

**BOARD DIVERSITY AND FINANCIAL PERFORMANCE OF QUOTED OIL AND GAS  
COMPANIES IN NIGERIA**



**BY**

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**DECEMBER, 2024**

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***BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING,  
FACULTY OF MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS OF THE AWARD OF BACHELOR OF SCIENCES (B.SC.) DEGREE IN  
ACCOUNTING, UNIVERSITY OF BENIN, BENIN CITY.***

**DECEMEBR, 2024**

## DECLARATION

I hereby declare that:

- I. This project is based on a study undertaken by me in the Department of Accounting, University of Benin, Benin City, under the supervision of **Professor Chijioke Mgbame**.
- II. This work has not been previously submitted for the award of degree elsewhere.
- III. All ideas and views are product of my personal research and where the views of others have been expressed, they have been duly acknowledged.
- IV. All liabilities arising from the study are entirely mine and not those of my supervisor.

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**GODSTIME CHINONSO IDEGWU**

## CERTIFICATION

We, the undersigned, hereby certify that this research project carried out by GODSTIME CHINONSO IDEGWU 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 Sciences (B.Sc.) degree in Accounting, University of Benin, Benin City.

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**PROFESSOR CHIJOKE MGBAME**

(Project Supervisor)

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**DATE**

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**DR. IKHU-OMOREGBE GODSTIME**

(Project Coordinator)

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(Head of Department)

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**DATE**

## **DEDICATION**

I dedicate this project work to God Almighty, whose divine mercy has shielded, strengthened, and inspired me throughout my research and my academic journey.

## ACKNOWLEDGEMENT

I begin by giving all glory to God, the Creator and Giver of wisdom, whose guidance and grace have been the foundation of this research. Without His divine intervention, this achievement would not have been possible.

I am deeply grateful to my esteemed Project Supervisor, Professor Chijioke Mgbame, for his unwavering support and valuable guidance throughout this study. His expertise, encouragement, and constructive feedback have been indispensable in shaping the outcome of this work.

I am thankful to the University of Benin for granting me the opportunity to pursue a degree here, and to all my Lecturers whose dedication to teaching and mentorship has enriched my academic journey.

Special appreciation is reserved for my beloved Uncle, Mr. Celestine Idegwu, whose unwavering support, patience, and guidance have been the cornerstone of my achievements.

Lastly, I extend my admiration and respect to all individuals in society who tirelessly contribute to the expansion of knowledge. Your dedication and passion inspire me, and I salute your efforts.

To everyone mentioned here and to those not mentioned but equally significant, I offer my heartfelt thanks. Your collective support has been instrumental in making this achievement possible. God bless you all abundantly.

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## ABSTRACT

*This study investigates the impact of board diversity on financial performance in Nigeria's oil and gas sector, focusing on national, ethnic, age, and gender diversity as key dimensions. The population comprises all twelve oil and gas companies listed on the Nigerian Exchange Group as of December 31, 2022, with a census approach capturing the entire population as the sample. Panel data methodology, specifically Ordinary Least Squares (OLS) regression, is employed to account for potential time-series variation and firm-specific effects in the analysis, using Earnings Per Share (EPS) as a proxy for financial performance. The study finds that ethnic and age diversity have a statistically significant positive impact on EPS, suggesting that a diverse mix of ethnic backgrounds and age groups within boards enhances financial outcomes. In contrast, national and gender diversity show no significant effect on EPS, indicating that these diversity dimensions may hold less influence in Nigeria's oil and gas industry. The study recommends that companies in this sector prioritize ethnic and age diversity in board composition to improve financial performance, while policymakers and corporate leaders are encouraged to foster initiatives that support diverse perspectives, optimizing board effectiveness and shareholder wealth.*

## CHAPTER ONE: INTRODUCTION

### 1.1 Background to the Study

Financial performance is a critical indicator of a company's health and success, particularly in the highly competitive oil and gas sector. It provides a comprehensive measure of a firm's profitability, operational efficiency, and market valuation. One key metric for assessing financial performance is Earnings Per Share (EPS), which reflects a company's profitability on a per-share basis, offering valuable insights for investors and stakeholders. For quoted oil and gas companies in Nigeria, robust financial performance is essential not only for sustaining operations but also for attracting investment and fostering economic growth in a resource-dependent economy.

In the context of corporate governance, the board of directors plays a pivotal role in shaping financial outcomes. The board is responsible for making critical decisions that affect a company's capital structure, mergers and acquisitions, and the appointment of senior executives (Audu et al., 2022). An effective board composition, characterized by a diverse set of perspectives and backgrounds, is believed to enhance decision-making efficiency and effectiveness, ultimately impacting financial performance positively.

Board diversity, a key component of modern corporate governance, refers to the inclusion of individuals with varied characteristics and experiences on a company's board. This diversity can be demographic, encompassing factors such as gender, age, ethnicity, and nationality, or functional, involving different professional backgrounds and skills. Diverse boards are seen as crucial for fostering a robust internal control framework and enhancing the decision-making process within organizations (Amahalu et al., 2023).

The importance of board diversity is underscored by the increasing emphasis on corporate governance standards globally. Past corporate scandals, such as those involving WorldCom,

Enron, and Adelphia, highlighted the devastating consequences of poor governance practices, leading to substantial financial losses and the eventual closure of these companies. In response, policymakers and regulatory bodies have intensified their scrutiny of corporate governance issues, with board diversity emerging as a key area of focus.

Diversity in the workplace extends beyond mere self-identification; it includes how individuals are perceived and valued by others. It encompasses a broad spectrum of characteristics, including race, gender, age, ethnicity, religion, sexual orientation, citizenship status, and physical or mental abilities (Okegbe et al., 2019). Effective management of workplace diversity is essential for creating an inclusive environment where all employees feel respected and valued, which can, in turn, enhance overall productivity and business performance.

Nigeria's oil industry, which began with the discovery of oil in Bayelsa State in the Niger Delta in 1956, plays a significant role in the country's economy. Nigeria currently holds the world's tenth-largest crude oil reserves and ranks thirteenth in global crude oil production (OPEC, 2023). Despite the economic benefits, the industry has faced numerous challenges, including environmental degradation, particularly in regions like Ogoniland, where oil spills and inadequate infrastructure maintenance have caused significant ecological damage (Okafor & Okegbe, 2023).

In this study, the focus is on exploring the relationship between board diversity and the financial performance of quoted oil and gas firms in Nigeria. The independent variables under consideration include various dimensions of board diversity, such as national diversity, ethnic diversity, age diversity, and gender diversity. These aspects of diversity are crucial for fostering a broad range of perspectives and experiences at the board level, which can enhance strategic decision-making and governance practices.

The dependent variable, financial performance, will be evaluated using Earnings Per Share (EPS) as the primary metric. EPS is a widely recognized measure of a company's profitability, representing the portion of a company's profit allocated to each outstanding share of common stock. EPS was chosen as it reflects the market's valuation of the firm's profitability per share, a critical factor for investor decision-making. Compared to other measures like ROA or ROE, which focus on asset and equity returns, EPS directly aligns with shareholder wealth maximization, which is central to the objectives of public companies. By examining the relationship between board diversity and EPS, this study aims to shed light on the potential impact of diverse board compositions on the financial success of oil and gas firms in Nigeria.

## **1.2 Statement of the Problem**

Enhancing corporate governance within quoted oil and gas firms in Nigeria is critically important. Despite the global focus on diversity dimensions such as nationality, ethnicity, age, gender, and education in research and practice, there is a noticeable dearth of studies exploring their impact on companies, especially in developing countries (Post & Byron, 2015). Nigeria, as indicated by the Global Gender Gap Report, ranks poorly in terms of female gender equality and representation in the workforce (World Economic Forum, 2016).

While numerous studies in developed countries have examined the link between corporate gender diversity and financial performance (Carter et al., 2017; Mirza et al., 2018), research on the influence of board gender diversity and financial performance in Nigerian listed firms remains inconclusive (Igbinosa & Ogbeide, 2015). The presence of foreign directors on boards, increasingly observed in developed countries, is not mirrored in Nigeria's context, potentially due to discrimination and policy biases affecting board composition (Kilic, 2015; Rose, 2015).

Existing studies on the correlation between board diversity and financial performance in quoted oil and gas firms in Nigeria have predominantly focused on profitability ratios, particularly return on assets (ROA) or return on equity (ROE). However, these studies often neglect other measures of financial performance, such as liquidity ratios, activity ratios, and market value ratios. Additionally, contradictory findings in previous literature regarding the influence of national diversity, ethnic diversity, age diversity, and gender diversity on financial performance necessitate further investigation. This study aims to address this gap by using the market value ratio, proxied by earnings per share (EPS), as a comprehensive measure of financial performance for quoted oil and gas firms in Nigeria. Earnings per share were chosen due to the shift in firms' focus toward shareholder wealth maximization over profit maximization (Laux, 2010).

To measure board diversity, this study will consider national diversity, ethnic diversity, age diversity, and gender diversity as independent variables. Given the contradictory findings in previous studies, the inclusion of these diverse dimensions will provide a more comprehensive understanding of their impact on financial performance. In conclusion, the lack of consensus, inconclusive results, and mixed findings in the reviewed literature have identified a gap that this study aims to address. The research seeks to investigate the relationship between board diversity and the financial performance of quoted oil and gas firms in Nigeria.

### **1.3 Research Questions**

This study would specifically address the following research questions:

1. What is the effect of national diversity on the financial performance of quoted oil and gas firms in Nigeria?
2. What is the effect of ethnic diversity on the financial performance of quoted oil and gas firms in Nigeria?

3. What is the effect of age diversity on the financial performance of quoted oil and gas firms in Nigeria?
4. What is the effect of gender diversity on the financial performance of quoted oil and gas firms in Nigeria?

#### **1.4 Objective of the Study**

Specifically, the study aims to:

1. Evaluate the effect of national diversity on the financial performance of quoted oil and gas firms in Nigeria.
2. Determine the effect of ethnic diversity on the financial performance of quoted oil and gas firms in Nigeria.
3. Assess the effect of age diversity on the financial performance of quoted oil and gas firms in Nigeria.
4. Determine the effect of gender diversity on the financial performance of quoted oil and gas firms in Nigeria.

#### **1.5 Research Hypotheses**

The study formulated the subsequent null hypotheses to provide guidance;

- Ho<sub>1</sub>: There is no significant effect of national diversity on the financial performance of quoted oil and gas firms in Nigeria.
- Ho<sub>2</sub>: There is no significant effect of ethnic diversity on the financial performance of quoted oil and gas firms in Nigeria.
- Ho<sub>3</sub>: There is no significant effect of age diversity on the financial performance of quoted oil and gas firms in Nigeria.

Ho<sub>4</sub>: There is no significant effect of gender diversity on the financial performance of quoted oil and gas firms in Nigeria.

### **1.6 Scope of the Study**

This study examines the relationship between board diversity and financial performance of quoted oil and gas firms in Nigeria. Specifically, it investigates the impact of board diversity attributes such as national diversity, ethnic diversity, age diversity, and gender diversity on the financial performance of these firms over a ten-year period from 2013 to 2022. The study focuses on the twelve (12) oil and gas companies listed on the Nigeria Exchange Group, regulated by the Department of Petroleum Resources under the Ministry of Petroleum Resources. Secondary data are collected from the annual reports of these quoted oil and gas firms in Nigeria.

### **1.7 Significance of the Study**

The results of this study have significant implications for various stakeholders, including regulators, policymakers, board members, and both current and potential investors. Regulatory bodies, such as the Securities and Exchange Commission (SEC), utilize these findings to inform the development of new policies and strategic initiatives. Additionally, the study's insights enrich the academic literature, providing a foundational framework that guides future research on the broader impacts of board diversity on the performance of quoted oil and gas companies.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter provides an in-depth review of the pertinent literature related to this study. It encompasses a detailed analysis of literature on board diversity and financial performance variables, including an evaluation of previous research, conceptual clarifications, and an investigation of the theoretical framework. Additionally, the chapter examines the empirical insights derived from existing literature on the topic.

### **2.2 The Concept of Financial Performance**

Financial performance, a key measure of how well a firm achieves its economic objectives, has remained a significant topic within managerial research. Khan and Qureshi (2022) outlined four distinct approaches used in corporate finance literature to evaluate financial performance. These include the financial management method, which emphasizes analysing cash flows and investment activities to understand the impact of financial decisions on corporate value. Another is the capital structure approach, which focuses on how variations in the capital structure influence firm value and how diverse factors affect the composition of debt and equity within a company's financial framework. Additionally, the resource-based approach attributes firm value to its assets and capabilities, while the sustainable growth method integrates all three approaches, examining the company's operational performance, financing, and dividend policies to support long-term growth and value maximization.

In theory, maximizing shareholder wealth is commonly viewed as the primary financial goal of corporations, reflected in the market value of the company's equity (Balaputhiran, 2014). Financial performance serves as an essential gauge for investors, both current and potential, by indicating the company's capacity to maintain or enhance its economic position over time

(Rosikah et al., 2018). As Pascareno and Siringoringo (2016) suggest, a company's appeal within the market is heavily influenced by its financial performance, highlighting its role in driving business success. Adegbie et al. (2020) added that financial performance is a snapshot of a firm's financial condition at a particular time, evaluated through financial statements to guide decisions about its operations and financial health. Key indicators such as return on assets (ROA), return on equity (ROE), earnings per share (EPS), and stock return are widely cited in the accounting literature as measures of financial performance. The following sections delve further into these indicators;

### **2.2.1 Earnings per share (EPS):**

Earnings per Share (EPS) is a widely recognized and convenient metric for assessing a company's financial performance. It provides a clear indication of the earnings or losses attributed to each equity share, considering potential dilution from other securities (DELTACPE, 2014). EPS is a crucial financial ratio used by investors globally to make informed investment decisions. It represents the portion of a company's income available to equity shareholders after accounting for taxes and preferred stock dividends (Islam et al., 2014). This after-tax income ratio serves as a valuable tool for evaluating an entity's income potential. EPS is particularly relevant for assessing a firm's performance as it indicates the earnings attributable to each qualifying share held by shareholders. Information about EPS is beneficial for company leaders in assessing their company's development, with increasing profits leading to higher EPS (Rosikah et al., 2018).

Additionally, EPS acts as an indicator of a company's success or failure in managing its operations, providing insights into its achievements in generating profits for its owners (Badruzaman, 2020). For comparability across different reporting periods, EPS calculations must

adhere to consistent principles as required by International Accounting Standards (IAS) 33. This standard emphasizes the presentation of two types of EPS in financial statements: basic and diluted EPS (Prewysz-Kwinto & Voss, 2017). This study will focus on basic EPS, defined according to IAS 33 principles.

Earnings Per Share (EPS) was selected as the primary financial performance metric due to its direct relevance to shareholder value. Unlike other metrics such as ROA or ROE, EPS focuses on per-share profitability, making it particularly useful in assessing how well a company meets the wealth maximization goals of its investors. Additionally, as EPS reflects both profit after tax and the number of shares outstanding, it aligns well with investor interests and market valuation measures, making it highly suitable for studies on publicly listed companies where shareholder wealth is paramount. While metrics like ROA and ROE are valuable, they focus on internal efficiency rather than external market valuation. EPS is thus better suited to capture the relationship between board diversity and financial outcomes that matter most to shareholders.

EPS = (Earnings after tax – dividends on preference shares) / Weighted Average Number of Equity Shares

### **2.2.2 Return on assets (ROA):**

Return on Assets (ROA) is a significant indicator of an entity's profitability and its ability to generate future profits from its total assets. Atidhira and Yustina (2017) emphasized that ROA measures how efficiently a company generates profits from its total assets, with a higher ROA signifying better performance and increased effectiveness. Idawati and Wahyudi (2015) noted that ROA reflects the effectiveness of asset utilization in achieving profitability. A higher ROA indicates a greater ability to generate profits for the company's owners, assuming other factors

remain constant. Consequently, ROA is frequently used as a performance measure in financial research within the accounting field (Ogundajo & Onakoya, 2016).

Akintoye et al. (2020) also affirmed that ROA is a reliable representation of a company's financial performance and its capacity to utilize assets to generate profits for both owners and stakeholders. In summary, ROA serves as a vital metric for assessing a company's profitability and its ability to effectively use its assets to generate profits, making it essential for financial analysis and decision-making;

ROA = Profit before Tax / Total Assets

### **2.2.3 Return on equity (ROE):**

Return on Equity (ROE) is a fundamental metric for assessing profitability and returns, representing the resources available to an entity for generating profits (Badruzaman, 2020). ROE is crucial for determining the income accessible to owners relative to their invested capital. By examining the return on equity capital employed, ROE evaluates how efficiently an entity utilizes its resources to generate returns for equity capital providers (Asikin et al., 2020). Nainggolan and Widajatun (2020) highlighted ROE's role in assessing an entity's ability to generate profits for its equity owners, indicating the effectiveness of using self-capital. The intrinsic value of a company is directly influenced by its ROE, making it a pivotal ratio for investors analysing the company's stock price (Daniswara & Daryanto, 2020). A higher ROE indicates a better positioning of the firm's owners, reflecting a greater capacity to generate profits and enhance overall business value. Thus, ROE is essential for investors and stakeholders in assessing a company's financial health and potential to deliver returns on invested capital.

For this research, financial performance evaluation will utilize the market value ratio, specifically represented by Earnings per Share (EPS). This choice is driven by the emphasis on maximizing shareholders' wealth rather than solely focusing on profit maximization.

### **2.3 The Concept of Board Diversity**

Board diversity has become a significant theme in discussions on corporate governance, as organizations increasingly recognize its potential to influence performance positively. This concept goes beyond simply considering gender representation; it also includes diversity in terms of national origin, ethnicity, age, and other characteristics, promoting a comprehensive approach to inclusivity and varied perspectives within the leadership structure. The primary objective of board diversity is to incorporate a variety of demographic factors into board composition (Mbonu & Amahalu, 2021). Gender diversity, often measured by the inclusion of female board members, represents one of the more straightforward ways to achieve diversity (Padilla-Angulo, 2020). However, diversity in the boardroom also involves a range of other elements, such as skills, experience, age, and ethnicity, which collectively enhance the board's capability to guide the organization and contribute to strategic planning (Amahalu et al., 2019). Historically, boardrooms have predominantly comprised male directors, with female directors forming a noticeable minority, as previous studies have indicated.

Board diversity brings multiple benefits, impacting organizational dynamics in several ways. A primary advantage is its capacity to improve decision-making processes by integrating diverse perspectives and experiences, leading to broader and more comprehensive insights. Catalyst (2019) highlights this advantage, demonstrating a positive association between board diversity and enhanced decision-making within corporate contexts.

Additionally, diverse boards provide a richer blend of skills and knowledge, which contributes to a more dynamic leadership environment. The inclusion of members with varied backgrounds and areas of expertise promotes a wide spectrum of skills and approaches, fostering adaptability and an innovative mindset within the boardroom (Catalyst, 2019).

Furthermore, the overall importance of board diversity lies in its ability to boost corporate effectiveness. Companies with diverse boards are often better equipped to manage complex challenges, respond to changing market demands, and address obstacles adeptly. This viewpoint aligns with Catalyst's (2019) findings, which indicate that boards with varied perspectives are better prepared to meet the demands of a complex and evolving global business environment.

The goal of promoting diversity within boards is to bring together a wide array of demographic traits and experiences. Gender diversity, in particular, is a commonly used measure to promote inclusivity in the boardroom, achieved by increasing female representation (Mirza & Malik, 2019). Research by Adams and Ferreira (2018) supports the idea that board diversity significantly enhances corporate governance. Their work highlights that diverse boards strengthen oversight mechanisms and facilitate effective monitoring of management, ultimately benefiting governance structures.

Recent studies also emphasize the financial benefits of board diversity. Jones and Martinez (2020) discuss the positive link between diversity and firm value, echoing earlier research by Smith et al. (2006). These studies underscore the continued relevance of diverse perspectives in contributing to effective strategic decisions and improving financial performance.

### **2.3.1 Dimensions of Board Diversity**

Board diversity has emerged as a crucial component of corporate governance, recognized for its potential to enhance decision-making, innovation, and overall performance of organizations

(Adams & Ferreira, 2018). The dimensions of board diversity encompass various aspects beyond the traditional markers of gender and ethnicity, extending to a broader spectrum of backgrounds, experiences, and perspectives represented within corporate boards. This multifaceted approach to diversity reflects a recognition of the complex interplay between different attributes that contribute to effective governance (Catalyst, 2020). Below are the dimensions discussed: (a) National Diversity, (b) Ethnicity Diversity, (c) Age Diversity, (d) Gender Diversity.

#### **a) National Diversity**

National diversity in workgroups is a critical aspect that involves the representation of members from various national backgrounds, and its significance is underscored by its potential impact on team dynamics and organizational performance. Scholars have extensively explored the multifaceted nature of national diversity, shedding light on its implications for modern workgroups.

According to Okudo et al. (2022), national diversity encompasses the diverse range of differences that characterize the composition of a group in a cross-cultural and multinational context. This definition emphasizes the complexity inherent in workgroups where individuals from different nations come together, bringing unique perspectives, cultural nuances, and ways of thinking.

Scholars argue that national diversity holds a prominent position among various forms of diversity, particularly in contemporary work environments. The globalized nature of businesses and the increasing interconnectedness of economies have made national diversity a salient factor influencing organizational success. Research by Jackson and Ruderman (2021) suggests that harnessing the richness of national diversity can lead to enhanced creativity, problem-solving, and innovation within workgroups.

Okudo et al. (2022) assert that organizations stand to benefit significantly by prioritizing national diversity in their workforce. By doing so, they can foster a more inclusive workplace that accommodates diverse perspectives and experiences. This inclusivity, in turn, contributes to the creation of a positive organizational culture that values and respects individuals from various national backgrounds.

Moreover, studies by Li and Gittel (2020) have highlighted the potential link between national diversity and improved decision-making processes within teams. The exposure to different cultural viewpoints can lead to more comprehensive analyses of complex issues, ultimately resulting in better-informed and well-rounded decisions.

National diversity also plays a crucial role in facilitating global market penetration and adapting to diverse consumer preferences. Guo and Sanchez-Burks (2019) argue that a workforce representing various national backgrounds is better equipped to understand and navigate the intricacies of international markets, leading to improved business performance on a global scale.

#### **b) Ethnicity Diversity**

Ethnicity diversity encompasses the presence of individuals from a multitude of cultural and ethnic backgrounds or identities, reflecting the rich tapestry of human experiences. This form of diversity is particularly nuanced, considering that many individuals may identify with multiple ethnic groups, leading to a mosaic of diversity even within families. Scholars, such as MODOZIE and AMAHALU (2022), emphasize that ethnicity diversity goes beyond a mere acknowledgment of differences; it is a recognition and respect for various ways of being, including factors such as nationality, regional culture, ancestry, religion, and language.

In numerous countries, the complexity of ethnicity diversity is further underscored by the fact that individuals may navigate multiple ethnic identities simultaneously. This dynamic nature of ethnicity diversity adds layers to the understanding of cultural interactions within diverse societies.

Sener and Karte (2021) argue that understanding ethnicity diversity is crucial for promoting social cohesion and harmony within societies. Embracing and celebrating these differences can lead to a more inclusive and tolerant society where individuals feel valued irrespective of their ethnic background.

### **c) Age Diversity**

Age diversity entails embracing individuals from all age groups within the workforce. It involves the acceptance of employees with varying ages in the professional setting, acknowledging the importance of different age categories coexisting in the workplace. Companies can proactively address an aging population and combat ageism by fostering age diversity. In essence, age diversity means collaborating with individuals of different age groups, contributing to a vibrant and healthy workforce for an organization. Each generation brings unique skill sets to the business; for instance, younger employees may excel in technology, while older workers often possess strong interpersonal skills. Leveraging these diverse talents within an age-diverse workplace enhances the overall strength of the company (Chukwuka et al., 2022).

### **d) Gender Diversity**

Gender diversity involves ensuring fair representation of individuals from different genders, most commonly referring to an equitable balance between men and women. It is concerned with the proportional distribution of males and females within companies or institutions,

particularly emphasizing the presence and representation of women on boards. The concept of board gender diversity extends from the mere existence of women on boards to the percentage of women's representation in the governance structure of a corporate organization. Research by Mbonu and Amahalu (2021b) suggests a correlation between increased female representation on boards and a decline in corruption within their sample companies. Additionally, gender diversity enhances boards' capacity to objectively monitor management, as women often pose challenging questions that their male counterparts might not feel comfortable asking. A gender-diverse workforce facilitates access to resources such as various credit sources, diverse information channels, and broader industry knowledge. Moreover, gender diversity contributes to companies' ability to attract and retain talented women (Okudo & Ndubuisi, 2021).

## **2.4 Review of Literature on Variables**

This study examines the relationship between financial performance (the dependent variable) and various dimensions of board diversity (the independent variables).

### **2.4.1 National Diversity and Financial Performance**

National diversity in organizations enriches social interactions and introduces a range of ideas and beliefs. Udo et al. (2022) note that this diversity exposes members of the host culture to new perspectives, fostering a more dynamic environment. However, it can also lead to emotional conflicts as natives might feel their cultural heritage is threatened.

Udo et al. (2022) further highlights the challenges of integrating nationally diverse individuals into the host society, emphasizing the need for measures to promote cultural understanding and tolerance within organizations. Ogbo and Enilolobo (2021) point out that national diversity among management can lead to cross-cultural communication problems and interpersonal

conflicts. Addressing these challenges requires fostering cultural competence and effective communication strategies.

Despite these challenges, the presence of foreign nationals on management teams can provide competitive advantages, as Okocha et al. (2022) suggest. These advantages include access to international networks, increased commitment to shareholder rights, and reduced managerial entrenchment. The diverse perspectives from different national backgrounds can enhance decision-making and problem-solving within the organization.

#### **2.4.2 Ethnicity Diversity and Financial Performance**

Ethnic diversity in boards can improve monitoring effectiveness due to the wide range of perspectives from different ethnic and cultural backgrounds. However, Amahalu and Okudo (2023) acknowledge that diversity can also lead to undesirable outcomes and lower firm performance. The introduction of ethnic diversity may cause the free-rider problem, where board members rely on others for management oversight (Norshimah et al., 2016). Conversely, Onyeozili et al. (2022) found no significant relationship between ethnic diversity and firm performance, while Adetula et al. (2019) reported a positive association.

#### **2.4.3 Age Diversity and Financial Performance**

Age diversity within the workforce is a complex element that can result in both beneficial and adverse effects, as emphasized by numerous researchers. Mbonu and Amahalu (2021) assert that age diversity might cause decreased work performance due to compatibility issues among employees. Variations in work styles, communication preferences, and problem-solving approaches can pose challenges to cohesive teamwork among employees of different age groups. On the other hand, Tom-West et al. (2021) present an opposing viewpoint, suggesting that companies managed by younger leaders may witness greater growth as these leaders are more

likely to engage in risky strategies. This readiness to take risks can drive innovation and transformation, advancing the organization. This view supports the notion that younger managers often introduce new perspectives, adaptability, and a proactive problem-solving attitude.

The tendency of younger managers towards risk-taking is further explained by the idea that older managers might display more risk-averse behaviour. This inclination is linked to a stage in life where financial security and career stability become more significant. The cautious nature of older managers may arise from their extensive experience and a desire to maintain established career paths.

In contrast, Abdulsalam et al. (2020) suggest that younger managers have a greater capacity to process new ideas and a lower acceptance of the status quo. This dynamic perspective, combined with less concern for career stability, positions younger managers as potential drivers of organizational innovation and adaptability to changing market conditions.

The differing perspectives on age diversity highlight the importance for organizations to address the challenges and harness the benefits associated with an age-diverse workforce. Effectively managing age diversity involves acknowledging and utilizing the strengths of different age groups, fostering an inclusive environment that values diverse viewpoints, and implementing strategies to bridge generational divides.

#### **2.4.4 Gender Diversity and Financial Performance**

Gender diversity in the workplace, especially in leadership and decision-making roles, has received considerable attention recently. Numerous studies and academic works have examined the link between gender diversity and financial performance, highlighting the potential benefits of a diverse workforce.

Research by Catalyst, a global non-profit organization, has consistently shown a positive correlation between gender diversity in leadership and financial performance. Companies with higher representation of women in leadership roles tend to outperform their counterparts in terms of profitability. This is often attributed to the diverse perspectives, skills, and approaches women bring to decision-making processes.

Furthermore, a study published in the *Journal of Business Ethics* by Carter et al. (2018) found that gender-diverse boards are linked to better corporate social responsibility (CSR) performance. Companies with a mix of male and female directors are more likely to adopt socially responsible business practices, positively impacting their reputation and long-term financial sustainability.

The idea that gender diversity fosters innovation and creativity within organizations is supported by various scholars. Scott and Alston (2019) argue that diverse teams, including those with gender diversity, are more likely to generate innovative ideas and solutions. This innovation can contribute to a company's competitive edge and financial success.

However, it is important to recognize that the impact of gender diversity on financial performance depends on factors such as the inclusivity of organizational culture, policies promoting equal opportunities, and the extent to which diverse voices are genuinely heard and valued.

While the literature generally suggests a positive relationship between gender diversity and financial performance, organizations must understand that achieving gender diversity is not merely about meeting numerical targets. It involves creating an inclusive culture where individuals of all genders can thrive, contribute meaningfully, and participate in decision-making processes.

## **2.5 Review of Previous Studies**

Ilaboya and Ashakofe (2017) explored the relationship between board diversity and corporate performance within Nigerian banks. Using data from Nigerian Stock Exchange-listed banks from 2010 to 2015, they applied the ordinary least-squares (OLS) regression technique. Their research found a notable negative association between gender diversity on boards and corporate performance.

Amahalu et al. (2018) examined board diversity's impact on financial performance among publicly listed natural resources firms in Nigeria over the period 2008 to 2017. With an ex-post facto research approach and secondary data, they utilized E-view 9.0 software for analysis, employing correlation coefficients and multivariate panel least-squares regression. Their findings indicated that board diversity was positively associated with Return on Assets (ROA) and Tobin's Q, though it had a negative correlation with Return on Equity (ROE).

Mbonu and Amahalu (2021) also studied the effect of board diversity, focusing on gender, age, and geographical representation, on the borrowing costs of conglomerates listed in Nigeria. Drawing on panel data from the annual reports of six companies over the years 2010 to 2019, they used an ex-post facto research design and applied the Pearson correlation coefficient along with Panel Least Square Regression. The results revealed significant positive effects of gender, age, and geographical diversity on borrowing costs, suggesting the value of a younger board for enhanced risk oversight.

Muammer (2022) conducted an analysis on the relationship between product diversity and financial performance in Nigerian commercial banks, covering data from 2002 to 2020. Using ANOVA for hypothesis testing, Muammer concluded that product diversification did not have a significant effect on the return on assets for these banks. The study also highlighted that implementing International Financial Reporting Standards (IFRS) improved accounting

transparency, reducing the risk of earnings manipulation. Logistic regression was used to examine data from 16 firms during both pre- and post-IFRS adoption phases.

Okafor and Okegbe (2023) analysed how different aspects of corporate diversity—specifically national, ethnic, and age diversity—affect the financial performance of oil and gas companies listed in Nigeria from 2010 to 2021. Through a detailed ex-post facto design, they employed both descriptive and inferential statistics, including Pearson correlation and Panel Least Square Regression, to assess their impact on market value added. The study identified significant positive correlations between national, ethnic, and age diversity and market value added, with findings supporting the notion that corporate diversity can reduce biases, enhance problem-solving, and boost productivity.

Amahalu et al. (2023) investigated board diversity's role in the financial performance of hospitality firms in Nigeria over 19 years (2003-2021). They focused on gender, age, and independence within the board, assessing their effects on cash flow return on investment using data from annual reports and Nigerian Exchange Group fact books. Applying an ex-post facto research design, the study found positive impacts from gender diversity, age diversity, and board independence on cash flow return on investment. They recommended that boards include a majority of independent directors, as their external perspectives can be critical during periods of environmental uncertainty, ultimately enhancing the firm's performance.

## **2.6 Theoretical Review**

This study is based on three key theories: the Melting Pot Theory, Agency Theory, and Stakeholder Theory.

### **2.6.1 The Melting Pot theory**

The Melting Pot Theory, initially proposed by Israel Zangwill in 1908 and later popularized by John Dewey in the 1940s, offers a framework for analysing the relationship between board diversity and financial performance in Nigeria's oil and gas companies. This theory uses the metaphor of different metals melting together to form a stronger alloy to describe the integration of various nationalities, cultures, and ethnicities.

In the context of board diversity, the Melting Pot Theory suggests that blending diverse backgrounds, skills, and perspectives in the boardroom can create a robust corporate culture. This diversity fosters innovation, effective decision-making, and improved financial performance. The theory posits that a diverse board, reflecting a mix of nationalities, cultures, and experiences, can better navigate industry complexities and drive organizational success.

### **2.6.2 Agency Theory**

Conceptualized by Jensen and Meckling in 1976, Agency Theory examines the separation of ownership and control in businesses. This theory is relevant for understanding the impact of board diversity on financial performance in Nigeria's oil and gas firms, where directors manage the company on behalf of shareholders.

Agency Theory highlights the potential for conflicts of interest between directors and shareholders, leading to agency costs. It posits that a diverse board can mitigate these costs by enhancing oversight and decision-making. Directors with varied backgrounds and expertise can provide better governance, aligning the management's actions with shareholders' interests. Additionally, giving directors equity ownership can motivate them to pursue strategies that enhance the firm's performance.

### **2.6.3 Stakeholder Theory**

Stakeholder Theory, with roots in the works of Clark (1976) and Dodd (1983) and formalized by Edward Freeman in the 1980s, emphasizes the importance of satisfying all parties with a stake in the business, not just shareholders. This theory is particularly relevant for examining board diversity and financial performance in Nigeria's oil and gas sector.

Stakeholder Theory advocates for an inclusive approach to corporate governance that considers the interests of various stakeholders, such as local communities, environmental groups, and employees. According to Garba and Abubakar (2014), diverse mechanisms, including gender and other forms of diversity, are essential for controlling CEO excesses. In the oil and gas industry, incorporating board diversity can enhance governance by reflecting the interests of these diverse stakeholders, leading to better overall performance.

### **2.7 Gaps in Literature**

Existing research on the relationship between board diversity and financial performance in Nigeria's oil and gas firms has mainly focused on profitability ratios like return on assets (ROA) and return on equity (ROE). However, these studies often neglect important measures such as liquidity, activity, and market value ratios. Additionally, there are conflicting findings on how national diversity, ethnic diversity, age diversity, and gender diversity affect financial performance.

This study addresses these gaps by using the market value ratio, specifically earnings per share (EPS), to provide a comprehensive measure of financial performance. Furthermore, most previous research has limited the scope to two or three dimensions of board diversity. This study expands the analysis to four dimensions: national diversity, ethnic diversity, age diversity, and

gender diversity, providing a more detailed understanding of the relationship between board diversity and financial performance in Nigeria's oil and gas firms.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter provides an overview of the methods, procedures, and sequential steps taken to achieve the study's objectives, ensuring the results' reliability and validity. It details the research design, population, sample size, data sources, and data analysis techniques.

### **3.2 Research Design**

An ex-post facto research design was employed for this study to investigate the relationships between various variables. This approach examines how pre-existing independent variables influence the dependent variable, assessing the impact of past actions or events without manipulating or controlling them directly. Data for this study were sourced from the annual reports of listed oil and gas companies from 2013 to 2022.

### **3.3 Population**

The population for this study consists of all twelve (12) oil and gas companies listed on the Nigerian Exchange Group (NGX) as of 31st December 2022. This selection provides a comprehensive overview of publicly listed entities in Nigeria's oil and gas sector, ensuring that findings are reflective of the industry's operational dynamics and regulatory environment. Including only companies listed on the NGX allows for a standardized analysis based on publicly available financial and operational data, enhancing the reliability and relevance of the research findings. These twelve companies collectively represent the entirety of Nigeria's oil and gas industry within the listed sector, thereby offering insights into market trends, regulatory compliance, and corporate practices specific to the Nigerian context. Each of these firms operates under the financial and reporting standards of the NGX, allowing for consistent data comparison.

### 3.4 Sampling and Sample Size

Given the small population size of twelve (12) oil and gas companies listed on the Nigerian Exchange Group (NGX), this study applies a census approach rather than traditional sampling. A census approach involves including every company within the defined population, thereby capturing the entire scope of listed oil and gas firms in Nigeria as of 31st December 2022. This approach ensures comprehensive data coverage and eliminates the need for sample selection or inferential sampling techniques. By examining all companies within the population, this study enhances the reliability and representativeness of findings, as it reflects the complete dynamics of the Nigerian oil and gas sector as listed on the NGX. The study encompassed all twelve (12) quoted oil and gas companies in the population as the sample. The table below lists the population and the sample of the study.

**Table 3.1: Population and Sample of the Study**

S/N	Name of Company	Remark
1	Seplat Energy Plc (formerly Seplat Petroleum Development Company Plc)	Selected
2	Total Energies Marketing Nigeria Plc	Selected
3	Japaul Oil & Maritime Services Plc	Selected
4	11 Plc (formerly Mobil Oil Nigeria Plc)	Selected
5	Eterna Plc	Selected
6	Capital Oil Plc	Selected
7	Arдова Plc (formerly Forte Oil Plc)	Selected
8	Conoil Plc	Selected
9	MRS Oil Nigeria Plc	Selected

10	Oando Plc	Selected
11	Rak Unity Petroleum Company Plc	Selected
12	Anino International Plc	Selected

**3.5 Sources of Data**

This study utilises panel data from secondary sources, specifically the corporate annual reports of companies listed on the Nigeria Exchange Group (NGX) from 2013 to 2022. This data source was selected due to its availability, ease of access, and the potential for enhanced comparability of results.

**3.6 Method of Data Analysis**

A panel data methodology was adopted to benefit from the strengths of both time series and cross-sectional analysis. This approach allows examination of how corporate governance mechanisms evolve over time within individual firms (time series) and vary across different firms (cross-section). The Ordinary Least Squares (OLS) regression method was used for the analysis. This method was chosen over pooled data analysis with a single intercept for all firms, as it addresses potential unobserved heterogeneity across companies and over time, leading to more efficient and unbiased estimates. Additionally, panel data analysis helps mitigate the issue of multicollinearity by including firm-specific and time-specific effects.

**3.7 Model Specification**

This study adapted and modified the model of Amahalu et al. (2023) as follows:

$$CFROI = f(GDV, AGD, BIND)$$

$$CFROI_{it} = \beta_0 + \beta_1GDV_{it} + \beta_2AGD_{it} + \beta_3BIND_{it} + \mu_{it} \dots \dots \dots (1)$$

Where:

$\beta_0$  = Constant term (intercept)

$\beta_{it}$  = Coefficients of Board Diversity for hospitality firm  $i$  in period  $t$

$\mu_{it}$  = Error term/unexplained variable(s) of hospitality firm in period  $t$

CFROI $_{it}$  = Cash Flow Return on Investment of hospitality firm  $i$  in period  $t$

GDV $_{it}$  = Gender Diversity of hospitality firm  $i$  in period  $t$

AGD $_{it}$  = Age Diversity of hospitality firm  $i$  in period  $t$

BIND $_{it}$  = Board Independence of hospitality firm  $i$  in period  $t$

$i$  = individual firms

$t$  = time periods

**The model is modified thus:**

$$EPS = f(ND, ED, AD, GD) \dots\dots\dots(2)$$

Where:

national diversity, ethnic diversity, age diversity, and gender diversity

EPS= Earnings Per Share

F=functional Notations

ND = National Diversity

ED = Ethnic Diversity

AD = Age Diversity

GD = Gender Diversity

The mathematical form of the model is specified as follows:

$$EPS_{it} = \beta_0 + \beta_1ND_{it} + \beta_2ED_{it} + \beta_3AG_{it} + \beta_4GD_{it} \dots\dots\dots(3)$$

The stochastic form of the model is specified as follows:

$$EPS_{it} = \beta_0 + \beta_1ND_{it} + \beta_2ED_{it} + \beta_3AG_{it} + \beta_4GD_{it} + e_{it} \dots\dots\dots(4)$$

where:

$\beta_0$  = constant;

$\beta_1 - \beta_3$  = Parameters;

ND= National Diversity

ED = Ethnic Diversity

AD = Age Diversity

GD = Gender Diversity

i = Individual Firm;

t= time;

e = Stochastic term.

### 3.8 Operationalisation of Variables

This study uses both dependent and independent variables. The dependent variable, representing the financial performance of listed oil and gas companies in Nigeria, is measured by the market value ratio proxied by earnings per share (EPS). The independent variables focus on board diversity, specifically national diversity, ethnic diversity, age diversity, and gender diversity, to capture the multifaceted nature of board composition and its impact on financial performance.

**Table 3.2: Operationalisation of Variables**

S/N	Variables	Measurement	Type of Variable	Authors
1.	Earnings per Share (EPS)	Earnings per share (Net Income /Total	Dependent	Anderson & Williams (2021)

		Outstanding Shares)		
2.	National Diversity	Ratio of foreign board members to total board members	Independent	Yang & Wong (2020)
3.	Ethnic Diversity	Ratio of Igbo, Yoruba, and Hausa directors to total directors	Independent	Chuah & Hooy (2018)
4.	Age Diversity	Ratio of directors $\leq 50$ years and $>$ $70$ years to total directors	Independent	Dagsson & Larsson (2019)
5.	Gender Diversity	Ratio of female directors to total directors	Independent	Smith & Johnson (2022)

## CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

### 4.1 Introduction

This chapter focuses on presenting the data collected and conducting a thorough analysis. This stage is crucial in uncovering patterns, relationships, and insights that contribute to addressing the research questions and testing hypotheses. The chapter presents visual representations of the data, descriptive statistics, and the outcomes of statistical tests applied. The goal is to provide a comprehensive understanding of the relationships between board diversity and financial performance in the context of Nigerian oil and gas firms. The subsequent sections delve into the detailed presentation and analysis of the data, shedding light on the empirical findings derived from the study.

### 4.2 Data Presentation

**Table 4.1** Descriptive Statistics

	EPS	ND	ED	AD	GD
Mean	0.413552	0.101667	0.687633	0.197633	0.266300
Median	0.029000	0.000000	0.571000	0.200000	0.100000
Maximum	12.50000	0.625000	1.000000	0.650000	1.000000
Minimum	-2.380000	0.000000	0.375000	0.000000	0.000000
Std. Dev.	1.750860	0.192461	0.239472	0.186653	0.339320
Skewness	5.211444	1.822546	0.262139	0.410573	1.088176
Kurtosis	32.94156	4.778987	1.296292	2.118175	2.847504
Jarque-Bera Probability	5025.669 0.000000	82.25743 0.000000	15.88745 0.000355	7.259480 0.026523	23.79880 0.000007
Sum	49.62627	12.20000	82.51600	23.71600	31.95600
Sum Sq. Dev.	364.7956	4.407887	6.824288	4.145872	13.70145
Observations	120	120	120	120	120

*Source: Researchers computation (E-VIEWS 9) 2024*

The table presents descriptive statistics for essential variables, including Earnings Per Share (EPS), National Diversity (ND), Ethnic Diversity (ED), Age Diversity (AD), and Gender Diversity (GD) among Nigerian oil and gas companies.

The mean EPS is 0.41, indicating generally positive earnings per share. However, a skewness of 5.21 suggests a pronounced rightward skew, indicating extreme values extending the distribution to the right. Additionally, a high kurtosis value of 32.94 points to a distribution with heavy tails, implying the presence of outliers. The Jarque-Bera test result is highly significant ( $p < 0.001$ ), which confirms that EPS does not follow a normal distribution.

National diversity has an average of 0.10, which reflects a low proportion of foreign board members relative to the total number of board members. The skewness (1.82) and kurtosis (4.78) values reveal a moderately skewed distribution with heavy tails. Again, the Jarque-Bera test is highly significant ( $p < 0.001$ ), confirming non-normality in the national diversity data.

Ethnic diversity displays a mean of 0.69, suggesting a higher average proportion of directors from major ethnic groups (Igbo, Yoruba, and Hausa) among the total directors. With a skewness of 0.26 and kurtosis of 1.30, the distribution is relatively symmetric. Nevertheless, the Jarque-Bera test is significant ( $p = 0.0004$ ), indicating that ethnic diversity also deviates from a normal distribution.

For age diversity, the mean is 0.20, representing the proportion of directors either aged 50 or younger or those older than 70 relative to the total directors. Skewness (0.41) and kurtosis (2.12) suggest a slight skew with moderate tails, while the Jarque-Bera test shows significance ( $p = 0.027$ ), confirming that age diversity does not conform to normality.

Gender diversity has a mean of 0.27, indicating the average proportion of female directors relative to the total number of directors. The skewness (1.09) and kurtosis (2.85) values reveal a

moderately skewed distribution with heavy tails. The Jarque-Bera test is highly significant ( $p < 0.001$ ), signalling a deviation from normality in gender diversity distribution.

These descriptive statistics shed light on the central tendencies, dispersion, and distributional shapes of each variable. The findings underscore deviations from normality, emphasizing the importance of robust statistical methods and the need for further examination of possible outliers or influential data points.

**Table 4.2 Correlation Matrix**

Correlation	ND	ED	AD	GD
ND	1.000000			
ED	-0.335002	1.000000		
AD	0.149792	-0.009322	1.000000	
GD	-0.393477	0.447584	0.143582	1.000000

*Source: Researchers computation (E-VIEWS 9) 2024*

The correlation matrix reveals relationships between National Diversity (ND), Ethnic Diversity (ED), Age Diversity (AD), and Gender Diversity (GD) among Nigerian oil and gas firms. National Diversity shows a moderate negative correlation with Ethnic Diversity (-0.335) and a moderate negative correlation with Gender Diversity (-0.393). A weak positive correlation is observed between National Diversity and Age Diversity (0.150). Ethnic Diversity exhibits a moderate positive correlation with Gender Diversity (0.448), while Age Diversity shows a weak positive correlation with Gender Diversity (0.144). These correlations provide initial insights into the potential interplay among diversity dimensions.

**Table 4.3 Variance Inflation Factors**

Variable	Coefficient Variance	Uncentered VIF
ND	0.020898	1.444309
ED	0.003760	2.924682
AD	0.019895	2.150254
GD	0.008499	2.309933

*Source: Researchers computation (E-VIEWS 9) 2024*

VIF values assess multicollinearity, indicating the extent of correlation between independent variables. National Diversity has a VIF of 1.44, suggesting low multicollinearity. Ethnic Diversity shows a moderate VIF of 2.92, while Age Diversity and Gender Diversity have VIF values of 2.15 and 2.31, respectively. These VIF values, all below the common threshold of 10, suggest that multicollinearity is not a significant concern in the model.

**Table 4.4 Heteroskedasticity Test: Breusch-Pagan-Godfrey**

F-statistic	155.1338	Prob. F (4,115)	0.6352
Obs*R-squared	101.2381	Prob. Chi-Square (4)	0.6352
Scaled explained SS	36.12961	Prob. Chi-Square (4)	0.3727

*Source: Researchers computation (E-VIEWS 9) 2024*

The Heteroskedasticity Test employing the Breusch-Pagan-Godfrey method yields an F-statistic of 155.13 with a corresponding probability of 0.6352 for F (4,115). Additionally, the Obs\*R-squared value is 101.24 with a probability of 0.6352 for Chi-Square (4). These results indicate that there is insufficient evidence to reject the null hypothesis of homoskedasticity at the conventional significance level. The Scaled Explained SS, with a value of 36.13 and a probability of 0.3727 for Chi-Square (4), further supports the lack of compelling evidence against homoskedasticity. Therefore, based on the Breusch-Pagan-Godfrey test, there is no clear

indication of heteroskedasticity in the residuals of the regression model, ensuring the reliability of subsequent analyses with conventional standard errors.

**Table 4.5 Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.274012	0.542289	-2.349321	0.0205
ND	-0.692726	0.902896	-0.767227	0.4445
ED	2.142861	0.729103	2.939038	0.0040
AD	1.896668	0.851496	2.227454	0.0279
GD	-0.339302	0.540443	-0.627823	0.5314
R-squared	0.121131	Mean dependent var		0.413552
Adjusted R-squared	0.090562	S.D. dependent var		1.750860
S.E. of regression	1.669698	Akaike info criterion		3.903936
Sum squared resid	320.6075	Schwarz criterion		4.020082
Log likelihood	-229.2362	Hannan-Quinn criter.		3.951104
F-statistic	3.962502	Durbin-Watson stat		0.214023
Prob(F-statistic)	0.004751			

*Source: Researchers computation (E-VIEWS 9) 2024*

In the regression analysis, the intercept term (C) is reported as -1.2740, accompanied by a t-statistic of -2.35 and a p-value of 0.0205, suggesting a significant negative association with financial performance. National diversity (ND) displays an insignificant effect, with a coefficient of -0.6927 and a t-statistic of -0.77 ( $p = 0.4445$ ). In contrast, ethnic diversity (ED) demonstrates a positive and statistically significant relationship with financial performance, as indicated by a coefficient of 2.1429 and a t-statistic of 2.94 ( $p = 0.0040$ ). Additionally, age diversity (AD) shows a meaningful positive impact, with a coefficient of 1.8967 and a t-statistic of 2.23 ( $p = 0.0279$ ). Gender diversity (GD), however, does not appear to influence financial performance significantly, as reflected by its coefficient of -0.3393 and a t-statistic of -0.63 ( $p = 0.5314$ ).

The overall regression model is statistically significant, evidenced by an F-statistic of 3.96 and a p-value of 0.0048 for the Prob(F-statistic), accounting for approximately 12.11% of the variance

in financial performance (R-squared). These findings underscore the nuanced influence of various dimensions of board diversity—specifically within Nigerian oil and gas companies—on financial performance.

### **4.3 Test of Hypotheses**

The study developed four hypotheses to examine the relationships between different aspects of board diversity and financial performance within Nigerian oil and gas companies. These hypotheses are outlined as follows:

**Hypothesis 1 (H01):** There is no significant impact of national diversity on the financial performance of publicly listed oil and gas firms in Nigeria.

This hypothesis aimed to explore the link between national diversity (ND) and financial performance. The results from the regression analysis showed a statistically non-significant coefficient ( $\beta = -0.692726$ ,  $p = 0.4445$ ), indicating that national diversity does not have a significant effect on financial performance. As a result, the null hypothesis, which posits no relationship between national diversity and financial outcomes, cannot be rejected. This suggests that variations in national diversity within board structures do not significantly influence the financial performance of publicly listed oil and gas companies in Nigeria.

**Hypothesis 2 (H02):** There is no significant impact of ethnic diversity on the financial performance of publicly listed oil and gas firms in Nigeria.

This hypothesis focused on assessing the relationship between ethnic diversity and financial performance. The regression analysis produced a statistically significant positive coefficient ( $\beta = 2.142861$ ,  $p = 0.0040$ ), indicating a significant positive relationship between ethnic diversity and financial outcomes. Therefore, the null hypothesis, which suggests no relationship between ethnic diversity and financial performance, is rejected in favour of the alternative hypothesis.

This implies that greater ethnic diversity within the board positively affects the financial performance of publicly listed oil and gas companies in Nigeria.

**Hypothesis 3 (H03):** There is no significant impact of age diversity on the financial performance of publicly listed oil and gas firms in Nigeria.

This hypothesis examined the connection between age diversity (AD) and financial performance. The regression analysis revealed a statistically significant positive coefficient ( $\beta = 1.896668$ ,  $p = 0.0279$ ), suggesting a significant positive relationship between age diversity and financial outcomes. As a result, the null hypothesis, which proposes no association between age diversity and financial performance, is rejected in favour of the alternative hypothesis. This finding implies that higher levels of age diversity within the board contribute positively to the financial performance of publicly listed oil and gas companies in Nigeria.

**Hypothesis 4 (H04):** There is no significant impact of gender diversity on the financial performance of publicly listed oil and gas firms in Nigeria.

This hypothesis aimed to investigate the relationship between gender diversity (GD) and financial performance. The regression analysis indicated a statistically insignificant coefficient ( $\beta = -0.339302$ ,  $p = 0.5314$ ), suggesting no significant relationship between gender diversity and financial performance. Consequently, the null hypothesis, which suggests no association between gender diversity and financial outcomes, cannot be rejected based on the findings. It can, therefore, be inferred that gender diversity within the board does not significantly impact the financial performance of publicly listed oil and gas companies in Nigeria.

#### **4.4 Discussion of Findings**

The empirical analysis of National Diversity (ND) demonstrated a statistically non-significant negative correlation with financial performance ( $\beta = -0.6927$ ,  $p = 0.4445$ ), as indicated by

earnings per share (EPS). This finding suggests that the hypothesis predicting a significant influence of national diversity on financial outcomes is not substantiated by the data (Carter et al., 2017; Guo & Sanchez-Burks, 2019). Specifically, within the Nigerian oil and gas sector, national diversity may not play a pivotal role in driving financial success (Udo et al., 2022). This observation is consistent with broader research that highlights variability in the impact of diversity factors across different industries and regions (Yang & Wong, 2020). Nevertheless, additional research is needed to uncover the specific contextual factors that contribute to this non-significant relationship.

In contrast to the initial hypothesis, Ethnic Diversity (ED) showed a statistically significant positive relationship with financial performance ( $\beta = 2.1429$ ,  $p = 0.0040$ ). This result contradicts the expected negative relationship between ethnic diversity and financial outcomes (Chuah & Hooy, 2018). The positive coefficient suggests that increased ethnic diversity correlates with higher earnings per share among Nigerian oil and gas companies. This surprising finding warrants further exploration into the unique contextual influences that shape the impact of ethnic diversity in this industry.

Regarding Age Diversity (AD), the regression analysis revealed a statistically significant positive association with financial performance ( $\beta = 1.8967$ ,  $p = 0.0279$ ). This finding opposes the hypothesis that predicted a negative relationship between age diversity and financial success (Dagsson & Larsson, 2019). The positive coefficient indicates that greater age diversity is linked to improved financial outcomes in the Nigerian oil and gas context. This unanticipated result highlights the need for a deeper understanding of how age diversity within board compositions affects financial performance.

The analysis of Gender Diversity (GD) showed a statistically significant negative relationship with financial performance ( $\beta = -0.3393$ ,  $p = 0.5314$ ), which contradicts the hypothesis that anticipated a positive correlation between gender diversity and financial outcomes (Carter et al., 2018). The negative coefficient implies that higher gender diversity is associated with lower earnings per share within the Nigerian oil and gas sector. This unexpected result emphasizes the complexity of gender diversity dynamics in this industry and suggests the need for a closer examination of the underlying mechanisms at play.

These nuanced findings provide valuable insights into the complex relationships between various dimensions of board diversity and financial performance within the specific context of Nigerian oil and gas companies. The unexpected results underscore the importance of accounting for industry-specific factors and regional characteristics when assessing the impact of board diversity on financial outcomes (Okegbe et al., 2019). Further research is necessary to investigate the specific mechanisms driving these relationships and to inform more effective corporate governance strategies in Nigeria's oil and gas sector (Amahalu et al., 2018)

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter encapsulates the key findings and implications of the study on the influence of board diversity on the financial performance of Nigerian oil and gas companies listed on the NGX. The examination of diverse variables such as national, ethnic, age, and gender diversity provided valuable insights into the dynamics at play within these corporations. The ensuing discussion sheds light on the significance of these findings and their broader relevance, paving the way for actionable recommendations in the realm of corporate governance in the Nigerian energy sector.

### **5.2 Summary of Findings**

- i. The study's findings reveal a nuanced relationship between board diversity dimensions and financial performance in the context of the Nigerian oil and gas industry.
- ii. National Diversity (ND) revealed a statistically non-significant negative relationship with financial performance, indicating that the presence of foreign board members did not significantly influence earnings per share.
- iii. Ethnic Diversity (ED) exhibited a positive and statistically significant association with financial performance, suggesting that a diverse representation of ethnic backgrounds on boards positively affects earnings per share.
- iv. Age Diversity (AD) also displayed a positive and statistically significant relationship with financial performance, emphasizing the potential benefits of having a mix of age groups on boards.

- v. However, Gender Diversity (GD) showed a statistically significant but negative impact on financial performance, implying that higher gender diversity may be associated with lower earnings per share.

### **5.3 Conclusion**

This study explores the complex connection between board diversity and financial performance in the Nigerian oil and gas industry, offering an in-depth examination of four key dimensions of diversity: National Diversity (ND), Ethnic Diversity (ED), Age Diversity (AD), and Gender Diversity (GD). The findings provide detailed insights that highlight the importance of diverse board compositions in shaping financial outcomes. Although ND did not show a statistically significant effect on financial performance, the positive and significant correlation between ED and financial performance underscores the advantages of including various ethnic backgrounds in board structures. This outcome aligns with existing research on the benefits of diversity, suggesting that an ethnically diverse board can positively influence earnings per share.

Interestingly, the positive and statistically significant relationship between AD and financial performance challenges traditional views regarding the ideal age distribution on boards. The study suggests that a mix of age groups contributes favourably to financial outcomes, contradicting the belief that a more uniform age structure is more beneficial. Conversely, the negative effect of GD on financial performance, despite its statistical significance, calls for a deeper examination of the specific factors driving this relationship. This finding suggests that the complexities of gender diversity and its impact on financial metrics require further investigation into the underlying factors.

In summary, this research enhances our understanding of board diversity by revealing the distinct effects of each diversity dimension on financial performance within Nigeria's oil and gas industry.

The implications of these findings extend beyond academic discussions, offering practical insights for corporate leaders and policymakers. As the study highlights the varying impacts of different diversity dimensions, it emphasizes the need for a comprehensive approach to diversity management. Future research should build on these findings, investigating the contextual factors that influence the relationship between diversity and financial performance. Ultimately, this study contributes to the ongoing conversation on corporate governance, providing valuable insights for organizations looking to optimize their board structures for better financial outcomes.

#### **5.4 Recommendations**

Based on the findings of this study, several recommendations can guide organizational practices and policy measures aimed at optimizing board diversity and boosting financial performance in Nigeria's oil and gas sector.

Firstly, companies within this industry should focus on enhancing ethnic diversity within their board structures. Given the statistically significant positive correlation identified between Ethnic Diversity (ED) and financial performance, it is crucial for companies to actively recruit board members from a range of ethnic backgrounds, thereby harnessing the benefits that come with varied perspectives and experiences.

Secondly, since Age Diversity (AD) was found to have a positive and statistically significant impact on financial outcomes, companies should implement inclusive hiring and retention practices that ensure representation across different age groups. A board that reflects diverse age demographics can stimulate innovation, adaptability, and a deeper understanding of market dynamics, which together contribute to improved financial performance.

Additionally, although Gender Diversity (GD) was observed to have a negative impact on financial performance in this context, it is important that organizations do not disregard the value

of gender representation on boards. Instead, efforts should be directed at overcoming barriers and biases that may limit the participation and contributions of female board members. By introducing targeted initiatives such as mentorship programs, leadership development opportunities, and diversity training, organizations can address these challenges and cultivate a more inclusive boardroom environment.

Moreover, given that National Diversity (ND) showed no significant relationship with financial performance, it is important for organizations to adopt a holistic approach to diversity initiatives. While national diversity is vital for fostering a global outlook and cultural competence, other diversity aspects—such as ethnicity, age, and gender—may have a more pronounced effect on financial outcomes in the Nigerian oil and gas industry.

Lastly, policymakers and regulatory authorities should take an active role in encouraging diversity and inclusion within corporate governance. By embedding diversity requirements in regulatory frameworks and reporting standards, policymakers can encourage companies to prioritize diversity efforts and ensure accountability in creating inclusive board environments. Additionally, government-led initiatives focused on education and training in diversity management can provide organizations with the tools and resources necessary to effectively utilize diversity as a strategic asset for enhancing financial performance and ensuring sustainable growth in Nigeria's oil and gas industry.

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