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CORPORATE BOARD ETHNO - RELIGIOUS DIVERSITY AND PERFORMANCE OF QUOTED MANUFACTURING COMPANIES IN NIGERIA

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Abstract

The importance of the Board of Directors in their oversight function to organisational success cannot be overemphasized. However, the composition of such boards for optimal performance has been subjected to a number of criticisms overtime. Many past studies considered a number of factors relating to the board composition except that the combination of ethnicity and religion has not been given prominent attention especially in Nigeria. This study examines the relationship between board Ethnic and Religious diversity and performance of quoted manufacturing companies in Nigeria. The study adopts ex-post facto research design. Secondary data of purposively selected fifty three (53) listed Nigerian manufacturing companies from 2006 to 2015 were analyzed using descriptive and inferential statistics. The findings showed a positive but insignificant relationship between Ethnicity and performance measure of ROA (â= 0.008; p > 0.1). There was a negative and insignificant relationship with Tobin's Q (â = -0.884; p > 0.1). Board religious diversity was negatively and insignificantly related to ROA (â = 0.002; p > 0.1) and Tobin's Q (â = -0.260; p > 0.1). It was recommended that various stakeholders in board composition should always strive at incorporating value adding measures such as financial literacy, intellectual competence and consistency at meetings already established in literature, not diversionary and irrelevant considerations which lead to time wasting and resources dissipation. Again, regulatory bodies should emphasize and educate the stakeholders on the need for training of those charged with oversight functions in corporate environment for optimal performance.

Keywords: Board, Financial literacy, Intellectual competence, Diversity, Ethnicity, Religion, Financial performance

INTRODUCTION

As an ethnically and religiously diverse country, the significant place of ethnicity and religion in assessing the performance of individuals, business firms, groups and institutions that make up the Nigerian society cannot be over emphasized. These two phenomena are part of the fabrics of peoples' lives and strongly tied to their cultural identities. This has made ethnic and religious issues an important consideration in national discourse. Ethnicity is an umbrella concept that easily embraces groups differentiated by colour, language, and religion; it covers tribes, races, nationalities, and castes (Horowitz, 1985). A large body of work in comparative political science (Hutchinson & Smith, 1996) argues that ethnicity matters for violence, democratic stability, religious stability, institutional design, economic growth, and individual and makes general, cross-country predictions about its effects. The true origins of ethnicity have been traced back to Greece and the term ethnos, which was used in reference to band, tribe, race, a people, or a swarm (Hutchinson et al., 1996). Religious diversity, on the other hand, is a situation where people of different religions and faiths live together and interact at all levels without fear or prejudice (Idowu-Feron, 2009). It is an attitude or policy regarding the diversity of religious belief systems co-existing in society. Ethnic and religious diversity, therefore, enables a country made up of different faiths and cultures to exist without sectarian warfare or the persecution of the minorities.

In assessing corporate organizations, board ethnic and religious diversity can be beneficial to the firm performance through better decision making and improved problem solving (Hong & Scott, 2001, 2004). In their models, diverse groups of problem solvers consistently outperform the homogeneous groups of the individuals who are best at solving problems. The reason is that the diverse groups get stuck less often than homogenous groups of high-ability solvers, who tend to think similarly. The authors argue that it is because more diverse groups have a broader spectrum of perspectives improving their decision-making (Hong et al., 2004). Berliant and Fujita (2008) also referred to the significance of cultural and religious diversity for creation of new ideas and knowledge, and knowledge transfer. Further, Alesina and La Ferrara (2005) proposed a simple theoretical framework, in which skills of ethnically heterogeneous groups of individuals are complementary in the production process for a private good, bringing more innovation and creativity, which translates diversity into increased productivity.

In globalization era, governance in the corporate boards of evolving economies like Nigeria has attracted remarkable interests (Fortuna, 2012). Within the boardroom, there had been a paradigm shift about the expectations of the directors as a result of the global financial crisis and the attendant corporate failures that erupted in the early 2000s which led to the collapse of major corporate organizations in the developed countries. Similarly, Nigeria has had her fair share of the destructive pill. Several financial failures and a sweeping misappropriation of funds in the recent past have been recorded in public organizations. As a consequence of these failures some central questions such as management style, audit independence, the nefarious practices of board members, ethics and professionalism have been put forward (Uwuigbe, 2011). The general consensus is that the directors had contributed majorly to the unwholesome events (Boerner, 2011).Consequently, there is an increasing demand to study boardroom governance and the roles of the directors not from a structural narrative, but rather from a behavioural angle. Board diversity has gained a considerable level of strategic relevance within corporate entities as investors begin to consider diversity issues in making their investment decision (Ntim, 2015). Accordingly, this consideration is intended to strengthen the decision making procedures as members from different nationality, religion, age, ethnicity, experience, race and general backgrounds contribute varying ideas in terms of strategy, performance, reporting processes and investment decisions (Anifowose, Ab. Rashid &Annur, 2017; Hannifa & Cook, 2002)

This study fills a major knowledge gap in the study of board of directors. The critical role of ethnicity and religion in social life of Nigerian people cannot be over emphasized. To most Nigerians, ethnic affiliations and religious beliefs are essential features of everyday life. They determine their interaction with individuals within and outside their environment. It connotes what they believe in and value. These aspects of board diversity have received less attention in Nigeria. It is therefore imperative to examine the diversity of the board of Nigerian quoted manufacturing companies along ethnic and religious divides.

The primary objective of this study is to examine the impact of board ethnic and religious diversity on performance of Nigerian quoted manufacturing companies. The specific objectives are to (i) examine the relationship between board ethnic diversity and performance of Nigerian quoted Manufacturing Companies; and (ii) to assess the association between board religious diversity and performance of Nigerian quoted Manufacturing firms.

Based on the two specific objectives, the following research questions are raised: (i) what is the relationship between board ethnic diversity and performance of Nigerian quoted manufacturing companies? (ii) How does board religious diversity relate to performance of Nigerian quoted manufacturing companies?

In line with the research objective, the following hypotheses are formulated:
Ho1 Board ethnic diversity has no significant relationship with performance of Nigerian quoted manufacturing firms
Ho2 Board religious diversity does not have significant relationship with performance of Nigerian quoted manufacturing firms

LITERATURE REVIEW

Conceptual framework
Ethnicity
Ethnicity is one level of social stratification or social inequality that also includes race, class, kinship, age, estate, caste, and gender (Berreman, 1981). Chandra, (2006) also defined ethnicity as social category in which an individual is eligible to be a member. Ethnic identity categories are a subset of identity categories in which eligibility for membership is determined by descent-based attributes. By attributes that determine eligibility for membership, it means either those that qualify an individual for membership in a category or those that signal such membership. By descent-based attributes, it means attributes associated with, or believed to be associated with, descent. Attributes associated with descent include those acquired genetically (skin colour, gender, hair type, eye colour, height, and physical features), through cultural and historical inheritance (name, language, place of birth, and origin of one's parents and ancestors), or in the course of one's lifetime as markers of such an inheritance (last name or tribal markings). Attributes believed to be associated with descent are attributes around which a credible myth of association with descent has been woven, whether or not such an association exists in fact. The definition thus includes both a subjective and an objective element.

According to Horowitz (1985), ethnicity is based on a myth of collective ancestry, which usually carries with it traits believed to be innate. Some notion of ascription, however diluted, and affinity deriving from it are inseparable from the concept of ethnicity. The theoretical contribution on the effect of ethnic and cultural diversity on firm performance brings mixed conclusions. On the other hand, ethnic diversity can be beneficial to the firm performance through better decision making and improved problem solving (Hong & Scott, 2001, 2004). In their models, diverse groups of problem solvers consistently outperform the homogeneous groups of the individuals who are best at solving problems. The reason is that the diverse groups get stuck less often than homogenous groups of high-ability solvers, who tend to think similarly.

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Religion

Religion is so complex in nature that it has no generally acceptable definition (Idowu, 1973). Part of the problems is that every discipline has its own definition of religion. The sociologists considered the social description of religious beliefs and defined religion as the mutual expression of human values. However, the Anthropologists defined religious practices as they are found in existing communities. The historians gave the definition of religion in relation to activities emanating from views (Davis, 1988). For many people, religion is a structured method of beliefs, ceremonies, practices, and worship that focuses on one Supreme God. To various others, religion entails a quantity of gods or immortals. Some people have a religion in which no exact God or gods are adored (Ogunkunle, n.d). There are also some other people who engage in their own religious beliefs in their own personal way, remarkably autonomous of any other organized settings (Capps, 1981).

In addition, religions tend to connect adherents together and according to Marshall (2005), speaking about Christians and Churches, often has much influence on how they live their lives. Chan-Serafin, Brief and George (2012) describe religiosity as the degree to which a system of feelings, values and emotions is shared by a group and guides members' code of behaviour by which individuals may judge the personal and social consequences of their actions. Therefore, religiosity is one aspect of institutional context that seems intuitively important as a determinant of firm conduct and performance (Aviad, 2016).Furthermore, Ellis and Garrie (2004) explored the role of religion in political setting and submitted that it was hugely over religious instincts that Africans have a deep thought of today's world; religious beliefs afford them with a way of becoming part of social and political participants.

Ethnicity and Religiosity in Nigeria

Nigeria is the third most ethnically and linguistically diverse country in the world, after New Guinea and Indonesia (Blench & Dendo, 2003). This level of ethnic diversity has very significant implications in almost every area of the economy. It implies a major investment in educational and media resources to reach a diverse population. Nigeria as a multi-ethnic country was created in 1914 and it consists of over 200 different ethnic groups. The three main groups speaking over 250 languages are the Igbo, Yoruba and Hausa (Falola, 1999). Thomson (2000) further identified different sub-divisions within the three tribes.

The northern region is home to the Hausa-Fulani under the northern protectorate, which was being administered through indirect rule by having emirs as intermediaries. The western region was predominantly for the Yorubas, and the eastern region was largely dominated by the Igbos were combined in 1906 to form the Southern Protectorate and eventually joined with the Northern protectorate to establish a single Nigeria in 1914 (Falola, 1999; Thomson, 2000). Before the amalgamation, the three regions were operated as distinct administrative regions. Given this distinct regional administrative pattern, it was only natural, according to Thomson (2000) that ethnic groups would develop within, and identify with, these separate regions, as this was a rational way to lobby the colonial authorities for resources.

On the other hand, Nigeria is constitutionally recognized as a secular state, this is evident in its multi-religious activities. This claim is justified by its religious diversity, vibrancy and actual state involvement in religious matters like pilgrimages to which public funds are committed. Therefore, the centrality of religion in the life of the average Nigerian cannot be ignored (Oba, 2011). Nigerian constitution unequivocally prohibits the State from pronouncing an official religion (constitution of Nigeria, 1999) but given the prominence and governmental recognition of Islam and Christianity, Oba, (2011) has rightly pointed out that the two religions are de facto state religions. Muslims, Christians, and believers of various traditional religions are the three main religious groups in Nigeria. Islam and Christianity are the most powerful and recognized religions in the country (Nwauche, 2008). There is a general notion that Muslim is to the North and Christian to the South. However, the author expressed the misconception perspective of these submissions. According to Oba (2011), in the north, though Muslims are tremendously the majority, there are few non-Muslims;equally, in the south, while Christianity as a religion pulled a very huge followership, Islam similarly has a significant number of adherents among the Yoruba in the southwest and some in the southeast(Nwauche, 2008). Although the last population censuses (1991 and 2006) have avoided data on religion, the controversial 1963 census put Nigeria's population at 49 per cent Muslim, 34 percent Christian and 17 per cent adherents of indigenous religious traditions (Suberu, Mala & Aiyegboyin, 1999). Also, The U.S. Central Intelligence Agency (CIA) in 2011 gave the figures at 50% Muslims, 40% Christians, and 10% Traditionalists (CIA,2011).

Theoretical Framework

Upper Echelons Theory

A significant theory dealing with corporate board diversity and its relationship with firm performance is the Upper Echelons Theory put forward by Hambrick and Mason (1984). The upper echelons theory states that organizational outcomes, strategic choices and performance levels are partially predicted by managerial background characteristics (Oppong, 2014). Accordingly, the main focus of upper echelons theory, are of two interrelated parts: directors react on the basis of their adapted understanding of the strategic situations (Hambrick, 2007). In understanding the reason for certain performances of an organization, deliberation must therefore, be devoted to the predispositions of the directors of corporate board.

The basic foundation of upper echelons theory is connected with the prior notions about the features of the executive management and viable behaviours displayed by them. Hence, competitive behavioural characteristics at upper echelons level could have a positive relationship with the performance of the organization. The essential foundation of upper echelons theory is that executives' experiences, values, beliefs and personalities greatly influence their interpretations of the situations they face and in turn, affect their choices (Hambrick et al., 1984).

Social Categorization Theory

The natural tendency for people within a particular group to differentiate the others in the group is premised on social categorization theory (Tacheva, 2007). The categorization concept is basically built on social status and noticeable attributes of age, race, nationality, economic status, ethnicity, religiosity and so on. Dissimilarities between group members are stressed while similarities are suppressed. Social categorization theory further suggests that it is natural for persons to perceive members from within a group positively and members from outside of a group negatively (Goethals, 2003). Hence, discrimination is the sole problem that social categorization creates and has inverse impacts on team working and performance (Eiser, 1986).

Furthermore, developments connected to group decision-making are recommended as imperative drivers of team cohesiveness and efficiency. According to the similarity attraction argument (Pfeffer, 2003), similarity attracts members of a group to appreciate one another's positive characteristics, and differences incites unpleasant treatment and lessens the acknowledgment of another person's area of strengths because of social categorization processes. Diversity in the corporate board may subsequently have negative effects on individual creativity because of the probability of emotional and interpersonal conflict which is the result of being different (Mannix & Neale, 2005). If a team is affected by interpersonal conflicts caused by diversity, creative processes of engaging in a thorough and elaborate ideas with one another in a team are less likely to be achieved (Mannix et al. 2005).

Empirical Review

Board Ethnic Diversity and Performance

The evidence substantiating a positive relationship between ethnic diversity and business outcomes abound. A number of evidence from the United States of America that found positive relationships between board ethnic diversity and firm performance was identified by Scott (2011). The business case for the inclusion of ethnic minority directors on the board was examined by Carter, D'Souza, Simkins and Simpson (2010). Precisely, the relationship between the number of ethnic minority directors on the board and important board committees and financial return on assets and Tobin's Q was investigated. The study found no significant relationship between the ethnic minority of the board or important board committees and performance for a sample of major United State of America corporate entities. The studies of FTSE 100 firms in the United Kingdom indicated a relationship between the companies' stock total value and appointment of minority ethnic directors on the board.

Marimuthu (2008), investigated how ethnic diversity at executive level management impacted firm financial performance in Malaysia. Secondary data from the major 100 non-financial companies listed on the main board of Malaysian companies from 2000 to 2005 (a period of six years) was used. The board ethnic diversity was measured by the percentage of directors who are not of Malaysia origin. In the findings, ethnic diversity on boards of directors was more likely to translate to a better financial performance. Similarly, in Malaysia, some studies found a positive and significant relationship between board ethnicity and firm performance (Marimuthu & Kolandaisamy, 2009; Shukeri, Shin & Shaari, 2012;Zainal, Zulkifli, & Saleh, 2013) while some studies found no significant relationship between ethnic diversity and firm financial performance in context of Malaysia (Bolbol, 2012; Ismail, Abdullah & Nachum., 2013). Hassan, Marimuthu and Johl (2015), also investigated the implication of diversity and corporate governance on firm financial performance. They concluded that ethnic diversity presents potential investors, top managements and all stakeholders the necessary impetus needed to calculate firmperformance.

Within Nigerian corporate environment, Ujunwa, Okoyeuzu and Nwakoby (2012) examined the impact of Board ethnicity on performance of 122 companies quoted on the Nigerian Stock Exchange between 1991 and 2008, a positive but insignificant relationship was found between board ethnicity and the financial performance of firms quoted in Nigerian. Similarly, Omoye and Eriki (2013) investigated board ethnic diversity and firms' financial performance in Nigeria. The concept of board ethnic diversity was measured using the ratio of the three major tribes (Hausa, Yorubaand Igbo) to the total board size. The study used 96 selected quoted companies in Nigeria Stock Exchange and a cross sectional OLS multiple regression analysis. The findings showed that board ethnic diversity of quoted companies in Nigeria had a negative relationship with firm performance.

Board Religious Diversity and Firm Performance

Study on board religious diversity and firm performance is in its infancy. The few studies carried out in this area include, Porta, Lopez-de-Silanes, Shleifer and Vishny (1997) who found that the type of dominant religion in a culture can affect trust and hence the ability of strangers in large organizations to co-operate. Also, Harrington, Preziosi, and Gooden (2001) suggested that the more congruent employees' values and spiritual aspirations are with the organization, the greater the possibility that employees will find true meaning at work. According to Webley (2011) people who followed a religion were significantly more likely to be trustful and participate in civic activities by formally or informally volunteering. Certain independent socio-demographic variables (including religion, educational attainment and household size), showed a consistent relationship with trust and participation in formal activities. This perhaps suggests that those who practice a religion are more likely to have a sense of community development which is a quality valued in any workforce (Webley, 2011). Anifowose et al. (2017) examined the moderating effect of board heterogeneity on the relationship between intellectual capital disclosure and corporate market value of listed firms in Nigeria using a sample of 91 listed firms. The study used religious and ethnic affiliations of the directors to measure board heterogeneity. A two-step dynamic system generalized method of moment estimation was also adopted and found that board religious composition has moderating effect on the relationship between intellectual disclosure and firmvalue.

METHODOLOGY

This study adopts ex post facto research design. The population of the study is the entire 186 companies listed on the Nigerian Stock Exchange as at December 2015. Purposive sampling technique was applied to the 71 manufacturing companies listed on the NSE during the study period which resulted in a sample of 53 listed manufacturing companies with usable data. Due to the nature of this study, secondary data were used and the data were extracted from the annual reports and accounts of the various companies under consideration and NSE fact books. The Nigerian Stock Exchange and corporate head offices of the companies were the major sources of the data.

Variables Definition and Measurement

The study considered board ethnic and religious diversity as the explanatory variables while performance indicators used are Return on Asset (ROA) and Tobin's Q (TQ). Board size (BSize) and Firm Leverage (FLev) are used as control variables. The time frame is from 2006 to 2015- a period of ten years.

Dependent Variables Measurement

Return on Assets (ROA): Return on assets is a performance measurement parameter that relates the earnings generated from the operating activities before charging interest and tax to the total assets of the firm. It measures the extent to which the assets of the firm have been put to use in generating profit during a particular period. Babatunde and Olaniran (2009), Sanda, Mikailu and Garba (2005) and Farooque, Zijl, Dunstan and Karim (2007) justified the use of ROA as financial performance measurement metric.

$$ROA = \frac{\text{Profit before interest and tax (PBIT)}}{\text{Total Assets}} \times 100$$

Tobin's Q: Tobin's Q is another measure of performance that relates the ratio of the market value of a firm's assets (as measured by the market value of issued shares and debt) to the replacement cost of the firm assets (Lang & Litzenberger, 1989). Previous studies: Ali Shah, et al, (2011); Denis and McConnel (2002); Eric (2001) and Lang et al. (1989) justified the use of Tobin's Q as a measure of growth opportunities. It was indicated that a Tobin's Q above 1 is a necessary condition for a firm to be at a level of investment that optimizes its value and that, a Tobin's Q below 1 characterizes a firm with no growth opportunities.

$$Tobin's\ Q = \frac{\text{Market value of firm's equity and debt}}{\text{Book value of assets}} \times 100$$

Independent Variable Measurement

The independent variable of board religious diversity was measured using the Blau (1977) index defined as:

$$D_{it} = 1 - \sum_{j}^{k} P^2_{i,j,t}$$

where, Pi, j, tis the proportion of the board members of firm i on date t that belongs to category j; and k is the number of possible categories, given the board size or nature of the variable measured. For the purpose of this study, the members of the board of firm i were classified into three major religions in Nigeria: Islam, Christianity and Traditional religion. Therefore, for religious diversity index, the number of categories (k) was three (3). The maximum diversity index was 1 if the board was divided equally among the three major religions and zero if members of a particular religion dominated the entire board. Similarly, the members of the board of firm i were classified into three major ethnic groups in Nigeria: Hausa, Igbo and Yoruba and others who could not be classified under any of the three groups. For ethnic diversity index, the number of categories (k) was four (4). The maximum diversity index was 1 if the board was divided equally among the four groups and zero if one group dominated the entire board.

Control Variables Measurement

To control for the effect of other variables not captured in this study but which may equally affect firm performance, board size and leverage are employed.

Board Size: According to Pfeffer (1972), the larger the board size, the higher the level of performance. This is because board size is associated with greater capability to secure significant resources required by the firm. Uwuigbe (2011) also held that board monitoring ability increases as the number of the directors increases. The natural logarithm of the number of board members is used to measure board size.

Firm Leverage: Debt holders may have more effective controls over management than equity holders (Angaye, Gwilliam, Marnet, & Thomas 2000). This may alleviate conflicts of interest between shareholders and managers. Debt owed to large creditors such as banks is also believed to be a useful tool for reducing the agency problem (Sanda et al. 2005); they posit that large creditors, like large stakeholders also have interest in seeing that managers take performance-improving measures. Leverage is employed in this study as a control variable and measured as total debt divided by the total assets. This measure is consistent with the studies ofAlexander et al. (1995); Ali et al. (2014).

Method of Analysis and Model Specification

Descriptive statistics and regression analysis were used in establishing the relationship between board ethno-religious diversity on performance of Nigerian quoted companies. In testing the hypotheses, the following regression models were specified:

Main model

Perf = â0 + â1BETHit+ â2BRELit + â3BSIZE + â4FLEVit+ ºit-------------------------- (1)

Specific Models

ROA = â0 + â1BETHit+ â2BRELit + â3BSIZE + â4FLEVit+ ºit-------------------------- (2)

Tobin's Q = â0 + â1BETHit+ â2BRELit + â3BSIZE + â4FLEVit+ ºit --------------------------(3)

Where:

Perf = performance
BETH = Board Ethnicdiversity
BREL = Board ReligiousDiversity
BSIZE = Board Size
FLEV = Firm Leverage
ROA = Return on Assets
Tobin's Q = Tobin's Q
â0 – â4= Coefficients of the explanatory and control variables
ºit = Residuals

RESULTS AND DISCUSSIONS

Descriptive Statistics

The descriptive statistics for the dependent, independent and control variables are presented in table 1. It contains 530 observations from 53 manufacturing companies listed on the Nigerian Stock Exchange over a period of ten years (2006 to 2015). On the average, the companies recorded a profit of 9% on total assets with ROA having a mean value of 0.087, standard deviation of 0.177, minimum and maximum values of -0.94 and 0.74 respectively. The companies equally reported a favourable growth potential average value of 2.21 of Tobin's Q and standard deviation of 4.10. The corresponding minimum and maximum values for the companies are 0.02 and 41.8 respectively. The companies were moderately religiously diverse having recorded an average religious diversity of 0.27 with standard deviation of 0.20 and minimum (0) and maximum (0.62) values.

Table 1: Descriptive Statistics of Variables

	(1)	(2)	(3)	(4)	(5)
VARIABLES	N	Mean	Sd	min	Max
ROA	530	7.97	16.95	-93.58	74.12
TobinsQ	530	2.21	4.09	0.00	41.80
BETH	530	0.51	0.18	0.00	0.76
BREL	530	0.27	0.20	0.00	0.620
LogBSIZE	530	8.63	2.25	3.00	15.00
LEV	530	0.88	2.04	0.00	27.72

Source: Researchers' Field Desk Report (2018)

Correlation Result

Table 3 presents the correlation analysis of the variables adopted in this study. ROA is negatively and significantly correlated with Tobin's Q ($r = -0.1554$; $p < 0.1$). Similarly, it exhibits positive and significant relationship with while it is negative and not significant with BRel ($r = -0.0098$; $p > 10$) but positive and significant correlation is established with Beth ($r = 0.153$; $p < 0.05$); BSize ($r = 0.2164$; $p < 0.1$) and Lev ($r = 0.454$; $p < 0.05$). However, Tobin's Q is negative and insignificant when assessed with BRel ($r = -0.0412$; $p > 0.1$). Though relationships are established among the variables, most especially the independent variables but the correlations are generally weak and in some cases negative, so the problem of multicollinearity does not arise in this study.

Table 3: Correlation Matrix

	ROA	TobinsQ	BETH	BREL	logBSIZE	LEV
ROA	1					
Tobin's Q	-0.1554*	1				
BETH	0.153**	0.042	1			
BREL	-0.0098	-0.0412	0.191**	1		
logBSIZE	0.2164*	-0.0671	0.225**	0.0451	1	
LEV	0.454**	0.805**	0.063	-0.0609	0.5319*	1

Source: Author's Computation (2018). *** p<0.01, ** p<0.05, * p<0.1

Regression Analysis

Table 4 and 6 consist of the estimates computed for the relationship between board ethno-religious diversity and performance indicator of return on assets (ROA) and Tobin's Q. From the result, L-M statistic tested for the presence of random effects in the underlying pooled OLS model. The results indicated the presence of panel effects, hence the study decided between fixed and random effects using Hausman specification test. The Hausman test values of -23.91(0.1989) and 0.143(0.7072) respectively are strong evidence that the null hypotheses cannot be rejected. Thus, the study

interpreted the random effect models.
What is/are the implication(s)?

Table 5Regression Results: Board Ethno-Religious Diversity and ROA

Variables	Coefficients	t- stat	p-value
Constant	0.021	0.22	0.827
BETH	0.008	0.11	0.911
BREL	-0.002	-0.02	0.982
LnBSIZE	0.078**	2.02	0.043
LEV	-0.025***	-5.70	0.000
R-squared 0.038			
F-test 104.90* **			
Prob (F-statistics) 0.000			

Source: Author's Computation (2018). *** p<0.01, ** p<0.05, * p<0.1

ROA = 0.021 + 0.008Beth -0.002BRelit + 0.078BSize it - 0.025Levit + ºit------------- (1)
The regression result indicates that board ethnic diversity (BEth) and board religious diversity (BRel) are insignificantly related to ROA (â = 0.008; p > 0.1 and â = -0.002; p > 0.1 respectively). This shows that board of directors' heterogeneity along ethno-religious considerations does not significant relationship with return generated on assets by Nigerian quoted companies. The regression coefficient of 0.008 implies that a 1 percent increase in board ethnic diversity will attract a 0.8% increase in Return on Asset (ROA) but the increase is not significant. Similarly, a 1% increase in board religious diversity will result to a 0.2% decrease in Return on Asset (ROA). Board size (BSize) has a positive and significant relationship with Return on Asset (â = 0.078 p < 0.05) which means that a 1 percent increase in the number of board members will induce a 7.8% increase in ROA. Leverage has a negatively significant correlation with Return on Assets (â = -0.025; p < 0.01) of Nigerian quoted companies.

The null hypotheses of no significant relationship between board ethnic and religious diversity and firm performance of ROAare therefore not rejected.
What is/are the implication(s)?

Table 6Regression Results: Board Ethnic and Religious Diversity and Tobin's Q

Variables	Coefficients	t- stat	p-value
Constant	0.188	0.12	0.907
BETH	-0.884	-0.95	0.341
BREL	-0.260	0.33	0.743
LnBSIZE	0.364	0.50	0.620
LEV	1.609***	58.21	0.000
R-squared	**0.365**		
F-test	**11658.0*** **		
Prob (F-statistics)	**0.000**		

Source: Author's Computation (2018). *** p<0.01, ** p<0.05, * p<0.1

Tobin's Q = 0.188– 0.884BEth - 0.260BRelit + 0.364BSize it +1.609Levit + ºit -------------- (2)
The result in table 6 indicates that board ethnic diversity (BEth) and board religious diversity (BRel) are negatively and insignificantly related to Tobin's Q (â = -0.884; p > 0.1, â = -0.260; p > 0.1). This means that diversity in corporate board ethnic and religious affiliations do not have positive and significant impact on the long term growth potentials of Nigerian quoted companies. The coefficient of -0.884 means that a 1% increase in ethnic diversity of Nigerian corporate board will attract 88.4 decline in Tobin's Q. Similarly, a 1% increase in board religious diversity will induce a 26% decrease in Tobin's Q. Board size (BSIZE) has a positively insignificant impact on Tobin's Q (â = 0.364; p > 0.1). The result indicates that a 1% increase in board size (BSize) will cause a 36.4% increase in Tobin's Q. However, Leverage (Lev) shows a negative and significant association with Tobin's Q (â = 1.609; p < 0.1). A 1% increase in leverage will result to a 161%% increase in Tobin's Q. The null hypotheses of no significant relationship between board ethnic and religious diversity and firm performance of Tobin's Q are therefore notrejected.

The finding in this study in relation to board ethnic and religious diversity is consistent with the study of Carter et al. (2010) who did not find a significant relationship between the ethnic minority of the board and financial performance for a sample of major US corporations. Some studies in Malaysia have also found no significant relationship between ethnic diversity and firm financial performance (Bolbol, 2012; Ismail et al. 2013). Within Nigerian corporate environment, Ujunwa et al. (2012) documented a positive but insignificant regression coefficient of board ethnicity in predicting the financial performance of Nigerian quoted firms. Similarly, Omoye et al. (2013), regression results also established that all the three foremost ethnic groups on the board of quoted companies in Nigeria were negatively associated with returns on equity. Wening et al. (2015) also did not find any significant influence of religious beliefs on organizational commitment and performance.

However, our result is in contrast with the findings of Galbraith & Galbraith, (2007); Hoe, Isa, Hin, Hashim, Yunus, and Abdullah (2012); Ida and Mohani (2013) and Nwankwo, Gbadamosi, and Ojo(2012) who established positive significant correlations between board ethnicity and religiosity and corporate performance.In Malaysia, some studies also found a positive and significant relationship between board ethnicity and firm performance (Marimuthu et al., 2009; Shukeri, et al., 2012; Zainal, et al., 2013).

Marimuthu (2008), findings showed that board ethnic diversity is more probable to result in superior financial performance of companies. Richard, et al. (2003) also suggested a significantrelationship between increased ethnic diversity and returns on equity for banks that are pursuing an innovation strategy. Richard (2000) identifies a positive correlation between workforce ethnic diversity and productivity in firms pursuing growth strategies.

CONCLUSION

This study examines the relationship between board ethno-religious diversity and performance of 53 manufacturing companies quoted on the Nigerian Stock Exchange between 2006 and 2015.The finding of the study did not establish any significant relationship between board ethnic and religious diversity with performance of quoted companies in Nigeria. The implication of this study is that, the main areas of diversity (ethnicity and religion) in the selection and appointment of those at the upper echelons in both private and public establishments in Nigeria are less effective in assessing the performance of the companies. This study delivers some significant insights into some of the major corporate governance issues in assessing the corporate board vis a vis the economic performance of their companies. First, it assessed an aspect of corporate board which has received less attention from accounting and finance literature in Nigeria. Second, it provides an empirical direction to the companies and policy makers on the area of consideration in the appointment and composition of corporate board members and lastly, it has implications for those companies desirous of effective and efficient board. This study therefore recommends that stakeholders in board composition should always strive at incorporating value adding measures such as financial literacy, intellectual competence and consistency at meetings already established in literature, not diversionary and irrelevant considerations which lead to time wasting and resources dissipation if optimality will ever be achieved in the corporate performance.

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