

BOARD GENDER DIVERSITY AND FIRM PERFORMANCE

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Being a Project Submitted to the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City in Partial Fulfillment of the Requirements of the Award of Bachelor of Science (B.Sc.) Degree in Accounting.

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DECLARATION

I hereby declare that:

- i. This study is based on a study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of **Dr. Otakefe J.P**
- ii. This work has not been previously submitted for the award of degree elsewhere.
- iii. Ideas and views are product of my personal research and where the view of others has been expressed, they have been duly acknowledged.
- iv. Any liability arising from this work is to be wholly borne by me alone.

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CERTIFICATION

We, the undersigned, hereby certify that this research project was carried out by **Tochukwu Christopher LAZARUS** of the Department of Accounting, University of Benin, Benin City and do approve that it is adequate in scope and quality in partial fulfilment of the award of Bachelor of Science (B.Sc.) degree in Accounting, University of Benin, Benin City.

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DEDICATION

This project is dedicated to God almighty for His Abundant grace in my life, and for seeing me through my academic pursuit and aspirations.

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ABSTRACT

The most crucial level of control in every organization is board of directors. However, the role of a diverse board on the financial performance of a firm can never be over emphasized. Diversity in terms of gender, independent directors and board composition are expected to affect the advisory role of board of directors due to the diverse information they possess. Thus, the study investigates the effect of board diversity on financial performance of consumer goods firms in Nigeria, the study covers a period of five years (2018-2022). The population of the study is made up of the twenty six (26) listed consumer goods firms as at 31st December, 2012. A sample of seventeen (17) firms was drawn from the population as they have all the information required within the period under study. Secondary data was obtained from the annual report and account of sample firms. The study used correlational research design and a multiple regression technique was employed for analysis to determine the effect of board diversity on financial performance of firms under study. The result was interpreted using fixed-effect regression model. The finding of the study showed that two of diversity variables (Independent director and board composition) have a positive effect financial performance and gender diversity has no significant impact on firm performance. The study, therefore, concludes that on the overall board diversity has a significant impact on financial performance of the firms under study. It is therefore, recommended that regulatory authorities should encourage firms to consider foreign directors in their board room when appointing board of directors for efficient monitoring and effective board oversight function.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

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, Abidin & Zaluki, 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), has reiterated the imposing challenge of managing organizations to meet set goals in developing nations and had prescribed a reflection of the cultural circumstance, board diversity 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). Although, the issue of board diversity is multi-faceted, also, attempts at understanding the dynamics of board diversity have attracted a multi-disciplinary approach.

Firm performance of an organisation is motivated both by the economic and organisational factors which are specific to the company or the region and is of great importance to financial management. The maximisation of a firm's value brought forward by modern finance theory has been seen as the reason for managerial decision making. 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, Haldar & Rao, 2015). Over the period, however, these same managers have acknowledged that the maximisation of shareholders wealth is the major objective of the firm. The concept of performance cuts across all spheres of operation within and outside the organisation. 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).

Agency theory accords that in the modern corporation, control is vested in the hands of management as owners contract managers to control the organisation on their behalf (Rashid et al., 2010). This relationship is referred to as the agency relationship. The separation of ownership from management gives rise to a conflict of interest between the owners and managers, known as the agency problem. This arises due to the tendency of managers to maximize their self-interest at the expense of maximizing shareholder interest (Jensen and Meckling, 1976). Corporate Governance is a concept that has been widely used to reduce the agency problem (Ibid). A significant proportion of corporate governance research aims at understanding how to effectively monitor managers to avoid acting in their interest, to protect shareholder interest (Ujunwa, Nwakoby and Ugbam, 2012). The board of directors is an important governance mechanism and is at the apex of the internal corporate governance mechanism of firms (Gillan, 2006). Thus, it is argued that optimal board composition is necessary to serve as an adequate corporate governance mechanism.

Board diversity has been advocated by different policies, systems and organisations due to the potential benefits that arise from it, such as more effective utilisation of talent pool, enhanced decision making and better investor relations amongst other things (Uwana, 2015). It is for these

reasons that various countries around the world are paying considerable attention to the diversity of boards concerning professional codes and regulations. For example, Terjesen, Couto and Francisco (2015) report that 16 countries recommend the presence of female directors on the board and 14 countries have established a quota for the number of women on the board. As such, it is imperative to use empirical evidence to decipher whether these recommendations impact positively on firm performance.

However, organizations such as banks, insurance, agriculture, conglomerates among others are working hard towards achieving greater firm performance and maximizing shareholders value of the firm by which consumer goods firms will not be an exception. The consumer goods firms in Nigeria are among the worst hit from the economic recession that threatened most business in Nigeria. Therefore, top executives need to understand the best composition of board of directors that will give room for an informed decision that will maximize firm performance. Literatures have revealed the importance of effective corporate governance practice and efficient board of directors as essential drivers in achieving good firm performance and at the same time maintaining public trust and confidence in every organization.

Board of directors is one of the most influential decision making body in every organization. Their major responsibilities is making important strategic and firm decisions, such decisions may include choosing the firm's top executive officers, decision on merger and acquisition and changes in capital structure when the need arises (Ferreira, 2014). The major effective functions of the board are mainly agreed to be four: controlling and monitoring managers, counseling managers and providing them with relevant information, monitoring their compliance with applicable laws and

regulations and their ability to link the firm with the external environment where it operates (Monks & Minow, 2004).

A review of the literature in this area shows that there is no clear consensus on how a diverse board improves financial performance. Existing studies have used various measures of diversity such as gender, nationality, ethnicity, age, skills, independence, expertise and experience among others (Ilona, Abidin, & Zaluki, 2019). This study aims to assess the impact of diversity by focusing on gender and the independence of directors

1.2 Statement of Research Problem

The question as to whether highly diversified boards do better in discharging their fiduciary duties to shareholders in comparison to boards with lower levels of diversity has been widely debated in both the academic and business world (Taljaard, 2015). However, psychological and behavioural theories argue that a more diverse board gives room for a broader perspective as well as enhanced fiduciary roles of the board. More so, there has been a wide range of benefits associated with board diversity that has been identified by scholars, such as enhanced creativity and innovation, improved problem solving and decision making, better exchange of ideas and a better understanding of the marketplace of the firm among others (Erhardt, Werbel and Shrader, 2003). A different line of thinking has however identified some disadvantages associated with board diversity such as delayed decision making, increased likelihood of conflict and negative impact on group dynamics (Erhardt et al., 2003).

In Nigeria, the board of directors have been blamed for the fall in shareholders' wealth and many corporate collapses (Adesanmi et al., 2019). Furthermore, evidence from other jurisdictions suggests that board of directors are responsible for high-profile corporate scandals of companies due to less cautious monitoring function, their inability to detect questionable accounting practices, lack of diversity and independence and the tendency of board members to give up control to corporate managers with self-serving interest (Moghalu, 2015). A case in point was the 2009 banking sector crisis, which led to the near-collapse of 8 Nigerian banks. This was also evident with the US case of Enron, the Italian case of Parmalat, the Australian case of HIH Insurance, the UK case of Barings Bank and the Indian case of Satyam (Mallin, 2016). Consequentially, a variety of corporate governance reforms have advocated for necessary changes to be carried out in board of directors composition and structure among other things (Adesanmi et al., 2019).

The perpetuity of any profit oriented firm is determined by its performance, Consumer goods firms are profit oriented where performance is of utmost importance. The Nigerian consumer goods industry has faced a lot of challenges in the last few years and there was no significant change recorded within that period. The challenges emanated as a result of factors such as depreciating naira, fall in oil price, nonpayment of workers salary some part of the country among others. While the aggregate spending power of the economy is a major determining factor consumer goods firms performance, the hit by macro-economic factor has affect the consumer goods firms so badly. Therefore, it is an indication that consumer goods companies in Nigeria need to be observed for survival and the need for effective and efficient board that will assist management with advice on how the wealth of shareholders can be maximized. And need for a diverse view on how to tackle such issues such that the effect will not be that much on the firm's performance, hence, the need

for diversity in board room (in terms of gender, foreign directors and outside directors). The conduct of this study is aimed at filling areas left by researchers. This study therefore, seeks to investigate the effect of gender, foreign director and outside directors' diversity in the board room on firm performance of consumer goods firms.

1.3 Research Questions

In the light of the problem above, the following research questions are addressed in this study.

1. What is the effect of board gender diversity on the firm performance of listed consumer goods firms in Nigeria?
2. What is the impact of board composition on the firm performance of listed consumer goods firms in Nigeria?
3. What is the influence of independent directors on the firm performance of listed consumer goods firms in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the relationship between board gender diversity and firm performance using consumer goods firms listed on the Nigerian stock exchange. Specifically, the study aims at achieving the following objectives:

1. To examine the effect of gender diversity on the firm performance of listed consumer goods firms in Nigeria.
2. To ascertain the impact of board composition on the firm performance of listed consumer goods firms in Nigeria.
3. To find the influence the impact of independent directors on the firm performance of listed consumer goods firms in Nigeria.

1.5 Research Hypotheses

In order to answer the research questions and achieve the objectives, the following hypotheses are stated in the null form.

Hypothesis 1: Gender diversity has no impact on the firm performance of listed consumer goods firms in Nigeria.

Hypothesis 2: board composition has no impact on the firm performance of listed consumer goods firms In Nigeria.

Hypothesis 3: independent directors has no significant influence on the firm performance of listed consumer goods firms in Nigeria.

1.6 Scope of the Study

The study investigates the relationship between board gender diversity and firm performance of listed consumer goods companies in Nigeria. The study covers the period of 5 years from 2018-2022. The period of the study is considered adequate because it is an analysis of association between the dependent and independent variables over the relatively long period that cover two tenure of the directors within the same accounting regime in Nigeria.

The study chooses consumer goods companies as domain of the study because of increasing demand of accounting users such as shareholders, prospective and potential investors, government, foreigners and other stakeholders of the information contained in the firm statement and challenges they face in meeting up with the demand of shareholders, prospective and potential investors. The study covers only 17 consumer goods companies listed on the Nigerian Exchange Group that have

complete firm records for the period of the study. The proxies to independent variables of the study are gender, board composition and foreign directorship. The dependent variable is firm performance.

1.7 Significance of the Study

This study is expected to be of benefit in addressing diversity in the boardroom of listed consumer goods companies in Nigeria.

Again, considering the importance of firm performance in making informed decision, the findings this study are expected to contribute to both theoretical and practical perspective. Upper-Echelon and agency theory are the theories underpinning the findings of this study. The expectation is either the finding of this study support the theory or contradicts it, which will in turn ground the applicability of the theories mentioned. From the practical perspective, policy makers like Security and Exchange Commission, Corporate Affairs Commission, Firm Reporting Council of Nigeria and other stakeholders may use the findings of this study as a guide in formulating policies that will serve as a tool for decision making.

Shareholders; potential and prospective investors and all other stakeholder in the industry will be willing to commit their resources in an atmosphere that business strive. Hence, this study will provide information regarding strongest or otherwise of corporate governance when the board of directors is diverse in terms of gender, ethnic and foreign directors in an organization and its impact on the performance of that organization.

To the managers, the study will also help them to ascertain the importance of diversity in the boardroom in determining the performance of a firm. Considering the competitive nature of the contemporary business environment, the managers need to know what improve the performance of their firm. That is, the managers can critically evaluate the variables used in this study to see which one is viable and more beneficial to the overall growth of their stewardship.

Government at all level will find this work very useful as it reveal the extents to which board diversity affect the performance of listed consumer goods companies in Nigeria. These study will help to critically evaluate the extent to which prudential issues is being taken care off.

Finally, scholars, researchers and students would find the work useful as it adds to the existing literature. Though several literatures exist in this area of board diversity and firm performance around the globe, there is limited evidence from prior literatures that empirically investigate the relationship between board diversity and firm performance of listed consumer goods companies in Nigeria. These will, therefore, serve as a reference for further researchers in this area, by critically looking at the Nigerian perspective.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter starts with the presentation of conceptual literature such as concept of board of directors, gender diversity, board composition, foreign directors and firm performance. Relevant literatures on gender, board composition and foreign director are reviewed and the theoretical frameworks are presented.

2.2 Conceptual Framework

This chapter covers the discussion on conceptualization. Concept of firm performance, board of directors, gender diversity and firm performance are conceptualized and presented.

2.2.1 Board of Directors

The board of directors is the highest decision-making body in an organisation that is charged with the responsibility of guiding and governing an organisation on behalf of its shareholders (Taaljard et al., 2015). Pfeffer and Salancik (1978) contend that the board links the corporation to outside organisations to enable environmental dependencies. Moreover, the board serves as a link between managers and investors and is crucial to effective corporate governance and investor relations (Mazur, and Białostocka, 2010). The role of the board involves four key functions, namely: strategy formulation, policy development, monitoring and supervising as well as providing leadership and accountability (Tarigan, Hervindra and Hatane, 2018). It has been widely argued that the composition of a board impacts the effectiveness of the board, which in turn affects performance. Therefore, optimal board composition is necessary to ensure adequate governance of organisations.

2.2.2 Board Diversity

Board diversity is a corporate governance mechanism that has been defined in several ways. Kang, Cheng and Gray (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, Ngo, Pham and Luu (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, Salhin and El-Helaly, 2017).

2.2.3 Board Gender Diversity

Campbell and Minguez-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, Platenga and Remery, 2010). A large number of scholars have advocated for further investigation on board gender diversity and organisational performance (Terjesen and Couto, 2015).

2.2.4 Board Independence

Board independence has been defined as the ability of directors to take independent and unbiased decisions (Kang et al., 2007). Uwana (2015) suggests that the aim of appointing independent directors is to guarantee that the board is made up of directors that will adequately apply their outstanding judgement for the sole interest of the organisation. The idea of board independence mostly arises in cases of dispersal of ownership (Rashid, 2018). It has been widely argued that board independence could be employed as a mechanism for good corporate governance (Kang et al., 2007; Kweh et al., 2019).

2.3 Firm Performance

The performance of an organisation is motivated both by the economic and organisational factors which are specific to the company or the region and is of great importance to financial management. The maximisation of a firm's value brought forward by modern finance theory has been seen as the reason for managerial decision making. 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, Haldar & Rao, 2015). Over the period, however, these same managers have acknowledged that the maximisation of shareholders wealth is the major objective of the firm. The concept of performance cuts across all spheres of operation within and outside the organisation. 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).

2.3.1 Gender Diversity and Firm Performance

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 downturn. The implication is that the presence of women on the board could be perceived by shareholders that significant change is on the way, thereby making them more confident in the company’s success, which results in an increase in 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, Gotte and Raver, (2007), Williams (2000), find a significant positive relationship between gender diversity and firms’ performance. On the other hand, Dutta and Bose (2006) and Eklund, Palmberg and Wiberg (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.

Swartz and Firer, (2005), Francoeur, Labelle and Sinclair-Desgagne (2008) and Marimuthu and Koladaisamy (2009a), find no significant relationship between gender diversity and firms’ performance.

2.3.2 Board Nationality and Firm Performance

Nationality diversity may increase the likelihood of cross-cultural communication problem and interpersonal conflicts (Cox, Jr., 1991 and Lehman & Dufrene, 2008). On the other hand, the presence of foreign nationals on the team is expected confer competitive advantage on the firm in the form of; international networks, commitment to shareholder rights, and managerial entrenchment avoidance (Oxelheim & Randøy, 2003). Board nationality can be seen as the proportion of foreign board members to the overall size of the board in an organisation. It is believed that a large number of qualified foreigners with broader industry experience are available for the board and secondly, due to their different background, they are believed to add valuable and varied expertise to the board (Lee & Farh, 2004). Darmadi (2011) and Oxelheim and Randoy (2003) believe that a team comprising of nationals and foreigners are advantageous to a firm. They bring about the international network, managerial entrenchment avoidance and commitment to shareholder rights. But on the other hand, Lehman and Dufrene (2008) are of the opinion that diversity of nationality and culture of the team members in management bring about cross-cultural communication problems.

2.4 Theoretical Review

The theoretical framework of this study is from several corporate governance theories such as agency theory, resource dependence theory, and stakeholder theory. Each of these theories would be discussed in turn.

2.4.1 Agency Theory

The literature on corporate governance has thrived through the provision of theoretical underpinning by agency theory (Sanda, Garba and Mikail, 2011). Agency theory argues that the separation of ownership from management gives rise to a conflict of interest between the principles and the agents due to the likelihood of the agents to pursue their self-interest (Jensen and Meckling, 1976). This agency problem could take the form of adverse selection or moral hazard. Adverse selection arises when an agent falsifies his capability to carry out the functions assigned and as such gets selected as the agent (Ujunwa et al., 2012). On the contrary, moral hazard arises if the selected agent avoids the responsibilities or performs badly due to poor decisions in carrying out the assigned duties (Ibid). This suboptimal performance of agents gives rise to a residual cost, termed agency cost (Jensen and Meckling, 1976). Consequently, the board of directors is charged with mitigating the agency cost by aligning the interest of the principles and the agents.

2.3.2 Resource Dependence Theory

Resource dependence theory provides a theoretical foundation for the role of the board in the organisation (Ujunwa et al., 2012). This theory sees the board of directors as strategic resources and argues that the main function of the board is to provide resources (Ibid). As such, different directors will provide different resources in addition to the unique human capital, which will consequently lead to improved organisational performance (Shehata et al., 2017). Resource dependence theory further suggests that the size and composition of a board are neither random nor independent variables but are impacted by the external environment (Ibid). This means that the composition of the board will depend on the external environment of the organisation and thus

becomes a function of the resources necessary for the organisation to succeed. Hillman et al., (2002) opine that board members bring four benefits to the organisation through external linkages such as (i) providing information through advice and counsel (ii) creating channels of communication between the organisation and its external environment (iii) generating support from influential organisations and (iv) creating legitimacy for the firm.

2.3.3 Stakeholder Theory

This theory argues that a board should have representatives of all parties that are crucial to the success of the organisation (Shehata et al., 2017). Thus, rather than treating shareholders as the only group whose interest should be protected, stakeholder theory argues that other groups such as creditors, customers, employees, government, etc also have an equally important stake in the organisation's performance. This was evident in the corporate frauds of Enron, Parmalat and Worldcom, which led to thousands of job losses, decreased tax revenue and huge mitigation costs for stakeholders (Sanda et al., 2011).

2.5 Empirical Review

Yap, Chan and Zainudin (2017) conducted a study on gender diversity and firms' financial performance in Malaysia using variables such as the percentage of women on the board, dummy variable for women, the Shannon index and the Blau index. Firm financial performance was measured using the Tobin Q. The study utilized the non-financial sector quoted on Bursa Malaysia for a period of 5 years spanning from 2009 to 2013 using panel data analysis. Based on the analysis, the study found out that the presence of female directors were insignificantly related to firm performance, however, the percentage of female directors on board,

Shannon index, and the Blauindex were significantly related to firm performance. This study suggests that the board should have higher degree of female representation on the board that will increase the firm's financial performance. The study of Yap, Chan and Zainudin (2017) focused on Malaysia. The findings are only valid for Malaysian firms and cannot be generalised to firms in Nigeria, which have different cultural and legal characteristics. The study also focused on non-financial sector firms that are quoted on Bursa Malaysia and their findings cannot be generalized to the financial sector. Thus, there is a need to carry out this study using the financial sector in Nigeria.

Miangi (2016) conducted a study on the impact of gender diversity on the performance of firms quoted on the Nairobi Stock Exchange. The study was conducted for a period of 8 years from 2007 to 2014 using multiple regressions. Gender diversity was proxy by the Percentage or proportion of female directors on the board while control variables in the study include size of the board, the firm size and firm age. Firm performance was measured using the Tobin Q. Findings from this study show that there is a significant relationship between gender diversity on board and firm performance. The study recommend for the appointment of more women on corporate board as it lead to improved performance. This study was conducted in Kenya using data of firms listed on the Nairobi stock exchange and attention was not given to firms listed on the Nigeria stock exchange.

Kramaric, Milun, Pavic (2016) carried out a study on board gender diversity of Croatian listed firms. The study was carried out using the Tobin's Q as the measure of firm's performance for the year 2014. Gender diversity was measured using variables such as Blauindex, supervisory board, Shannon index, share of women, and gender of the president of the management. The study found

out that there is a positive relationship between women acting as the presidents of the management and performance. The study recommends that women that have beneficial effects should be employed in the management board which will ensure financial success of the firm. This study was conducted in Croatia, and the scope of the study was limited to one year (2014) and the need to update the study to capture more recent time (2017) is indispensable. Also, the study concentrated on the non-financial sector firms in Croatia, thereby neglecting the financial sectors most especially the banking sector. No control variable was used in their study.

Hornett (2015) examine the impact of board diversity (gender, race and nationality) on firms listed on the Johannesburg stock exchange. The period covered for the study was the 2014 financial year. Firm financial performance was measured using return on equity (ROE), return on asset (ROA) and TOBIN Q (TQ) while the predictor (independent) variable was measured using nationality, gender, race and board size. The study found out board diversity has a significant impact on firm performance while gender diversity has no significant effects on performance. The study concludes that board diversity would be beneficial to firm's performance in South Africa. The study of Hornett (2015) was conducted in South Africa and is restricted to firms listed on the Johannesburg stock exchange.

Kilic (2015) examines the effect of board diversity on the performance of banks from Turkey. The analysis in this study was carried out in the banking industry of Turkey for a period of 5 years (2008 - 2012). The study measured board diversity as the percentage of women, Blauiindex and foreign directors on the board by conducting a panel data analysis. Findings from this study show that there is an insignificant negative relationship between gender diversity and firm performance. The study

does not support the business case for board diversity, and concludes that board diversity will not increase the financial performance of the banks.

Oba and Fodio (2013) conducted a study on boards' gender mix and the performance of firms quoted on the Nigerian stock exchange. Gender diversity was measured using the percentage of women on the board, the presence of women directors on the board and blau's index while firms performance was measured using return on capital employed (ROCE). The study utilized a sample of 30 firms over a period of 3 years (2005-2007). Regression analysis was used to analyse the data collated from the firms selected. The study found out there is a positive and significant relationship between the proportion of women directors on the board and firms performance. Also, there is a positive and significant relationship between the presence of women directors on the board and firms performance. The study of Oba and Fodio (2013) concentrated on the non-financial sector firms that are quoted on the floor of the Nigerian stock exchange. Thus, the findings from these non-financial sector studies cannot be generalized to the financial sector. The study could have also used the shannon index of diversity in order to capture the lower representation of female directors on board. Again the study was limited to 2007, and this could not be said to capture eminent contemporary issues in place. Therefore, the need to update to a more recent time (2017) is required. A market based measure of performance in form of Tobin-Q was also not used in their study.

Ekadah and Josphat (2011) investigate the effect of gender diverse board on the performance of banks in Kenya. Gender diversity was measured using the percentage of women on the board and the presence of women directors on the board while bank performance was measured using return on assets (ROA). The study utilized a sample of 44 banks over a period of 12 years (1998-2009).

Stepwise regression and correlational analysis was used to analyse the data collated from the banks selected. The study found out a negative and insignificant relationship between the proportion of women directors on the board and bank performance. Also, there is a negative and insignificant relationship between the presence of women directors on the board and bank performance. The findings revealed there is a negative and insignificant relationship between gender diversity in the boardroom and bank performance in Kenya. The study gave attention to only Kenya and the data used in the analysis only stopped at 2009. Furthermore, the study only looks at variables such as the proportion of female directors and presence of female directors on the board. Other variables such as the Blau's index of diversity and the Shannon index of diversity would have been looked at, since they seem to have influence on the performance of banks.

CHAPTER THREE METHODOLOGY

3.1 Introduction

In this chapter, the methodology used in collecting and analyzing data for the study was explained. The chapter states the method of data collection, population of the study, sampling techniques, sample size, how variables of the study is measured, data analysis and at end specify the model for the study.

3.2 Research Design

The study adopted correlational research design, a correlational research design is chosen as the most appropriate in establishing a relationship between variables. The paradigm for the study is positivist and the approach is quantitative.

In choosing correlational research design for a study, one should make sure the variables of the study are related. Each variable of the study must be expressed in terms of number and at the same time quantifiable and must be quantitative approach (Stoll, 2014).

3.3 Population and Sampling Design

The population for the study consist the entire twenty six (26) listed consumer goods firms quoted on the floor of Nigerian Exchange Group as at 31st December, 2022. The study was intended to use the entire population but due to some limitations the researcher employs a filter and arrived at a sample of 17 firms. The filter employed by the researcher is as follows:

- a. Any firm that didn't meet the criteria of being listed on the Nigerian exchange group within 2018-2022 and should not have been delisted within the period. As such eight firms were eliminated
- b. Firm must have been publishing its director's profile as well as having information on the variables under study. After applying this filter only Dunlop tyre was eliminated. Therefore, nine (9) firms were eliminated leaving 17 firms. However, the remaining 17 firms were utilized as sample of the study

3.4 Sources and Method of Data Collection

The study employs data from secondary source only. The data, which are quantitative in nature, have been extracted from the audited annual reports and accounts of the selected listed deposit money banks in Nigeria for the period 2018-2022. The study makes use of secondary data due to the high level of reliability obtainable from the use of quantitative data.

3.5 Techniques of Data Analysis

The technique of data analysis employed by the study is Ordinary Least Square. It is a type of regression that addresses the course and effect of each variable in relation to their different time series. The reason why the study employs this technique or model is because the data used for this study comprises the combination longitudinal and time series.

Various options of panel data regression were run, such as random effect GLS regression, fixed effect (within) regression and generalized least square regression. The most robust among them is fixed effect (within) as suggested by Hausman specification test. The tool used in analyzing the data is Stata 10, as it allows carrying out certain statistical tests, like VIF test, Hausman test and Heterokedaticity test.

3.6 Variables Measurement

Table 3.1: Variables and Their Measurement

Nature of variable	Proxy(ies)	Measurement	Source
Depended variable	Financial Performance	Year-end market capitalization/ book value of total asset	Sandaet <i>al.</i> (2010)
Independent variables	Gender diversity	G= number of women/number of board members	Swartz and Firer, (2005)
	Board composition	Measured by taking the number of outside directors as a proportion to Board size.	Sandaet <i>al.</i> (2010)
	Independent Directors	Calculated as the percentage of Independent directors to board size.	Oxelheim and Randoy (2003)

3.7 Model Specification

The theoretical model that was used to estimate the coefficient of the variables captured in this work specified as follows:

$$FP_{it} = \alpha_0 + \beta_1 GENDISTY_{it} + \beta_2 BODCOM_{it} + \beta_3 INDPDIR_{it} + e_{it}$$

Where:

FP_{it} = measure for firm performance

$GENDISTY_{it}$ = gender diversity of firm i in year t

$BODCOM_{it}$ = board composition of firm i in year t

$INDPDIR_{it}$ = independent directors of firm i in year t

α_0 = coefficient

β_1 - β_3 = Coefficient of parameters for firm i

i = intercept

t = Period (Time)

e = Error time in the course of year t for firm i

And lastly, the study conducts robustness test (multicollinearity test and hausman's test and heteroskedasticity) in order to improve the reliability and validity of the statistical inferences derivable from the regression model.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter covers data presentation, analysis, interpretation, and discussion of the results of the study. Hence, results from the descriptive statistics, the correlation matrix, the robustness test, and the regression results are presented and discussed. The chapter also discusses the implications of the research findings.

4.2 Descriptive statistics

Table 4.1 presents descriptive statistics of the variables of the study. The mean, standard deviation, minimum, and maximum have been used to describe the data.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FP	85	2.116722	1.887395	.0085783	8.790401
Gendisty	85	0.1793311	0.1433603	0.00000	0.466667
Indpdir	85	0.224296	0.2110574	0.0000	0.666667
Bodcom	85	0.5658676	0.1503611	.272727	0.778889

Source: Extracted from STATA output 13

From table 4.1, the financial performance of the listed consumer goods firms in Nigeria proxy by FP has a minimum value of 0.085%, (which is much closer to zero) and a maximum of 8.790. This shows that the minimum percentage of market performance of the sampled firms is 0.85% (which is less than 1%). While during the period, some firm's market performance was 8 times the book value performance. The financial performance of the sample firms shows a mean

value of 2.1167 with standard deviation of 1.8874. This indicates that the deviation between firms is quite very small.

From the table, it can be seen that the proportion of women on the boards range from a minimum of 0.0000 to a maximum of 0.4667 and a mean of 0.1793. The mean indicates the average representation is only 18%. The minimum of 0.000 proves that some firms did not include women in their team of board of directors during this period of study; and for those that included women, the maximum representation is only 47%. The standard deviation of 0.1433 indicates the deviation between firms is low.

The mean value for independent directors is 0.2242, indicating the average number of directors who served in the team of board of directors of listed consumer goods firms. The minimum and maximum values are 0 and 0.667 respectively, indicating that some of the firms did not have independent directors, while some have up to 67% independent directors.

The board composition is measured by the proportion of non-executive directors to total board of directors. From the table, the board composition shows a mean value of 0.5658, a minimum of 0.2727 and a maximum of 0.7789. The mean value indicates that averagely, the consumer goods firms in Nigeria have 56% of directors that were non-executive. Some firms had minimum of 27% as non-executive directors while some firms had up to 78% as non-executive directors.

4.3 Correlation Analysis

The correlation matrix is used to determine the degree of association between independent variables and dependent variable. It is also used to identify whether there is relationship among the independent variables themselves, to be able to detect if multicollinearity problem exists.

Table 4.2: Correlation matrix

	FP	gendisty	Indpdir	bodcom
FP	1.0000			
Gendisty	0.5691 0.0000	1.0000		
Indpdir	0.7015 0.0000	0.4202 0.0001	1.0000	
Bodcom	0.6857 0.0000	0.4508 0.0000	0.6322 0.0000	1.0000

Source: Extracted from STATA output 13

From the table 4.2, the relationship between gender and financial performance of listed consumer goods firms in Nigeria is positive and significant at 1% level. This can be observed from the correlation coefficient of 0.5691 with a significant value of 0.0000. The positive association indicates that market performance may increase with the increase in the proportion of women directors.

Furthermore, independent director has a strong and significant positive association with financial performance of listed consumer goods firms in Nigeria. This is because; the correlation coefficient is 0.7015 significant at 1% level. The direction of the relationship suggests that independent director may have an increasing effect on market performance of listed consumer goods firms in Nigeria.

Also, the degree of association between board composition and financial performance is 0.6852. This shows that there is also a positive association between the two. The correlation coefficient indicates and the p-value suggests a significant association. This statistical association suggests

that adding non-executive director in a board may increase market performance of listed consumer goods. The correlation coefficients will not serve as basis for generalization on the impact of board diversity on performance as it only gives a degree of association between the dependent variable and the independent variables.

4.4 Robustness Test for Dependent and Independent Variables

This section presents the result of robustness tests conducted in order to improve the validity and reliability of all statistical inferences for the study derivable from the regression model. These tests include, multicollinearity test and cook-wiesburge test of total heteroskedasticity.

Table 4.3: Robustness Test Results

Variables	VIF	Tolerance Values
gendisty	1.44	0.6937
indpdir	1.73	0.5767
bodcom	1.79	0.5585
Mean VIF	1.52	-
Hetttest chi ²		15.42
Hetttest sig		0.0001

Source: Stata Output, 2017

Multicollinearity Test: This is to check whether there is excess correlation between the independent variables which will mislead the result of the study. Table 4.2 presents the matrix of linear relationship among the continuous independent variable. From observation, there is one variable with high correlation above 0.50, that is between board composition and independent directorship (0.6322). In order to access whether the presence of multicollinearity will disturb our

statistical inference, the study conducted multicollinearity test using Variance Inflation Factor (VIF) and its reciprocal (1/VIF).

The variance inflation factor and tolerance values are two advanced measure of assessing multicollinearity between the independent variables. Using stata, the variance inflation factor and tolerance values are computed and found to be consistently smaller than ten and one respectively which indicates that the multicollinearity would not pose a problem to the statistical inference. (Neter, Kunter, Nachtshem, and Wasserman, 1996 and Casey and Anderson, 1999).

Heteroskedasticity Test: This test is conducted to check whether the variability of the error terms is constant. The Breusch-Pagan test for heteroskedasticity reveals the chi-square value of 15.42, significant at 1% level. This indicates the presence of heteroskedasticity in the data. It is for this reason that OLS technique has a high chance of resulting in inefficient statistical result and by extension leading to incorrect inferences.

Given that the data has heteroskedasticity problem, the study focuses on two techniques used to analyze panel data- random effect GLS regression and fixed effect regression. Fixed effects model, assumed that something within the individual may affect or bias the predictor or outcome variables while random effects assume that entity's error term is not correlated with the predictors that allow time-invariant variables to play a role as explanatory variables.

To decide between fixed or random effects the study run hausman test. The hausman used to test whether the unique error term is correlated with the regressors. The results from random effect and fixed effect reveal that F-statistics are significant in all scenarios. But hausman specification test considered fixed effect regression as the appropriate estimator of parameters on the bases that fixed effect correlated with the variables as the hausmantest is statistically significant at 5%. This can

be confirmed from the chi-square value of 11.43 and a probability value of 0.0221. Therefore, hausman test indicated that the fixed effect (within) regression is the preferred model that should be used. Hence, result was interpreted using fixed effect regression output.

4.5 Presentation and Interpretation of Regression Result

This section presents the regression result of the dependent variables (financial performance) and the independent variables (gender diversity, independent directorship and board composition). It follows with interpretation of the association between dependent and each independent variable individually and cumulatively. Summary of the regression result obtained from the model of the

study $(FP_{it} = a_0 + \beta_1 GENDISTY_{it} + \beta_3 INDPDIR_{it} + \beta_2 BODCOM_{it} + e_{it})$. Hence the regression results are presented below:

Table 4.4: Summary of Regression Results

<u>Fixed Effect Regression</u>		
Variables	Coefficient	t-statistics / Significance
Constant	5.5542	0.87(0.387)
Gender	-0.4047	-0.32 (0.748)
Foreign	1.8582	2.15 (0.035)
Bodcom	3.1123	3.57 (0.001)
R-square (Within)	0.3197	
R-square (Between)	0.3403	
R-square (Overall)	0.3269	
F-Statistic	7.52 (0.0000)	

Source: Extracted from STATA output 13

The result from 4.4 indicates that independent variables (gender, independent directorship and board composition) explained 0.3197 of the dependent variable (financial performance). Therefore, the Board diversity variables have combined predictive power of 32% in controlling financial performance of listed consumer goods firms in Nigeria. While the negligible 64% attributed by stochastic error variances. The adjusted R-square provides an adjustment to the R-square such that independent variables that have correlation with dependent variable increases adjusted R-square. All this shows that board diversity has significant impact on financial performance of listed consumer firms in Nigeria

Similarly the result of F-statistics (7.52) shows that the model is well fitted as the accounting numbers used in the study are well selected and combined as supported by the prob χ^2 of 0.0000 (at 1%). Gender diversity shows a beta coefficient of -0.4047 and a t-value of -0.32 with significant value of 0.748, while independent directorship has a beta coefficient of 1.8582 and a t-value of 2.15 which is significant at 5%. This indicates a positive relationship between independent directorship and financial performance. Finally, result in respect of board composition shows a beta coefficient of 3.1123 and t-value of 3.57 which is significant at 1%.

4.6 Test of Hypotheses

The regression results reveals that gender diversity has no significant impact on financial performance of listed consumer goods firms in Nigeria. This can be confirmed by the t-value of 0.32 with significant value of 0.748. This shows that gender diversity does not have any significant impact on the financial performance of the sampled firms. The finding serves as a base for failing to reject the null hypothesis one earlier formulated, which states that gender diversity has no

significant effect on financial performance of listed consumer goods firms in Nigeria. The finding is in tandem with those of Bohren and Strom (2010), He and Huang (2011), Joecks et al. (2012) who also found insignificant impact of gender diversity on performance. It however, contradicts the finding of Olaoti (2016), Bilkisu (2014), Oba and Fodio (2013) who found a significant impact of gender diversity on firm performance.

Moreover, the inferential statistics show that independent directors have a t-value of 2.15 with a significant value of 0.035 (that is significant at 5% level). This signifies that independent directors are positively influencing the performance (market performance) of listed consumer goods firms in Nigeria. This implies that the higher the independent directors the higher the performance level would be. The beta coefficient of 1.86 indicates that market performance increase by 1.86 times with an increase in one more foreign director. The result provides justification for the rejection of the null hypothesis, which states that independent directors have no significant impact on performance of listed consumer goods firms in Nigeria. The finding is in line with those of Oxelheim and Randoy (2003) and Darmadi (2011) who also found a positive impact of independent directors on performance. But the finding contradicts those of Olaoti (2016), Salami and Ramlat (2015), Masulius et al (2012) who did not find evidence of a significant relation between frequency of independent directors and performance.

The regression results further reveal that board composition has significant positive impact on financial performance of listed consumer goods firms in Nigeria at 1% level of significant. This can also be observed from the t-value of 3.57 with probability value of 0.001. This shows that increase in the proportion of non-executive directors on the board significantly increases the market performance of listed consumer goods firms in Nigeria. The finding serves as a base for the rejection of the null hypothesis, which states that board composition has no significant impact

on financial performance of listed consumer goods firms in Nigeria. This finding is similar to the findings of Lawyer et al (2002), Zinal-Abidin et al (2009) and Dimitropoulos and Asteriou (2010). The result is however contrary to those of Sanda et al (2008), and Eklund et al (2009) who did not find evidence of a significant impact of board composition on performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The control and direction function of board of director's were improved by SEC as a response to financial scandals and corporate failures in Nigeria. This study investigates the effect of board diversity on financial performance of consumer goods firms in Nigeria. The study, therefore, examines the effect of board of directors' diversity in terms of board gender, board composition and board nationality on financial performance of consumer goods firms in Nigeria between 2012 and 2016 while controlling for firm size as it may have effect on financial performance.

The study hypothesized that board gender diversity; board composition and board foreign director have no significant effect on financial performance of consumer goods firms in Nigeria. The concept of board diversity will be better understood thorough upper echelon theory and agency theory. Conceptual frameworks and related literatures were reviewed.

The population of the study is all the consumer goods firms out of which seventeen (17) firms were selected as our sample size. Correlational research design was used; this is because the study seeks to find the effect and relationship between board diversity and financial performance of consumer goods firms in Nigeria. The data collected were purely secondary extracted from annual report and accounts of firms under study. A panel data regression model was employed in order to test the effect of board diversity (board gender, composition and independent directors) on financial performance. Various panel data regression was run but the most robust among them all is fixed effect (within) regression.

The result showed that board gender diversity has no significant impact on financial performance of listed consumer goods firms in Nigeria. While independent directors is found to have significant

positive impact on financial performance of listed consumer goods firm in Nigeria; The impact of board composition on financial performance of listed consumer goods firm was found to be positive. Board composition and board independent directors confirm the upper echelon theory as they show positive impact.

Regulators, financial experts as well as practitioners can benefit from the study as they can have knowledge of the diversity variable that can improve the control and direction function of board of directors for better performance.

5.2 Conclusions

Based on the discussion and analysis in the preceding chapter, the study provides statistical and empirical evidence on the three independent variables utilized by the study (board gender, board composition and board independent directors) on the performance of consumer goods firms in Nigeria. However, the study concludes as follows;

First and foremost, Board gender diversity has no significant impact on financial performance of listed consumer goods firms; this may be due to the fact that women are poorly represented in Nigerian board of listed consumer goods firms. Thus, women will not be able to contribute to financial performance.

Secondly, independent directors have a significant positive impact on firm performance, the reason is attributable to their experience in controls and direction functions of board of directors.

Lastly, the higher the number of non-executive directors over the executive directors improves financial performance of consumer goods firms; the reason being that non-executive will do their control and direction work without any bias in their mind unlike the executive directors who have various interests on the firm they manage.

5.3 Recommendations

In line with the findings and conclusions of the study the following recommendations are proffered:

- i. The finding of the study points out the poor representation of women on board of directors and lacking the contribution of women to the firm. While women are financially risk averse than their male counter parts, the study recommends the regulatory authority to encourage firms to have reasonable percentage of women seat on board of directors for better control & direction and performance result.
- ii. Regulatory authorities should encourage firms to consider independent directors in their board room when appointing board of directors for efficient control and effective board oversight function.
- iii. The study also recommends the number of non-executive directors should always be higher than that of executive directors for an impartial and objective control and direction function.

5.4 Limitations of the Study

Like any other research, the result of this study is subject to the following limitations:

The findings and recommendations are limited to the domain of the listed consumer goods firms in Nigeria. Thus, any other firm not from this industry is excluded from this study, in addition the sample selection is an important determinant when generalizing result of a study. Thus, the sample selection of the study was based on the availability of the data. This hampers seriously on the ability to generalize the result of this study.

The study, however, suffers from choosing the proxies to independent variable of the study which is restricted to only three diversity variable (gender, independent directorship and board

composition) without considering the other variables like ethnicity, age, education, experience among others. This does not in any way affect the reliability of the result.

5.5 Suggestion for Future Research

This research can be replicated using firms other than consumer goods firms under the manufacturing sector. Other sectors such as financial service, agriculture, oil and gas and other sectors of the economy can as well be replicated to make it more amenable to generalization.

- i. The sample of the study can be increased to be able to generalize better.
- ii. Other independent variables of board diversity such as ethnicity, age education, and experience can further be investigated.

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APPENDIX A
LIST OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

S/N	COMPANY NAME
1	7-UP BOTTLING COM. PLC
2	CADBURY NIG. PLC
3	CHAMPION BREWERIES PLC
4	DANGOTE SUGAR PLC
5	DANGOTE FLOUR MILL PLC
6	GUINNESS NIG. PLC
7	GLAXOSMITHKLINE PLC
8	HONEYWELL FLOUR MILLS PLC
9	INTERNATIONAL BREWERIES PLC
10	NIGERIAN FLOUR MILL PLC
11	NIGERIAN BREWERIES PLC
12	NASCON ALLIED IND. PLC
13	NESTLE NIG PLC
14	NIGERIAN ENEMEL WARE PLC
15	PZ COSSONS NIG PLC
16	UNILIVER NIG. PLC
17	VITAFOAM NIG. PLC
18	DUNLOPTYRE & RUBBER PLC
19	MC NICHOLS PLC
20	MULTI-TREX INTEGRATED FOOD PLC
21	NOTHERN NIGERIA FLOUR MILLS
22	PS MANDRIDES & CO PLC
23	ROKANA INDUSTRIES PLC
24	UNION DICON SALT PLC
25	UTC PLC
26	VONO PRODUCT PLC

APPENDIX B LIST OF SELECTED LISTED CONSUMER GOODS COMPANIES IN NIGERIA

S/N	COMPANY NAME
1	7-UP BOTTLING COM. PLC
2	CADBURY NIG. PLC
3	CHAMPION BREWERIES PLC
4	DANGOTE SUGAR PLC
5	DANGOTE FLOUR MILL PLC
6	GUINNESS NIG. PLC
7	GLAXOSMITHKLINE PLC
8	HONEYWELL FLOUR MILLS PLC
9	INTERNATIONAL BREWERIES PLC
10	NIGERIAN FLOUR MILL PLC
11	NIGERIAN BREWERIES PLC
12	NASCON ALLIED IND. PLC
13	NESTLE NIG PLC
14	NIGERIAN ENEMEL WARE PLC
15	PZ COSSONS NIG PLC
16	UNILIVER NIG. PLC
17	VITAFOAM NIG. PLC

APPENDIX C LIST OF ELIMINATED LISTED CONSUMER GOODS COMPANIES IN NIGERIA

S/N	COMPANY NAME
1	DUNLOP TYRE PLC
2	MULTI –TRX PLC
3	MC NICOL PLC
4	NOTHERN NIGERIA FLOR PLC
5	PS MANDRIDE PLC
6	ROKANA PLC
7	UNION DICON SALT PLC
8	VONO PRODUCT PLC
9	VTC PLC