EFFECT OF BOARD DIVERSITY ON FINANCIAL PERFORMANCE OF LISTED FIRMS IN NIGERIA

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ABSTRACT

Most listed firms in Nigeria constitute a board with people from various backgrounds. This may be done to give friendly impression and ensure balanced decision making process. Also this may be a ground for unending debate /argument. However the extent this impact on the performance of firms has not been fully established. This study examined the effect of board diversity on financial performance of listed firms in Nigeria. Using Ex-post facto research design with content analysis approach to specific variables, the study employed multiple regression analysis in analyzing data collated from the financial statement selected firms in the Nigerian stock exchange between 2014 and 2018. Findings revealed that gender diversity has no significant effect on leverage ratio of the listed firms while educational diversity and nationality diversity both have no significant effect on leverage ratio of the listed firms in Nigeria. This will not only give credence to the contemporary propagation of gender equality but having more female members who are resourceful in risk evaluation will serve as a check to the possibility of bankruptcy when firms expose themselves to high leverage ratio. Also, the listed firms should admit board members that are resourceful as a result of educational diversity. This will help the board to have the required human resources to evaluate the best possible financing option vis a vis cost of capital and any agency issues that may arise from such investment decision. The board members with diverse nationality are resourceful and vast in international business culture and economic experiences. This will help the board members navigate the contemporary economic dynamisms as a result of business globalization which poses a threat to the survival of businesses on daily basis. The policy implication of this study is that in formulating policy regarding board composition, gender, nationality and expertise/education should be ignore. Thus it is recommended that listed firms Nigeria should consider highly the need to admit more female board members so as to balance up the ratio of gender diversity

Keywords: Educational diversity, gender diversity, leverage ratio and nationality diversity

INTRODUCTION

Failure of businesses over the world has remained a threat to sustained global economic growth(Garba&Abubakar, 2014). Considering the contemporary global business web that is managed by people with diverse gender, nationality, culture and educational experience, the issue of these diversities of board member who manage firms comes into focus as well (Ilona, Abidin & Zaluki, 2019). Monks and Minow(2004), mentioned that despite diversity of board members coupled with the evolution of corporate governance practices and other strategic management, failure of firms to meet desired corporate objectives still lingers. Saleh (2016), has reiterated the imposing challenge of managing organizations to meet set goals in developing nations and had prescribed a reflection of the cultural circumstance, board diversity as central to failure of corporate boards and consequently firm performance. Owing to the economic consequences of these failures which at times are of long term effects, different strategic efforts like improving the composition of board members have also been put in place to ensure survival and growth of firms(Sunday & Godwin, 2017). Although, the issue of board diversity is multi-faceted, also, attempts at understanding the dynamics of board diversity have attracted a multi disciplinary approach.

Authors like Ujunwa, Okoyeuzu and Nwakoby (2012); Onyekwere, Wesiah and Danbatta (2019); have argued that the economic case for a diverse board is that board diversity causes a business to be more profitable and creates value for shareholders. This argument implies that diverse directors are not perfect substitutes with identical ability and talents but diverse directors have unique characteristics that create additional value. While authors like Moscu (2013); Hillman, Cannella Jr and Harris (2002),argued that the diversity of board members leads to ineffective policies that affect the firm performance adversely; this is as a result of misunderstanding of mixed culture, gender attitude and educational experience. To navigate a business through global business characterized by cross national policies and culture, Kim, Eppler-Kim, Kim and Byun (2010) suggested the need for diversity of board members; as different culture, gender and discipline breed different attitude and competence of corporate board members. Various corporate governance reforms have specifically emphasized on appropriate changes to be made to the board of directors in terms of its composition, structure and ownership configuration and constituting strategic resources to the organization; these is another policy based strategy to stern the occurrences of corporate failure through diversity of board members. Studies on the effect of board diversity on firms' performance are mixed and inconclusive. There are empirical studies in Nigeria linking different aspects of board diversity and firms' performance such as: Ahmadu (2017); Adesanmi, Sanyaolu, Isiaka and Fadipe (2019); Akinwumi, Dada, Olotu and Jayeoba (2019), they all looked at both gender and educational diversity. Outside Nigeria, the studies carried out by Ilona *et al*., (2019) in Malaysia explored the nationality of board members as an aspect of board diversity. Listed firms in Nigeria are expanding their activities beyond the shores of Nigeria and it is important to explore the aspect of board diversity in the aspect of board members nationality of Nigerian firms. This will enable corporate governance members and shareholders understand the need for board diversity in terms of nationality and how this affects the firms' performance in the wake cross boarder business. This study will examine the effect of board diversity (Gender, Education and Nationality) on financial performance of listed firms in Nigeria.

2.0 LITERATURE REVIEW

The need for a board diversity is premised on the assumption that a diverse board is resourceful (Matanda, Luke & Lishernga, 2015). The resourcefulness of board members is explained by gender, educational and nationality composition which the firm depends on for effective policies that will improve the performance of the firm. This assumption is explained by the resource dependence theory as propounded by Pfeffer (1972).Pfeffer (1972), mentioned that the board is an essential link between the firm and the external resources that a firm needs to maximize its performance. According to Pfeffer (1972) the board is an important strategic resource for the firm in terms of knowledge, contact with the business world, source of capital, new markets/competitors, so that increased diversification on the board is positive for firm performance (Kim & Lim, 2010; Kim, Eppler-Kim, Kim & Byun, 2010). Resource dependence was developed to provide an alternative perspective to economic theories of mergers and board composition, and to understand exactly the type of inter-organizational relations that have played such a large role in recent corporate failures (Pfeffer, 2003).

Erhardt, Werbel and Shrader (2003), mentioned that having the optimal mix of skills, expertise and experience is paramount to ensure that the board as a collective group is equipped to guide the business and strategy of the company. Also, Akinwumi*et al*., (2019), stated that the amount and the type of formal education has been featured as an important demographic characteristic indicating cognitive orientations and experience needed by the board members to drive the firm objectives. The differences in the boards of corporate organization as regards educational qualification diversity turn out to be more significant as the global businesses are faced with economic dynamisms (Francoeur, Labelle & Sinclair-Desgagné, 2008). Akinwumi*et al*., (2019) established a positive correlation between accounting education of board of directors and financial performance of firms which however confirms a credible board. In terms of the resourcefulness of gender diversity, Onyekwere, Wesiah and Danbatta (2019), asserted that, women are meticulous, risk averse, skilled in accounting and finance, and good decision-makers. Thus, organizations should involve more women in strategic positions to boost their level of performance. Furthermore, Ilona *et al*., (2019) noted that global business competition has a positive impact on company performance within the same industry. To deal with the global competitiveness, board members need to be composed of different nationalities so as to have international experience. This will enable firms hire directors who perform better not putting in mind their nationality. By so doing a firm also gives a signal to stakeholders on its willingness to improve monitoring opportunities by including foreign outsider directors on the board.

2.1 Concept of Board Diversity

According to Bebeji, Mohammed and Tanko (2015), performance of board is influenced by the effectiveness of the board members owing to factors as; board composition, size of board, gender diversity, ethnic diversity and foreign board members. The board of directors is one of the most influential decision-making bodies. Its responsibilities cuts across making key financial to strategic decisions, such as approving changes in capital structure and mergers and acquisitions, to the difficult task of choosing the company's top executive leadership (Carter, D'Souza, Simkins & Simpson, 2008). According to Matanda, Luke and Lishernga (2015), the key functions of board members are to: monitor and control managers, provide information and counsel to managers, monitor compliance with applicable laws and regulations, and linking the corporation to the external environment. From time to time, the changes and reviews of corporate governance codes is geared toward the need to continuously investigate characteristics of boards that will improve performance and reduce corporate failures and scandals. The Security and Exchange Commission (SEC) in 2003, put forward that, the financial sector attracted poor corporate governance due to the fact that, only about 40% of quoted companies, including banks had recognized codes of corporate governance in place (Otuya, Donwa & Egware, 2017). Consequently, in 2003, a Code of Best Practices on Corporate Governance for public quoted companies was released by the Nigerian Securities and Exchange Commission (SEC).

The code of corporate governance in Nigeria also gives credence to the need for diversity of board members. There is no restriction of persons from any religion, cultural background, educational qualification nor nationality to be on the board of directors of any listed firm in Nigeria. Hence, firms in Nigeria employ directors that are not limited to any culture, religion, gender, educational qualification or nationality as long as such director as the personnel resource needed by the firm (Ujunwa, 2012). This is the bedrock of board diversity in Nigeria. Carter, D'Souza, Simkins and Simpson (2010), defines board diversity as the inherent characteristics of board members in terms gender and ethnicity. Ilona *et al*., (2019) looked at board diversity in terms of the difference in nationality of board members. Hilman*et al*., (2002) observed board diversity to be gender and race while authors like Adesanmi *et al*., (2019); Akinwumi *et al*., (2019) and Ahmadu (2017) posit board diversity to be composition of board members with diverse educational qualification, gender and culture. Thus, board diversity is a range of inherent distinct features; in terms of gender, educational qualification and nationality which makes up the composition of board members.

22. Gender Diversity and Financial performance of Firms

In a world as pluralized as ours especially along gender lines; the role of gender on firm investment decision and outcomes cannot be overemphasized. Gender according to Blair (1995), is the role played by both female and male in the society. This refers to the expected role of the both sexes in any given society. Authors like Bilimoria (2000) suggests, women directors enhance the boardroom discussions given that fact they possess better listening skills and are more sensitive towards others. This increased quality of board room interaction improves decision making, which leads to improved firm performance. While, Burke and Mattis (2013), are of the opinion that women are more risk aversive than men. Men turn to take more risky investment than women; which might be good but on the other hand the risk aversive nature of women can help the board members with better investment risk re-evaluation for better investment decision.

One of the major issues faced by contemporary board member is choosing the right investment plan or capital mix considering the cost of capital and risk involved. The amount of leverage a firm decides to use can be of benefit to the firm in terms of tax shields but the transactional cost in terms of interest on debt coupled with bankruptcy issues need to be put into consideration while choosing the right debt to equity ratio of the firm (Nwaorgu & Iormbagah, 2019). To avert making the wrong investment decision or wrong capital mix there is a need to subject the investment decision to a gender diverse board. This according to Burke and Mattis (2013); Blarke (1995) will enable both gender cognitive ability to analyze the investment decision and come up with the best possible capital structure choice (Leverage). As stated in Nicholson and Kiel (2007), when board members are made more accountable for their decision and work, it improves the financial performance of companies. The study therefore test the following hypothesis:

HO_1: Gender diversity has no significant effect on leverage ratio of listed firms in Nigeria.

2.3 Educational Diversity and Financial Performance

Kim and Lim (2010) argue that educational diversity of board members in the area of accounting, business, economics and law for can be a useful asset to a company, while Khan and Awan (2012), believe the composition of board members with different educational background, experience and networks can create value when they can be applied to the efficient running of a company or making investment decision. In a case of making the right investment decision in regards to capital mix, there is need for board members to have sound knowledge of the law regulating debt contracts also, the need for payback evaluation, economic background of the firm and business relationship with fund providers. This is achievable with a board that has diversity of members which cuts across accounting, business, economics and law.

Empirical studies conducted on educational qualification diversity substantiated the fact that the educational level of board members has positive effect on firm performance studies like Uadiale (2010); and Ahmadu (2017). Educational diversity of board members provide board members with management expertise and networking, which is very beneficial in the strategic management of the firm. According to Ahmadu (2017) the qualities that are crucial for board members in fulfilling their obligations, such as to oversee the firm and to monitor the performance of senior management is their educational diversity. Having the optimal mix of skills, expertise and experience is paramount to ensure that the board as a collective group is equipped to guide the business and investment decision of the firm. The study therefore, hypothesized that:
HO_2: Educational diversity has no significant effect on leverage ratio of listed firms in Nigeria.

2.4 Nationality Diversity and Financial Performance

Globalization of business comes with a lot of challenges which ranges from access to capital on international capital markets to gaining international market shares. This challenges according to Fama and Jensen (1983) have kept board members and business owners on their toes especially firms that engage in cross-border trade. According to Ruigrok, Amann and Wagner (2007), to deal with the global competitiveness by firms for market share control and cross boarder investment decisions, firms need to employ board members across different nationalities in order to have international experience. Ruigrok *et al*., (2007) opine that having board members that are diverse in nationality will improve the cross boarder investment decisions of the firm and financial performance owing to the multinational experience possessed by such board members of the firm. Also, a firm also gives a signal to stakeholders on its willingness to increase its global business investment and market expansion by including foreign outsider directors on the board(Sunday & Godwin, 2017). This consequently attracts investors; lenders and equity providers alike who are willing to fund the investment decisions of the firm. Nationality diversity of director members will be a benefit to company performance because different nationalities will provide differences in culture, knowledge, experience, expertise, and ability to better control and monitor agents effectively, and finally it reduces the agency costs(Mallin, 2004; Sunday & Godwin, 2017).

Nationality diversity means that the director who are from other country. There are several advantages for companies to include non-local directors as its director members. First, non-local directors brings director expertise, experience and their ability to better manage the company and increase shareholder wealth and promote new strategies for the director to enhance the shareholders' wealth. Second, foreign director members bring the interests of shareholders and managers closer together (Thomsen & Conyon, 2012). According to Ruigrok*et al*. (2007), a foreigner entering a corporate director may not only have different perspectives, skills and knowledge, but also different values, norms and understanding. Sambharya (1996) in Ilona *et al*., (2019) point out one way that a company can respond to the global competition is by giving power. This is important for managers with foreign experience, thus legitimating the international career path.

One of the disadvantages for a firm to appoint only foreign board members is that it will hamper the performance of existing board members due to the time taken such foreign directors to familiarise themselves with the new environment such as language, culture and system. As such Kim*et al*., (2010) posit the need for firms to include local board members that can improve company financial performance by helping the foreign board member understand the culture, language and financial/business system of the firm host country. Diversity of board members in terms of nationality provides insider knowledge, line management skills, support specialist skills and experience working with the community as well investment decision of the firm (Ilona, 2019). Oxelheim & Randoy (2003) suggest that the presence of at least one foreign director will result in more active director monitoring, strengthens shareholder confidence, and leads to an increase in company performance. The empirical research has documented several conclusions of relationship between national diversity of directors. The study therefore, hypothesized that:

HO_3: Nationality diversity has no significant effect on leverage ratio of listed firms in Nigeria.

Empirical Review

Ahmadu (2017) investigated the effects of board diversity on financial performance of quoted deposit money banks in Nigeria using secondary data over the period 2010- 2014. He used descriptive analysis to describe the data set, while panel regressions were used to assess the effects of board diversity on firms' financial performance. The study found that gender diversity impacts positively on financial performance while ethnic diversity and board composition impacts negatively on firms' financial performance represented by return on equity. The study also discovered that foreign directorship and board size had no effect on return on equity. Ahmadu (2017) made claims that gender diversity impacts positively on firms' financial performance while ethnic diversity and board composition are adverse to firms' financial performance. Also he noted that the presence of foreigners on a board of banks in Nigeria will not add any value to return on equity and that quoted deposit money maintained sub-optimal board size.

Adesanmi*et al*., (2019) examined the effect of board diversity on the financial performance of deposit money banks in Nigeria using profit margin as proxy for financial performance while the proxies for board diversity and board independence are the ratio of female directors to total board size and ratio of non-executive directors to total board size, respectively. They sourced the data for their study from the annual reports of 10 listed deposit money banks in Nigeria from 2008 to 2017. Also, data were analyzed using pooled Ordinary Least Square regression. Their study found that both gender diversity and board independence positively affect the financial performance of deposit money banks in Nigeria. Onyekweree*t al*., (2019) investigated the nature of the relationship between board diversity and financial performance of deposit money Banks quoted on the Nigerian stock exchange using three board diversity variables; the proportion of women in the boardroom, the proportion of non-executive directors that make up the boardroom and board size. Using the fixed effects Panel data regression model they found that gender diversity has a statistically significant positive impact on banks financial performance. On the other hand, the study also indicated that non-executive directors and board size do not have a significant impact on banks performance.

Akinwumi *et al*., (2019) examined the relationship between board educational qualification diversity and performance of 53 manufacturing companies quoted on the Nigerian Stock Exchange between 2006 and 2015.Descriptive and explanatory research designs were adopted for the study analysis of data sourced from the annual reports of the companies under consideration. The study did not establish any significant relationship between board educational qualification diversity and performance of quoted companies in Nigeria. However, the results show significant relationships between board educational qualification diversity and performance metrics of Tobin's Q and return on assets when controlled for board size and firm leverage.

Ilona *et al*., (2019) carried out a conceptual paper to review the relevant literature regarding to the relationship between director diversity and company performance. According to Ilona *et al*., (2019), director diversity means the variation of director members attributes such as ethnic background, nationality, gender, experience, religion and others. They reeled out two theories underpinning the relationship between director diversity and company performance which are the agency and resource dependence theory.

Yadav and Chakraborty (2020) examined the impact of female director on the firm market based financial performance of listed Indian firms using an econometric modelling approach. The study used firm year unit of analysis with a sample of 60 BSE listed companies across various industries. The primary result of the study using panel least squares and random effects estimation models point towards a positive and significant correlation between the percentage of female directors and Tobin q. However, results are found to be strong when market to book values of share was used as firm financial performance. They found out that the number of companies with no female directors has reduced across the 12 years of study which they argued it may be due to the external pressure created by the new corporate governance code 2013.

METHODOLOGY

The study adopts ex post facto research design. There are 52 listed manufacturing firms (Nigerian Stock Exchange fact book –NSE 2020) in Nigeria who cuts across 7 sectors; the study used a random sampling technique in selecting 1 firm from each sector of the manufacturing firms. Thus, data will be collected from the financial statement of 7 firms across all the sectors from 2014-2018. The study also adopts multiple ordinary least square regression for analysis of data.

List of Firms/Sectors

Table 1: List of Firms/Sector

FIRM	SECTOR
Forte Oil PLC	Oil & Gas
Cement company of Northern Nigeria PLC	Industrial Goods
Cadbury PLC	Consumer Goods
Glaxo Smith PLC	Health Care
Okomu Oil PLC	Agriculture
Aluminum Extrusion Company	Natural Resources
Chellerams PLC	Conglomerates

Source: Authors Compilation 2020

The model is specified as;
Mathematic model:
Leverage ratio = f (Gender diversity + Educational diversity + Nationality diversity)
Econometric model:
$LEV_{it} = \alpha + \beta_1 GD_{it} + \beta_2 ED_{it} + \beta_3 ND_{it} + U_{it}$
LEV = Financial performance (Gotten by dividing the total liability to total assets of the firm at a time)
GD = Gender diversity (number of female divide by the total number of male on the board)
ED= Educational diversity (Diversity Index for Educational Qualification). The parameters for estimating the diversity indexare described below: The members of the board of firms were classified into 6 categories namely: members considered to have a qualification in accounting, business, economics and law. Using content analysis for each category; 1 is assigned under each categorized criteria if found and 0 if not found at a time. The number of possible categories is four (4). The maximum diversity index will be 1 if the board members are equally distributed in the 4 categories and zero if non fall in any of the category using division rule.

ND = Nationality diversity (number of foreign nationals divided by the total number of board members)
U= error term
it = $_i$cross-section & $_t$time
β = Beta coefficient of the model.
Decision rule: to accept the null hypothesis if the calculated probability value is greater than the significant probability value of 0.05 (5%)

ANALYSIS/DISCUSSION OF RESULT

Table 2: Results

Descriptive Statistics Table

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
LEV	35	.04	.87	.4488	.03279	.19400
GD	35	.00	.33	.1322	.02224	.13158
ED	35	.50	1.00	.8357	.03065	.18132
ND	35	.08	.64	.4003	.02792	.16519
Valid N (listwise)	35					

Source: Authors computation (SPSS, V.20)

The table above represents the data spread for the 7 firms sampled. N represents the total number of observations. Observations were taken from 7 firms; 5 years for each firm which gave rise to 35 number of observation. According to Gujarati and Porter (2010), the required number of observation for regression analysis should be more than 30. This study data has 35 number of observation which means the data result is not porous.

From the table above, the firms' record a minimum and maximum leverage (LEV) ratio of 0.04 and 0.87. The firms' data also reveal a mean record of 0.4488 and standard deviation of 0.19400 for the period. This indicates that on the average Nigerian firms used about 44.9% leverage financing. The standard deviation of 19.4% (0.194) shows that shows that leverage of the firms used in the study are not too different from each other as they revolve around the mean. For gender diversity (GD), some of the firms have no female board members as shown in the minimum statistics of 0 while, the maximum ratio of gender diversity of the firms is 0.33. On an average, listed firms in Nigeria record gender diversity ratio of 0.1322 with a deviation of 0.13158 among the firms. Furthermore, the level of educational diversity of the firms' board members stands at an average of 0.8357 with a deviation index of 0.18132 among the firms. The low deviation value of 18% reveals that the education levels are not too diverse or widely different from each other. The least firm records an educational diversity of 0.50 among the board members while the highest record of educational diversity index among the firms is 1.000 which means those particular firms with such index have board members with qualification in accounting, business, economics and law. Lastly, the minimum and maximum ratio for nationality diversity of board members for the firms stood at 0.08 and 0.64 respectively. On an average the firms record a mean size of 0.4003 for board members' nationality diversity while there is a 0.16519 deviation of nationality diversity among the firms' board members.

Table 3: Model Summary Table

Model Summary[b] Table

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.806[a]	.650	.616	.12028	.650	19.150	3	31	.000	1.175

a. Predictors: (Constant), ND, ED, GD

b. Dependent Variable: LEV

Source: Authors computation (SPSS, V.20)

The table above represents the over-all model regression result. To test for autocorrelation of data, the Durbin-Watson statistics is employed. The standard DW statistics to test for autocorrelation of independent data prescribed by Gujarati and Porter (2010) is less than or equal to 2; the model revealed a DW statistic of 1.175 which is less than 2 thus indicates the absence of autocorrelation.

In the model, the R statistics shows that there exist a very strong relationship between board diversity (GD, ED & ND) and financial performance (LEV) of the firms. Furthermore, the R^2 which measures the level of variation that the independent variable(s) can cause the dependent variable revealed that; 65% (0.650) change in the leverage ratio of the listed firms can be caused by the firms' board diversity (GD, ED & ND) used in this study while the remaining 35% (0.35) can be caused by other board diversity characteristics not included in this study. Lastly, the adjusted R^2 revealed a record of 0.616; this means if the overall model is adjusted and other board diversity variables like ethnicity and religion are included, the level of variation that board diversity can cause leverage to change will deviate by 3.4% (0.650-0.616= 0.034). The level of deviation is less than the accepted error term of 5% which is too much to infer that the result of this study is porous and cannot be relied upon. To further substantiate this claim the study relied on the Fisher statistic probability value which is significant at P value of 0.000; this means the overall model is statistically fit.

Table 4: Coefficient Table

Coefficients[a] Table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.072	.101		.715	.480		
	GD	1.256	.184	.852	6.816	.000	.723	1.382
	ED	.123	.130	.115	.942	.353	.764	1.309
	ND	.270	.160	.230	1.687	.102	.611	1.636

a. Dependent Variable: LEV

Source: Authors computation (SPSS, V.20)

The table above shows the result of individual model specific test.

HO_1: Gender diversity has no significant effect on leverage ratio of listed firms in Nigeria

Hypothesis one is tested for gender diversity of board members against leverage ratio of the firms; result revealed that a unit variation in gender diversity of board members brought about an increase in the leverage ratio of firms up to the tune of 85.2%. The variation of leverage ratio caused by gender diversity is as a result of few female members on the board as women are known to be risk aversive. The high number of male members on the board gave rise to such causation effect. The result further reveal that gender diversity of board members have a significant effect (0.000) on the leverage ratio of the firms which represent the firms' financial performance.

HO_2: Educational diversity has no significant effect on leverage ratio of listed firms in Nigeria.

For the second hypothesis, result revealed that an increase in the level of educational diversity of board members will lead to 11.5% increase in the leverage ratio of the firms. This means that if the board members have vast knowledge of accounting for leverage, business relationship with lenders, the macro-economic policies of lending and contracts laws the firms will increase their leverage ratio by 11.5%. But the study revealed that educational diversity has no significant effect on the leverage ratio as the calculated probability value shown of 0.353 is above the accepted probability value of 0.05.

HO_3: Nationality diversity has no significant effect on leverage ratio of listed firms in Nigeria.

The hypothesis for nationality diversity and leverage ratio shows that a variation in nationality diversity of the firms will cause an increase in the leverage ratio of the firms to the tune of 23%. This means that if more diverse nationalities are appointed on the board there are chances that cross nationality ideas and experience will be harnessed to burst the financial performance of the firms in the aspect of leverage management to the tune of 23%. The test of hypothesis revealed that nationality diversity of board members have no significant effect on the leverage ratio of the firms as the calculated probability value (0.102) is higher than the accepted probability value of 0.05.

CONCLUSION

The postulate that female board members are risk aversive is shown in the results of this study; as gender diversity of the firms' board members is seen to have a strong significant relationship with the leverage ratio. On the other hand, both educational diversity and nationality diversity of board members reveal a weak relationship and insignificant effect on the leverage ratio of the listed firms in Nigeria.

Recommendation/Policy implications

To further strengthen firm specific policies, the study recommends that;

i. Listed firms Nigeria should consider highly the need to admit more female board members so as to balance up the ratio of gender diversity. This will not only give credence to the contemporary propagation of gender equality but having more female members who are resourceful in risk evaluation will serve as a check to the possibility of bankruptcy when firms expose themselves to high leverage ratio;

ii. Also, the listed firms should admit board members that are resourceful as a result of educational diversity. This will help the board have the required human resources to evaluate the best possible financing option vis a vis cost of capital and any agency issues that may arise from such investment decision; and

iii. Lastly, the need for board diversity in terms of nationality of board members is important. The board members with diverse nationality are resourceful and vast in international business culture and economic experiences. This will help the board members navigate the contemporary economic dynamisms as a result of business globalization which poses a threat to the survival of businesses on daily basis.

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