



IMPACT OF CORPORATE BOARD DIVERSITY ON THE FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study investigates the impact of board diversity on the financial performance of listed Deposit Money Banks (DMBs) in Nigeria. Gender diversity, nationality diversity, ethnicity diversity and cognitive educational qualification were used as proxies for board diversity and market based measure. Tobin's Q was used to measure performance. Data for the study was extracted from the Nigeria stock exchange fact book and sampled banks' annual report for the period 2012- 2018. The study adopted both descriptive and panel data regression techniques. Fixed effect model was used to assess the effects of the board diversity variables on the financial performance. The results revealed that gender diversity and cognitive educational qualification were positively linked to financial performance, while nationality diversity and ethnic diversity impact negatively on banks' financial performance over the period of study. The study recommends among other things, that there should be more representation of female directors on corporate boards and that hiring of foreign directors should be discouraged by deposit money banks in Nigeria. Also, since ethnic diversity impacts negatively on banks' financial performance, listed deposit money banks in Nigeria should focus on appointing directors with requisite qualification, skills and competence rather than ethnic consideration.

Key words: Corporate, Board, Diversity, Financial Performance and Banks.

1. Introduction

Board diversity as a corporate governance concept has caught the attention of policy makers, managers, directors, shareholders and academia. Corporate governance as a key driver of firm performance was popularised by the spates of corporate scandals which have shock institutions across the globe. The spectacular collapses of large companies such as the Bank of Credit and Commerce International (BCCI) in 1991, Enron in 2001, Rank Xerox, WorldCom, Qwest and Tyco in 2002 and Lehman Brothers (a 158-year-old investment bank) in 2008. The Merrill Lynch takeover and the move by Goldman Sachs and Morgan Stanley to seek banking status in order to avert imminent bankruptcy are some of the examples well cited in the corporate governance literature (Bulent, 2009; Chien, 2008; Kim, 2007). In Nigeria, the examples of



corporate failures are better seen in the failures of Oceanic Bank Ltd, Afrik Bank, All States Bank, Societal Generale Bank and Intercontinental Bank Plc.

The effects of corporate failures on national economies have compelled countries all over the world to take one step or the other to ensure good corporate governance. One of these steps includes diversifying the corporate board. The issue of board diversity has gained tremendous interest in governance literature. It is believed that good corporate governance is positively associated with board diversity (Carter, Simkins, & Simpson, 2003).

The caliber and qualification of individuals that should form corporate board of directors is being debated by the academia and policy makers. Board diversity, particularly arising from cognitive characteristics, has received little attention, despite suggestions regarding the relevance of directors' competencies for their expected role performance (Cadbury, 2000). Precisely, Cadbury (2000) identified the issues of directors' educational qualifications and experience as being prerequisites for directors' ability to add value to board deliberations. In some countries, such as the US, these variables are well-defined in corporate regulations, such that nominations for board membership are guided by these principles (Hussain & Mallin, 2002). The Nigerian situation suggests that there is a continuous need to look into board characteristics and identify what are essential for enhanced performance. Prior empirical studies on board characteristics have yielded different results (Hermalin & Weisbach, 2003). Researchers in Nigeria (Adebayo, Ayeni, & Oyewole, 2013) have focused on characteristics such as board size, COE duality, audit committee, and ownership structure. Very little attention has been given to board diversity in relation to gender, ethnicity and nationality. However, some few prior studies on board diversity have tended to focus more on demographic variables (Campbell & Mínguez-Vera, 2008; Oba & Musa, 2013; Lee-Kuen, Sok-Gee & Zainudin, 2017; Assenga, Aly & Hussainey, 2018; Adesanmi, Sanyaolu, Isiaka, & Fadipe, 2019). Generally, board diversity, especially with regard to directors' competencies, has not received any serious attention in Nigeria.

Also, in Nigeria, empirical evidence linking board diversity and financial performance are few. These include the works of Oba and Musa (2013), Alade and Eriki (2013) and Garba and Abubakar (2014). While Oba and Musa (2013) focused on the predicting power of a board gender mix on financial performance using non-financial sectors, Alade and Eriki (2013) measured board diversity using only the 3 major ethnic groups in Nigeria to represent board diversity; Garba and Abubakar (2014) investigated this relationship using listed insurance firms. Their findings may not be applicable to the deposit money banks in Nigeria, because they operate on a different regulatory environment and banking sector has more complex agency conflicts when compared with other industries.

This study attempts to fill these gaps and contribute to the growing literature on board diversity by way of extending the period of the previous studies by investigating the impact of board diversity on performance of listed DMBs in Nigeria using the period 2012- 2018. The study is also expected to assist the regulatory authorities like the Security and Exchange Commission (SEC), Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC) and Corporate Affairs Commission (CAC) among others, on the issues of board diversity. The study seeks to give further understanding of board diversity and significant insights into key consideration for nomination of directors into boards in Nigeria.



The main objective of this study is to investigate the impact of board diversity on the financial performance of listed DMBs in Nigeria. Other specific objectives include;

- a. To investigate the impact of gender diversity on financial performance of listed DMBs in Nigeria.
- b. To assess the effect of nationality diversity on financial performance of listed DMBs in Nigeria.
- c. To ascertain the influence of ethnic diversity of the board member on financial performance of listed DMBs in Nigeria.
- d. To examine whether director`s cognitive educational qualification has any link with the financial performance of listed DMBs in Nigeria

The following null hypotheses were formulated in line with the objectives of the study:

- Ho₁: The proportion of female directors on the board does not have any significant impact on the financial performance of listed DMBs in Nigeria.
- Ho₂: The proportion of board nationality does not have any significant effect on the financial performance of listed DMBs in Nigeria.
- Ho₃: Composition of board ethnicity does not have any significant influence on the financial performance of listed DMBs in Nigeria.
- Ho₄: Directors cognitive educational diversity does not have any significant impact on the financial performance of listed DMBs in Nigeria.

2. Literature Review and Theory

2.1 Conceptualization of the Variables

Board diversity has been broadly described as the various attributes that may be represented among directors in the boardroom in relation to board process and decision-making, including age, gender, ethnicity, culture, religion, educational and professional background, technical skills and expertise, commercial and industry experience career and life experience. Board composition diversity is also explained as a varied blend of qualities, traits and knowledge that entity associates convey to the board as a whole (Reguera, Fuentes, & Laffarga, 2017).

Financial performance shows the level of performance of a business over a specified period of time expressed in terms of total profit and loss. Hunger and Wheelan (1997) describe performance as the end result of activity and the appropriate measure selected to assess corporate performance.

2.2 Empirical Review

2.2.1 Gender diversity and financial performance

Assenga, *et al.* (2018) examined the impact of board characteristics on the financial performance of listed firms in Tanzania by using balance panel data regression analysis. The result revealed that gender diversity has a positive impact on financial performance. Lee-Kuen, *et al.*, (2017) examined the connection among diversity of gender in an entity board and fiscal performance of companies quoted in Bursa Malaysia from 2009 to 2013 employing unbalanced panel scrutiny data. The result revealed that a superior level of women representation on the board improves the fiscal performance of firms. The limitation of this study is that, it focused on gender diversity and not incorporates other measures of board diversity.



Oba and Musa (2013) in their study “Boards’ Gender Mix as a Predictor of Financial Performance in Nigeria: An Empirical Study” found that gender diversity has positive impact on financial performance. Garba and Abubakar (2014) investigated the association between gender board diversity and financial performance in insurance companies in Nigeria. The study used agency theory and stakeholder theory to underpin its work. Using a total of twelve insurance firms listed on the Nigerian stock exchange for the period 2004-2009. The twelve listed firms were selected using non-probability sampling technique. ROA, ROE and Tobin’s Q were used as measures of financial performance. Feasible Generalized Least Squares (FGLS) and random effect estimators were employed to test the hypotheses of the study. The study also employed descriptive and inferential panel regression analysis. Stata version 12.1 was used as a tool for data analysis. The findings of the study showed a positive relationship between gender diversity and financial performance when ROA and ROE were used as dependent variables. However, when Tobin’s q was used as a surrogate of performance, gender diversity revealed no significant influence on financial performance. The study concluded that the inclusion of women on corporate board increases firms’ financial performance and recommended an increase in the participation of women corporate boards. Inadequacy of the sample size serves as a limitation to the study.

2.2.2 Nationality Diversity and Performance

Ujunwa (2012) conducted a study using data from 122 quoted firms in Nigeria between 1991 and 2008. The study found that board nationality is negatively linked to performance. Garba and Abubakar(2014) investigated the relationship between foreign directorship and financial performance of insurance companies in Nigeria. The study made use of twelve listed insurance companies using non-probability sampling method in the way of availability sampling method for six years period- 2004 to 2009. The study used ROA, ROE and Tobin’s Q as proxies for firm performance and employed feasible Generalised Least square (FGLS) as well as random effect estimators as the technique of data analysis. The findings of the study showed that foreign directors do have a positive influence on insurance companies’ performance. The study further concluded that an increased in number of foreign directors on the board of insurance companies in Nigeria will enhance financial performance as evidenced from the result obtain in their study. There seems to be a serious limitation of financial data as a measure of total firm value. Abubakar and Mamman (2016) examined the relationship between foreign directorship on corporate boards and financial performance of listed DMBs. The study found no significant effect of foreign directorship on banks financial performance.

2.2.3 Ethnicity Diversity and Financial Performance

Shukeri *et al.* (2012) investigated the effect of board of directors on firm performance in Malaysia in 2011. One of the proxies for board characteristics was ethnic diversity which was measured as the percentage of non- majority race in a board. Performance was measured using ROE. Stratified random sampling technique was used to obtain a sample of public listed companies on the bursa Malaysia which led to the selection of ten sectors. The study employed multiple regressions to test its hypothesis. The result documented a positive significant relationship between ethnic diversity and firm performance. The study made use of one financial year and this serves as a limitation to this study. A study conducted by Ujunwa (2012), using



data from 122 quoted firms in Nigeria between 1991 and 2008, found that ethnicity is negatively linked to performance.

Alade and Eriki (2013) investigated board ethnicity and its influence on firm performance among some selected quoted companies in Nigeria. The study rested on the upper echelon theory and utilized a sample of 96 firms listed on the Nigerian stock exchange as at Dec 2009. ROE was used to proxy corporate performance and the three major ethnic groups' proportions to total board size were used as the measure of board ethnicity. Firm size was utilized to serve as a control variable. To analyze the data, descriptive statistic, correlation and OLS multiple regression analysis were employed. The study registered a negative association between all three ethnic groups present in the board and performance. In dominant Igbo boards, a statistically insignificant relationship was recorded with financial performance. Allowing for interactions among the ethnic groups, the result recorded that Hausa and Yoruba interaction had the highest and statistically significant negative effect on firm performance. The study failed to employ panel data for its analysis. Garba and Abubakar (2014), discovered that ethnic diversity do not significantly increase performance. Abubakar and Mamman (2016) investigated the relationship between ethnic diversity and performance of quoted DMBs. The study showed that ethnicity has a negative impact on the performance of listed DMBs in Nigeria.

2.2.4 Director`s Cognitive Educational Qualification and Financial Performance

According to Lückerath-Rovers (2011), the cognitive diversity of a board facilitates the firm's access to vital industry information that guides corporate strategic decisions. Similarly, Hsu (2010) argued that a board's cognitive capabilities enhance information exchange amongst the members, which helps bridge the gap caused by impaired communication due to board size and a high degree of heterogeneity. The underlying premise here is that corporate boards which are composed of directors with high cognitive competencies are more effective in processing vital information. Kim and Lim (2010) noted that directors' fulfillment of their advisory role increases when they possess certain academic qualifications, especially in the areas of business and law. Advocates of cognitive board diversity strongly believe that the effectiveness of a board lies in the directors' aggregate competencies, which shape the quality of deliberation that goes on inside the boardroom.

2.3 Theoretical Framework

There are several theories that explain the relationship between board diversity and corporate performance. This study adopts two of these theories to underpin this work. These are the agency theory and resource dependence. The issue of agency conflicts resulting from the self-interested attitude of corporate managers was detailed in the work of Jensen and Meckling in 1976. The Agency theory presupposes that the directors' board acts as a main control means of helping the alignment of managers' interests and those of the owners (Reguera *et al.*, 2017). In other words, the Agency assumption is that, because corporate managers are agents and not principals, they may lack the motivation to steer the corporation in the most efficient direction.

The theory argued that manager's act out of self-interest and are self-centered, thereby, giving less attention to shareholder interests. Basing their argument on the theory, Carter, Simkins, and Simpson (2003) suggest that a more diverse board may be a better monitor of managers because board diversity increases its independence; although they are also of the opinion that the theory



does not provide a clear prediction of the link between board diversity and financial performance. Critics accused the theory of over-reliance on the concept of internal governance.

Resource dependency theory was first captured in the work of Pfeffer and Salancik (1978), where they argued that a firm’s power in terms of competitiveness depends on the amount of resources at its disposal, and that most of this wealth comes from the outside environment. The notion of the resource dependent theory is that directors bring different resources and linkages to the board, and board composition and diversity should therefore be adjusted to the specific needs of the firm. This theory provides the basis for some of the most convincing theoretical arguments for a business case for board diversity (Carter, D’Souza, Simkins and Simpson, 2010). The theory assumes that director’s board serves to connect the firm to other external firm so as to communicate dependencies to the environment. (Reguera *et al.*, 2017)

However, one of the criticisms of this theory is that it ignores the extrinsic value of human motivation by insinuating that directors, irrespective of classification, would be willing to attract resources into the firm with no appropriate incentive to do so.

3. Methodology

The study population constitutes all DMBs quoted on the Nigerian Stock Exchange (NSE) as at 31st December, 2018. For the purpose of this study, census strategy is adopted.

Table 3.1: Population of Listed Deposit Money Banks in Nigeria

S/N	Listed Deposit Money Banks	Year Listed On NSE
1	Access Bank	1998
2	Diamond Bank	2005
3	Eco Bank Transnational Incorporated	2006
4	Fidelity Bank of Nigeria	2005
5	First City Monument Bank	1971
6	First Bank of Nigeria	1971
7	Guaranty Trust Bank	1996
8	Skye Bank	2005
9	Stanbic IBTC Bank	2005
10	Sterling Bank	1993
11	Union Bank of Nigeria	1970
12	United Bank for Africa	1970
13	Unity Bank of Nigeria	2005
14	Wema Bank	1991
15	Zenith Bank	2004

Source: (NSE, 2018)

This study utilizes panel data obtained mainly from secondary sources. In other words, data was sourced from the annual reports, financial statement and fact book of NSE of all the 15 banks used in this study for the period 2012 -2018. Data on gender diversity, nationality diversity, ethnic diversity and cognitive education qualification were sourced and computed using information on corporate governance section of the annual reports of listed DMBs. Data on Tobin’s Q (proxy for financial performance), the only dependent variable used in this study, was sourced and computed using information from the accounts of the banks.



Measurement of the study Variables

Table 3.2: Summary of Variables` Measurement

Variables	Operationalisation of Variables
TQ	This is a measure of market performance given by the formular = Market value of Equity plus book value of debt divided by book value of total assets (Elsayed, 2007)
GD	Measured as the percentage of female directors on a board and Blau index of heterogeneity = $1 - \sum_{i=1}^k p_i^2$
ND	The board nationality variable is measured as the ratio of total foreign directors divided by the board size
ED	This is captured both as the absolute number and the proportion of directors from the three major ethnic groups in Nigeria, i.e. Hausa-Fulani, Yoruba and Igbo (Ujunwa et al., 2012). Second approach is Blau index = $1 - \sum_{i=1}^k p_i^2$
EED	This is a cognitive diversity variable and has been captured based on the number of directors that hold a degree in Accounting and Finance, Business Administration, Economics and Law. Each discipline was assigned to a category. The maximum number of categories (K) possible for a board was the number of members. We use Simpson diversity index: $D = 1 / (\sum_{i=1}^k (n_i(n_i - 1)) / (N(N - 1)))$
BS	Bank size a control variable; measured as the logarithm of net asset (Yammeesri and Herath, 2010)
MS	Market size a control variable; measured as the Bank`s assets divided by total asset of banking sector (Chirwa,2001;Mirzaei,2012)

Method of Estimation

Descriptive and panel data techniques were used in this study. Descriptive statistics was used to describe the data set while panel regression was used to assess the impact of board diversity on the financial performance of listed DMBs in Nigeria. This study used Hausman test to decide whether fixed or random effects models would be more appropriate.

Model Specification

The Panel regression method is used to explain the impact of corporate board diversity on financial performance.

Introduce the theoretical model from Gujarati (2004).

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \mu_{it} \text{----- (1)}$$

Where Y = financial performance

β_0 = Intercept coefficient

β_1 = Vector of coefficient of Board Diversity

X_1 = Vector of the measure of board diversity

β_2 = Vector of coefficient of control variable

X_2 = Vector of the coefficient of control variable

μ_{it} = error term

it = subscript i and t refers to each firm i at year t



Along with Carter *et al.* (2010), Joecks *et al.* (2013) and Garba and Abubakar (2014), this study expresses financial performance as a function of board diversity as given below.

The *empirical model* for this study will thus be:

$$\text{Tobin's } Q_{it} = \beta_0 + \beta_1 GD_{it} + \beta_2 ND_{it} + \beta_3 ED_{it} + \beta_4 EED_{it} + \beta_5 BS + \beta_6 MS + C_i + \mu_{it} \text{ ----- (2)}$$

- β_0 = Intercept coefficient
- GD = Gender diversity
- ND = Nationality diversity
- ED = Ethnic diversity
- EED = Educational qualification
- BS = Bank size
- MS = Market Share
- β_1 to β_5 = Regression coefficients
- i & t = subscript i and t refers to each firm i at year t
- C = a unit specific error component
- μ_{it} = the remaining error component

The model uses Tobin's q a proxy for market performance and four predictor (regressor) variables- gender diversity, ethnicity diversity, nationality diversity and educational discipline diversity. Two control variables have been introduced into the model- bank size and market share. The primary objective of the regression model in this study is to examine empirically the impact of the four predictor variables on the performance of DMBs in Nigeria. Furthermore, the model is used to determine the relative contribution of the four predictor variables in predicting dependent variable and whether the two control variables have significant influence on the explanatory power of the model.

The model was estimated using the regression coefficient of the four independent variables and their level of significance. The significance of the overall model, that is, coefficient of determination (R^2) was tested using the test statistic F in order to determine the predictive ability of the model. In other words, the study uses F test as a measure of the overall significance of the estimated regression which is also a test of significance of R^2 .

4. Results, Analysis and Interpretations

In this section, the study provides two types of data analysis; namely descriptive analysis and inferential analysis. The results are also discussed.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
tq	105	.4185192	.3681402	.0005391	1.805896
bs	105	7.47764	1.42832	5.66559	9.83658
gd	105	0.203664	0.095306	0	.5823202
ed	105	0.936507	0.138741	0.333333	1
nd	105	0.158202	0.219483	0	0.693147
edd	105	0.787393	0.137348	0.491666	1



ms | 105 .0653879 .1013703 0.000048 .4235858

Source: STATA Version 15 Output

Table 4.1 shows the descriptive statistics result for the variables considered in the study with respect to financial performance model. The industry average of the bank size is 7.477. The standard deviation is 1.428, the minimum value is 5.66 and the maximum value is 9.836.

For gender diversity, the mean value for the industry is 0.20. This implies that on the average only 20 percent of the board members are females. The maximum value for gender diversity is 0.58; this indicates that at a given point a bank had more females on its board compared to the male gender. The bank which recorded highest number of genders on the board is GTB. With respect to volatility, the value is 0.095 with a minimum recorded value of 0 which also indicates that there was period where some banks do not even have female gender on their board.

Ethnicity diversity has a mean value of 0.93. This indicates that for the larger period, the three largest ethnic groups were represented on the board of the banks. The lowest value of ethnicity diversity is 0.333 which represent period with lowest level of ethnic diversity by a bank in the industry. There are periods when the three largest ethnic groups were represented on the board of the banks.

Nationality diversity has an average value of 0.158 with a volatility value of 0.21. The rate of volatility in nationality diversity is even higher than the industry average. This implies that the rate of turnover of different nationals on the board of the banks is very high. There were periods some of the banks have no foreign nationals on their boards.

Educational diversity of the banks is at an average of 78 percent. This rate implies that the board is made up of people with diverse educational background. The value of standard deviation with respect to educational diversity is 0.13 which is minimal compared to the average value of educational diversity. The minimum level of educational diversity of the board members is 49.16 percent, while the maximum value is 1.

In respect to market share, the result shows that the average market share of the banks is 6.5 percent with a fluctuation rate of 0.10 and a minimum and maximum market share of 0.000048 and 0.4235 respectively. The bank with the largest market share for the period of the study is Access Bank.

Table 4.2 Correlation Matrix for Financial Variables

	tq	bs	gd	ed	nd	edd	ms
tq	1.0000						
bs	-0.0907	1.0000					
gd	0.3816	-0.0790	1.0000				
ed	-0.0310	0.8997	-0.0428	1.0000			
nd	0.2375	0.1654	-0.0239	0.1657	1.0000		



```
edd | 0.3120 -0.0871 0.0969 0.0918 0.1235 1.0000
ms | 0.1158 0.0657 -0.0503 0.0422 -0.2105 0.1780 1.0000
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Source: STATA Version 15 Output

Table 4.2 represents the result of the correlation matrix of the variables relating to the financial metrics variables. The correlation between gender diversity and financial performance move in the same direction; an increase in the level of the diversity of the board will lead to an increase in the performance of the bank. Ethnicity diversity on the other hand being considered alone will lead to an inverse relationship with the financial performance of the bank. Nationality diversity has positive correlation with performance; likewise education diversity and market share also having positive correlations with the performance of the banks.

The correlation among the explanatory variables is generally low except for the correlation between ethnicity diversity and bank size which have high correlation of 89 percent. Generally, this result suggests absence of multicollinearity base on the low correlations values amongst the explanatory variables.

Board Diversity and Financial Performance Regression Analysis

Table 4.3: Board Diversity and Financial Performance

Variable	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
bs	.0270932	.0109591	2.47	0.015	.0052959	.0488906
gd	.7818441	.0063493	123.14	0.000	.7692156	.7944727
ed	-.0355938	.0115552	-3.08	0.003	-.0585767	-.0126108
nd	-.2968819	.2327441	-1.28	0.206	-.7598006	.1660368
edd	.5281386	.1830616	2.89	0.005	.1640365	.8922408
ms	-.111668	.1324622	-0.84	0.402	-.37513	.151794
_cons	-.228178	.128809	-1.77	0.080	-.4843741	.028018

F test that all u_i=0: F(15, 83) = 6.48 Prob > F = 0.0000 R-sq: 0.7811

Source: STATA Version 15 Output

Table 4.3 shows the result of the regression output. From the statistics, the r-squared value is the coefficient of determination, indicating a high predictive power of 0.78 (78 %) with the probability value of 0.000 at 95 percent confidence level. The result, therefore, indicates that board diversity, putting the variables together, have joint statistical significance on the financial performance of listed deposit money banks in Nigeria.



Discussion of Findings

Drawing from Table 4.3; hypotheses one to four were interpreted via values of the predictors in line with the objectives of the study with the probability value of 0.05 (5%) level of significance as the threshold.

Ho₁: There is no any significant relationship between gender diversity and financial performance of listed DMBs in Nigeria.

Gender diversity has a beta coefficient of 0.782 with a standard error value of 0.006. The result implies that for every inclusion of a female on the corporate board, financial performance will increase by 78 percent, other factors held constant. The result shows a very high t-statistic and a p-value of 0.000 with 5 percent level of significance as the threshold. There exists sufficient evidence of significant relationship between gender diversity and financial performance of listed DMBs in Nigeria. Therefore, the null hypothesis is rejected. This finding is in conformity with the findings of Carter et al. (2010), Verwijmeren (2013) and Oba and Musa (2013).

Ho₂: There is no any significant relationship between nationality diversity and financial performance of listed DMBs in Nigeria

Nationality diversity also has a negative beta coefficient value of -0.2969. The result shows that there is a negative relationship between having a diverse board nationality and the financial performance of the listed DMBs in Nigeria. This shows that foreign directors are not predictors of financial performance, therefore linked with lower firm value. The result indicates a p-value of 0.206 at 5 percent level of significance which implies that it has no statistical significance. Therefore, we fail to reject the null hypothesis. The finding is in agreement with the findings of Ujunwa (2012).

Ho₃: There is no any significant relationship between ethnicity diversity and financial performance of listed DMBs in Nigeria

Ethnicity diversity has a beta coefficient value of -0.0355. The result establishes an inverse relationship between ethnicity and financial performance of the listed DMBs. The result indicates a p-value of 0.003 at 5 percent level of significance which implies that it has a statistical significance. Therefore, there is enough statistical evidence to reject the null hypothesis. This result is consistent with the findings of Alade and Eriki (2013).

Ho₄: There is no any significant relationship between educational diversity and financial performance of listed DMBs in Nigeria

Educational diversity has a beta coefficient value of 0.528 with a standard error of 0.18 and a p-value of 0.005. The p-value indicates that there is a statistical significance. The positive coefficient implies that an increase in the level of educational diversity will lead to a 53 percent increase in the financial performance of listed DMBs in Nigeria, holding other factors constant. The null hypothesis is therefore rejected. This result is in tandem with the findings of Miller and Triana (2009) and Anderson *et al.* (2011).

5. Conclusions and Policy Recommendations

Based on the findings of this study, the following conclusions were drawn:

- a. Gender diversity has positive significant relationship with financial performance (proxy by Tobin's Q) of listed DMBs in Nigeria. Therefore, the higher the proportion of female board members, the higher the level of Tobin's Q.



- b. Foreign directors are not effective monitors of management of listed DMBs in Nigeria.
- c. Ethnicity diversity impacts negatively on the financial performance of listed DMBs in Nigeria. Therefore increase in ethnic representation on the board of quoted DMBs will retard their financial performance.
- d. Cognitive educational qualification is a predictor of financial performance of listed DMBs in Nigeria.

Based on the conclusions drawn from the study, the following recommendations become pertinent.

- i. Female gender should be considered in directorship positions since they are proved empirically to enhance the financial performance of listed DMBs in Nigeria.
- ii. Nationality diversity was found to negatively contribute to the financial performance of DMBs in Nigeria. Therefore, the study recommends that DMBs should appoint qualified Nigerians on their corporate board of directors and policy makers should restrict the appointment of foreign directors in the banking sector.
- iii. Ethnic diversity impacts negatively on the financial performance of DMBs. Therefore, banks should focus on appointing directors with the requisite qualification and skills rather than ethnic consideration.
- iv. Educational qualification impacts positively on the financial performance. So it is imperative that nomination for board membership should be guided by the requisite educational qualification. This will serve as the pre-requisite for directors` ability to add value to board deliberations.

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