



GENDER DIVERSITY AND FIRM FINANCIAL PERFORMANCE OF NIGERIAN LISTED BANKS: A MULTI THEORETIC APPROACH

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Abstract

This study investigates the predictive power of a board's gender diversity on financial performance of Nigerian listed banks from 2014 to 2019 utilising secondary panel data analysis using STATA software version 10.0. This study carefully selects existing literature on the subject largely drawn from developed economies with very few non-financial studies from emerging markets. Tobin's Q, (ROA) and (ROE) were employed as measures for financial performance while gender and ethnic diversity, board composition, director's equity ownership and family controlled board were proxies for financial performance. The findings show that gender diversity have positive and significant impacts on financial performance while ethnic diversity, foreign directorship and directors equity holding had no impact. On board composition however, the study found board room size of 12 directors to increase financial performance beyond which performance decreases. The study recommends that in house and legislative arrangement be made to strike a fair gender balance in boardrooms of listed banks in Nigeria and recommend further research along this line.

Keywords: Gender Diversity, Ethnicity, Board Composition, Listed Banks, Nigeria

JEL Classification: L4

1. Introduction

The need to put in place good corporate governance has increasingly become an area of reckoning consequent upon the increasing number of corporate collapses across the globe. Companies such as banks and others hitherto seen as well-established around the world were found to have been involved in unethical accounting malfeasances (SEC, 2011). On both the international and local landscape for example, the collapse of large firms (e.g. WorldCom, Enron, Bank of Credit and Commerce International (BCCI)), was seen as a consequent of bad corporate governance regulation (Clarke, 2004). The application of good corporate governance regulation and enforcement to promote shareholders value and protect the interest of other stakeholders is seen as the only antidote for business success. At the national front however, corporate failures were clearly seen in the near total collapse of the financial sector from 1990 to 2004 when the regulatory authorities decided to intervene. Banks such as Alpha Merchant Bank Limited, Abacus Merchant Bank Nigeria Limited, Rims Merchant Bank Limited, Financial

Merchant Bank Limited, Progress Merchant Bank Plc, Royal Merchant Bank Limited and Republic Merchant Bank Limited went under in successive progression (SEC, 2011). In view of the effects of corporate failures of the banks and by implication the national economies, countries the world over have taken drastic steps to fine tune their corporate governance regulation aimed at ensuring good corporate governance.

The Organization for Economic Cooperation and Development (OECD) defined corporate governance as involving a set of relationships between a company's management, its board, its shareholders and other stakeholders (OECD, 2004). Corporate governance (CG) is that which provides the configuration through which the objectives of the company are set and its objectives attained through performance monitoring. The board of directors is an important component of CG because of its role of carrying out monitoring function on behalf of shareholders. This is so due largely to the fact that shareholders would find it difficult to exercise control owing to dispersed ownership. The board of directors

monitoring and advisory role to management ensures prudence and accountability on behalf of its owners and regulatory authorities (John & Senbet, 1998).

The unpleasant financial scandals cited above, prompted countries in taking drastic steps to ensure good CG regulation and enforcement. For instance, the USA put in place the SarbanesOxley Act in 2002. This Act was promulgated to specifically ensure transparency, integrity and the oversight of the financial market (SEC, 2011). Other countries such as U.K., Japan, Canada, South Africa, and even Nigeria have taken similar, and in some instance, more drastic steps to ensure good CG regulations. In the case of Nigeria however, the capital market is guided by an extensive securities law. This law is referred to as the Investments and Securities Act (ISA) of 1999 (Ndanusa, 2003). It was not until November 2003 that SEC in partnership with the Corporate Affairs Commission (CAC) promulgated the Code of CG for Nigerian public companies. This code made some specific recommendations on how to promote board independence and CG in general. However, it was felt that the neglect of CG in Nigeria's public policy then was due to the paucity of research in that area. The few empirical studies on CG in Nigeria were only concerned with how board features were related to performance. Example, studies by Faleye (2007), Sanda, Mikailu, and Garba. (2010) and Olayinka (2010) and many others deal with the issue of CG and board composition. There is, however, hardly any empirical study linking firm performance with corporate board diversity in Nigeria. These concerns prompted this study to assist scholars and other stakeholders to know the actual relationship between these important CG variables.

Board gender diversity is today a subject of interest because it has been discovered to impact on financial performance. Gender diversity is an important component of board diversity and it refers to the presence of women in firm boardrooms (Dutta & Bose, 2006; Zango, Idris & Umar, 2016). Of recent, companies have shown an increasing commitment to diversity with the inclusion and the advancement of women in the workplace. However, the representation of women in leadership positions of especially the banks remains stagnant. Corporate boardrooms the world over is still not so much diverse as

far as the presence of women is concerned (Catalyst, 20015). Unite, Sullivan and Shi (2016) found that women in boardrooms are less than 10 percent of company directors in advanced economies such as U K, Germany, Hong Kong, Singapore and Japan. The only exception is Norway that has greater than 25 percent. Moreover, Sweden had percentage of women directors greater than the United States with almost 20 percent (Catalyst, 20015). Despite the efforts of developed and developing countries to address gender issues however, the board of directors of Nigerian listed banks are predominantly male with women accounting for 4.9 percent, 1.8 percent and 1.8 percent of all directorships, chairs, and CEOs respectively (Sanda Garba & Mikailu, 2008). The question this study seeks to address is whether corporate board gender diversity exert any significant influence on performance in the Nigerian listed banks.

Therefore, the main objective of this study is to examine the relationship between board gender diversity and financial performance of listed deposit money banks and to acknowledge the effect of other control variables on firm performance. However, to achieve the study's objective, it is reasonable at this point to state the following hypotheses in their null form:-

H1: There is no significant relationship between gender diversity and financial performance.

H2: There no significant relationship between ethnic diversity and financial performance.

H3: There is no significant relationship between board composition and financial performance.

H4: There is no significant relationship between director's equity and financial performance

H5: There is no significant relationship between family controlled board and financial performance

1.1 Theoretical Underpinnings

Following previous studies in high impact factor journals this study carefully select three grounded theories in line with modern thinking on empirical research and the advice by multiple theorists to explain relationships (Roberts et. al., 2005; Zango, 2019).

1.1.1 Agency Theory

Agency Theory by Jensen and Meckling of 1976 is considered the most widely used theoretical basis for firm performance (Zango, 2019). Various empirics now adopt the principal-agent model of agency theory to describe delegation of responsibilities in firms (Tosi, Shea, & Gentry, 2003). The separation of ownership in modern corporations makes managers to become agents of shareholders (Jensen & Meckling, 2004). The capital providers of business therefore expect that the agents act in the principals' best interest. On the contrary, due to information asymmetry, managers may not make decisions in line with the wishes of owners, leading to agency problems (Jensen & Meckling, 2004). One of the underlying assumptions of agency theory is that, there exists divergence of interest between ownership and control. For instance, it is empirically found that, an increase in an agent's real authority promotes creativity but results in a loss of control for the principal (Kılıç & Kuzey, 2016). The origin of agency theory problem is the self-interest utility maximization and motivation of individual actors (Eisenhardt, 2004). Therefore, the divergence of the preferences of ownership and agency inherent in the modern firms necessitates conceiving procedures that may help in making sure that individuals who pursue their own self-interest will also take into cognisance the collective interest of shareholders value (Eisenhardt, 2004).

One of the measures put in place in CG is by monitoring the activities of Chief Executive Officers (CEOs) through formation of effective board of directors (Zango, 2017). Board of directors' as corporate observers support shareholders by monitoring managers to safeguard the interests of ownership by positively pursuing and protecting it (Booth, Cornett, & Tehranian, 2002). To have effective boardroom therefore, there must be right configuration of the directors in general with adequate diversity in board structure in particular (Zango & Idris, 2018). Several empirical studies have examined how boardroom attributes may be related to financial performance. Most begin with the assumption that the directors' effectiveness is a function of the board's independence from management (Booth et al., 2002). Kılıç and Kuzey (2016) opines that, the issue of diversity is connected to the issue

of independent outside directors. Duchin, Matsusaka and Ozbas, (2010) argue that women and other minorities (cultural, ethnical and racial) are found to be outsiders and performance increases when added to the boardroom. In this wise, there is a necessity to introduce greater degree of diversity in the boardroom as CG mechanism. Therefore increase in female directors in boardroom is likely to increase financial performance in the Nigerian listed deposit money banks (Francoeur, Labelle, & Sinclair-Desgagne, 2008).

1.1.2 Stakeholders Theory

Another pertinent theory in relation to firm performance is the stakeholder theory. This theory assumes that values are obviously part of doing business (Freeman, Wicks, & Parmar, 2004). Managers are expected to articulate the shared sense of value and as well bring its core stakeholders together for the overall benefit of the firm. This theory philosophies organizational management and business ethics which addresses morality and values (Wikipedia, 2010b). The theory identifies and models stakeholders of the firm which include the government for policy formulation and tax purposes, local communities, political parties, trade unions and associations, associated corporations, prospective customers, employees, and the larger public (Shea, 2010). Unlike agency theory, stakeholder theorists argue that managers in firms have a network of relationships to serve. This includes creditors, debtors, employees, government and other business partners (Heath & Norman, 2004; Brunk, 2010).

Stakeholders' theory defers from the traditional role of the board of directors, as defenders of shareholders interest only but defender of all stakeholders. It is expected that, companies are to design their strategies taking into account the interest of all stakeholders, who are affected by or can affect the organizational objectives (Ayuso & Argandoña, 2007). In democratic governance, majority can influence both the CG arrangement and the return to human and financial capital (Perotti & Thadden, 2006). Therefore, based on the stakeholder theory, this study concludes that, it is not the interest of the shareholders alone that should be protected, but also that of women and other minority groups. Consequently, the use of diversified mechanism to

control the excesses of managers may include diversity in gender and other related variables. Therefore, a female director is more likely to be knowledgeable about handling and protecting the interest of female shareholders to enhance financial performance of the firm at large.

1.1.3 Resource Dependency Theory

The Resource dependence theory posits that, firms operate in an open system and need to exchange and acquire resources to survive. This resource requirement creates dependency between firms and external environment in terms of legitimacy, informational commitments and expertise (de Cabo *et al.*, 2012). Resource dependency theory recommends that boards of directors associate their entities to other external environment to address dependency issues (Hillman, Shropshier & Cannella, 2007). Based on these propositions, board diversity expands communication channels, networking and linkages to the affected firms (Liu *et al.*, 2013). It also expands the frontiers of gaining access to finance, brings cordial relationship with customers and even the company's competitors (Reguera-Alvarado *et al.*, 2015). Appointing female directors in boardrooms of Nigerian listed banks is expected to sustain good relationship with the banks female customers (Liu *et al.*, 2013) and improves legitimacy of the banks by indicating that the firm promotes gender equality (Isidro & Sobral, 2014). Therefore, the connections provided by female directors to sourcing external clients have the potential of increasing critical resource aimed at enhancing corporate financial performance (Reguera-Alvarado *et al.*, 2015).

2. Literature Review

The few empirical studies so far on gender diversity and firms' financial performance documents mixed results. Example, significant positive relationship between gender diversity and firm performance was found by some scholars (Nishii, Gotte & Raver, 2007; Abubakar, 2017; Zango, & Idris, 2018). In contrast, Dutta and Bose (2006) and Eklund, Palmberg, and Wiberg (2009), reported a significant negative relationship between these variables. However, findings by Adams and Ferreira (2009), offer convoluted result. In their study, the researchers found diversity to have significant negative relationship

with financial performance in firms with strong governance. They further find significant positive relationship with financial performance in firms with weak governance. However, other studies found no significant relationship between gender diversity and firm performance (Francoeur *et al.*, 2008; Marimuthu & Koladaisamy, 2009a). The earlier proponents of corporate boardroom diversity (Fields & Keys, 2003) opined that, to make managers and board members act ethically, there should be a good mix in board diversity. Swartz and Firer, (2005) defined board diversity as variety amongst members of the board with regard to characteristics such as gender, age, educational qualification, brands of expertise, personality, learning style, managerial background, and value judgement.

Similarly, findings on the relationships between ethnic diversity in boards and financial performance are inconclusive. While (Nishii *et al.*, 2007; Marimuthu & Koladaisamy, 2009a) found a significant positive relationship between ethnicity and firm performance, Marimuthu and Koladaisamy, (2009b) found no significant relationship between ethnicity in boards and financial performance. Another board diversity variable that may impact on firm performance is foreign directorships. On the relationship between foreign directorships and financial performance, Sanda *et al.* (2008) find a significant positive relationship between the presence of foreign directors on the board and financial performance. Furthermore, there are mixed findings on the relationship between board composition and firm performance. Several researchers found a significant positive relationship between independent board and financial performance (Zainal-Abidin, Kamal, and Jusoff, 2009; Kim and Lim, 2010; Olayinka, 2010 and Sanda *et al.*, 2010). In contrast, He (2008) finds significant negative relationship between independent board and firm performance. However, the relationship between these two variables as studied by Duchin *et al.* (2010) seems intricate because the nature of the relationship between board composition and firm performance depends on the cost of acquiring information. On the contrary, Erickson, Park, Reising, and Shin (2005) and Pathan and Skully (2010) find no significant relationship between board independence and financial performance.

Betrand and Mullainathan (2003) found that, if chief executive directors owned less than 5 percent of their company, it could create moral hazards. This is because directors bear little financial costs if they pursue their own goals rather than maximize shareholder value. However, literature on the relationship between directors' equity ownership and firm performance reveals significant positive relationship (Bhagat & Bolton, 2008). Studies in Nigeria by Olayinka (2010), Sanda et al. (2010) find a significant negative relationship between directors' equity ownership and financial performance. Conclusively, Mehran (1995) find no relationship between the two variables. However, Bhabra (2007), found a nonlinear relationship between directors' equity holding and financial performance. In view of these contradictions, the findings are unclear and hence inconclusive. Another board characteristics that may influence corporate performance is family controlled board. While some studies found significant positive relationship between the size of family controlled board and financial performance (Villalonga & Amit, 2006, Sanda et al., 2008), other findings on the relationship are inconclusive. Example, significant positive relationship exists between board size and firm performance (Zainal-Abidin et al., 2009; Olayinka, 2010 and Sanda et al., 2010). In contrast, Bennedsen, Kongsted and Nielsen (2008) and Cheng (2008) find a significant negative relationship between board size and performance. Pathan and Skully (2010) however, found no significant relationship between board size and financial performance.

3. Methodology

This study utilises secondary panel data obtained from the Nigerian Stock Exchange (NSE) Fact year books. It also consulted hard copies of annual reports and accounts, and other online materials from relevant websites of the affected firms. Non-probability sampling technique was used in selecting the listed banks as only those that meet the listing criteria on the Nigerian Stock Exchange since on

or before the year 2014 up to the period covering this study and having information on the variables captured in this research were included. This is because only the sampled listed banks that have been in existence from 2014 to 2019 and have all the information needed for this study are selected. The period chosen for this study reflects the time when corporate governance became fully matured in the Nigerian capital market. It is further because regulatory enforcement with the SEC code of good governance was first launched in November 2003 (SEC, 2011). The year 2019 was chosen as the last year because the NSE fact books used for selecting the sampled firms were available only up to 2019 and not beyond at the time of conducting this study. In all, this study utilises 21 banks listed on the floor of the Nigerian Stock Exchange.

3.1 Variables Measurement

This study utilises Tobin's Q, return on assets (ROA) and return on equity (ROE) to measure performance respectively. These variables are used resulting from previous empirical studies. Example, ROA is measured as net income divided by total assets (Marimuthu & Kolandaisamy, 2009b). ROE is measured as net profit as a proportion of equity value (Sanda et al., 2010). In this study, Tobin's Q is obtained as adjusted Q by dividing year-end market capitalization by book value of total assets (Sanda et al., 2010). Gender diversity is measured as percentage of female directors in the boards of the listed banks (Swartz & Firer, 2005). Board size is measured as the total number of bank directors in a financial year. This measurement is being used by many scholars (Eklund et al., 2009; Marimuthu & Kolandaisamy, 2009b). Directors' equity ownership is measured in this study as, total number of shares owned by the directors of the firm as a proportion of total shares of the firm (Zainal-Abidin et al., 2009). This study finally follows the work of Liu, Sheu, Chung and Liao, (2010) and measure family-controlled board as proportion of family directors to board size.

Table: 1 Summary of Variables Measurement

Variables	Measurement
ROA	Return on assets, a proxy for firm performance, measured by expressing net profit as a proportion of total assets.
ROE	Return on Equity, a proxy for firm performance, measured by expressing net profit as a proportion of total equity value.
Tobin's Q	A proxy for firm performance, measured by dividing year-end market capitalization by the book value of total assets.

Variables	Measurement
GENDIV	Gender diversity, measured as the percentage of female directors on a board.
ETHNIC	Ethnic diversity, measured as a dummy variable taking the value of 1 if the board consists of both Northerners and Southerners, and 0 otherwise.
FRNDIR	Foreign directorship, measured as the percentage of foreign directors on a board.
BOCOM	Board composition, measured by taking the number of non-executive directors as a proportion of board size.
BSIZE	Board size, measured by taking the total number of directors on the board of directors of a firm in a particular financial year.
DIROWN	Director's equity ownership, measured by expressing the total number of shares owned by directors of a firm as a proportion of outstanding shares of the firm.

Source: Authors computation

This study measure ethnic diversity by adapting that of Oxelheim and Randoy (2002). In this study, ethnic diversity is measured as a dummy variable taking the value of one if the boardroom consists of both Northerners and Southerners, and 0 otherwise. Board composition is seen as the proportion of non-executive directors in the boardroom i.e. outside directors as a percentage of total board members (Sanda et al., 2010).

3.2 Data Analysis

This study makes use of both inferential and descriptive panel regression techniques. The descriptive analysis has been used to describe and summarize the data set. The inferential panel regression analysis estimates and test statistical hypothesis. It is also used in this study to explain the effect of corporate board diversity and other control variables on financial performance (Blaikie, 2003). The panel regression models applied include the Pooled Ordinary Least Squares (Pooled-OLS), Fixed Effect (FE) and Random Effect estimators (Claire et al., 2010). Kim and Lim (2010) developed the regression model which this study intend to adapt because their study also examines the relationship between diversity of independent outside directors and financial performance. Moreover, the study by Kim and Lim focuses on Korean Stock Exchange listed companies which are similar to this research. The

$$Y_{it} = \alpha_0 + \beta_1 GENDIV_{it} + \beta_2 ETHNIC_{it} + \beta_3 FRNDIR_{it} + \beta_4 BOCOM_{it} + \beta_5 BSIZE_{it} + \beta_7 DIROWN_{it} + \beta_9 FAMDIR_{it} + C_i + U_{it} \dots (2)$$

Where:

α_0 = The intercept, GENDIV = The measures of gender diversity, ETHNIC = The measures of ethnic diversity, FRNDIR = The measures of foreign directorship, BOCOM = The measures of board composition, BSIZE = The

Hausman specification test to select the best model was applied to choose among the estimators earlier stated. Furthermore, the study conducts the Breusch-Pagan Lagrange multiplier (LM) test for random effects to select between Pooled-OLS and random effects estimators. The LM test serves as decider between random effects regression and Pooled-OLS regression. The decision rule for the null hypothesis in the LM test is that variance across entities is zero. This implies that there is no significant difference across units (i.e. no panel effect). If the regression indicates no panel effect then, the choice is to employ the Pooled-OLS instead of the random effects model.

3.3 Model Specification

The theoretical model for this study is stated as:

$$Y_{it} = \alpha_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + C_{it} + U_{it} \dots (1)$$

Where: Y = a measure of firm performance, α = Intercept coefficient, β_1 = Vector of coefficients of board diversity, X_1 = Vector of the measures of board diversity, β_2 = Vector of the coefficient of control variables, X_2 = the vector of control variables, Subscripts i and t = each firm i in year t , C = unit-specific error component, U = error term.

The empirical model of the study given for firm performance is:

measures of board size, DIOWNR = The measures of directors' ownership, FAMDIR = The measures of family directorship, C_i = unit-specific error component, U = the remaining error component. A priori expectation of this study is that corporate board gender diversity will have a

significant and positive influence on firms' performance of listed banks in Nigeria.

4. Results and Discussion

This section presents the descriptive and inferential results. The results are also discussed by giving reference to previous studies in similar areas.

Table: 2 Descriptive Statistics Results

S.N.	Variable	Mean	Min	Max	Sum	N
1	Boardroom Size	9.4167	3	24	463	72
2	Male Directors	8.7094	3	22	428	72
3	Female Directors	70732	0	9	035	72
4	Hausa Directors	1.2094	0	7	087	72
5	Yoruba Directors	3.0752	0	12	172	72
6	Igbo Directors	3.2927	0	13	204	72
7	North Directors	1.2195	0	7	092	72
8	South Directors	6.4000	1	17	371	72
9	Outside Directors	6.7340	1	13	452	72
10	Family Directors	0.6789	0	4	011	72
11	Foreign Directors	1.8049	0	9	048	72
12	Directors' shareholding	4.10e+07	0	5.63e+10	2.02e+08	72
13	Total shares out	5.89e+07	2918	1.16e+12	2.90e+10	72
14	Total assets	1.65e+10	1727	7.63e+14	8.12e+09	72
15	Net profit	5.69e+09	-6.83e+09	2.83e+13	2.80e+10	72
16	Total equity	1.66e+08	1459	7.46e+12	8.16e+09	72
17	Market capitalization	5.91e+09	4085	1.93e+14	2.91e+11	72
18	Board composition	07.0390	16.67	09.9	35443.18	72
19	Family directorship	02.8560	0	05	03864.99	72

Source: STATA Version 10.0.

Table 2 defines the whole data set from all the sampled banks used for this study. The descriptive results for all the banks in this research show the total number of 463 directorships for the whole period of the study. The average board size for all the 21 banks in this research stood at 9 directors. This is in contrast to the minimum of 3, and maximum of 24 board members. The results indicated that average board size of the banks listed on the Nigerian Stock Exchange for period under study was 9 directors and no bank had more than 24 board members or less than 3. This result indicate that some of the banks under study were having board size below the statutory minimum of 5 directors as stipulated by the Nigerian CG code (NCCG, 2018). The number of male directorships on all the boardrooms of the sampled banks, revealed a total of 428 male directorships as shown by the descriptive results. However, the average number of male directors was 9, as against minimum of 3 and maximum of 22 male directors in a typical boardroom. This result indicates that on average, a bank had 9 male directors with some having

4.1 Descriptive Statistics

the descriptive results of this study are presented in Table 2.

minimum of 3 and others maximum of 22 male directors during the period of study. As regards female directors, the results showed that there were a total of 35 female directorships throughout the 6 year period covered by this study. However, there was an average of one female director in corporate board as against a minimum of 0 and maximum of 9 female directors in the board. This result indicates absence of female directors in some boardrooms while some had up to 9 female directors. This further indicates that there is a gap between male and female participation in the corporate boardrooms of Nigerian banks.

Pertaining to the ethnic diversity of directors of banks in Nigeria however, the descriptive results showed that Hausas, Yorubas and Igbos directorships in boardrooms accounted for 87, 172, and 204 respectively. The results further revealed an average of one Hausa, three Yoruba and three Igbo directors respectively in the listed Nigerian banks boardroom within the period of the study. However, all the ethnic groups had a minimum of 0 directors per

boardroom. This further suggests that there were some banks without either a Hausa or a Yoruba or an Igbo as a director. But for the maximum number of directors, there was a maximum of 7 Hausa, 12 Yoruba and 13 Igbo directors in Nigerian bank's boardrooms. These indicate that Hausa directors were under-represented in Nigeria's bank boardrooms. Another proxy for ethnic diversity is being a director as either northerner or southerner. The descriptive results indicated a sum of 92 directors of Northern extraction as against 371 directors from the South. The results showed an average of 1 and 6 Northern and Southern directors respectively in boardroom of the listed banks under study. However, in some of the banks' board, there was no single Northern director while on each board there was at least one Southern director in the boardroom. For the maximum number of directors according regional dichotomy, there was a maximum of 7 Northern directors on board as against a maximum of 17 Southern directors. These results also indicated that Northerners were under-represented in boardrooms of banks in Nigeria. But whether this has any significant effect on banks' performance is unclear. However, this can be ascertained by the inferential results in this study.

The descriptive results also indicated that there was a total sum of 452 outside directors within the 6 year period of this study. However, there was on average, 7 outside directors in the boardroom as against a minimum of one, and maximum of 13 in the bank's boardroom. The results therefore suggest that there were some listed banks having only one outside director while some have up to 13 in their boardroom. This disparity may have some effect on the listed banks' performance, which this study sets to unravel from the inferential results. The family directorship variable in the boardroom had the sum total of 11 directors in banks boardrooms in Nigeria within the 6 year period of this study as indicated by the descriptive results. There was an average of one family director, with minimum of 0 and a maximum of 4 family directors. The results indicate that there were banks with two directors from same family. But the maximum indicates that there were banks having up to 4 board members from same family in same boardroom. However, whether this disparity has any effect on banks' performance can also be confirmed from the inferential results.

With regards to foreign directors, the descriptive results showed that, there were 48 foreign directors in boardrooms of Nigerian listed banks sampled for this study. On the average, there were 2 foreign directors on the board of each bank, which is against the minimum of 0 and a maximum of 9 foreign directors (NCCG, 2018). This further indicates that, there were banks with no foreign director in a financial year while some had up to 9 foreign directors in the same boardroom. The impact of foreign director variable on financial performance is to be verified from inferential results. The descriptive results revealed that directors of the 21 quoted banks on the floor of the NSE covered in this study owned the sum of 202 billion units of shares of the banks within the six years of this study. On average however, directors of the listed banks hold 410 million units of shares as against a minimum of 0 and a maximum of 56.3 billion units of shares. The results therefore indicated that though there were banks with no directors' equity ownership, there was an instance where directors held up to 56.3 billion units of shares of a particular bank in a financial year.

According to the descriptive result, total outstanding shares of the 21 quoted banks on the floor of NSE had a sum of N2.90 trillion with an average of 5.89 billion units of shares, which was against the minimum of 2.9 million units of shares and a maximum of 1.16 trillion units of shares. This also indicate that no sampled listed bank in Nigeria had less than 2.9 million units of shares and there were banks with up to 1.16 trillion units of shares. Moreover, the descriptive results revealed the total of 812 trillion naira as the total assets value of all the 21 quoted banks used for this study. It similarly indicate an average of 1.65 trillion naira worth of total assets as against the minimum of 1.7 million and a maximum of 763 trillion naira. However, some listed banks had up to 763 trillion naira as total asset, indicating heterogeneity in the size of listed banks on the floor of the Nigerian Stock Exchange. The descriptive results revealed the sum of 28 trillion naira as the net profit of the sampled quoted Nigerian banks. It further indicates a mean of 56.9 billion naira, a minimum of -683 billion naira and a maximum of 28.30 trillion naira. This figure signified that on average, each listed bank had profit amounting to 56.9 billion naira. In considering the minimum however, there were some

quoted banks with losses of up to 683 billion naira while some had net profits of up to 28.30 trillion naira. Looking at the descriptive results therefore, it will be safe to say that listed banks in Nigeria vary in terms of their financial performance.

The results in this study further showed that the 21 listed banks studied for the period of 6 years had a sum of 8.16 trillion as their total equity value in naira. However, the average value stood at 16.6 billion naira as against a minimum of 1.5 million and a maximum of 7.46 trillion naira. This result show that there were quoted banks with less than average total equity value indicating wide disparity between listed Nigerian banks in terms of their equity valuation. From the results in Table 2, the sum of market capitalization of the listed banks stood at 291 trillion naira over the period covered by this study. However, the banks recorded an average of 591 billion naira market capitalization, which was against a minimum of 408,520 naira and a maximum of 193 trillion naira. The descriptive results also showed that on average, the sampled listed banks had up to 72 percent of their directors as non-executives as against a minimum of 17 percent and a maximum of 93 percent. These results suggest that there were some banks with more non-executive directors than

executive directors on their boards, in compliance to the new NigerianCGcode while some did not comply (NCCG, 2018). Therefore whether this disparity has any effect on quoted banks' performance is left for verification from the inferential results. As regards the family directorship, the descriptive results revealed a mean percentage of 8 family directors on board as against a minimum of 0 and maximum of 75 percent. The results therefore indicated that there were instances where firms had 0 percent family directors while some banks had up to 75 percent family directors on the board. This further indicates that there is the likelihood for some banks to have more family directors than required on their boardrooms.

4.2 Inferential Results

Table 3 present the results of Hausman Specification Test for the best model selection. The null hypothesis is that, the fixed effect is not more appropriate than random effect, while the alternative hypothesis is that, the fixed effects model is more appropriate than random effect. If the test is not statistically significant, null hypothesis will be accepted and alternate rejected. In this case, random effects model will be considered as the best model instead of the fixed effect model.

Table: 3 Results of Hausman Specification

Model No.	Model compares	P-Values	Remarks
Model 1b and 1a	Fixed – Pooled-OLS	0.1697	Pooled-OLS model selected
Model 1c and 1a	Random-OLS	1.0000	Pooled-OLS model selected
Model 1b and 1c	Fixed-Random	0.1697	Random Effects model selected
Model 2b and 2a	Fixed– Pooled-OLS	0.9983	Pooled-OLS model selected
Model 2c and 2a	Random-Pooled-OLS	-0.00	Model fitted on these data fails to meet the asymptotic assumptions of the Hausman test
Model 2b and 2c	Fixed-Random	0.9983	Random Effects model selected
Model 3b and 3a	Fixed– Pooled-OLS	0.0000***	Fixed Effects model selected
Model 3c and 3a	Random- Pooled-OLS	1.000	Pooled-OLS model selected
Model 3b and 3c	Fixed-Random	0.0000***	Fixed Effects model selected
Significant at 10% (*), 5% (**), 1% (***)			

Keys: 1 =ROA; 2 = ROE; 3 = Tobin's q; a =Pooled-OLS; b = Fixed-Effects; c = Random-Effect.

Source: STATAversion 10.0

Out of the whole regressions ran on the influence of gender diversity variables and other influential control variables on banks' financial performance as shown in Table 3, only one regression fails to meet the assumptions of the Hausman specifications test. Moreover, four out of the eight tests ran indicate the selection of Pooled-OLS estimator. Two other tests out of eight indicate the selection

of random effects model, while another two of the tests indicate the selection of fixed effects model. On this basis, the study draws its conclusion based on the models that are statistically adequate when Tobin's Q is used as the proxy for bank financial performance. It can further be argued that, the model with the lowest standard error is the model of best fit. Therefore, on the basis of these criteria, the

selection is in favor of Pooled-OLS estimator and fixed effects model when Tobin's Q is used as a measure of listed banks' performance. Consequently, all the discussions, conclusions, and policy implications are drawn on the basis of these selected models.

Moreover, the results of Breusch-Pagan Lagrange multiplier (LM) test for random effects indicate that the

Table: 4 Regression Results

Independent variables	Dependent variables					
	ROA		ROE		TOBIN'S Q	
	Pooled-OLS	FE	Pooled-OLS	FE	Pooled-OLS	FE
Boardroom size	23.016 (0.08)	-52.083 (-0.11)	1015.099 (1.64)	1125.6(1.06)	2330.59 (0.035)***	3981.075 (4.21)***
Ethnic diversity	132.945 (0.33)	903.008 (1.19)	102.93 (0.12)	-1197.02 (-0.68)	-415.825 (0.645)	-1811.384 (-1.15)
Gender diversity	23.166 (1.18)	-3.333 (-0.08)	9.028 (0.21)	12.602 (0.13)	296.278 (0.002)**	81.285 (0.95)
Foreign Directors	15.091 (1.84)*	13.479 (0.48)	21.509 (1.23)	13.856 (0.21)	29.131 (0.55)	24.498 (0.42)
BoardComposition (Independence)	25.958 (2.04)**	82.919 (3.26)***	--2.488 (-0.09)	13.233 (0.22)	333.655 (0.017)**	212.381 (4.04)***
Director Ownership	-0.082 (-0.08)	-0.029 (-0.02)	-0.736 (-0.33)	-1.343 (-0.42)	18.012 (0.601)	-2.844 (-1.01)
Family Directors	-13.442 (-0.94)	4.503 (0.12)	-51.570 (-1.69)*	-81.578 (-0.97)	-111.907 (0.042)***	-370.760 (-4.96)***
R^2	0.018	0.010	0.017	0.013	0.065	0.051
F	8.86 (0.451)	1.55 (0.128)	8.07 (0.527)	0.38 (0.946)	35.20 (0.000)***	9.13 (0.000)***
Std. Error	0.000	0.194	0.000	0.216	0.026	0.389

Significant at 10% (*), 5% (**), 1% (***)

Notes: The values in parentheses for other variables are t ratios and those against F statistic are p values.

Source: STATA version 10.0.

Looking at the results in table 4, it can be seen that, when ROA is used as the dependant variable, foreign directors have significant positive impact on financial performance of listed banks at 10 percent level in one of the Pooled-OLS out of the two models. Equally, when ROA is used as the dependent variable, the inferential results indicates that board composition has a positive and significant effect on financial performance of quoted Nigerian banks in both models. However, all other variables including gender and ethnic diversity do not have any significant impact on financial performance of the sampled listed banks when ROA is used as a measure of financial performance. Moreover, neither of the models is statistically adequate to draw any inference from the results. When ROE variable is used as a dependant variable however, only the variable representing family directors turns out to have a negative

variance across entities is zero in all the eight regressions run indicating acceptance of the null hypothesis. Since there is no panel effect, Pooled-OLS can be used instead of random effects model. Consequently, the result of random effect model will not be reported in this study.

and significant impact on financial performance at 10 percent level in Pooled-OLS model. This indicates that all other variables including gender diversity do not have any significant influence on financial performance of the sampled banks. Therefore, none of the models is statistically adequate to enable drawing any inference from those results.

Nonetheless, when Tobin's Q is used as the dependant variable, the pattern of the result changes completely. From the results, board size tends to have a significant statistical positive influence at 1 percent level on the banks financial performance in both models. This indicates a significant nonlinear negative relationship between board size and Nigerian banks performance. This also means that as board size increases, financial performance increases up to a certain level, beyond which any increase will lead to a

decrease in financial performance of the listed banks. Furthermore, gender diversity has a positive and statistically significant influence on financial performance in one of the Pooled-OLS out of the two models tasted. Additionally, board composition has a positive and significant impact on financial performance of the listed banks at 1 percent level in fixed effect model. However, boardroom family directorship has a significant negative influence on financial performance at 1 percent level in both models when Tobin's Q is used as a proxy for the sampled banks financial performance. All other variables including ethnic diversity have no impact on financial performance in the two models. Remarkably however, both the two models are statistically adequate at 1 percent level of significance despite the low R^2 value of the models. According to Frost (2020), low R^2 does not have any effect on the results of a model as long as it is statistically adequate.

4.3 Discussion of Results

The inferential statistics show gender diversity as having a positive and significant effect on financial performance of the listed banks at 5 percent level in one out of the two best models selected when Tobin's Q is used as a measure. The findings in this study agree with those of various scholars (Nishii et al., 2007; Marimuthu & Kolandaisamy, 2009b and Kim & Lim, 2010; Onyekwere, Wesiah, Danbatta, 2019). However, this results reveals that ethnic diversity does not have any significant impact on financial performance in both models. The result also observe nonconformity with those obtained by other researchers (Nishii et al., 2007 and Marimuthu & Kolandaisamy, 2009a), who find a significant positive relationship between board ethnicity and financial performance of the samples studied. The results are also in conflict with those of Adams and Ferreira (2009), who find a negative and significant relationship between ethnicity and performance. But, the findings are in line with those of Marimuthu and Koladaisamy (2009b), who find no significant relationship between board ethnicity and firm performance.

The inferential results further disclose that board composition proxy by board independence has positive and significant bearing on financial' performance in one of the two best of fit models selected i.e. fixed effects model

when Tobin's Q is used as a measure of financial performance. Interestingly however, these findings are similar to those found by other scholars (Booth et al., 2002; Eklund et al., 2009; Zainal-Abidin et al., 2009; Kim & Lim, 2010; Olayinka, 2010 and Sanda et al., 2008). A contrary discovery is that of He (2008) who finds significant negative relationship between independent boardroom membership and financial performance of the studied firms. The outcomes in Table 4 also disclose that board size has strong positive and significant influence on performance of the listed banks at 1 percent level in both the selected best fit models when Tobin's Q is employed as a measure of the bank's financial performance. These findings correspond with those of Zainal-Abidin et al. (2009), and Sanda et al. (2010). Of note is the fact that, both linear and quadratic measures of board size of the sampled banks for this study are significant. It particularly show the quadratic relationship as having a negative sign exhibiting nonlinear negative relationship between the board size and the listed banks financial performance. Moreover, this significant nonlinear negative impact of board size on performance shows that as board size increases, financial performance increases up to a level beyond which the performance begins to decline. By employing partial derivatives and solving for optimal values of board size in Pooled-OLS regression, when Tobin's Q is used as measure of performance however, the results submit an optimal size of 12 board members. This also means that beyond that level a negative relationship is expected to set in. According to the NCCG code (2018) the average board size of Nigerian listed banks should be 9, a minimum of 3 and maximum of 24 board members. However, some earlier studies on Nigeria such as Sanda et al. (2010) find an optimal board size of 10 members. The difference in board size of the banks may be as a result of the recent mergers, acquisition and recapitalisation of financial institutions in Nigeria by the Central Bank in 2004 (Zango, Idris & Umar, 2016).

The inferential statistics in Table 4 further reveal that foreign directorship has no significant impact on financial performance in the selected best fit models when Tobin's Q is employed as a measure of the listed banks performance. This findings are comparable to those of Oxelheim and Randoy (2008) and Sandal et al. (2008). The

result in Table 4 further show that directors' equity ownership does not have any significant impact on financial performance. This is evident in both selected models when Tobin's Q is used as a measure of the sampled banks performance. These findings are not the same with those found by Bhagat and Bolton (2008) who discovers significant positive association between directors' equity ownership and financial performance. It is also not the same with those of Olayinka (2010), Sanda et al. (2010) who found significant negative correlation between directors' equity ownership and performance. However, the findings in this study is similar to those found by Mehran (1995). Moreover, the results further reveal that family directorship has a strong negative but significant impact on performance of the quoted banks at 1 percent level in both models when Tobin's Q is applied as a measure of financial performance. Nonetheless these findings are not similar with those found by Villalonga and Amit (2006), Sanda et al. (2008).

5. Conclusions and Policy Implications

From this study of financial performance of the sampled listed banks in Nigeria, it can be seen that gender diversity in boardrooms significantly increases financial performance. Therefore, despite the fact that the percentage of female directors in corporate boards of listed banks in Nigeria is low, an increase in female participation on the board will promote financial performance. However, increase in ethnicity and foreign directors in the boardroom do not have any significant impact on the performance of banks listed on the Nigerian Stock Exchange. Nonetheless, an increase in board size up to 12 directors, will boost financial performance of the studied listed banks in Nigeria. It can be seen from the results in this study that any increase beyond this threshold, the listed banks performance will decrease. Moreover, directors' equity holding and presence of foreign directors in board do not influence performance of the sampled banks in Nigeria. The results further notes that, an increase in the number of family directors on the board will bring about a decrease in the financial performance of the quoted banks.

Based on the above conclusions therefore, the following policy implications are drawn:

- I. Because gender diversity has a significant positive impact on financial performance of the sampled listed banks in Nigeria, fulfilment of policies that can boost the sampled banks performance with a reasonable percentage of female directors in the boardroom becomes a necessity for them.
- II. On the contrary, since there is no significant impact between financial performance and ethnic diversity in the boardroom of listed Nigerian banks, it is pertinent that the boardrooms should have knowledgeable and experienced independent directors who are acquainted with the financial and business matters to assist management aimed at enhancing value to shareholders.
- III. It has been seen from the result of the analysis that the higher the ratio of independent directors in boardroom, the better is the performance of the sampled banks. Therefore, appointing more of nonexecutive directors in the boardroom than executive directors will enable the board has the ability of complete and effective oversight function to protect shareholders' wealth.
- IV. There is therefore the need for regulatory authorities and all the stakeholders of the sampled quoted banks under study to press for the optimum boardroom size. However, since the findings of this study indicate that any increase in the boardroom size of the sampled banks beyond 12 reduces financial performance, an increase in the boardroom size beyond this threshold hampers the financial value of the listed banks. This study therefore recommends an optimum boardroom size of 12 which is below the maximum size found in this sample.
- V. Furthermore, since the findings indicate a significant negative impact of family directors on financial performance of the sampled listed banks, any increase in the number of family directors in the boardroom will not be beneficial to the listed banks. It is possible that members on the board might decide to bring family interest into the boardroom which may be detrimental to overall shareholders interest. This is especially the case if one of the directors occupies the position of chairman or when the same family

members are directors or executives in the same

sampled listed banks.

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