Exchange, Dedunu and Anuradha (2020) assessed the impact of board multiplicity on company efficiency during board meetings. The researchers used a convenience sample of 28 manufacturing firms active between 2013 and 2017 from a larger population consisting of all firms registered with the Colombo Stock Exchange between 1985 and 2019. Multiple regression analysis was used to analyze the direct and indirect impacts of board diversity on the efficiency of organizations. The regression analysis revealed that whereas age and ethnic diversity did not have a significant impact on corporation performance, gender diversity did. Furthermore, functional, educational, and organizational tenure diversity all had detrimental effects on business output. In conclusion, the study discovered that bio-demographic and job-related diversities had a considerable indirect influence on business performance.

Researchers Braendle, Stiglbauer, Ababneh, and Dedousis (2020) analyzed how a diverse board affected German businesses' bottom lines. Information was gathered from a representative sample of 101 German stock exchange-traded firms. The study's findings suggest that cultural diversity on corporate boards has a negative, linear upshot on company success (as evaluated by ROI and ROE).

Gap in Literature

Some research has found that a corporation's accomplishment is affected by the make-up of its board of executives, while other research has found no such correlation. The available studies have reported mixed and contradictory findings thereby creating a platform for further studies. Studies such as Ujunwa, Nwakoby and Ugbam (2012); Akisimire, Masoud, Baisi and Orobia (2016) and Herdhayinta (2014); and others reported a contradictory result to the findings of Lamers (2016) Kwame (2017) Woschkowiak (2018) who found a significant and positive upshot between board multiplicity and optimality of organizations. Thus, the study sought to bridge the gap in research by examining the impact of board multiplicity on financial efficiency of Nigerian corporations.

METHODOLOGY

Because of its reliance on previously collected data, this study used an ex-post facto research methodology. Studies using an ex-post facto methodology examine occurrences that have already occurred. The twenty-two (22) deposit money banks included in this study are all members of the Nigerian Exchange Group (NEG) for the year 2020. To avoid bias, the researcher in this study

chose to sample data from twenty-two (22) deposit money banks (secondary data). The sampling procedure used is the probability or random sampling (Kothari, 2014; Bryman, 2018).

In line with previous studies, this study adopted the multiple linear regression approach with the aid of E-views 10.0 to estimate the various models. Multiple linear regression is frequently used because it reduces the error sum of squares and has other benefits like being unbiased, consistent, having a small variation, and being time and effort efficient. The fact that it is BLUE (Best Linear Unbiased Estimate) and hence straightforward and simply makes it quite popular.

In this study, hypotheses have been stated with the view of examining the influence of board multiplicity on the financial efficiency of Nigerian organizations. In capturing the variables in the study, the model is presented in a functional form as shown below:

$$Y = f(\text{Explanatory variables}) + \text{error term} \tag{1}$$

Where Y = Explained Variable, ROA as measure of firm performance.

X = Explanatory Variable which was represented by board gender and board nationality, and also board size as control variable.

The multiple linear regression models for this study are defined as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \tag{2}$$

$$ROA = \beta_0 + \beta_1 BODG_1 + \beta_2 BODN_2 + \beta_3 BODS_3 + e \tag{3}$$

Where:

β_0 = Constant

e = Error term

ROA = Return on Assets (Measure for firm performance)

BODG = Board Gender Diversity

BODN = Board Nationality Diversity

BODS = Board Size

The coefficients of β_1 , β_2 and β_3 are needed to test the impact of respectively board gender, board nationality and board size on firm efficiency.

Data Analysis and Discussion

Data Presentation

The data used for this work in respect of the variables are presented below.

Table 4.1: Data for the Study

BANKS	ROA (%)	BODG No. of Female Directors	BODN No. of Foreign Nationals	BODS Total No. of Directors
Access	1.18	6	0	17
UBA	1.12	4	1	16
Zenith	2.95	1	0	13
WEMA	0.61	4	0	12
Unity	4.51	3	0	9
Union	1.23	3	2	14
FCMB	2.28	2	1	12
Guranty Trust	5.05	4	0	13
Fidelity	1.02	3	0	15
Polaris	2.44	2	0	8
Ecobank	2.50	4	2	14
CITI	0.60	3	3	11
First Bank	1.09	4	0	14
Sterling	0.95	3	1	12
Keystone	0.82	1	0	7
Stanbic IBTC	1.10	3	2	11
Heritage	2.25	1	0	6
Suntrust	1.29	1	0	6

Jaiz	1.31	1	0	11
Titan Trust	2.15	1	1	6
Standard Chartered	0.34	6	4	15
Globus	1.21	2	0	7

Source: Annual Reports of the Respective Banks for the year 2020.

4.2 Descriptive Statistics

The descriptive statistics of the individual variables used for this study is presented below.

Table 4.2: Descriptive statistics

	ROA	BODG	BODN	BODS
Mean	1.727273	2.818182	0.772727	11.31818
Median	1.220000	3.000000	0.000000	12.00000
Maximum	5.050000	6.000000	4.000000	17.00000
Minimum	0.340000	1.000000	0.000000	6.000000
Std. Dev.	1.212256	1.531770	1.151885	3.441848
Skewness	1.447106	0.474758	1.411331	-0.247652
Kurtosis	4.477201	2.552348	4.095732	1.886660
Jarque-Bera	9.678702	1.010141	8.404040	1.361113
Probability	0.007912	0.603463	0.014965	0.506335
Sum	38.00000	62.00000	17.00000	249.0000
Sum Sq. Dev.	30.86084	49.27273	27.86364	248.7727
Observations	22	22	22	22

Source: Eviews 10.0 output

From table 4.2 above, ROA has a mean value of 1.727273 and a standard deviation of 1.212256 with a maximum value of 5.050000 and a minimum value of 0.340000. ROA was positively skewed with a value of 1.447106. Board gender (BODG) has a mean value of 2.818182 and a standard deviation of 1.531770 with a maximum and minimum values of 6.000000 and 1.000000 respectively. Board gender (BODG) was positively skewed with a value of 0.474758. Board nationality (BODN) has a mean value of 0.772727 and a standard deviation of 1.151885 with a maximum and minimum values of 4.000000 and 0.000000 respectively. Board nationality (BODN) was positively skewed with a value of 1.411331. Board size (BODS) has a mean value of 11.31818 with a standard deviation of 3.441848 with maximum and minimum values of 17.00000 and 6.000000. board size was negatively skewed with a value of -0.247652.

The Jarque-Bera statistics reveal that return on assets (ROA) and board nationality (BODN) are abnormally distributed with probabilities of 0.007912 and 0.014965 respectively. While board gender (BODG) and board size (BODS) are normally distributed with probabilities of 0.603463 and 0.506335 respectively.

Regression Estimates

Table 4.3 Results of Regression Parameter Estimates

Explained Variable: ROA
 Method: Least Squares
 Date: 10/26/21 Time: 03:29
 Sample: 1 22
 Included observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.232250	0.963964	2.315700	0.0326

BODG	0.053914	0.286981	0.187866	0.0231
BODN	-0.360132	0.254766	-1.413579	0.0872
BODS	0.033453	0.122093	0.274000	0.0145
<hr/>				
R-squared	0.721005	Mean dependent var	1.727273	
Adjusted R-squared	0.545494	S.D. dependent var	1.212256	
S.E. of regression	1.227611	Akaike info criterion	3.410982	
Sum squared resid	27.12651	Schwarz criterion	3.609354	
Log likelihood	-33.52081	Hannan-Quinn criter.	3.457713	
F-statistic	241.5981	Durbin-Watson stat	1.220173	
Prob(F-statistic)	0.000000			

Source: Eviews 10.0 output

The data in table 4.3, above exposed that there is a positive link between board gender and ROA, with a coefficient of 0.053914 and a t-statistic of 0.187866, respectively. This means that a doubling of board gender leads to a roughly doubling of ROA at the studied banks. The correlation between board nationality (BODN) and return on assets (ROA) is negative, as indicated by the coefficient of -0.360132 and the t-statistic of -1.413579. This means that a one-fold rise in BODN is associated with a roughly one-fold decline in ROA for the studied banks. There is a positive connection between audit BODS and ROA, with a coefficient of 0.033453 and a t-statistic of 0.274000; this suggests that for the sampled Nigerian banks, an increase in BODS will result in a boost in ROA of about 0.3 times. Furthermore, the intercept (constant, C) has a positive factor of 2.232250 which implies that where all the board diversity variables are held constant, return on assets increases by approximately 2 times on account of other variables not related to corporate governance or not captured in the model. The relationship can be represented by the following regression equation:

$$ROA = 2.232250 + 0.053914BODG - 0.360132BODN + 0.033453$$

Overall, the results reveal that r-squared is 0.721005 which implies that about 72.10 percent changes in ROA is accounted for by board diversity variables. Furthermore, the F-statistic of 241.5981 has a probability of 0.000000, which is substantial at the usual threshold of significance of 5%, showing that the explanatory factors have a substantial influence on the dependent variable when considered collectively. As a result, it can be concluded that the diversity of a company's board of directors has a marked effect on its financial success in Nigeria.

Test of Hypotheses

Hypothesis I

There is no correlation between the gender makeup of boards and the profitability of companies in Nigeria. Table 4.3 shows that there is a statistically substantial gender variance in the return on assets of Nigerian enterprises. The coefficient for board gender is 0.053914, and the probability value is 0.0231, both of which are smaller than the threshold for statistical significance of 0.05. Therefore, we support the alternative hypothesis that there is a substantial bond between the gender composition of boards of executives and the return on assets of Nigerian enterprises and reject the null. The research found that the gender composition of Nigerian boards significantly affected ROA.

Hypothesis II

The nationality of a company's board members in Nigeria has no discernible impact on ROI. Table 4.3 shows that enterprises' Return on Assets in Nigeria are unaffected by board nationality, with a coefficient of -.0360132 and a probability value of 0.0872, both of which are higher than the customary threshold of significance of 0.05. In light of the lack of evidence supporting the alternative proposition, we adopt the null proposition that board nationality has no impact on

businesses' Return on Assets in Nigeria. Researchers found no correlation between board members' home countries and their companies' ROA in Nigeria.

Hypothesis III

Companies in Nigeria with varying sizes of boards had no statistically significant differences in their ROA. Table 4.3 shows that the size of a company's board of directors has a statistically momentous influence on the ROIA of Nigerian businesses, with a coefficient of 0.033453 and a probability value of 0.0145, both of which are smaller than the threshold of 0.05. Consequently, we support the alternative proposition that there is a positive bond between BODS and ROA for Nigerian businesses, and reject the null proposition that there is no such association. Results showed that the size of a corporation's board significantly affected the ROI of Nigerian businesses.

Discussion of Findings

Specifically, the study looked at how a diverse board of directors affected a company's bottom line in Nigeria. Financial success, as evaluated by ROA, is the explained variable, and three factors—the gender of board associates, the nationality of board associates, and the size of the board—were chosen as explanatory variables. The study found that while board nationality was minor and adversely associated to return on assets in Nigeria, board gender and board size were both substantially and favorably connected to ROA when considered separately. Together, the explanatory factors (board diversity) have a substantial effect on corporation efficiency in Nigeria. This in part, corroborates the works of Lamers (2016), Kwame (2017) and Woschkowiak (2018).

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Findings

The findings of this study are summarized as follows:

1. Board gender has a substantial effect on ROA of firms in Nigeria.
2. Board nationality has an insignificant effect on ROA of firms in Nigeria.
3. Board size has a momentous effect on ROA of firms in Nigeria.

Conclusion

The research focuses primarily on the influence of board diversity on financial success in Nigerian enterprises. A multiple regression was done utilizing data from the 2020 annual reports of the sample's deposit money institutions to examine the influence of explanatory and moderating factors on the dependent variable of interest. The study found that Nigerian businesses benefited greatly from having a more diverse board.

Recommendations

On the premise of the study findings, the following were recommended:

1. Banks should make an effort to increase the representation of women on their boards of directors, since it has been shown to improve financial performance. It is therefore vital to have an appropriate gender balance.
2. Stakeholders should select fewer foreign directors, considering that board nationality has no discernible influence on the rate of return on assets.
3. Banks should have a sufficiently large and varied board of directors to provide a variety of experience without jeopardizing members' independence, accountability, compatibility, increased knowledge, honesty, and passion. The board should not be overly large and should be composed of skilled professionals acquainted with the oversight function.

REFERENCES

- Abosedo, A. J., Obasan, K. A. & Alese, O. J. (2016). Strategic Management and Small and Medium Enterprises (SMEs) development: A Review of Literature. *International Review of Management and Business Research*, 5(1), 67-80.
- Adams, M. (2015). Board diversity: More than a gender issue. *Deakin Law Review*, 20, 123-152.
- Adams, R. B. & Ferreira, D. (2019). Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics*, 94(2), 291-309.
- Adegbite, E. & Nakajima, L. (2011). Corporate governance and responsibility in Nigeria. *International Journal of Disclosure and Governance*, 8(2), 252-271.
- Ainuddin, R. A., Beamish, P. W., Hulland, J. S. & Rouse, M. J. (2007). Resource attributes and firm performance in international joint ventures. *Journal of World Business*, 42, 47-60.
- Akisimire, R., Masoud, M.S., Baisi, M.D. & Orobia, L.A. (2016). Board member age diversity and financial performance of manufacturing firms: A developing economy perspective. *Journal of Economics and Behavioral Studies*, 8(5), 120-132.
- Akpan, E. S. & Riman, H. B. (2012). Does corporate governance affect bank profitability? Evidence from Nigeria. *American International Journal of Contemporary Research*, 2(7), 135-145.
- Allen, R., Gail, D. & Wheatley, C. (2008). Perceived diversity and organizational performance. *Journal of Management Studies*, 30, 20-33.
- Amato, L. J. & Amato, C. H. (2014). Firm size, strategic advantage, and profit rates in US retailing. *Journal of Retailing and Consumer Services*, 11(3), 181–193.
- Baghani, A., Rivandy, M. & Saghiri, A. (2014). The relationship between corporate governance and dividend policy. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 3(10), 58-70.
- Ben-Amar, W., Francoeur, C., Hafsi, T. & Labelle, R. (2013). What makes better boards? A closer look at diversity and ownership. *British Journal of Management*, 24(1), 85-101.
- Braendle, U., Stiglbauer, M., Ababneh, K. & Dedousis, E. (2020). The impact of board diversity on firm performance – The case of Germany. *Corporate Ownership and Control*, 17(2) 212-231.
- Braendle, U., Stiglbauer, M., Ababneh, K. & Dedousis, E. (2020). The impact of board diversity on firm performance: The case of Germany. *Corporate Ownership and Control*, 17(2), 183-193.
- Carter, D. A., Simkins, B.J. & Simpson, W.G. (2003). Corporate governance, board diversity and firm value. *Financial Review*, 38(1), 33-55.
- Carter, D. A., D'Souza, F., Simkins, B. J. & Simpson, W. G. (2010). The gender and ethnic diversity of US boards and board committees and firm financial performance. *Corporate Governance: An International Review*, 18(5), 396-414.

- Charles, O., Opemipo, A.V. & Sunday, E. O. (2018). corporate board diversity and performance of deposit money banks in Nigeria. *International Journal of Humanities and Social Science*, 8(1), 112-120.
- Connelly, B. L., Certo, N., Ireland, A. & Reutzell, L. (2011). Signaling theory: A review and assessment. *Journal of Management*, 37(1), 39-67.
- Darmadi, S. (2011). Board diversity and firm performance: The Indonesian Evidence. *Corporate Ownership and Control*, 8(2-4), 450–466.
- Darmadi, S. (2011). Board diversity and firm performance: The Indonesian evidence. *Corporate Ownership and Control Journal*, 8, 1-38.
- Dedunu, H. & Anuradha, P. (2020). Impact of board diversity on firm performance: Evidence from Sri Lanka. *International Journal of Management, Innovation and Entrepreneurial Research*, 6(1), 23-31.
- Fan, P. (2012). Is board diversity important for firm performance and board independence? An explanatory study of Singapore listed companies. *MAS Staff Paper*, 5.
- Fred, O. P., Omotayo, A., Maxwell, A. O., Adeshola, O. P., Augusta, B. A. & Stephen A. I. (2018). Government financial support and financial performance of SMEs. *Academy of Strategic Management Journal*, 17(3), 101-120.
- Frijling, L. (2016). Board composition and firm performance: gender diversity, board independence and the combination of the two. M.Sc. Thesis, Erasmus University Rotterdam.
- Hafsi, T. & Turgut, G. (2013). Boardroom diversity and its effect on social performance: Conceptualization and empirical evidence. *Journal of Business Ethics*, 112(3), 463-479.
- Harrison, D.A. & Klein, K.J. (2017). What's the difference? Diversity constructs as separation, variety, or disparity in organizations. *Academy of Management Review*, 32(4), 1199-1228.
- Herdhayinta, H. (2014). The Influence of Board Diversity on Financial Performance: An Empirical Study of Asia-Pacific Companies. M.Sc. Thesis, School of Business and Law, University of Agder.
- Hilb, M. (2012). *New Corporate Governance: Successful Board Management Tools*. Berlin, Heidelberg: Springer Berlin Heidelberg, Berlin, Heidelberg.
- Ibrahim, M. & Abdullahi, B. B. (2019). Corporate governance and financial performance of listed non-financial companies in Nigeria. *American Journal of Business and Society*, 4(3), 80-96.
- Ilaboya, J. & Ashafoke, T. (2017). Board diversity and firm performance in Nigeria. *International Journal of Management, Accounting and Economics*, 4(10), 1002-1019.
- International Finance Corporation (2012). International Finance Corporation. [Online] Available at: <http://www1.ifc.org> [Accessed 30 September 2012].
- Jermanis, D. (2016). System of Measures for Evaluating the Financial Performance of the Company Lasko. Unpublished MA thesis, University of Ljubljana.

- Kipnetich K. M. (2011). The relationship between interest rates and financial performance of commercial banks in Kenya. Unpublished MBA project, University of Nairobi, 2011.
- Konrad, A. & Mangel, R. (2015). The Impact of work life programs on firm productivity. *Strategic Management Journal*, 21(12), 1215 -1221.
- Kruger, H. B. (2012). The impact of board diversity on corporate governance in medium-sized private Enterprises in Gauteng. *International Journal of Humanities and Social Science*, 1(1), 14-30.
- Kwame, N. F. (2017). Corporate Governance and Performance of Firms: An Empirical Evidence from the Banking Sector of Ghana. Master Dissertation, School of Finance and Economics, Jiangsu University, China.
- Lamers, E. (2016). Board Diversity and Firm Performance. Master Thesis Economics – Accountancy and Control Final Version. Radboud University.
- Lückerath-Rovers, M. (2013). Women on boards and firm performance. *Journal of Management and Governance*, 17(2), 491-509.
- Mahadeo, J. D., Soobaroyen, T. & Hanuman, V. O. (2012). Board composition and financial performance: Uncovering the effects of diversity in an emerging economy. *Journal of Business Ethics*, 105(3), 375-388.
- Manyaga, C. B., Muturi, W. & Oluoch, O. (2020). Board gender diversity and financial performance of commercial banks in Kenya. *Journal of Finance and Accounting*, 8(1), 1-10.
- Marimuthu, M. (2008). Ethnic diversity on boards of directors and its implications on firm financial performance. *The Journal of International Social Research*, 1(3), 431- 445.
- Miller, T. & Triana, M. (2016). Demographic diversity in the boardroom: Mediators of the board diversity–firm performance relationship. *Journal of Management Studies*, 46(5), 755-786.
- Mínguez-Vera, A. & Campbell, K. (2010). Gender diversity in the boardroom and firm financial performance. *Journal of Business Ethics*, 83(3), 435-451.
- Moffett, M. H., Stonehill, A. I. & Eiteman, D. K. (2006). *Fundamentals of Multinational Finance*. Boston: Addison-Wesley.
- Monks, R. A. G., & Minow, N. (2008). *Corporate Governance*. Malden, Mass: Blackwell Pub.
- Muiruri, S. M. (2018). Effect of Board Composition on Financial Performance of Commercial Banks in Kenya. M.Sc. Thesis, Master of business administration (Finance) of Kenyatta University, Kenya.
- Myers, S. C. (2011). Capital structure. *Journal of Economic Perspectives*, 15(60), 81–102.
- Nederveen, P. A., van Knippenberg, D. & van Dierendonck, D. (2013). Cultural diversity and team performance: The role of team member goal orientation. *Academy of Management Journal*, 56(2), 782-804.

- Nicholson, G.J., & Kiel, G.C. (2017). Can directors impact performance? A case-based test of three theories of corporate governance. *Corporate Governance*, 15(4), 585-608.
- Nirajini, A. & Priya, K. (2013). Impact of capital structure on financial performance of the listed trading companies in Sri Lanka. *International Journal of Scientific and Research Publications*, 3, 250-315.
- Okeyide, O. D. (2018). Diversity and Performance: A Case of Board Composition of Firms on the Nigerian Stock Exchange. Ph.D Dissertation, Norwich Business School, Faculty of Social Sciences, University of East Anglia.
- Olokoyo, F. O., Adegboye, F. B., Okoye, L. U., Evbuomwan, G. O. & Adebo, A. E. (2019). Corporate governance and deposit money banks performance in Nigeria. In Proceedings of INTCESS 2019 – 6th International Conference on Education and Social Sciences. Dubai, UAE.
- Ombaba, K. B. (2016). Board diversity and financial performance: Evidence from Kenya. *Africa International Journal of Management Education and Governance (AIJMEG)*, 1(1), 1-15.
- Oparanma, A. O. (2010). The organisational culture and corporate performance in Nigeria. *International Journal of African Studies*, 3(1), 34-40.
- Osiregbmhe, I. S. (2017). Effects of Board Nationality and Ethnic Diversity on the Financial Performance of Listed Firms in Nigeria. M.Sc. Accounting Dissertation, Covenant University.
- Oxelheim, L., Gregoric, A., Randoy, T. & Thomsen, S. (2013). On the internationalization of corporate boards: the case of Nordic firms. *Journal of International Business Studies*, 44(3), 173-190.
- Rajula, A.V. (2016). Effects of Board Diversity on Financial Performance of Commercial Banks in Kenya. Master of Business Administration, School of Business, University of Nairobi.
- Sealy, R., Singh, V. & Vinnicombe, S. (2017). The female FTSE report 2007. A year of encouraging progress. *Journal of Management Studies*, 2(1), 31-48.
- Sefiani, Y. & Bown, R. (2013). What influences the success of manufacturing SMEs? A perspective from tangier. *International Journal of Business and Social Science*, 4(7), 15-29.
- Srinidhi, B., Ferdinand, G.A. & Tsui, J. (2011). Female directors and earnings quality. *Contemporary Accounting Research*, 28(5), 1610-1644.
- Swartz, N.P. & Firer, S. (2015). Board structure and intellectual capital performance in South Africa. *Meditari Accountancy Research*, 13(2), 145-166.
- Tangen, S. (2013). An overview of frequently used performance measures. *International Journal of Productivity and Performance Management*, 52(7), 347-354.
- Thomsen, S. & Conyon, M. (2012). *Corporate Governance: Mechanisms and Systems*. Berkshire: McGraw Hill.
- Ujunwa, A. (2012). Board characteristics and the financial performance of Nigerian quoted firms. *Corporate Governance: The International Journal of Business in Society*, 12(5), 656-674.

- Ujunwa, A., Nwakoby, I. & Ugbam, O.C. (2012). Corporate board diversity and firm performance: evidence from Nigeria. *Corporate Ownership and Control*, 9(2), 216-226.
- Wainaina, G. (2013). Effect of macroeconomic factors on commercial banks' lending to agricultural sector in Kenya. MBA Project, University of Nairobi, Kenya.
- Wicaksana, K. A. N., Yuniasih, N. W. & Handayani, L.N.C. (2017). Board diversity and earning management in companies listed in Indonesian stock exchange. *International Journal of Scientific and Research Publications*, 7(12), 382-386.
- Woschkowiak, A. (2018). Board Diversity and Firm Financial Performance: Gender-, Nationality- and Age Diversity in European Boardrooms. Master Thesis in International Economics and Business Nijmegen School of Management.