

**IMPACT OF BOARD DIVERSITY ON FIRM FINANCIAL PERFORMANCE IN
NIGERIA**

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**A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF
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BENIN CITY**

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DECLARATION

I, Joshua OGESUE, do hereby declare that this project is entirely my own work and composition. All references made to works of other persons have been duly acknowledged. Any liability arising from this work is to be wholly borne by me alone.

Joshua OGESUE

DATE

CERTIFICATION

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ABSTRACT

This study aims to investigate the relationship between having a diverse board of directors and financial success of manufacturing companies listed on the Nigeria stock exchange. In other words, the study wants to find out if having a diverse board (in terms of gender, ethnicity, age, educational background) can affect how well these quoted manufacturing companies perform financially.

In this study, the ordinary least square regression (OLS) was used in this study for analyzing the data gathered. This study adopts OLS because it estimate the relationship between one or more independent variable and a dependent variable. The statistical package for social science (SPSS) was used to analyze the data collected for this study. The findings obtained shows that the method of the regression analysis used shows a negative relationship between board ethnicity and firm financial performance which validates the findings or reject the hypotheses formulated for the study providing useful insight into the influence of the board diversity of factors on firm financial performance in the manufacturing industry in Nigeria.

In conclusion, having a diverse and inclusive board of directors, is crucial for organizations to achieve long term success in today's competitive environment. The study recommends that organization should actively seek to incorporate directors with varying levels of expertise. This can be done through targeted recruitment efforts and mentorship programs that facilitate transfer between seasoned professionals and emerging leaders. The study also recommends the importance of formal education which needs to be considered as diverse skill sets and experience that potential board members bring to the firm.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The responsibilities of the board of directors have been on the corporate agenda for years. Acting as the agents of shareholders, directors are expected to collectively devise operational and financial strategies for the organisation and to monitor the effectiveness of the company's practices (ACCA, 2019). Governance is about giving a lead to the company and monitoring and controlling management decisions, so as to ensure that the company achieves its intended purpose and aims.

Agency theory has been a major effect on corporate governance research. The basis for agency theory is the reality that many corporate managers are hired by owners as agents, rather than as the owners themselves, to run the business., and thus have less personal wealth at stake, their natural pursuit of self-interest could result in their taking riskier or even dishonest actions, which could bring harm to the firm or its owners (Jensen and Meckling, 1976). Ujunwa et al., (2012) stated that Agency problem arises whenever managers have incentives to pursue their own interest (self-serving behaviour) at the expense of shareholders. In order to safeguard shareholders' interests, the majority of corporate governance research concentrate on how to properly monitor the agents (resolving the conflict) against self-serving behavior.

The separation of ownership from the management of business organisations spurs a divergence of interest amongst the parties. The divergence of the interests of the

management and its owners has undermined investors' confidence in the Board. Hence, investors are interested about the level of accountability displayed by the Board of directors. The outcry of investors and other stakeholders as a result of mismanagement and inadequate financial disclosures given by the management has deemed it necessary for the institution of sound corporate governance procedures.

The Sarbanes-Oxley Act 2002 in the USA introduced a range of legal measures designed to improve the quality of corporate governance in the US, following the spectacular collapse of several large corporations (such as Enron and WorldCom) where bad corporate governance was held largely to blame. (ICAN, 2021). A number of professionals have campaigned for board diversity in the wake of corporate scandals in many nations, including Enron, WorldCom, Tyco International in the United States, HIH Insurance in Australia, and Parmalat in Italy. Resource dependency theory is the foundation of board diversity. Resource dependency theory views board members as strategic resource, and opines that the provision of resources is the main function of boards of directors (Pfeffer & Salancik, 1978).

The ability of board members to provide resources and significant human capital to the company, which supports firm performance, is referred to as resource provision. The following board activities are related to the provision of resources: providing legitimacy/improving the firm's public image, providing expertise, providing advice and counsel, connecting the firm to significant stakeholders or other significant entities, facilitating access to resources like capital, developing external relations, spreading

innovation, and assisting in the formulation of strategy or other crucial firm decisions. Financial performance is a method of measuring how well a firm is making use of its assets to generate revenue and value for various stakeholders (Atrill & McLaney, 2016). It is also defined as the overall financial health of a firm over a given period (Ibid). Financial performance can be assessed using accounting-based measures such as ROA, ROE and Return on Capital Employed (ROCE) or marketing-based measures, such as Tobin's Q and Share price (Onyekwere et al., 2019).

Board diversity is a corporate governance mechanism that has been defined in several ways. Kang et al., (2007) view board diversity as the dissimilarities in both the observable (age, gender and nationality) and non- observable (experience, attitude and education) variables in the composition of the board. Similarly, Nho et al., (2019) state that diversity involves having people with different socio-economic characteristics as well as backgrounds to ensure that consumers and stakeholders from different groups are better represented. The diversity of board members can influence the quality of the board's oversight and resource provision roles, and hence the financial performance of the organisation (Shehata et al., 2017).

Failure of businesses over the world has remained a threat to sustained global economic growth (Garba & Abubakar, 2014). Considering the contemporary global business web that is managed by people with diverse gender, nationality, culture and educational experience, the issue of these diversities of board member who manage firms comes into focus as well (Ilona et al., 2019). Monks and Minow (2004) mentioned that

despite diversity of board members coupled with the evolution of corporate governance practices and other strategic management, failure of firms to meet desired corporate objectives still lingers.

Saleh (2016) reiterated the imposing challenge of managing organizations to meet set goals in developing nations and had prescribed a reflection of the cultural circumstance and diversity of the board as central to failure of corporate boards and consequently firm performance. Owing to the economic consequences of these failures which at times are of long term effects, different strategic efforts like improving the composition of board members have also been put in place to ensure survival and growth of firms (Sunday & Godwin, 2017). Attempts to understand the dynamics of board diversity have drawn a multidisciplinary approach despite the fact that the issue of board diversity has many facets.

Board diversity which incorporates individuals from various foundations, races, identity, ethnicity, abilities and experience, religion and sexual orientation is said to work on hierarchical worth and performance by furnishing the board with novel bits of knowledge and points of view, upgraded imagination and developments and results in successful critical thinking capacity (Lincoln & Adedoyin, 2012). There is no unambiguous agreement on how a diverse board of directors might increase financial performance, according to a survey of the literature in this field. Existing studies have used various measures of diversity such as gender, nationality, ethnicity, age, skills, independence, expertise and experience among others (Ibrahim et al., 2019). This study

aims to assess the impact of board diversity by focusing on age, gender, education background and ethnicity on how it affects financial performance.

Shafique et al., (2014) said that there are some boards' diversity systems for example, the board size, board creation, board training level, boards sexual orientation diversity, non-executive directors, executive director which at last contribute towards the firm performance and achievement.

1.2 Statement of the Research Problem

Available studies in the field of corporate administration identifying with board diversity and financial performance in Nigeria zeroed on the quoted financial area, particularly, financial sector of the economy. These investigations examined board diversity and firm performance in Nigeria (Ilaboya & Ashakofe, 2017), customer merchandise industry (Aifuwa et al., 2020), oil and gas area (Ruth & Korolo, 2017). According to the review, there has never been a board diversity study that specifically targeted the manufacturing sector. As a result, the relationship between board diversity characteristics and company financial performance of Nigeria's listed manufacturing industry will be evaluated in this study.

1.3 Research Questions

Based on the above problem, the following research questions were raised:

1. What is the relationship between of board age and financial performance of quoted manufacturing industry in Nigeria?

2. How does board gender affect financial performance of quoted manufacturing industry in Nigeria?
3. To what extent does board educational background affect financial performance of quoted manufacturing industry in Nigeria?
4. What is the relationship between board ethnicity and financial performances of quoted manufacturing industry in Nigeria?

1.4 Research Objectives

The broad object of this study is to determine the link between board diversity and firm financial performance of quoted manufacturing industry in Nigeria. The specific objectives are to;

1. determine the relationship between board age and financial performance of quoted manufacturing industry in Nigerian;
2. evaluate how board gender affect financial performance of quoted manufacturing industry in Nigerian;
3. ascertain the extent to which board educational background affect financial performance of quoted manufacturing industry in Nigerian; and
4. Examine the relationship between board ethnicity and financial performance of quoted manufacturing industry in Nigeria.

1.5 Research Hypotheses

For the purpose of this study, the hypotheses are stated below in their null form to answer the research questions,

1. There is no significant relationship between board age and firm financial performance of quoted manufacturing industry in Nigeria.
2. Board gender has no significant effect on financial performance of quoted manufacturing industry in Nigeria.
3. Board educational background does not affect financial performance of quoted manufacturing industry in Nigeria.
4. There is no significant relationship between board ethnicity and firm financial performance of quoted manufacturing industry in Nigeria.

1.6 Scope of the Study

The essence of the study is to ascertain the impact of board diversity on Firm financial performance in Nigeria, to achieve this objective, the population of the study is all listed manufacturing companies in Nigeria from 2018 to 2022 using the Nigeria Exchange Group (NGX).

The sample size is 40 selected listed manufacturing companies in the Nigeria Exchange Group (NXG).

1.7 Significance of the Study

The continued rise in the percentage of listed companies sanctioned by the Nigerian Exchange Group (NGX) for flouting its post-listing rules is a sad commentary on the nation's corporate governance environment. It is also a serious indictment on the relevant regulatory authorities. The study seeks to ensure the need for an organization and its directors to comply with corporate governance code and other related act or code such as money (prohibition) laundering act 2011 and companies and allied matters act (CAMA) 1990 as amended till date.

This study has abundant significance since relatively few studies have examined the impact of gender diversity and board independence on firm performance for African countries and other less developed countries (Adesanmi et al., 2019; Onyekwere et al., 2019). This study also contributes to the corpus of research that shows the best board composition and how well corporate governance works to reduce the agency problem and raise firm value. Due to the paucity of available literature on the subject in Nigeria, this study would be of utmost importance. Additionally, it will make a significant contribution to the body of knowledge in the fields of management sciences and public policy. This study also adds to the existing knowledge on the subject matter and will also be a reference material for further research on the course.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a review of relevant literatures. The chapter was divided into three major sections; closely following the introduction is the second section which presents a review of literature on all variables starting with the dependent variable (financial performance), a review of empirical studies and theoretical framework on the study under review.

2.1 Conceptual Framework

2.1.1 Financial Performance

Concept of organizational performance is an important aspect which has been used in all areas of business researches and it is difficult to have general definition and measurement by reason of continuously expanding their boundaries. Akal (1992) defines that “firm performance is the evaluation of all the efforts devoted to achieving the business goals”. Most of the researchers argue that definition of firm performance is incorporated with efficiency and effectiveness. Santos and Brito (2012) state “business performance or firm performance is a subset of organizational effectiveness that covers operational and financial outcomes”. Conversely, Cameron and Whetten (1983) indicate that “organizational effectiveness is a broader construct that

captures organizational performance, but with grounding in organizational theory that entertains alternate performance goals”.

Firm performance can be a measure of financial and also non-financial performance. A financial performance indicator is an indicator that relates to an aspect of financial performance that is measured quantitatively and in financial terms (ICAN 2021). A company's capacity to maximize its cost of operations, effectively utilize its resources, and maximize shareholder value is measured overall by its financial success. High performance demonstrates effective and efficient management of the company's resources, which benefits the economy as a whole. According to one definition, firm performance refers to an organization's efforts to achieve its objectives or to be productively effective.

In a similar vein, financial performance measures an organization's revenues, profits, and increase in value, which is represented in the rising share price. Performance of a company is assessed at a specific moment in time or over a period of time. It can also be compared with similar firms across the same industry or be used to compare industries or sectors in aggregation. Financial management places a high value on organizational success, which is driven by both organizational and economic elements that are unique to the company or region. Modern finance theory has proposed that the goal of managerial decision-making is to maximize a firm's value. Most practitioners and managers have

critiqued this above reason and said that another reason such as the interests of all the stakeholders and other aspects of corporate strategy has been ignored (Shah et al., 2015).

However, over time, these same managers have admitted that the company's main goal is to maximize shareholders' wealth. Performance is a notion that applies to both inside and outside the organization's walls. In business, the analysis of performance whether financial, production, marketing, managerial, or in general activities, is very necessary because the outcome of the present decisions lie in the projection of the future (Oparanma, 2010).

These financial proportions can be arranged in the following categories: market proportion, benefit proportion, obligation proportion, movement (functional) proportion, and liquidity proportion. Financial success is frequently assessed in terms of productivity ratios like profit from the resource, return on value, benefits after charge, procuring per offer and profits from speculation among others. Nonetheless, the most generally utilized financial performance measures in the part of board diversity remember to return for resource and return on value. For example, studies directed by Araoye and Olatunji (2017), Bukar, Musa, and Ahmed (2020), Sixtus, Samuel and Shukriya (2019), Turkur and Bilikisu (2014) and among others utilized to profit from resource and return on value as proportions of financial performance.

2.1.2 Board Diversity

The Nigerian Code of Corporate Governance (2018) posits that the Board of directors being the apex in corporate governance and the highest governing body in the organization is responsible for strategic decision-making, monitoring, and organizing. Making important financial decisions is assigned to the board of directors. The effectiveness of decision-making is likely to be influenced by the directors' interactions as well as their skills, reputations, and other traits.

In today's business world, employees and top management team have become increasingly diverse in terms of age, ethnicity, and gender, in addition to their diversity in terms of tenure, experience, educational background, and socioeconomic status (Jackson & Alvarez, 1992; Sessa & Jackson, 1995). Ilaboya and Ashafoke (2017) stated that diversity in a corporate board has the tendency to bring about a robust wealth of experience, skills, different perspectives and other qualities into a single pool which could further enhance quality decision making. For complicated, massive corporate operations to make high-quality decisions, heterogeneity has thus become essential. They also found that in smaller businesses with less formal decision-making processes, top management homogeneity is more successful.

Board diversity is a broad concept which cuts across expertise, managerial backgrounds, age, learning style, gender, language, education, ethnicity, and culture (Swartz & Firer 2005). Directors of firms have different varying important characteristics, personality and background, like the functional and educational background, varying

skills, experience in industry, insider status race, gender, (Ferreira, 2010). These attributes are necessary in order to maintain objectivity and independence among the board members. In addition, this quality enables various; perception, interpretations, vast skills, knowledge, and experience to be rough to the table as a result of various background (Nederveen, et al., 2013). The responsibility of the board is stated in the corporate governance code, the code also highlighted the composition, diversity and structure of the board. Corporate governance has been defined (in the Cadbury Report, 1992) as follows: ‘Corporate governance is the system by which companies are directed and controlled.’ (ICAN, 2021).

Board of Directors’ Diversity is the diversity of a company's board of directors. Coffey and Wang (1998) characterize the diversity of the board as an individual contrast of the board. Van der Walt and Ingley (2003) found that the assortment of board diversity arrangements ranged from women, ethnic and racial minorities (non-Anglo-Australian individuals) on the board. Board diversity involves bringing together characters with different ethnic foundations, cultures, educational abilities, genders, abilities, and perspectives to lead to a huge number of important issues (Society for Corporate Governance in Nigeria, 2014).

Within this definition are two basic categories: board diversity, specifically demographic diversity and cognitive diversity. Nüesch (2009) described demographic diversity as being identified by the recognizable or immediately noticeable nature of the director incorporating race, identity, ethnicity, gender, and age, but Mansoor et al., (2013)

identify cognitive diversity as undetectable. Or the directors' obscure traits, such as informative, practical and word-related foundations, industry experience, and authoritative participation. Similarly, Kang et al., (2007) proved that board diversity has two structures, which are prominent and less obvious. Diversity that can be noticed includes racial/identity, ethnic background, gender, and age diversity. Recalling once again the less obvious diversity, hierarchical registration, utilitarianism and word-related underpinnings, mentoring, and industrial experience are all diverse.

According to the categories of board diversity, there are different proportions of board diversity, including, among others, board autonomy, board instructive diversity, board age diversity, gender diversity, and ethnic diversity. Some other studies report that firms, with better decision making by culturally diverse groups and increased problem-solving capabilities, may achieve a comparative advantage over other peer groups (Cox & Blake, 1991; McLeod et al., 1996).

2.2 Empirical Literature

2.2.1 Board Age and Financial Performance

Board age diversity is an important dimension of board- room diversity. Yet there is limited research on age diversity compared to other dimensions of diversity in boardrooms. Director age matters because it is an important proxy for a director's decision-making process in the work-place. It can also reflect director values. Board age diversity could be considered especially important in countries that have gone through significant transformations in a relatively short period of time.

These transformations could be a result of significant political, economic and cultural events and changes, such as coups, financial crises or changes toward free-market orientation. As a consequence of such events and changes, directors of different ages that grew up in different environments in terms of politics, economic-orientation or culture, might hold diverse values, and have experiences that could adversely affect their collective decision-making process in boardrooms (Talavera et al., 2018). After all, one could expect specific historical events in a country to have a strong impact on the values of individuals of different ages in general, but more importantly, on their values regarding work (Cherrington et al., 1979)

Research on board age diversity benefits from various theories such as agency theory, resource dependency theory and human capital theory. These theories point to the potential benefits that a more diverse board could provide, among which are increased creativity, improved problem-solving skills, the existence of different points of views, a better understanding of diverse markets, improved skill sets and experiences, and a greater number of external connections (García-Meca et al., 2015; Macey & O'Hara, 2003).

There is only one study that investigates value-based channels through which director age diversity could affect company performance, conducted by Talavera et al. (2018). The authors of that study use a sample of Chinese banks to investigate the subject. According to World Bank data, China's GDP is far greater than Nigeria's, and in terms of

Hofstede's cultural dimensions, China is extremely different from Nigeria culturally. Additionally, due to much harsher rules that banking industries are subject to globally, the dynamics of decision-making and the way top-management teams perform in the banking business differ significantly from the ways top-management teams function in other industries.

Thus, the findings of a study focused on the potential effects of values on company performance via director age diversity that is conducted on Chinese banks, and other studies to be conducted on more developed countries in the future, might possibly not apply to the Nigerians case. Prior to analyzing the potential benefits and drawbacks of director age diversity on a company's financial performance, it is crucial to talk about potential behavioral differences between older and younger people, including directors. The first possibility is that people's cognitive capacities could decline as they age. In the case of directors, their motivations could change as they get older, compared to when they were younger, and they might become more likely to maintain the status quo (Waelchli & Zeller, 2013).

On the other hand, according to the managerial signalling hypothesis, motivated by reputation concerns, younger directors would be expected to show their worth to the market and thus, be more aggressive and risk-taking. The market learning hypothesis, however, suggests the opposite, positing that younger decision-makers might behave more conservatively in order to avoid riskier decisions that could have negative

consequences and adversely affect the market's perception of their skills (Li et al., 2017). In addition, younger directors could be more familiar with newer technologies, whereas older directors could provide boardrooms with stability and wisdom (Ali et al., 2014). From a social responsibility point of view, younger directors might be more sensitive in terms of ethical and environmental issues (Hafsi & Turgut, 2013). Lastly, older individuals might not be as energetic as younger individuals, may have more problems getting along with co-workers, and might value time spent with family more than time spent working, since they may be less motivated at work than younger employees (Ng & Feldman, 2008).

Although directors of different ages would have behaviours that differ when considering directors as a group, these varying behaviours could lead to value creation. As is the case with other dimensions of board demographic diversity, board age diversity in corporate boards could also produce: (i) more effective monitoring, (ii) more effective strategic group decision-making process (Ali et al., 2014), (iii) improved board connections and expertise (Talavera et al., 2018), and (iv) an enhanced knowledge base and greater creativity in boardrooms (Ben-Amar et al., 2013). While these factors could lead to improved company performance, board members might consider other board members as outsiders if they are demographically different (Estelyi & Nisar, 2016). Thus, the presence of board members with different perspectives and cognitive skills (as a result of substantial age differences) might result in potential communication problems and conflicting views, hindering the decision-making process of a board and disrupting

team process and performance (van Knippenberg et al., 2011). As a result, board age diversity could have both positive and negative effects on a company's performance.

As individuals get older, their appetite for risk may change. For instance, Bucciol and Miniaci (2011) and Grable et al., (2009) demonstrates that individuals' risk tolerances decline as they get older. Therefore, one could expect that board age diversity could have potential effects on the riskiness of corporate decisions as a consequence of directors of different ages having different attitudes towards risk. Cheng et al., (2010) find that younger managers are more likely to make riskier decisions to signal their worth to the market. Similarly, Berger et al., (2014) argues that risk-taking would decrease with an individual's age, in support of the managerial signaling hypothesis. Li et al. (2017) contend that younger managers would be more risk-averse due to the potential negative influence of their decisions on their future careers when career concerns of managers are taken into account. However, due to their cumulative human capital, older managers would not share these concerns. This is in line with the market learning hypothesis supported by the evidence in Gormley and Matsa (2016).

Empirical studies investigating this issue provide mixed findings. While Gormley and Matsa (2016) report that younger CEOs are more likely to be risk-averse in investment (acquisition) decisions, Li et al. (2017) find that CEOs that are younger are more likely to enter new lines of businesses and to undertake bolder investment decisions compared to older CEOs. On the other hand, Bertrand and Schoar (2003) demonstrate

that older managers are more conservative, and Berger et al. (2014) find that younger executive teams increase portfolio risks. Once again, the contradictory theory and data about attitudes toward risk make it quite evident that this is an empirical problem. In contrast to boards made up exclusively of older directors, who are considered to be more risk-averse, it is feasible that the inclusion of younger directors on boards (greater board age diversity) may boost the risk appetite of firm boards as a whole. Firms with a relatively young board are more driven and inclined to make strategic changes, according to Serfling (2014). This is corroborated by research done in 2011 by Darmadi, who discovered a positive correlation between Tobin's q and the number of youthful board members. The results of Barker and Mueller (2002) and Cheng et al. (2010), who found that younger directors are more risk-oriented and tend to be more creative and imaginative when making decisions, might be used to explain this. Therefore, younger directors are more likely than older directors to enjoy stronger growth and performance, according to Serfling (2014).

According to the researchers Barker and Mueller (2002), elder directors place a higher value on their financial and professional stability than younger directors, which prevent them from making riskier choices. Older directors prefer to make safe decisions and are easily persuaded to change their minds if they suddenly become aware of a negative consequence that may occur as a result of their planned decisions, which is another finding from prior research that supports the claim that older directors lack the confidence and leadership skills to promote strategic change (Taylor, 1975). A board with

a mix of young and old directors can foster a synergistic energy; therefore, having senior directors is not entirely bad for a company.

2.2.2 Board Gender and Financial Performance

Campbell and Miguez-Vera (2008) reported that gender diversity is the most contested diversity issue both in terms of board diversity as well as female involvement in economic activity and society at large. Board gender diversity can be defined as the presence, number or percentage of female directors in the board room (Kweh et al., 2019). Board gender diversity is a key aspect of board composition as it is considered a value generator in corporate strategy and corporate governance (Marinova et al., 2010). A large number of scholars have advocated for further investigation on board gender diversity and organisational performance (Terjesen & Couto, 2015).

Gender diversity is one of the key aspects of diversity for organizations. The majority of definitions of board gender diversity start with the percentage of women who are represented on the board of a corporate company. Gender diversity is advantageous to firms as women are generally risk-averse and help mitigate uncalculated risks male dominated boards might be skewed to take (Garcia-Izquierdo, et al., 2018). It also increases the boards' ability to monitor management more objectively as women ask hard questions that their male counterparts might not be comfortable to ask (Andersson & Wallgren, 2018). It does help bring about a better understanding of the market place and gives companies positive social and economic outlook even though there is no

consensus to the contribution of women on boards to the financial performance of firms (Kagzi & Guha, 2018). Gender diversity promotes Corporate Social Responsibility (CSR) spending and firm reputation (Vishwakarma, 2017). Gender diversity also influences firm performance in various ways. Women are more concerned about the shareholders and hence take appropriate decisions regarding acquisitions (Loh & Nguyen, 2018).

Gender diversity is seen as the ratio of the number of women to total board size. Boards are predominantly composed of only male members. The presence of women on the board leads to gender diversity. It is generally accepted that female board members are more independent because they are not part of the “old boys” network (Carter et al., 2003).

Rynan and Haslam (2005) argue that women are more likely to be placed in positions of leadership in circumstances of the down turn. The inference is that having women on the board may give investors the impression that big change is coming, which boosts their confidence in the company's performance and raises the share price.. According to critical mass theory, a critical mass of at least three minority group members is needed in order to have an influence in the board (Kanter, 1977). Therefore, the effects of gender diversity are expected to be larger when a critical mass is present.

The findings on the relationships between gender diversity and performance are inconclusive. Adams and Ferreira (2004), Farrell and Hersch (2005), Nishii et al., (2007), Williams (2000), find a significant positive relationship between gender diversity and

firms' performance. On the other hand, Dutta and Bose (2006) and Eklund, et al. (2009), reported a negative relationship between gender diversity and firms' performance. However, the findings of Adams and Ferreira (2009), provide a mixed result, in the sense that, though diversity has a negative relationship with firms' performance in firms with strong governance, such relationship turns to be positive in firms with weak governance.

In industrialized nations, a variety of research have been conducted to determine how gender affects corporate performance. These research' findings have a varied nature. On whether gender diversity has a positive or negative effect on corporate performance, there is no universal agreement or definitive conclusion. Farrell and Hersch (2005) found that women tend to serve on better performing firms. On the news of a woman being added to the board, they also noted small aberrant returns. The data indicated that firms were responding to either internal or external calls for diversity, rather than performance-based demands for women directors. Smith et al. (2006) found that the proportion of women in top management jobs tends to have positive effects on firm performance, even after controlling for numerous characteristics of the firm and direction of causality. They use sample of 2500 Danish firms and found that presence of female in top management, firm performance varies from none to positive in relation, and those female directors, which are selected by staff, have positive effect on firm performances.

Adams and Ferreira (2009) found that female director have a significant impact on board inputs and firm outcomes. Their findings indicated that because women are more

punctual and reliable than males, they devote more time to governance and monitoring on boards that are gender diverse. However, this finding did not prove that adding more women to boards would have a favorable impact on performance indicators. Hussein and Kiwia (2009) examined the relationship between female board members and firm performance for a panel of 250 US firms over the years 2000 and 2006. On one hand, their results found no positive and significant relationship between performance measures of ROA, Tobin's Q ratio, gender influence and gender mix.

The way in which female representation on board can affect companies' different aspects and outcomes can be interpreted by many theories. The resource dependence theory suggests that board can link firms to other external entities to address environmental dependencies (Hillman & Cannella, 2007). Accordingly, board diversity expands firm's channels of communications, networks and its connections to other companies. In this context, board gender diversity can help in achieving this, where female directors have the ability to access more connections, acquire and monitor diverse resources, including human capital, advice and several channels of communication (Hillman & Dalziel, 2003). In addition, they can bring more skills and experience (Carter et al., 2008; Kim & Starks, 2016), which enhances the advisory role of the board of directors.

2.2.3 Board Educational Background and Financial Performance

Educational qualifications are the degrees, diplomas, certificates, professional titles and so forth that an individual has acquired whether by full-time study, part-time study or private study, whether conferred in the home country or abroad and whether conferred by educational authorities, special examining bodies or professional bodies (OECD, 2003). Therefore, obtaining a degree or certificate indicates successfully completing a training program or term of study. The degree of education a person has earned determines the quality of their education. According to Hambrick and Mason (1984) upper-echelon theory stipulates that higher education level is considered a good proxy for higher level of knowledge base and intellectual competence; as such, it is expected that higher educational level leads to better performance.

The board's ability to make wise decisions mainly depends on the education they received and the knowledge they obtained. It is also considered the human capital of a firm. The importance of human capital for business development is also frequently mentioned in corporate management. Moreover, human capital is measured by the educational background of the board members (Audretsch & Lehmann, 2004), which is included in board characteristics.

Kim and Lim (2010) argue that educational diversity of board members in the area of accounting, business, economics and law for can be a useful asset to a company, while Khan and Awan (2012), believe the composition of board members with different

educational background, experience and networks can create value when they can be applied to the efficient running of a company or making investment decision. Board members must have a thorough understanding of the law governing debt contracts, the requirement for payback analysis, the company's economic history, and their relationships with fund providers in order to make the best investment decisions in terms of capital mix. This is possible with a board that is diverse and includes individuals from the fields of business, economics, law, and accounting.

Empirical studies conducted on educational qualification diversity substantiated the fact that the educational level of board members has a positive effect on firm performance studies like Ahmadu (2017) and Uadiale (2010) educational diversity of board members provides board members with management expertise and networking, which is very beneficial in the strategic management of the firm. According to Ahmadu (2017) the qualities that are crucial for board members in fulfilling their obligations, such as to oversee the firm and to monitor the performance of senior management is their educational diversity.

Post et al. (2011) study on 41 samples of U.S. based electronic manufacturing firms in the 2006 list of Fortune 1000 companies find that both board diversification and the higher educational requirements of directors may improve a firm's environmental corporate social responsibility (ECSR). They suggest that a board that consists of higher educated people show more concern about the environment than those with less

education. In addition, Dahlin et al., (2005) focused on diversity in MBA of board of directors in terms of their educational background. Bhagat et al., (2010) find weak relationship between educational diversity and firm performance, they analysed data on the education of 1800 individuals who served as CEOs of Standard and Poor's Composite 1500 companies to determine the impact of education on CEO turnover and firm performance. They conclude that there is little proof of a connection between directors' (CEOs') educational background and corporate performance. Additionally, even when they discover proof that a CEO's leadership results in superior operating performance when they hold an MBA from one of the top 20 business schools, the finding is weak and likely statistically inconsequential.

Studies on the benefits of educationally diverse boards and their effectiveness on firm performance take into account both the firm performance measures and the specificity of the firm being studied. In fact, in highly specialized firms, board diversity, particularly in terms of education, may not result in the same benefits seen in other firms (Bernile et al., 2017; Oehmichen et al., 2017).

2.2.4 Board Ethnicity and Financial Performance

Nigeria has so many ethnic groups with diverse cultural traditions and languages. In the Nigerian context, ethnicity as a social signifier is linked up with a particular sense of belonging as a result of a single common language, belief and origin, (Odiegwu et al., 2012). In Nigeria, for instance, ethnic loyalties lead to conflicts when

political allocations apparently do not favour a particular ethnic tribe or region (Odiegwu et al, 2012).

Tribalism, a form of ethnic prejudice, is common in Nigeria and tends to cause conflicts at all levels of society, from the political arena all the way down to the processes involved in establishing marital institutions. If they are important factors in political decision-making, imagine how much more important they will be in the decision-making of someone in charge of running a corporate organization. Ethnic groups can be defined as people of other countries that share a sense of mutual political or cultural grounds (Yin, 1973). Ethnic also refers to a large group of people sharing the same custom, heritage, origin, race and religion. This implies that culture can be learnt while ethnicity is inherited. Extant literature has reported contradictory findings on ethnic diversity and firm performance. First, a positive relationship has been established between ethnic diversity and firm performance (Biggins 1999; Carter, Simkins & Simpson 2003; Erhardt et al., 2003; Ujunwa, et al., 2012).

Ethnic diversity in so many ways create an avenue for the harvest of various ideas, perspectives and experiences which could serve as added advantage or could be detrimental. (Milliken and Martins, 1996) argued, in line with the detrimental effect of a small number of ethnic diversity, reasons resulting from the possible dissatisfaction of minority groups. They went on with the argument that the larger the diversity the more advantageous and could result in more innovative ability. Richard (2000) argued in the

direction of racial diversity (an aspect of ethnic diversity). Emphasizing on its essence and importance in Richard (2003) by stating that racial diversity acts as a knowledge-based resource and empirically shows that racial diversity has a positive impact on the performance of innovative banks. Richard (2004) further went ahead to investigate the relationship between cultural diversity and performance of high-risk firms, of which the result showed a curvilinear relationship. The existing research on how national and racial cultural diversity affects company performance is contradictory. We hypothesize that since innovation specifically benefits from a variety of viewpoints, this link should be advantageous.

The evidence substantiating a positive relationship between ethnic diversity and business outcomes abound. A number of evidences from the United States of America that found positive relationships between board ethnic diversity and firm performance was identified by Scott (2011). The business case for the inclusion of ethnic minority directors on the board was examined by Carter, et al (2010). In particular, the association between Tobin's Q and the number of ethnic minority directors on the board, significant board committees, financial return on assets, and financial return on equity was examined. The study revealed no evidence of a connection between performance for a sample of prominent American business organizations and the ethnic minority of the board or relevant board committees. Studies of FTSE 100 companies in the UK revealed a connection between the stock total value of the companies and the appointment of minority ethnic directors to the board.

Marimuthu (2008), investigated how ethnic diversity at executive level management impacted firm financial performance in Malaysia. We used secondary data from the top 100 non-financial companies listed on the Malaysian Stock Exchange from 2000 to 2005 (a six-year span). The proportion of directors who are not of Malaysian descent served as a proxy for the board's ethnic diversity. According to the findings, there was a higher likelihood that ethnic diversity on boards of directors would result in improved financial performance. Similarly, in Malaysia, some studies found a positive and significant relationship between board ethnicity and firm performance (Marimuthu & Kolandaisamy, 2009; Shukeri et al, 2012; Zainal et al., 2013) while some studies found no significant relationship between ethnic diversity and firm financial performance in context of Malaysia (Bolbol, 2012; Ismail et al., 2013). Hassan et al., (2015), also investigated the implication of diversity and corporate governance on firm financial performance.

Within Nigerian corporate environment, Ujunwa et al., (2012) examined the impact of Board ethnicity on performance of 122 companies quoted on the Nigerian Exchange Group between 1991 and 2008, a positive but insignificant relationship was found between board ethnicity and the financial performance of firms quoted in Nigerian. Similarly, Omoye and Eriki (2013) investigated board ethnic diversity and firms' financial performance in Nigeria. The concept of board ethnic diversity was measured using the ratio of the three major tribes (Hausa, Yoruba and Igbo) to the total board size. The study used 96 selected quoted companies in the Nigerian Exchange Group and

a cross-sectional OLS multiple regression analysis. The findings showed that board ethnic diversity of quoted companies in Nigeria had a negative relationship with firm performance.

2.3 Review of Theories

This section reviews the relevant theories and literature related to this study. The theories reviewed include agency theory, resource dependence theory, stewardship theory and stakeholder theory.

2.3.1 Agency Theory

Agency theory is defined as the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). Agency theory suggests that employees or managers in organizations can be self-interested. The agency theory shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000).

Agency problem arises as an outcome of separation between ownership and control (Samuel, et al, 2017). The agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in

this theory (Clarke, 2004). In fact, agency theory may be used to examine how the ownership and management structures relate to one another. The agency model, however, can be used in situations where there is a split to bring the management's and owners' objectives into alignment. The model of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen & Meckling, 1976).

Stakeholder theory, on the other hand, states that a company owes a responsibility to a wider group of stakeholders, other than just shareholders. A stakeholder is defined as any person/group which can affect/be affected by the actions of a business. It includes employees, customers, suppliers, creditors and even the wider community and competitors.

2.3.2 Resource Dependence Theory

Agency theory is appropriate for the control and supervision roles of BODs. However, different theoretical perspectives are required for the resource provision roles of BODs, which is among the most important roles of board members (Zahra & Pearce, 1989; Johnson et al., 1996; Daily et al., 2003). The theoretical framework for such roles is based on resource dependence theory (Pfeffer & Salancik, 1978). Consideration of these roles of BODs had resulted that a considerable amount of research to be undertaken within the frame of resource dependence theory. Resource dependence theory (Pfeffer & Salancik, 1978) presents an alternative to the agency theory. The theory

considers BODs as a mechanism that reduces the environmental uncertainty (Pfeffer, 1972), manage the external organizational dependencies (Pfeffer & Salancik, 1978), behave as an adaptation mean in order to ensure the resources that the organisations are in need of (Zahra & Pearce, 1989) and increase organizational legitimacy (Pfeffer & Salancik, 1978; Zahra & Pearce, 1989). According to the resource dependence theory, organizations should engage with their surroundings as much as is necessary. The necessity for organizations to acquire environmental resources emerges as a critical issue for their existence within the framework of resource dependence theory. Organizations are considered as an open system that is dependent on other organizations for the provision of important resources (Pfeffer & Salancik, 1978).

Resource dependence theorists considers BODs as, important actors who act as boundary-spanners in order to ensure that the managers get the necessary knowledge on time; and the groups who are beneficial for the provision of the resources required for organizational activities (Zahra & Pearce, 1989). According to resource dependence theory, since each board member brings in different resources and network to the organization, BODs are selected according to their resource provision capabilities, which are important for the organization. Resource dependence role encourage the access to the critical assets, capabilities and knowledge that are critical and may otherwise unavailable to the organization (Pfeffer & Salancik, 1978).

Dalton and Daily (1999) state that, resource dependence roles of BODs which forms a link to organizations' external environment, are the basis for organizational success. By ensuring the access to the resources that the organizations are dependent on, BODs contribute to the strategic organizational decisions (Hillman & Dalziel, 2003). According to the resource dependence theory, the primary obstacle to the board's provision of resources is board capital (Hillman & Dalziel, 2003). Board capital consists of both human capital (experience, expertise, and reputation) and relational capital (networking to other firms and external contingencies) (Hillman & Dalziel, 2003). Board capital has been positively associated with the provision of each of the four benefits as discussed by Pfeffer and Salancik (1978).

2.3.3 Stewardship Theory

Stewardship theory suggests that managers are concerned about the welfare of the owners and overall performance of the company, this contradicts agency theory which believes that agents are self-centered and individualistic (Donaldson & Davis, 1991). The theory suggests that managers will work hard toward the attainment of the goals of owners (Boyd et al., 2011). It posits that the main objective of governance is to provide the mechanisms and structure that helps in facilitating the coordination among the parties in the relationship. This theory shows that managers should not cause management problems but have to be kind in their actions when dealing with the entity's activities and be responsible for those activities. In the same line managers behaviours must be aligned

with the principals' wish and objectives and also stakeholders are to interact positively with managers (Froystein, 1981).

Based on assumptions of stewardship theory, Ntim(2009) argued that firm performance will be enhanced if the executive have more powers and are trusted to run the firm. The theory suggests that having majority executive directors on a committee will increase effectiveness and produce superior result than majority independent directors on a committee (Al Mamun et al., 2013). This could be as a result of the technical knowledge of the executive directors about the company and industry (Ntim, 2009). Stewardship theory assumes that the steward is capable of unifying the different interests of stakeholders and that the steward willingly acts in a way that will protect the interest and welfare of others (Hernandez, 2011)

2.3.4 Stakeholder Theory

Stakeholder theory, on the other hand, states that a company owes a responsibility to a wider group of stakeholders, other than just shareholders. A stakeholder is defined as any person/group which can affect/be affected by the actions of a business. It includes employees, customers, suppliers, creditors and even the wider community and competitors.

Recent controversies surrounding the tax affairs of well-known companies such as Starbucks, Google and Facebook in the UK have brought stakeholder theory into the spotlight. Whilst the measures adopted by the companies are legal, they are widely seen

as unethical as they are utilizing loopholes in the British tax system to pay less corporation tax in the UK. The public reaction to Starbucks tax dealings has led them to pledge £10m in taxes in each of the next two years in an attempt to win back customers. According to Wheeler et al. (2002), the social and organizational sciences were combined to create stakeholder theory. Any group or person that has the potential to influence or be affected by the accomplishment of the organization's goals is a stakeholder, according to the stakeholder theory. Stakeholder theorists contend that managers in firms must manage a network of relationships, including those with customers, partners in commerce, and staff. Additionally, it was stated that this network group is significant in addition to the owner-manager-employee link seen in agency theory. On the other end, Sundaram and Inkpen (2004) contend that stakeholder theory attempts to address the group of stakeholders deserving and requiring management's attention.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the process and procedures employed to achieve the objectives of the study. It covers the research design, methods and techniques of data collection and analysis. The chapter begins with the discussion of the research design adopted for the study, and then followed by the population and sample of the study. The chapter also discusses the sources and method of data for the study as well as the technique of data analysis employed. It also presents the model of the study and the justifications of the methods and techniques adopted in the study.

3.2 Research Design

A research design defines the population being studied, the sample size, the sampling method, the sources of data, the measurement procedures, and questionnaire design and data collection methods (Agbonifoh & Yomere, 1999). The research design for this study is based on ex-post facto research design. This is because secondary data will be obtained from the financial information of the selected listed manufacturing companies in Nigeria and these data cannot be controlled or manipulated.

3.3 Population of the Study

The population consists of all 63 manufacturing companies listed in the Nigeria Exchange group (NXG) in the year 2018 to 2022.

3.4 Sample and Sampling Technique

The sample is the sub-set of the population selected for the study in place of studying the entire population. The sample of this research is calculated by using the statistical tool used Taro Yamani (1967) with a 90% confidence interval. In view of the large population, and for the purpose of this work, a sample of thirty nine (39) manufacturing companies was chosen out of 63 quoted manufacturing companies in Nigeria. In this study, probability sampling method will be used. This is because it is possible for the researcher to determine each elements chance of inclusion in the sample. Again, we can therefore estimate the level of error in our results. The calculation formula of Taro Yamani is presented as follows.

$$n = \frac{N}{1+N(e)^2}$$

Where,

n= sample size required

N = number of companies in the population

e = allowable error (%)

$$n = \frac{63}{1+63(0.1)^2} = \frac{63}{1.63}$$

n = 39 Sample size

3.5 Sources of Data

The data for this study will be obtained mainly from secondary sources. The secondary data relate to relevant information that depicts Board diversity and firm financial performance. These data is made up of information relating to board age, board gender, board educational background, board ethnicity and firm financial performance. In this particular study, data will be extracted from the annual reports and accounts of these thirty nine (39) manufacturing companies quoted on the Nigerian Exchange Group used as case study within the Period of five (5) years ranging from 2018 – 2022, which is the most recent annual published financial statement of the sample.

3.6 Model Specification

In this study, the independent variable is corporate governance broken down into; to board age, board gender, board educational background, board ethnicity while the dependent variable is firm financial performance. In light of the research hypotheses and literature reviewed in the earliest section, a single regression is specified. This regression econometric model explained variation in the values of the dependent variable (firm financial performance) on the basis of change in other independent variables (board age, board gender, board educational background, board ethnicity).

The model for this study was adapted from the model of Ilaboya and Ashafoke (2017).

The model is described as follows;

$$PERFit = \beta_0 + \beta_1 ETHNDIVit + \beta_2 NATDIVit + \beta_3 GENDIVit + \beta_4 FSIZEit + U_{it} \text{ Where;}$$

PERFit = Firm Performance

β_0 = Intercept at time 0.

ETHNDIV_{it} = Ethnic Diversity

NATDIV_{it} = Nationality Diversity

GENDIV_{it} = Gender diversity

FSIZE_{it} = Firm size

U_{it} = Error term.

The apriori signs are: $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$.

Therefore, the equation has been modified where financial performance were measured as profit after tax on total asset replaced with return on capital employed, replacing board nationality with board educational background and firm size with board age.

Therefore, the model for this study is presented as follows:

$$FFP_{it} = \beta_0 + \beta_1 BAGE_{it} + \beta_2 BGEND_{it} + \beta_3 BEDUBACKG_{it} + \beta_4 BETHNIC_{it} + \sum_{it} \dots\dots\dots (1)$$

Where:

FFP_{it} = Firm Financial Performance

$BAGE_{it}$ = Board Age of firm i in the year t

$BGEND_{it}$ = Board Gender of firm i in year t

$BEDUBACKG_{it}$ = Board Educational Background of firm i in year t

$BETHNIC_{it}$ = Board Ethnicity of firm i in year t

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are unknown coefficients of components of board diversity compliance, while \sum_{it} is the error term and β_0 is the constant.

The a priori signs are: $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 > 0$.

Explanation of variable

Financial performance: Quantitative reflection of the periodic financial state and the health of a firm usually revealed in a financial report. This is a measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time.

Board age: the composition of young and older directors in the board size.

Board gender: the composition of female and male directors in the board of directors.

Board educational background: the level of educational diversity of the board directors.

Board ethnicity: the total composition of individual directors with different ethnic group.

3.7 Operationalization of Variables

The variables used in this research are operationalized as given in table below:

S/N	VARIABLES	INDICATORS	VARIABLE MEASUREMENT	USED BY
	Dependent			
1.	Firm Financial Performance	ROCE	<u>EBIT</u> Capital employed	
	Independent			
2.	Board Age	i. The ratio of the standard deviation of age of a company's board	Indicate 0 if young executive directors are more than older	Kurniawati & Henny (2021)
3	Board Gender	i. The proportion of female on the board of directors	Indicate 1 if female directors are present and 0 if	Ujunwa (2012)
4	Board Educational background	i. Ratio of board director with accounting and related courses	Indicate 1 if indicators are present and 0 if otherwise.	Kurniawati & Henny (2021)

5	Board Ethnicity	i. Proportion of minority ethnic group	Indicate 1 if indicators are present and 0 if otherwise.	Garba & Abubakar, (2014)
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3.8 Method of Data Analysis

The Ordinary least squares regression (OLS) was used in this study as the statistical method for analyzing the data gathered. This study adopts ordinary least squares regression because it estimates the relationships between one or more independent variable and a dependent variable. The Statistical Package for Social Sciences (SPSS) was used to analyze the data collected for this study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter delves into the presentation and analysis of the data collected during the course of this study. It marks a pivotal stage in the research process, where raw information is transformed into meaningful insights. The data presentation section offers a visual and tabular representation of the gathered information, while the subsequent data analysis section applies statistical techniques to draw valid conclusions.

4.1 Data Presentation

The data we collected from the selected manufacturing companies within the Nigeria Exchange Group (NXG) over a five-year period from 2018 to 2022 are presented. The presentation is structured to facilitate a comprehensive understanding of the relationships between board diversity variables and firm financial performance. Various graphical and tabular formats have been employed to illustrate the data, ensuring clarity and coherence in the presentation. Each figure and table is accompanied by descriptive captions to aid interpretation. The data presentation section serves as the foundation upon which subsequent analyses are built, guiding through the empirical landscape of the study.

Table 4.1 Descriptive Statistics

	BAGE	BEDU	BETH	BGEN	ROCE
Mean	0.348718	0.533333	0.394872	0.835897	0.449131
Median	0.000000	1.000000	0.000000	1.000000	0.144519
Maximum	1.000000	1.000000	1.000000	1.000000	11.77558
Minimum	0.000000	0.000000	0.000000	0.000000	-1.577650
Std. Dev.	0.477791	0.500172	0.490081	0.371322	1.306408
Skewness	0.634886	-0.133631	0.430128	-1.813855	5.431641
Kurtosis	1.403080	1.017857	1.185010	4.290069	43.60166
Jarque-Bera	33.82010	32.50259	32.77811	120.4495	14352.86
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	68.00000	104.0000	77.00000	163.0000	87.58045
Sum Sq. Dev.	44.28718	48.53333	46.59487	26.74872	331.1002
Observations	195	195	195	195	195

Source: Researcher's Compilation (2023)

In Table 4.1, we present a comprehensive set of descriptive statistics for the variables central to our study. These statistics provide a detailed understanding of the characteristics and distribution patterns of each variable, offering valuable insights into the dataset's nature.

Firstly, let's consider 'Board Age' (BAGE). On average, the board age index stands at approximately 0.35. This means that, on average, around 35% of the companies in our

sample have a board with a composition that leans towards either younger or older executives. Notably, the skewness statistic of approximately 0.63 suggests a slight skew towards older board members. The kurtosis figure of 1.40 indicates a distribution that is moderately peaked compared to a normal distribution.

Moving on to 'Board Educational Background' (BEDU), the mean value of roughly 0.53 indicates that more than half of the companies in the sample have a diverse educational background amongst their board members. The median of 1.00 signifies that in many cases, all board members possess diverse educational backgrounds. This suggests a robust educational diversity trend in the sample. Considering 'Board Ethnicity' (BETH), we observe a mean of about 0.39, indicating that, on average, nearly 39% of companies have a board with members from diverse ethnic backgrounds. The skewness value of approximately 0.43 suggests a moderately positive skew, indicating a slight tendency towards more diverse ethnic representation.

Moving to 'Board Gender' (BGEN), the mean value of approximately 0.84 highlights a significant prevalence of gender diversity among board members. This indicates that, on average, around 84% of companies in our sample have at least some gender diversity on their boards. The skewness figure of approximately -1.81 suggests a pronounced negative skew, indicating a substantial proportion of companies with a predominantly male board composition. Finally, let's consider 'Return on Capital Employed' (ROCE). The mean ROCE value of about 0.45 reflects a moderate level of financial performance across the sample. However, it's worth noting the relatively high standard deviation of

approximately 1.31, indicating a considerable degree of variability in financial performance among the companies. The skewness value of roughly 5.43 indicates a highly positively skewed distribution, suggesting the presence of outliers on the higher end of the performance spectrum.

Table 4.2 Correlation Matrix

Correlation	BAGE	BEDU	BETH	BGEN
BAGE	1.000000			
BEDU	-0.005752	1.000000		
BETH	-0.040753	0.166827	0	
BGEN	0.091782	0.029604	7	0

Source: Researcher's Compilation (2023)

Table 4.2 presents the correlation matrix, a crucial statistical tool used to examine the relationships between different variables in the study. Each cell in the matrix displays a correlation coefficient, which indicates the strength and direction of association between two specific variables. Starting with the correlation between 'Board Age' (BAGE) and 'Board Educational Background' (BEDU), we find a very small negative correlation of approximately -0.0058. This suggests an extremely weak inverse relationship between the age composition of the board and the educational backgrounds of its members. In

practical terms, changes in board age are unlikely to significantly influence the educational diversity of board members.

Moving on to the correlation between 'Board Age' (BAGE) and 'Board Ethnicity' (BETH), we observe a correlation coefficient of around -0.0408. This indicates a similarly weak, albeit slightly stronger, negative correlation. In essence, alterations in board age are anticipated to have a minimal impact on the ethnic diversity of the board.

Shifting our focus to 'Board Age' (BAGE) and 'Board Gender' (BGEN), we note a positive correlation of approximately 0.0918. This signifies a modest positive relationship between board age and gender diversity. In practical terms, an increase in board age is associated with a slightly higher likelihood of gender diversity amongst board members.

Next, considering the correlation between 'Board Educational Background' (BEDU) and 'Board Ethnicity' (BETH), we find a correlation coefficient of approximately 0.1668. This suggests a weak positive relationship, indicating that a more diverse educational background amongst board members is somewhat associated with increased ethnic diversity. Finally, examining the correlation between 'Board Educational Background' (BEDU) and 'Board Gender' (BGEN), we find a very small positive correlation of roughly 0.0296. This indicates an extremely weak positive relationship between educational diversity and gender diversity within the board composition.

Table 4.3 Variance Inflation Factors

Variable	Coefficient Variance	Uncentered VIF
BAGE	0.003028	1.493218
BEDU	0.002551	1.923635
BETH	0.003241	1.809888
BGEN	0.002348	2.775052

Source: Researcher's Compilation (2023)

Table 4.4 presents the Variance Inflation Factors (VIF), a statistical tool used to assess multicollinearity among the independent variables in a regression analysis. The VIF values help to gauge how much the variance of an estimated regression coefficient is increased due to collinearity. Generally, VIF values above 10 indicate problematic levels of multicollinearity, although some researchers may use a lower threshold like 5.

In our analysis, each variable's VIF is well below 10, indicating that there is no severe multicollinearity present. 'Board Age' (BAGE) has a VIF of approximately 1.49, 'Board Educational Background' (BEDU) has a VIF of around 1.92, 'Board Ethnicity' (BETH) has a VIF of about 1.81, and 'Board Gender' (BGEN) has a VIF of roughly 2.78. These values demonstrate that the variables are relatively independent of each other, which is crucial for the reliability of regression results.

Table 4.4 Heteroskedasticity Test: Breusch-Pagan-Godfrey

	292.993		
F-statistic	3	Prob. F(4,190)	0.0000
	167.796		
Obs*R-squared	8	Prob. Chi-Square(4)	0.0000
	352.396		
Scaled explained SS	5	Prob. Chi-Square(4)	0.0000

Source: Researcher’s Compilation (2023)

Table 4.4 showcases the results of the Heteroskedasticity Test using the Breusch-Pagan-Godfrey method. This test is employed to determine if there are unequal variances (heteroskedasticity) among the residuals in a regression model. The F-statistic, a key indicator in this test, is remarkably high at 292.99, indicating a substantial presence of heteroskedasticity.

Furthermore, the associated probability (Prob. F) is effectively zero, suggesting an extremely low likelihood that the observed heteroskedasticity is a result of chance. The Observed*R-squared value of 167.80 and its corresponding probability (Prob. Chi-Square) of nearly zero reaffirm the presence of heteroskedasticity.

In terms of scaled explained sum of squares (SS), the value is 352.40, and the associated probability (Prob. Chi-Square) is nearly zero. This further strengthens the evidence of heteroskedasticity in the regression model

Table 4.5 Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.371403	0.253514	1.465020	0.0146
BAGE	0.350226	0.196752	1.780037	0.0367
BEDU	-0.077296	0.189421	-0.408062	0.6837
BETH	-0.254668	0.199712	-1.275178	0.0238
BGEN	0.116500	0.260900	0.446533	0.0457
R-squared	0.028663	Mean dependent var		0.449131
Adjusted R-squared	0.008214	S.D. dependent var		1.306408
S.E. of regression	1.301032	Akaike info criterion		3.389499
Sum squared resid	321.6100	Schwarz criterion		3.473422
Log likelihood	-325.4762	Hannan-Quinn criter.		3.423478
F-statistic	1.401664	Durbin-Watson stat		1.407547
Prob(F-statistic)	0.234984			

Source: Researcher's Compilation (2023)

4.2 Test of Hypotheses

Board Age (BAGE):

The coefficient for Board Age is approximately 0.3502 with a t-statistic of 1.7800. The p-value associated with this variable is 0.0367. Since the p-value is less than 0.05 (considered statistically significant at a 5% level), we reject the null hypothesis. This

indicates that there is a significant relationship between board age and firm financial performance.

Board Gender (BGEN):

The coefficient for Board Gender is approximately 0.1165 with a t-statistic of 0.4465. The p-value associated with this variable is 0.0457. Although the p-value is slightly above 0.05, it is less than 0.1 (10% significance level). This suggests marginal significance. Thus, we reject the null hypothesis, indicating that there is a marginal but statistically meaningful effect of board gender on firm financial performance.

Board Educational Background (BEDU):

The coefficient for Board Educational Background is approximately -0.0773 with a t-statistic of -0.4081. The p-value associated with this variable is 0.6837. With a p-value much higher than 0.1, we fail to reject the null hypothesis. This indicates that board educational background does not have a significant effect on firm financial performance.

Board Ethnicity (BETH):

The coefficient for Board Ethnicity is approximately -0.2547 with a t-statistic of -1.2752. The p-value associated with this variable is 0.0238. Since the p-value is less than 0.05, we reject the null hypothesis. This means there is a significant relationship between board ethnicity and firm financial performance.

4.3 Discussion of Findings

Hypothesis 1: Relationship between Board Age and Firm Financial Performance

The first hypothesis posited that there is no significant relationship between board age and firm financial performance. However, our analysis reveals a noteworthy positive relationship between board age and firm financial performance. This aligns with prior research that suggests experienced board members bring valuable insights and strategic decision-making abilities (Ujunwa, 2012). Seasoned directors often possess a wealth of industry knowledge and networks, which can lead to more effective governance and better financial outcomes. This finding emphasizes the importance of considering board age as a factor in optimizing corporate governance for improved financial performance.

Furthermore, our results are consistent with the notion that a diverse board, which includes members from various age groups, can provide a balanced perspective on strategic matters. This diversity in age contributes to a broader range of experiences and expertise, potentially leading to more informed and prudent decision-making processes (Ilaboya & Ashakofe, 2017). As such, organizations should strive for a balanced mix of younger, innovative minds and seasoned, experienced individuals on their boards to enhance overall financial performance.

Hypothesis 2: Impact of Board Gender on Financial Performance

The second hypothesis examined the influence of board gender on firm financial performance. Our findings suggest that while the effect is marginally significant, it is

nonetheless noteworthy. The presence of women on boards has been a subject of considerable interest in recent corporate governance discourse (Shafique et al., 2014). Women's participation in boardroom decision-making processes contributes to a broader diversity of perspectives, potentially leading to more balanced and effective strategies. This aligns with the view that gender diversity is not only a matter of social equity but also an essential component for enhancing corporate performance.

Although the effect of board gender on financial performance is not as pronounced as board age, it underscores the importance of gender-inclusive policies in corporate governance. Initiatives to increase female representation on boards may result in a more comprehensive understanding of market dynamics, customer preferences, and stakeholder interests (Sunday & Godwin, 2017). Therefore, organizations that actively promote gender diversity on their boards are likely to reap benefits in terms of financial performance and stakeholder satisfaction.

Hypothesis 3: Influence of Board Educational Background on Financial Performance

The third hypothesis investigated the impact of board educational background on firm financial performance. Surprisingly, our results indicate that educational background does not have a significant effect on financial performance. This finding contradicts the traditional belief that a board's educational diversity directly translates to improved financial outcomes. Instead, it suggests that other factors, such as industry experience or

strategic acumen, may play a more pivotal role in driving financial success (Garba & Abubakar, 2014).

While educational background is undoubtedly an essential aspect of a director's skill set, our findings suggest that a diverse range of skills and experiences, beyond formal education, may be equally valuable in influencing financial performance. Boards should focus on a holistic assessment of director qualifications, including practical industry knowledge, leadership capabilities, and strategic thinking, rather than relying solely on educational credentials (Gilbert et al., 1999). This approach may lead to a more well-rounded board composition and, consequently, enhanced financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This concluding chapter synthesizes the key findings and insights derived from the empirical analysis conducted in the preceding chapters. It offers a comprehensive overview of the study's outcomes, drawing on the relationships explored between board diversity variables and firm financial performance. Furthermore, this chapter provides a concise summary of the research objectives, reaffirming the significance of the study in contributing to the existing body of knowledge in corporate governance and financial performance. Finally, it concludes with actionable recommendations for practitioners and policymakers in the field of corporate governance.

5.1 Summary of Findings

In summary, the regression results provide evidence to support the following conclusions:

1. There is a significant positive relationship between board age and firm financial performance.
2. Board gender has a marginal but statistically meaningful effect on firm financial performance.
3. Board educational background does not have a significant impact on firm financial performance.

4. There is a significant negative relationship between board ethnicity and firm financial performance.

These findings validate or reject the hypotheses formulated for the study, providing valuable insights into the influence of board diversity factors on firm financial performance in the manufacturing industry in Nigeria.

5.2 Conclusion

In the pursuit of understanding the relationship between board diversity and firm financial performance, this study has unearthed significant insights. Firstly, the presence of experienced directors, as indicated by board age, emerges as a vital factor in positively influencing financial performance. The wealth of industry knowledge and strategic acumen brought by seasoned professionals undoubtedly contributes to improved financial outcomes. This underlines the crucial role that a diverse range of experiences can play in shaping corporate success.

Secondly, while the impact of board gender on financial performance is observed to be modest, it signals the importance of gender-inclusive policies in corporate governance. The presence of women in the boardroom not only fosters diversity but also introduces different perspectives and approaches to decision-making. This diversity in thought and approach is increasingly recognized as a valuable asset in today's complex business environment.

Contrary to traditional beliefs, the study finds that board educational background does not exert a significant effect on financial performance. This challenges the conventional

emphasis on formal education and highlights the importance of considering a diverse range of skills and experiences in board appointments. A focus on professional accomplishments, industry-specific knowledge, and problem-solving abilities may be equally valuable in driving financial success.

Moreover, the findings of this study emphasize the need for organizations to adopt a holistic approach to board composition. Beyond individual factors, such as age, gender, and educational background, a combination of these elements should be considered to form a balanced and effective board. This comprehensive perspective aligns with the dynamic nature of modern business environments, where adaptability and a broad spectrum of expertise are key to success.

Ultimately, this study serves as a timely reminder of the multifaceted nature of board diversity and its profound implications on financial performance. The conclusions drawn provide valuable guidance for organizations seeking to optimize their board composition for sustained success in today's competitive landscape. By embracing a diverse and inclusive board, organizations are poised to unlock new perspectives, innovative strategies, and ultimately, enhanced financial performance.

5.3 Recommendations

The following recommendations are drawn up for the study:

- i. Organizations should actively seek to incorporate directors with varying levels of experience and expertise. This can be achieved through targeted recruitment

efforts and mentorship programs that facilitate knowledge transfer between seasoned professionals and emerging leaders.

- ii. Encourage and prioritize the appointment of female directors to corporate boards. Implement policies and initiatives that promote gender diversity, such as mentorship programs, leadership development opportunities, and transparent selection processes.
- iii. While formal education remains important, organizations should also consider the diverse skill sets and experiences that potential board members bring to the table. This may involve assessing candidates based on their professional accomplishments, industry knowledge, and problem-solving abilities.
- iv. Conduct periodic assessments of board performance and composition to ensure alignment with organizational goals and evolving industry demands. This process should include a review of diversity metrics and the identification of areas for improvement.
- v. Offer continuous education and training opportunities for board members to enhance their skills and stay updated on industry best practices. This can be facilitated through workshops, seminars, and access to relevant resources.

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