EFFECTS OF BOARD NATIONALITY AND ETHNIC DIVERSITY ON THE FINANCIAL PERFORMANCE OF LISTED FIRMS IN NIGERIA

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M.Sc. ACCOUNTING DISSERTATION

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MAY, 2017

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A DISSERTATION IN THE DEPARTMENT OF ACCOUNTING, SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES COVENANT UNIVERSITY, OTA, OGUN STATE.

IN PARTIAL FULFILMENT OF THE DEGREE OF MASTER OF SCIENCE (M.Sc.) IN ACCOUNTTING

MAY, 2017

ABSTRACT

This study examined the effect of board nationality and ethnic diversity on firms' performance in the Nigeria stock exchange. With the aim of investigating the level of influence ethnic diversity and board nationality would affect firm performance in terms of profitability and growth in a developing economy, the study made use of ROA, ROE and Tobin's Q for financial measures. The study analysed date from 60 non-financial firms with periodic observations from 2012-2015 using the ordinary least squares regression method. Yemeni formula was used to calculate the sample size out of the remainder 119 listed non-financial after 57 listed firms from the financial sector were removed. The total sample size was further streamlined to 60 based on a common reporting period (January 1st to December 31st) to ensure consistency. The Findings indicate that ethnic diversity and board nationality has no significant influence on the performance level of firms in both profitability (ROA and ROE) and growth (Tobin's Q). Findings also reveal that the average board size of the listed non financial firms in Nigeria meets the countries corporate governance requirement of nine (9) members and the average board has a combination of at least two of the three ethnic groups in Nigeria. The board composition of sampled firms still reveals the presence of family members in same board which is against the central board composition code of corporate governance. This study encourages a diverse board since there is no significant effect on financial based performance; it is still advisable to be diverse except cost outweighs benefits. Diversity always tends to have effects on the way the board members make a decision, or strategic moves. It sets a control, brings innovation and could also slow down the rate of decision making.

Key words: *Ethnic diversity, Board nationality, financial performance, Corporate Governance*

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND TO THE STUDY

Board diversity in corporate governance structure is beginning to be of growing importance when it comes to the interest of shareholders and firm performance nowadays. With evidence shown from notable studies from, (Erhardt, Werbek & Shrader, 2003; Lee & Far, 2004; Bergen & Massey, 2005; Robertson & parker, 2007: Adams and Ferreira, 2007; Harris and Raviv, 2008; Ferreira, 2010). Recently, scholars like: (Marimuthu, 2011; Darmadi, 2011; Omoye, Alade, & Eriki, 2013; Cimerovaa, Dodda, & Frijnsa, 2014), and much more have also investigated board diversity and its effects to an entity. There is an accelerated focus on the study of board composition: board independence; board size and board diversity, (Carter, Simikins & Simpson, 2003; Erhardt, Werbek & Shrader, 2003; Garba & Abubakar, 2014 & Heyvon, 2014).

The promotion of diversity in the board has been a frequent subject of recent in literature due to the potential benefits from having a wealth of different individual quality and experience on in a single board. Hambick & Mason, (1984), observed that management heterogeneity has a greater tendency to bring about quality decision making. Similarly, with Hambick and Mason, Other studies such as that of Wiersema & Bantel (1992); Watson, Kumar, & Michaelsen, (1993); Cox, (1993) has also spelt out the importance of corporate board diversity. The work of Adams & Ferreira, (2009) in particular highlighted the potential benefits of corporate board diversity to a firm as it brings about: Creativity, variety of views and perspectives; more resource accessibility and more connections; Public relations, legitimacy and investor relations and finally career incentives through mentoring and signaling.

Carter, D'souza, Simkins, & Simpson (2007) looked into Fortune 500 board narrowing their scope by using gender and racial diversity between the year 1998-2002 and they observed that gender and racial diversity have positive effects on firms' performance. However, various forms of diversity, such as race, sex, age, and ethnicity could result in tension, conflict, and hinder corporation and affect communication thereby reducing firm's performance. This satisfies the definition of Ferreira, (2010) that a corporate board of a firm is viewed as the composition of separate individuals who are controlled by different bias and varying preconceived notions and

are affected by social constraint & power relation. Diversity in culture is the representation of people of distinct groups of affiliation in one social system, Cox, (1993). These definitions have been reflective in the empirical work of Darmadi (2011) who investigated listed firms in Indonesia stock exchange between the diversity of the board and financial performance of the firms. In his study, he selected three elements of diversity which are gender, nationality, and age, using 169 listed firms and discovered that there was no influence of diversity on firm's performance. Also, Cultural Heterogeneity may have also resulted in conflicts which have enhanced the performance of an organization; it is linked positively with better problem-solving options, Omoye, Alade, & Eriki (2013).

1.1 STATEMENT OF PROBLEM

Several countries such as Norway (since 2006, 40% of the board are female), Spain, Iceland, France, Singapore and Malaysia (30% of the board are female) have succeeded in passing a regulation for a specific quota of female in board, Adam & Ferreira, (2009); Ahern & Dittmer, (2012); Heyvon, (2014), of which many countries are yet to implement their percentage quota. Nevertheless, certain aspects of diversity (apart from gender) such as ethnic, racial, education, Industrial background seem neglected in determining board composition. The central thought should be, is there a perfect prescription as pertaining to the diversity in corporate board? Authors such as Metz & Harzing, (2009); Marimuthu & Kolandaisamy, (2009); Matlala, (2011); have laid emphasis on the importance of female directors and their positive effect on performance and earnings. The term board diversity cuts across so many variables such as age, race, gender, culture, religion, the level of education and background experience Swartz & Firer, (2005); Ferreira (2010); Kulkarni, (2012).

In view against corporate failures in all over the world, countries have been taking critical steps to ensure prevention of future occurrences, and one of such measure is diversity in board of corporate firms. These steps/measures were taken to strengthen corporate governance in firms, especially those listed. One of such actions was CEO duality brought into recognition, separating the role of a chairman from that of a typical CEO. The separation of the responsibilities of CEO from Chairman of a board, executives, non-executive, and independent non-executive directors are forms of diversity. Walker, (2007) review was based on board size and Composition in FTSE 100 and UK banks and a prescribed 50% independent directors rule was proposed. In 2016,

Parker review, (2016) was issued by Earnest and Young and the major resounding voice echoed the necessity for racial and ethnical diversity in board. (Margot; made a speech, November 2, 2016) at Sir, parker's dinner made a statistics of 1.5% of board members in the FTSE 100 are black and minority ethnic and majority of the firm's board has white ethnic at the whole board composition. This is a sign of deficiency in racial and ethnic diversity in UK board.

Margot, in 2016; made a speech at Sir, Parker's dinner, November 2, 2016, he stated that:

> "*People from different backgrounds bring different experiences and perspectives, and it's long been recognized that greater diversity in the boardroom can help create constructive and challenging dialogue. Having this diversity around the table helps ensure the board will fulfil its duties to the fullest and take well-grounded decisions*."

Giving the effects of ethnic groups in a country like Nigeria, leading to tribalism and discrimination. A Dearth of literature has been written on the effects of the board, ethnic diversity on firms' performance, Omoye, Alade & Eriki, (2013). Foreign expert rate is a part of UK corporate governance and other countries have incorporated it into their books. For instance, Richard, (2000) looking at ethnic and racial diversity, were able to draw out the inference that foreign investor, board participation increases performance of firms in Korea, Ruigrok, peck & Tacheva (2007) also observed that in Swiss corporation, foreign directors tend to be more independent. This study has a direction towards investigating the possible influences that national and ethnic diversity has on the performance of the firm. Unlike previous studies such as (Campbell & Mínguez-Vera, 2008; Marimuthu & Koladaisamy 2009), have dwelt on gender diversity, board independence and focused on the whole listed firm as well as listed banks in a country. Other studies have been able capture and make use of financial performance parameters lie profitability (ROE, ROA, ROI etc.) and Market value (Tobin's Q, Earnings predictability, earnings management etc.), but non have been able to look at the growth aspect of financial performance dealing with market share growth and asset growth. To the best of knowledge, no prior literature have been able to compare this study among various industries and non has made use of non-financial measures. No Nigerian based study has examined data from post-IFRS periods concerning this study or has made a comparative study between the pre-IFRS and pos-IFRS. This study is concerned about investigating the listed firms in Nigeria except for the firms

that belong to the financial service industry. This study makes use of financial performance profitability indicator such as ROE, ROA and financial growth indicators such Tobin's Q ratio for financial performance measurement. The study also differs from prior Nigerian based studies due to the fact that it pulls from post-IFRS data. Also, its method of data analysis and stationary test which will make use of ordinary least square panel regression random model and unit root test respectively.

1.2 RESEARCH QUESTIONS

The following research questions are used to structure the research objective. The research questions direct the researcher into giving answers to the study's overall objective as shown below.

1) What level of influence does ethnic diversity have on the firms' performance?
2) How can the presence of foreign directors affect firms' performance?

1.3 RESEARCH OBJECTIVES

The study is aimed at investigating the influence board diversity has on the earnings persistence of firms. The streamlining of board diversity in board size, national and ethnic diversity furthers breaks the main objective into specific objectives which are to:

1) Determine the influence of ethnic diversity on firms' performance.
2) Ascertain whether the presence of foreign directors affects firm's performance.

1.4 RESEARCH HYPOTHESIS

1) H_0: Ethnic diversity has no significant effect on firms' performance
2) H_0: The presence of foreign directors has no significant influence on firms' performance

1.5 SIGNIFICANCE OF STUDY

This study firstly tries to explain the possible influence of board nationality, size and ethnic diversity on the performance of a firm. The performance of a firm is critical to its eventual health and life span. Two key contributions are made in this study. Firstly, we make contributions to the

culture and finance literature by providing bedrock can be used as a base in the assessment of the impact of Nationality and ethnicity within a board of a firm. Second, we contribute to the literature on board diversity (which has predominantly focused on board independence and gender diversity) by introducing cultural diversity in the form of ethnic diversity, a thus-far overlooked aspect of board diversity. Thus far, the lens through which boards of directors have been viewed is board size and proportion of independent directors (Coles et al., 2007; Dennis and Sarin, 1999; Anderson et al., 2000). Potential users of this research, such as shareholders, students, researchers, management and board of sampled firms would be able, to observe trends based on the effects of each of the independent variables (board nationality, board ethnic diversity) on the dependent variable firms' performance. This will be able to influence the BOD and shareholders' decisions on future director appointments in firms, of which could benefit the interest of shareholders. Lastly, this study would help improve corporate governance in firms and will help push researchers into future investigations

This study has great significance due to the fact that few studies of this nature have been carried out in African countries and other less developing countries like. Similarity based on Hofstede (1980, 1983), Schwartz (1994, 2007) and Gray (1988) cultural areas of cultural distance, landmark studies which were able to explain the evolution of accounting subculture influenced by societal values. From the division of cultural areas into: (1) more developed Latin. (2) Less developed Latin. (3) More developed Asian. (4) Less developed Asian (5) near eastern (6) African (7) Germanic (8) Anglo (9) Asian-colonial and (10) Nordic. From this we could deduce that if this study covers the scope of Nigeria then it represents the whole “African”. The reason being that the cultural values for “African” are the same. Harvested (1980, 1983) cultural values are: Individualism, power distance, uncertainty avoidance, masculinity. (a) Measurement and disclosure: optimism, conservatism, transparency and secrecy (b) Authority and enforcement: statutory control, flexibility, uniformity and professionalism. The “African” is characterized by secrecy and conservatism based on measurement and disclosure and based on authority and enforcement: statutory control and uniformity so Nigeria could be a minute representation of Africa based on Gray, (1988) and Hofstede, (1983)

1.6 JUSTIFICATION OF STUDY

The wake of previous scandals in Nigeria and necessary improvement needed in proper governance, acting in the interest of shareholders. Prior studies on cultural diversity such as (Cimerovaa, Dodd & Frijnsa, 2014; Cox, 1993; Marimuthu & Koladaisamy, 2009; Marimuthu, 2011; Mazur & Białostocka, 2010; and Nederveen, Van Knippenberg & Van Dierердonck 2013) have been studies conducted outside of Nigeria; this study is taking a deep look at the Nigerian stock exchange.

The recent parker review made emphasis on a research work by (Atewologun, 2016) on the low representation of ethnic minorities in the UK board, several implications and solutions where prescribed. This is scarcely being viewed and visited in countries with individuals of diverse ethnic backgrounds such as Nigeria. A very few, to the best of knowledge, have laid emphasis on the possible effect of ethnic diversity (Omoye, Alade, & Eriki, 2013). However, most of the empirical research on board diversity was mainly derived from the developed countries' perspective, such as the U.S. (Hillman et al. 2002; Gul et al. 2011), the U.K. (Conyon & Mallin 1997; Brammer et al. 2007) and Australia (Nguyen & Faff 2006; Kang et al. 2007). Owing to the differences between the developed and the developing countries, for examples, in terms of their regulatory, cultural, economic environments, size of capital markets and effectiveness of governance mechanism (Aguilera 2005; Kang et al. 2007; Petrovic 2008; Li & Harrison 2008; Veen & Elbertsen 2008), more evidence should be drawn from the developing countries, in a way to contribute to the limited literature on board diversity. Rather than relying on research results from other countries, researchers need to take national circumstances into account in examining board diversity (Ruigrok et al. 2007)

1.7 SCOPE AND LIMITATIONS OF STUDY

The study covers the whole listed firms in Nigeria stock exchange with the exclusion of the financial service sector/industry, cutting across all the remainder, ten industries which are a total of 119 { 176 (total) − 57 (financial service sector) } firms as at the time of the study. The study is limited to the sample size of at least 5% of the total number of listed firms as supported by (Krejecie & Morgan, 1970). A systematical approach was used in selecting samples from each industrial sector on the stock exchange, of which about 50% samples each were selected from

each industry so as to avoid bias. The study is narrowed down to board nationality and ethnic diversity as an aspect of board diversity. The study made use of financial measurement variable; specifically profitability and growth variables. The profitability variables used are ROE and ROA, while the growth variable used is TOBIN'S Q ratio. The ROE, ROA and Tobin Q formula would be used to calculate the value of the firm's level of financial performance. Panel data regression will be used to determine the relationship, degree of movement and level of influence between the dependent variable and the independent variables.

1.8 OPERATIONAL DEFINITION OF TERMS

Agent: An individual put in charge of a particular venture, business, undertaking and property, to represent the owner in management, maintenance and is expected to make accounts to the owner for activities/occurrences (positive or negative) affecting such property transparently. Unlike stewards, this individual is assumed to usually make action to feed his/her personal interest rather than that of the owner.

Agency theory: This theory makes the assumption of a conflicting relationship that exist between the principal and agent, where the agent has more knowledge of the business than the principal. Agency theory identifies the conflicting interest between both parties and seeks to solve them.

Board: A composition of directors both executive and non-executive of firm.

Board diversity: The composition of board members of a firm with a different background, gender, race, culture, work experience, age, education, and skill composition.

Board Nationality: Existence of members of board from various nations in a corporate board. This is the ratio of foreign board members to total board size. The potential advantages of foreign board membership have received serious attention in corporate governance studies globally

Board size: Number of board members of a corporate board, which includes directors both executive and non-executive of the firm.

Corporate Governance: The methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they earn a return on their investment.

Company: A group of organized individuals that have come together, and are registered as a firm, with the aim of pulling factor of production together and running business activities for profit making. (See Firm)

Diversity: A range of different individuals of different gender, background, race, ethnic group and nationality.

Ethnic diversity: Combination of large group of people with different heritage, origin, and race

Ex post factor: A research design is a method in which groups with qualities that already exist are compared on some dependent variable. Also known as "after the fact" research, an ex post facto design is considered quasi-experimental because the subjects are not randomly assigned - they are grouped based on a particular characteristic or trait

Firm: A company registered and established with the sole aim of profit making.

Financial performance: Quantitative reflection of the periodic financial state and the health of a firm usually revealed in a financial report. This is a measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time.

Financial report: A yearly document showing the health status of a firm. Prepared by a firm with the purpose of revealing the true and fair total health status of the firm. This document is material to the stakeholder’s decision.

Mean: Mean is the average value of the series, obtained by adding up the series and dividing by the number of observations.

Median: Median is the middle value (or average of the two middle values) of the series when the values are ordered from the smallest to the largest. The median is a robust measure of the center of the distribution that is less sensitive to outliers than the mean

Panel data: Also known as cross-sectional time series data (longitudinal data) data derived from a number of observation overtime on a large number of cross-sectional units like individual, government, firm or household

Resource dependency theory: The theory stresses that, board members with different skills, different cultural backgrounds, different gender, among others, will act as a strategic resource to the firm which may result in superior performance

Return on asset: A measure of a company's profitability, equal to a fiscal year's earnings divided by its total assets, expressed as a percentage

Return on equity: A measure of how well a company used reinvested earnings to generate additional earnings, equal to a fiscal year's after-tax income (after preferred stock dividends but before common stock dividends) divided by book value, expressed as a percentage.

Shareholder: Shareholders are people who have bought shares in a limited liability company. They own a part of the company in exact proportion to the proportion of the shares they own. Individuals or persons that own a portion or percentage of a company's equity.

Social identity theory: a sense of belonging that dawns on an individual, especially when he finds himself in an environment where in which the people around him share same social groupings such as social status, social identity, cultural background, ethnical heritage, same age range or even same religion.

Stakeholder: Individuals, groups, associations, businesses and system that can affect or are affected by an organization's activities

Stakeholder Theory: This theory alerts the firm on the need to satisfy the interest of every individual or community that has one thing or the other to do with the organization. The theory assumes that firms are meant to recognize the responsibility to all those who are affected by all of their operations. These individuals have a direct or indirect relationship with the firm, this means that they either can affect the firm or the firm can affect them

Steward: An individual put in charge of a particular venture, business, undertaking and property, to represent the owner in management, maintenance. This individual is assumed to usually

makes proper and fair account to the owner for activities/occurrences (positive or negative) affecting such property transparently.

Stewardship theory: An assumption that a steward protects and maximizes shareholders‟ wealth through firm performance, because, by so doing, the steward's utility functions are maximized.

Tobin's Q: It is a statistic that might serve as a proxy for the firm's value from an investor's perspective. Tobin's Q is the ratio of the stock market valuation of firms to their "replacement" costs.

Unit Root Test: a unit root test, tests whether a time series variable is non-stationary and possesses a unit root. The null hypothesis are generally defined as the presence of a unit root and the alternative hypothesis is either stationary, trend Stationarity or explosive root depending on the test used

CHAPTER TWO
LITERATURE REVIEW

2.0 INTRODUCTION

This chapter made a detailed elaboration on the review of prior studies related to the research. The chapter firstly explains corporate governance in a corporate firm. It elaborates on the new Nigerian corporate governance released in November, 2016. It also explains the concept of corporate board diversity and narrows down to ethnic diversity in Nigeria. Thirdly, this chapter lays out theoretical frameworks that support and can explain the research topic. Lastly, it uses a few empirical works to further illustrate the research topic with realistic events.

In a modern corporate firm, a corporate board is established to mediate between the owners and the managers of a corporate firm. A corporate board is established to perform certain duties such as the provision of valuable resources and information to the organization, identification, and communication of stakeholder demands and opinions of the organization (Hun, 1998). The board is also responsible for the protection shareholders from management manipulation and favouring the interest of shareholders (Fame and Jensen, 1983). The corporate board assists in formulating, monitoring and improving the firm's corporate strategy. Given the corporate board importance as a valuable governing body in any corporate organization, many (like Adams and Ferreira, 2009; Anderson et al, 2011; Ferreira, 2010) have researched into the possible correlation between board effectiveness and board characteristics and it is seen that board characteristics have a way of influencing the effectiveness and performance of a board. This characteristic includes board diversity such as independence, ethnicity, experience, education, gender, and tenure.

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Corporate Governance

The response to the problems arising from lack of effectiveness of the Board and a market leader in corporate performance began in England, America, and Canada. But after a short time, the scope of that environment was shaped by the private sector, expanded into the public sector (Baghani, Rivandy, and Saghiri, 2014). Corporate governance can be seen as ensuring that there is a continual increase in credibility, competence, transparency, communication and

accountability in other to ensure a firm is well guarded towards achieving the owner's desired performance, aspirations and visions. It is also about how to build trust and sustain confidence among the various interest groups that make up an organization (Baghani, Rivandy, and Saghiri, 2014). The outcome of a survey by Mckinsey in collaboration with the World Bank in June 2000 attested to the strong link between corporate governance and stakeholder confidence (Mark, 2000). The essence of corporate governance is for the defence of every shareholder and to encourage stakeholder's interest and awareness with the business activities of the firm.

Corporate Governance seeks to promote fairness, transparency, and accountability in companies and with external mechanisms (including laws and regulations) and internal enterprise (mostly optional) can be applied to good management, reducing information asymmetry problems, increasing the confidence of shareholders and thereby reduce agency costs and causes best dividend policy. The term Governance implies rules, regulations, structures, processes, cultures and systems that achieve the goals of accountability, transparency, justice and the rights of beneficiaries. Generally, corporate governance is corporate control and guidance systems in one company. A system that determines controls and guides the relationship between the company and its stakeholders (Baghani, Rivandy, and Saghiri, 2014).

2.1.2. Nigerian Corporate governance code and Board diversity

The new National code of corporate governance 2016 which umbrellas (I) all private companies that are holding or subsidiary, (II) all public companies (listed or not), (III) regulated private companies and (IV) all private companies with more than 8 employees that file returns to any regulatory authority other than the FIRS and CAC. This code comprises of the combination of several prior existing codes into one, and was put into effect on the 17th of October 2016. This new code brought innovation and raised standards to align with that of the UK code. The code for private sector introduced certain requirement that would foster and improve corporate governance, if applied and these requirements apply to, auditing, directors and even whistle blowing.

The private sector code now requires that every prospective director should disclose his previous or current directorship status to the present and prospective company. This code stated that directors of a company to disclose membership of other boards and serving directors to disclose

prospective appointments to other boards (Templars, 2016). It also noted that family members nuclear or extended should not be members of the same board at the same time. The question is posed against Extended family as it has no definition (There are different distances to an extended family e.g. a long distance step cousin is not emotionally linked or blood related but she is an extended family). The code also went to a deeper extent in the measurement of independence when it comes to selection of independent and non-executive directors, which includes: not being a substantial shareholder, not being an employee of the company within the past five (5) years and not serving on the board for more than nine (9) years. All these policies are put in place in the bid to raise corporate governance quality/standard.

This new code for private sector provided for a requirement to establish and disclose a summary on gender diversity for the board to assess annually, which makes a lot sense as research have push in the need for gender based diversity. In a nation like Nigeria, ethnic diversity is of key importance. The code emphasized on a minimum number of members on a board of directors as 8, of which so many corporate firms have less than eight. Corporate governance mechanisms such as CEO duality, directors' shareholdings, board size, board composition (inclusive of board diversity), executive compensation, quality audit committee, executive compensation and board independence have been found to relate to measures of earnings management and performance (Bedard, Chtourou, and Courteau 2004; Tehranian, Cornett). Diversity could be a factor when assessing the performance of a firm.

Figure 2.0: The essential OECD corporate governance components

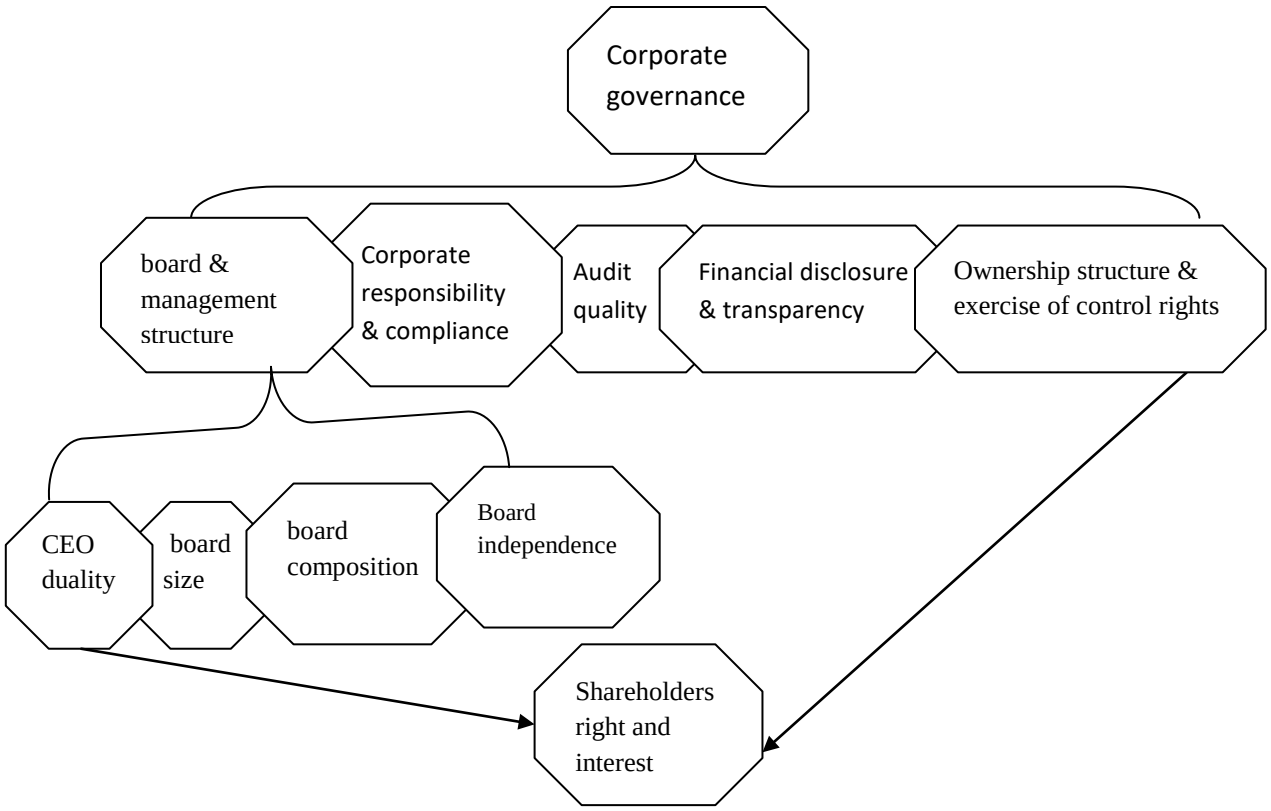


Fig 2.0: Corporate governance (OECD)

The collapse of large firms (such as Enron, WorldCom, Adolph, Cisco, Lucent) resulted in losses for many investors and owners, due to weak systems of corporate governance and this led to more emphasis on Corporate Governance reform. (Baghani, Rivandy, & saghiri, 2014). Hence regulators all over the world have been able to come up with country significant policies that would enhance governance in a nation.

Regulators in UK and Nigeria have stated the importance of diversity in the governance of any organization. The importance of understanding the role of diversity is also recognized by regulators in this regards. In particular, the 2014 UK Corporate Governance Code articulates the importance of diversity:

> One of the ways in which constructive debate can be encouraged is through having sufficient diversity on the board. This includes, but is not limited to, gender and race. Diverse board composition in these respects is not on its own a guarantee. Diversity is as

> much about differences of approach and experience, and it is very important in ensuring effective engagement with key stakeholders and in order to deliver the business strategy (Financial Reporting Council, 2014, p. 2).

Diversity in a board is a needed tool in ensuring solid corporate governance in a firm. The importance of diversity in board for proper governance is also backed up by the Nigerian code of corporate governance, which stipulates that the board should be composed in such a way as to ensure diversity of experience without compromising compatibility, integrity, availability, and independence (Obigbemi, Omolehinwa, Mukoro, Ben-Caleb, and Olusanmi, 2016). Also, the idea has been confirmed by the latest Nigerian code of corporate governance. The Nigerian steering committee released a recent Code of corporate governance in the Private sector, Public sector and Non for profit Organization in November 2016. The National code of corporate governance for private sector 2016 stated the importance of diversity in (Part B, 5.1:8) by stating:

> The board shall be of a sufficient size relative to the scale and complexity of the company's operations and be composed in such a way as to ensure best practices and diversity of experience and gender without compromising competence, independence, integrity, and availability of members to attend and participate effectively in meetings, (The National code of corporate governance for private sector, 2016:8).

We see the concept of diversity emphasized in these two regulations. Again, we see a similarity between the UK code and the Nigerian code in reference to gender diversity as the only referenced form of diversity. Below is an exploration into the nature of diversity in a board based on previous studies we shall be identifying the importance of other forms of diversity to a firm.

2.1.3 Diversity

The studies on diversity can be looked into in two different perspectives. These are demographic perspective and cognitive perspective. The demographic perspective can be viewed based on factors such as gender, age, race, ethnicity and so on while cognitive diversity are knowledge, education, values, perception, affection, experience, value personality characteristics and so on, Peterson, 2000; Timmerman, 2000, Omoye, Alade and Eriki (2013). From the above, we see that

the demographic perspective is viewed on characteristics that cannot necessarily be changed, they are default from the origin. The cognitive perspective is viewed based on certain characteristics that can be, imbibed, experienced, developed, and learned. These cognitive characteristics cannot be detected at first sight. They can only be detected in the individual through long-term observation and interrogation. Culture as a term has a very wide definition. Culture in central anthropology was seen to encompass all human phenomena that are not as a result of human genetics, Kulkarni (2012). It is a form of diversity that can also be seen from a cognitive and demographic perspective. The demographic aspect of culture deals with native attire, house design, art, type of food while the cognitive aspect deals with the language, lifestyle, way of greeting and so on.

The major source of data for this study is the financial reports of the listed firm in the Nigerian stock exchange. The Culture of board member cannot necessarily be detected and measure easily from the corporate information in the financial reports of these listed firms. This is because the cognitive aspect of the culture of each board member cannot be detected from the corporate information. This is why this study has chosen to use *ETHNIC DIVERSITY* which is demographically inclined. Ethnicity is based on claims or myths of common history, ancestry, language, race, religion, culture and territory (Edewo, Aluko and Folarin, 2014:17). Ethnic diversity was preferably used by previous researchers such as (Marimuthu, 2011; and Omoye, Alade, and Eriki, 2013). Ethnicity has a wider coverage over culture. The only pointer to the ethnicity of board members revealed in the financial report is the names of each board member. Kuper (1971) as cited by (Ojie and ewhrudjakpor, 2009) has "observed that the basic determinant of the structure of ethnically diverse societies is culture, with language as a key element" (Kuper, 1971). Names of board members are directly relatable to the language of their ethnic background.

2.1.4 Board Diversity

Diversity in a board can determine the level of innovation brought into an organization on one hand as a result of (creativity, diverse perspective, background and industrial experience) heterogeneous composition. On the other hand, a board can also be a principal source of disadvantage to a firm based on conflict and as a result of differences, intolerance, and

disagreements based on social identity theory predictions. For these reasons, the board is crucial in making certain key economic and financial course of actions. Diversity, though its benefits have relatively been under-examined in academic literature, is an important characteristic of any corporate board (Broome et al., 2011). The most emphasized view of board diversity have been the size of board as well as director independence (Coles et al., 2007; Anderson et al., 2000; Dennis and Sarin, 1999).

Board diversity has still been considered relevant subject in literature (van der Walt & Ingley 2003; Kang et al. 2007) based on certain reasons such: provision of corporate board with new insights and perspective, thereby enhancing organizational performance and value (Coffey & Wang 1998; Carter et al., 2003); for instance, studies of (Milliken & Martin, 1996), have shown that diversity of group membership can provoke member conversations of which ideas could be exchanged and improve performance. Diversity in a board could also offer a vast representation of diverse stakeholders of that firm and will represent the nature of the society which it is surrounded (van der Wailt & Ingley, 2003; Ayuso & Argandona, 2009).

Owing to the benefits it provides for a firm, a number of studies have documented the advantages of a diverse board, examples are (Brammer et al., 2007; Arfken et al, 2004; Carter et al., 2003; van der Wailt & Ingley, 2003. Looking at Carter et al., 2003, it stated the positive effect of a diverse board on the marketplace, as it promotes understanding of the board, increases creativity, innovation and effective problem-solving. Furthermore, a board consisting of diverse members in gender, ethnicity or culture would most likely ask questions that would not be asked by those of the same background, thus increasing the independence of the board and effectiveness (Arfken et al., 2004). A diverse board would like to show greater and equal representation of the society, i.e. relevant and non-relevant stakeholders (van der Walt & Ingley, 2003; Brammer et al., 2007)

Figure 2.1: Research variables

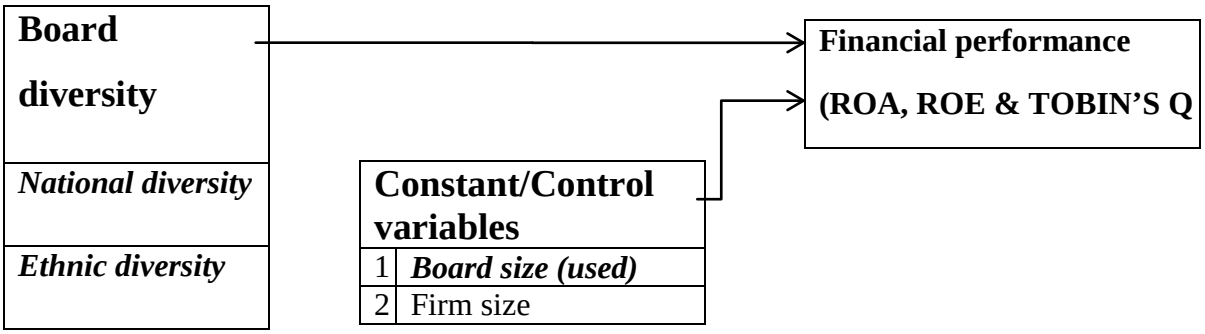


Fig 2.0: **Research variables showing the link between the independent, dependent variables and control variables**

2.1.4.1 Benefits and Challenges of Board Diversity

Schumpeter referred to innovation as the key engine for growth of any business. Innovation has been a means by which firm is able to introduce products and processes that serve as new profit generating sectors thereby cutting cost. Therefore, innovation is a tool for keeping a business alive. Corporate boards are relevant and relate to innovation due to the fact that decision making in a team of directors is quality and results in creativity compared to that of individuals. Rockenbach et al., (2007), Blinder and Morgan (2005) found out that groups happen to make better investment decisions in environments that are characterized by risk taking and uncertainty than individual investors. A review of 25 year group decisions was reviewed by Kugler et al., (2012), dating from 1987-2012. The results were consistent with that of (Blinder and Morgan, 2005). Innovation has its bedrock on social cohesion; it results from the process of interaction between people (Lundavall, 2002). Group diversity plays a great role in innovation, as proven empirically by (Ostergaard et al., 2011). Greater cultural and ethnic base will most time lead to higher levels of innovativeness amongst groups. Other studies that are in agreement with the positive influence diversity has on innovation and creativity are (Williams and O'Reilly, 1998; ver der Vegt and Janssen, 2003; Richard et al., 2004).

Because major economic decisions are made at the corporate board level, we concentrate on how diverse boards contribute to innovation. To capture the quality of innovation, we use citations. We classify board diversity in the form of ascribing and achieved characteristics of directors.

Ascribed characteristics include gender, nationality, ethnicity, and age; and achieved characteristics include qualifications and experience. (Carter et al., 2007). Identified a number of arguments for diversity in board as related to the principal-agent framework. They concluded that a more diverse or heterogeneous board has the ability to take critical decisions when evaluating more alternatives compared to the decision making ability of an homogenous board. A diverse board, consisting of individuals from different background, and locations tend to have a better understanding of the firm's market place which enhances the effectiveness of innovation and creativity knowing the desires of the market. A diverse board is easily equipped with ideas on batter ways to treat their customers since contribution is made from individuals of different background. This would enhance customer satisfaction, increasing the Goodwill or image of firm thereby positively affecting the customer behaviour towards the company and its products. Diversity dvocates in support of diversity in a corporate board, have explicitly argued that a diverse board will bring about improved financial, organization performance and capability to link up with global and domestic markets across the globe, expanded access to global and domestic talent pools, enhanced creativity and innovation, and strengthened social capital and cohesion (Kochen, et al. 2008).

Despite the clear importance of board diversity, arguments against diversity of board still proves a course for more research for clarity. For instance, assuming boards that have diversity in board pave way for more suggestions and pool of contribution. This could also result in more critical evaluations of decision even when it is time bound and short termed which could lead to further time-consuming and ineffective activities. This will be a great hindrance to progress of firm especially if the firm operates in an environment that is highly competitive where proactivity in terms of reaction against market shocks is of great importance (Smith, Smith and Verner, 2005). Board diversity also could the cohesion in groups and could lead to a less corporative board and a board that experiences frictions and conflict. Such board squabbles may create an entirely new version of agency problems, thereby impeding firm performance. (Smith, Smith, and Verner, 2005) equally, they argue that ethnically or gender diverse board would usually experience mor differences which could eventually improve the quality of decision making, of which may never offset negative effects of a slower decision-making process should the firm‘s marketplace demand quick responses.

The disadvantages of diversity are associated with the relationship or affective conflict (an awareness of interpersonal incompatibilities). Many studies have documented the detrimental effects of relationship conflict on group commitment and group decision quality, as it can lead to a reduced effort to resolve the group's cognitive tasks due to increased levels of stress and conflict within the group (e.g., De Wit et al., 2012; Jehn and Mannix, 2001). Culturally diverse groups, communication is slower, more difficult, more confused, and more frequently a source of misunderstanding. Differences in style and the attribution of meanings curtail conflict resolution (Anderson et al., 2011; Doney et al., 1998). As Kirchmeyer and Cohen (1992) point out, conflict in multicultural teams may be difficult to identify and even more difficult to resolve. Furthermore, Simons and Peterson (2000) show that an increase in task-related conflict goes hand in hand with an increase in relationship conflict, making it difficult to increase the benefits of diversity without increasing the disadvantages (for instance, people may interpret a discordant view as a personal attack or promotion of a hidden agenda).

However, the resource dependency theory introduction to governance literature has widened its scope. The regular arguments of boardroom room diversity have been channelled towards the positive advantage in terms of innovations and economic gains. (Carter et al., 2003) was able to emphasize on the economic gain as well as the ethical consideration. The ethical point of view regards board diversity as desirable and that it is inappropriate to neglect certain groups (minor or major) from corporate elite based on diversities like gender, race, religions among others. In addition, board diversity represents the notion of equality of representation and fairness in society, empowering its constituents that have been excluded from power (Brammer et al., 2007).

2.1.5 Cultural diversity

In the business field, effects cultural diversity has had various views and perspective. In the management literature, there has been a theoretical debate on cultural diversity as a "double-edged sword" (Milliken and Martins, 1996). The double-edged sword tag is referring to the positive and negative sides of cultural diversity to a group. On one hand, cultural diversity enhances elaborate information, knowledge, diverse perspective, experience, and backgrounds (Nederveen Pieterse et al., 2013). Diversity in terms of foreign nationals in a multinational organization would always tend to ensure adequate representation of market base in their home

country (Maznevski, 1994). Masulis et al. 2012) also demonstrated that firms with the foreign independent directors would find it easier to make an order across borders, especially when the targets are from their own country. In addition, cultural diversity can lead to lower levels of intragroup trust (Bjørnskov, 2008).

One the other side cultural diversity could contribute to major frictions among members of a group. In cultural diversity, communication is slower, difficult and more confused, leading to misunderstanding among groups (Anderson et al., 2011). Cultural diversity could also reduce the trust level among group members (Bjornskov, 2008). The greater the degrees the more it's difficult. Communication is slower, more confused, and more frequently a source of misunderstanding (Anderson et al., 2011; Doney et al., 1998). According to (Helena Cimerovaa, Olga Dodda, Bart Frijnsa, 2013) (which made use of Hofstede cultural distance as an instrument of cultural diversity) cultural diversity has a negative significant effect on the performance of firms. These negative aspects of cultural diversity can be linked to the findings of Ahern et al. (2015), who present strong evidence that cultural distance between an acquiring firm and its target reduces the likelihood of a successful acquisition.

Cultural diversity in a board does not have a different effect from the effects we have explored in a typical group. On a board, cultural diversity has two major effects, according to the work of (Milliken and Martins, 1996) of which they are: through the degree of a related task and the relationship conflict it creates and through the impact it has on intragroup trust. The degree of task-related and relationship conflict represents the advantages and disadvantages of diversity that make up the two sides of cultural diversity (Milliken and Martins, 1996). The general advantages are referred to as task-related or cognitive conflict and relate to different (world) views, ideas, opinions, and different ways of perception and interpretation of information from the group (Nederveen Pieterse et al., 2013; Simons and Peterson, 2000). In this context, diversity influences, for example, group thinking. The notion that cultural diversity has both positive and negative consequences suggests that firms may be affected positively and negatively by cultural diversity. One of the negative or positive outcomes of cultural diversity in the board can directly be traced to the decision making as numerous studies have documented that culture affects financial decision making and financial outcomes (Helena Cimerovaa, Olga Dodda, Bart Frijnsa, 2013).

2.1.5.1 Ethnic diversity

Ethnic diversity in so many ways creates an avenue for the harvest of various ideas, perspectives and experiences which could serve as added advantage or could be detrimental. (Milliken and Martins, 1996) argued, in line with the detrimental effect of a small number of ethnic diversity, reasons resulting from the possible dissatisfaction of minority groups. They went on with the argument that the larger the diversity the more advantageous and could result in more innovative ability. Richard (2000) argued in the direction of racial diversity (an aspect of ethnic diversity). Emphasizing on its essence and importance in Richard (2003) by stating that racial diversity acts as a knowledge-based resource and empirically shows that racial diversity has a positive impact on the performance of innovative banks. Richard (2004) further went ahead to investigate the relationship between cultural diversity and performance of high-risk firms, of which the result showed a curvilinear relationship. The extant literature on the impact of racial and national cultural diversity on firm performance is mixed. We conjecture, because specifically innovation benefits from different points of views, its relationship with innovation should be positive.

Cultural diversity can be viewed in various forms and from different angles. Some studies have viewed it from the national level (Beugelsdijk and Frijns, 2010; Ahern et al., 2012, among others) and others have viewed it from the cross country angle, i.e. Cross country difference in corporate practices (e.g Zheng, Ghoul, Guedhami, and Kwok., 2012; Bryan, Nash, and Patel., 2014, among others). According to Helena Cimerovaa, Olga Dodda, Bart Frijnsa, 2013, prior studies on the impact of cultural differences have *between* groups. His work focused on impacts of cultural differences *within* groups, but this work combined both. The national diversity represents a culture between the groups (nationalities) and the ethnic diversity represent the culture within groups.

2.1.5.2 Nature of the Nigerian Ethnic Diversity

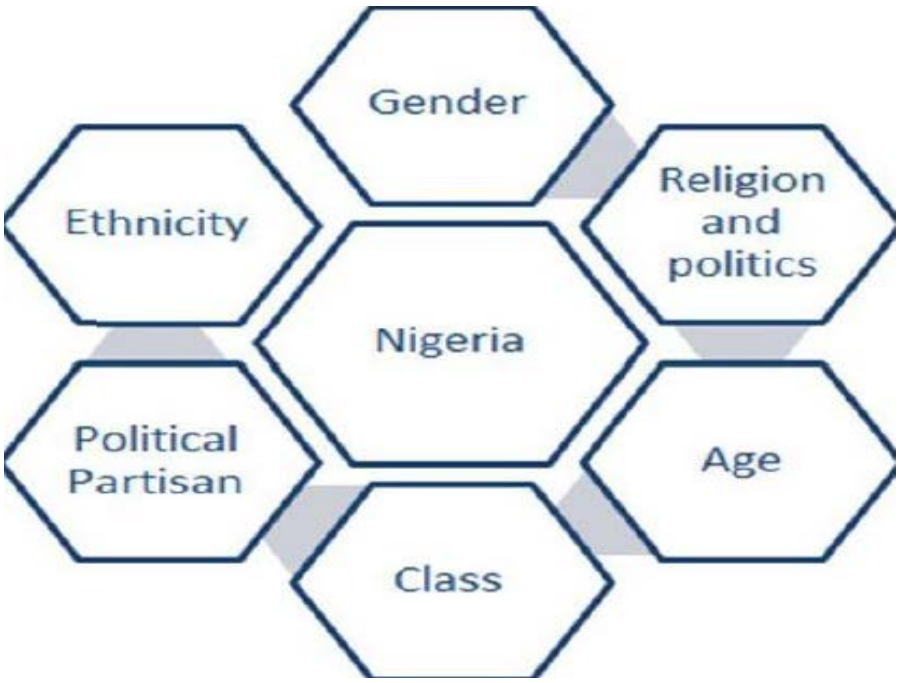
Nigeria like Canada, India, and Malaysia owe its existence to Great Britain, (Adetiba and Rahim, 2012). The creation of Nigeria conglomerate formed the merge of diverse ethnic groups within a polity. Nigerian polity is one of the most ethnically diverse societies in the world, (Olayiwola, 2016). Nigeria itself is a diverse entity with multi-ethnic, multilingual, multi-religious and

multicultural representations. Nigeria is said to have over 250 ethnic groups with 400 languages. Ogoanah (2012:147) as cited in (Ojo, 2016:2

2.1.5.3 Ethnicity

Nigeria has so many ethnic group with diverse cultural traditions and languages. In the Nigerian context, ethnicity as a social signifier is linked up with a particular sense of belonging as a result of a single common language, belief and origin, (Odiegwu, Ubabukoh, Baiyewu and Okpi, 2012). In Nigeria, for instance, ethnic loyalties lead to conflicts when political allocations apparently do not favour a particular ethnic tribe or region (Odiegwu, Ubabukoh , Baiyewu and Okpi, 2012). These are in support of identity theory, which would be later addressed in this chapter. The act of ethnicity discrimination in Nigeria, also known as tribalism, tends to promote frictions in various levels of institutions from the political scene down to the processes of forming the marital institution. If these is a strong factor to decision making at the top level (political level), how much more will it be a major factor that could influence the decision making of individual managing the affairs of a corporate firm.

Figure 2.3: Social identities in Nigeria



Dominant Social Identities in Nigeria (source: Loliya Akobo, 2016).

Diversity in terms of gender is still a strong topic of study in various organizations. Relating gender to the political scene there has been a relatable difference in a female leader of a male (in reference to contemporary leaders like the president of Brazil and most notable Margaret Thatcher). Relating ethnic diversity to the political scene we can also see that there have been drawbacks and obstacles to the overall political and economic development of Nigeria (Odeyemi, 2014). Though studies like that of (Omoye, Alade, and Eriki, 2013) and (Marimuthu, 2011) have proven that ethnic diversity in, the board has a lot positive effect on firm performance, we can also hypothesize that ethnical diversity can also prove a great hindrance to the progress of a firm.

2.1.5.4. Literature reviewed on Nigerian ethnic diversity

Ujunwa, Okoyeuzu & Nwakoby, (2012), made use of panel data of 122 quoted firms in the Nigerian stock exchange regardless of industrial differences. Their results showed that national and ethnic diversity were positively linked to firms' performance, which is not in agreement with this study. They focused on gender, *ethnicity* and *nationality* as board diversity using fixed effect generalized least square regression examining periods of 1991-2008 (17yrs) of which this period is pre-IFRS adoption periods. Omoye, Alade, & Eriki, (2013) made use of 96 randomly selected from the Nigerian stock exchange, using ordinary least square regression using the individual ethnic groups for separate analysis. Results showed that the individual *ethnic* group (*Hausa, Igbo, and Yoruba*) each had a negative association with firm performance. While Garba & Abubakar, (2014) investigated gender, *ethnic diversity* and board size. Selected 12 listed insurance firms, using data period of 2004-2009 which were analysed using feasible generalized least square regression and random effects estimators. Results showed a positive link between the foreign directors and firms' performance, but ethnic diversity had no significant impact on firms' performance, of which this is in agreement with this study. The above were the few Nigerian based studies that were reviewed by this study based on their method, data collection, period of analysis and findings.

2.1.5.5 National Diversity

Frijns et al., (2016) examine the role of national cultural diversity on corporate boards in determining firm outcomes. The authors find that national diversity has a negative relation with

Tobin's Q. However, the authors find that the negative relationship disappears for complex firms with significant exposure to international markets. Their findings are consistent with Masulis et al. (2012) who show a negative effect of foreign directors on firm performance. In contrast, Estelyiova and Nisar (2016) show that foreign directors on boards are associated with better performance.

Gender diversity, being the center of attention, additional diversity variables (such as nationality, ethic, education, function, and age) is rarely investigated, (Omoye, Alade and Eritki, 2013). With regard to the international composition of the board (national diversity), the CG report by Heidrick and Struggles (2009) shows that in Europe the foreign percentage within boards has increased from 11 up to 23 percent within the years from 2007 to 2009. With regard to empirical CG research, it is expected that national diversity will gain importance due to the globalizing tendencies. However, there is an increasing number of empirical research studies for Scandinavian countries (Norway, Sweden, and Denmark), e.g. by Oxelheim and Randoy (2003), Randoy et al. (2006) and Rose (2007), measuring a positive influence of foreign board members on companies' performance. A positive link was also stated by Ujunwa, Okoyeuzu and Nwakoby, (2012) and Ujunwa (2012) for Nigerian quoted firms. Oxelheim and Randoy (2003) observe only foreigners, who are originally from the US, Canada or England due to the planned adoption of the Anglo-American CG system. Randoy et al. (2006) use a different concept for the 500 largest Danish, Norwegian and Swedish companies as the foreigners are not bound to specific regions.

2.1.5.6 Literatures reviewed on Ethnic and National diversity

Oxelheim and Randoy (2001), examined the effect of foreign (Anglo-American) board membership on corporate performance measured in terms of firm value (Tobin’s Q and ROE). The research was carried out in Norway & Sweden. Analysis of data was carried out using cross-sectional ordinary least-square and two-stage least-square regression. Data from 132 firms are based in Norway and 121 firms in Sweden between the periods of 1996-1998. Results showed a significant positive relationship between the presence of foreign directors on the board and firms’ financial performance. (Carter, Simkins and Simpson, 2003) examined the relationship between firm performance and board diversity. The board diversity variables used in this study were percentage representatives of women, African American, Asians and Hispanics on the

board of fortune 1000 firms, controlling for size industry and other corporate governance measures. This research was relevant as at 2003 because it represented the first empirical evidence to show if board diversity could bring about improve financial performance. The results showed a significant positive relationship between women and ethnic minorities on board with firm performance.

Swartz and Firer (2005), examined the effects of *ethnic* and gender diversity on firm performance in South Africa. Focusing on 117 listed companies on the JSE. Data were analysed using cross-sectional multiple regressions. Financial parameters like ROE were found to have a significant positive relationship between ethnic diversity and firms' performance. Nishiiet al. (2007), determined the effects of demographic diversity on firm performance in the U.S.A. Data analysed were 260 U.S. firms using the survey method. Financial performance parameters used are ROA, ROE Found significant positive relationship between ethnic diversity and firms' performance. Marimuthu (2008), Determine the effects of ethnic and gender diversity on firm performance in Malaysia. He made use of Sample of 100 non-financial companies, data obtained from 2000 to 2005. The analysis used to study was Weighted Least Squares & ordinary least squares. Financial measures are ROE, ROA found a significant positive relationship between ethnic diversity and firms' performance. Lehman & Dufrene (2008) determined the relationship between board cross-cultural diversity and performance. This Empirical study made use of ROE as a measure of financial performance for measuring the effects of ethnic diversity in board with one hand, a diverse board in terms of culture may cause cross-cultural communication problems and interpersonal conflicts. Zainal- Abidin, Kamal & Jusoff (2009) looked at Board Composition, Directors' Ownership, CEO Duality, Board Size and their effects On performance of firms using data from 75 companies listed on Bursa Malaysia. Analysed data using Content analysis and ROA as the financial measure. Findings reveal that ROA has an inverse relationship with National diversity.

Adams and Ferreira (2010) examined the relationship between board diversity and firm performance. ROA, ROE, Other instruments were used as the financial performance measurement instruments. Empirical findings indicate that diversity results in greater Knowledge, creativity and innovation and thus, organizations tend to become more competitive. Carter, D'souza, Simkins, & (2010) determine the effects of the inclusion of women and ethnic

minority on firm performance in the U.S.A. Data were collected from the total composition of Fortune 500 board committees between 1998 and 2002, 5yrs. Analysed using OLS regression with Tobin's Q and ROE as the financial measure. Findings show that ethnic and Gender diversity may have a positive or negative effect on performance. Ararat, Aksu and Cetin (2010) aimed to determine the relationship between board diversity and performance using variables like Gender, Ethnic, Educational and Nationality background in Turkey. He made use of Tobin's Q as a measure of financial performance in the empirical study. Results found that higher diversity leads to an increase in market-to-book ratio of a firm in such countries as Turkey. (Darmadi, 2011) aimed to determine the relationship between board diversity and performance in Indonesia. He made use of gender, nationality, age, and ROE as diversity and financial performance variables respectively. The results showed that nationality diversity has no impact on the financial performance for a sample of Indonesian companies. Schwizer et al. (2012) determined the relationship between the presence foreign directors in board and performance. Primary and secondary data were collected from U.S. Firms using ROE as financial measure. The study Found that a significant negative relationship exists between foreign directors, board inclusion and performance. Zainal, Zulkifli, and Saleh, (2013) determined the relationship between board diversity and performance, making use of Women and foreign directors as variables in Malaysia. Data were collected from top 300 Malaysian firms of periods 2005 to 2009 Using longitudinal descriptive analysis of the trend of board diversity. Mann-Whitney U test to find similarities and differences. Findings show that Financial performance (ROA) has a negative relationship with the presence of Women and foreign directors.

(Giannetti and Zhao, 2014) investigated the effect of board diversity using racial diversity on firm performance volatility, looking at listed firms in the USA. The study proved that as the level of diversity increasing the performance of the firm also increases. (Rhode and Packel, 2014), provided a comprehensive overview of recent studies on board diversity and firm performance. They examined on whether diversity as been proven as a means of improving firm performance, board decision making, governance and firm reputation. They examined the strengths and weakness of various methodological approach and survey findings. Their results indicated that the relationship between diversity and firm performance has not yet been convincingly established. Cimerovaa, doda, & Frijnsa, 2014), examined the impact of cultural diversity on firm performance amongst U.K. firms. Analysis was done using Two stage least square

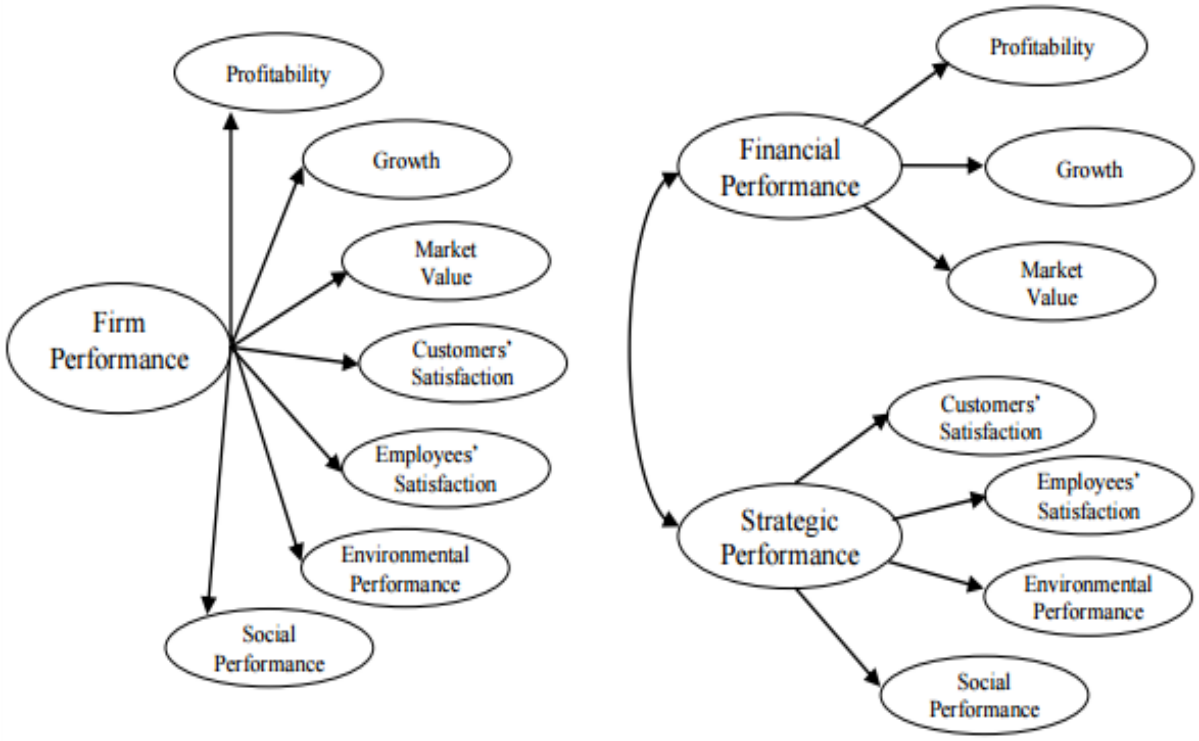
regression and data was gotten from 244 firms from the periods 2002-2012 using Tobin's Q and ROA for financial measure. Findings indicate that cultural diversity on boards negatively affects firm performance. (Miller and Triana, 2014) investigated the mediators that can explain how corporate board diversity is related to firm performance, using data from fortune 500 firms between periods 2002 to 2005. The findings show a positive relationship between innovation, board racial diversity and firm reputation. Findings also indicated that firm reputation and innovation are mediators between board racial diversity and firm performance. Protasovs, (2015) examined the relationship between board diversity and financial performance using Ethnic, ages, education and gender diversity as diversity variables in Indonesia, Thailand, Malaysia & Singapore. 100 companies were examined within the South-East Asian region financial performance data (ROA & ROE) for the five-year interval from 2009 to 2013. The results show there was no significant relationship between ethnic diversity and firm financial performance.

Sharma, (2016) determines the effects of board diversity on firm performance in the U.S.A., using gender, *ethnicity*, *nationality*, age; education and experience. Analysis was done using OLS regression. Data from 2000 to 2006, 5432 unique U.S. firms of which 1216 applied with ROA as the financial performance measure used. Results showed that *Ethnicity* and *nationality* had a positive impact on innovation and age dissimilarity and lack of women has a negative impact. (Frijns, Dodd & Cimerova 2016) determine the effects of *cultura*l diversity on firm performance in U.K. and analysed data 243 firms from 2002-2014 using fixed effects and instrumental variables regressions and ROA & Tobin's Q as financial performance parameters. Results prove that national cultural diversity on boards negatively affects firm performance. (Bernile, Bhagwat and Yonker, 2016), examined the impact of director diversity on corporate policies and risk making use of multi-dimensional diversity index. The results showed that board diversity leads to significant reduction in the return volatility due to the adoption of less risky financial policies by diverse boards. The results also proved that firms with a higher board diversity tent to invest resources more in firm improving activities like R&D and produce more and better innovation. Though produces friction among board members board diversity performance benefits outweighs cost.

2.1.6 Firm performance

Company performance is concerned with the whole health status of the company financial or otherwise. Traditionally, the analysis of the performance of a firm is usually a bench on financial performance indicators, but nowadays there is a broader view to its evaluation by the inclusion of non-financial performance indicators such as corporate social responsibility, organizational reputation, innovation/technology, employee morale and research and development. This research would only take financial performance into consideration. (Santoss, Ledur & brito, 2012), in their work classified modern firm performance into strategic performance and financial performance. The strategic performance was classified into customer satisfaction, employee satisfaction, social responsibility and environmental responsibility. While financial performance were classified as profitability, growth and market value as shown in the figure below.

Figure 2.4: Second-order models of firm performance



Source: (Santos, Ledur & brito, 2012)

Table 2.0 Financial performance Indicators

S/N	Indicators	
1	**Profitability**	Return on Assets, EBITDA margin, Return on investment, Net income/Revenues, Return on equity, Economic value added
2	Market Value	Earnings per share, Stock price improvement, Dividend yield, Stock price volatility, Market value added (market value/equity), Tobin's q (market value/replacement value of assets)
3	Growth	Market-share growth, Asset growth, Net revenue growth, Net income growth, Number of employees growth
4	Employee Satisfaction	Turn-over, Investments in employees development and training Wages and rewards policies, Career plans, Organizational climate, General employees' satisfaction
5	Customer Satisfaction	Mix of products and services, Number of complaints, Repurchase rate, customer retention, General customers' satisfaction, Number of new products/services launched
6	Environmental Performance	Number of projects to improve/recover the environment, Level of pollutants emission, Use of recyclable materials, Recycling level and reuse of residuals, Number of environmental lawsuits
7	Social Performance	Employment of minorities, Number of social and cultural projects, Number of lawsuits filed by employees, customers and regulatory agencies

The study is particularly concerned with the financial performance of the firm. It makes use of the ***profitability measures*** above.

The table below is a review concerned with the available literature that measured the effect of ethnic diversity on firm performance, showing the financial measure implemented, location, the difference in this study (identified gaps) and the findings.

Table 2.1: Summary of the literature reviewed

S/N	Author	Objective & Area of study	Location	Methodology	Findings & Shortcomings

1	Garba & Ababakar, 2014	To investigate the relationship between board diversity and financial performance of insurance companies in Nigeria. **Studied gender, ethnic, board size, board composition and foreign directorship**	Nigeria	Analysed 12 listed insurance firms, using data period of 2004-2009 Analysed using feasible generalized least square regression and random effect estimators. ROA, ROE and Tobin's Q	Findings indicate a positive and significant relationship between National diversity and performance. **Ethnic diversity** has no significant influence on performance. **Only focused on 12 insurance companies. Data ranged from 2004-2009. Used FGLS regression.**
2	Frijns, Dodd & Cimerova 2016),	Determine the effects of cultural diversity on firm performance **National cultural diversity**	U.K.	Analysed data 243 firms from 2002-2014 using fixed effects and instrumental variables regressions. ROA & Tobin's Q	National cultural diversity in boards negatively affects firm performance. **Did not make use of Tobin's Q. Focus only on ethnic diversity**
3	Swartz and Firer (2005),	Examine the effects of ethnic and gender diversity on firm performance **Gender and Ethnic diversity**	South Africa	Focused on 117 listed companies on JSE. Analysed using cross-sectional multiple regressions. ROE	Found significant positive relationship between ethnic diversity and firms' performance. **Did not make use of Tobin's Q and ROA. Focus only on ethnic diversity**
4	Nishii et al.(2007),	Determine the effects of demographic diversity on firm performance **Demographic diversity**	U.S.A	Analysed 260 U.S. firms using the ssurvey method. Financial performance parameters used are ROA, ROE	Found significant positive relationship between ethnic diversity and firms' performance. **Did not make use of Tobin's Q. Focus only on ethnic diversity**
5	Marimuthu (2008),	Determine the effects of ethnic and gender diversity on firm performance **Ethnic & Gender diversity**	Malaysia	Sample of 100 non-financial companies, data obtained from 2000 to 2005. Analysis used for study was Weighted Least Squares & ordinary least squares. Financial measures are ROE, ROA	Found significant positive relationship between ethnic diversity and firms' performance. **Did not make use of Tobin's Q. No national diversity. Not Nigerian based.**
6	Marimuthu	Determine the effects of ethnic and	Malaysia	Sample of 100 non-financial companies, data	Found no significant relationship between ethnic

	and Kolad aisamy (2009a)	gender diversity on firm performance **Ethnic & Gender diversity**		obtained from 2000 to 2006. Analysis used for study was a series of OLS regressions using on the cross-sectional data. Financial measures are ROE, ROA	diversity on the board and firm performance. **Did not make use of Tobin's Q. No national diversity. Not Nigerian based.**
7	Sharm a, (2016)	Determine the effects of board diversity on firm performance **Gender, ethnicity, nationality, age; education and experience**	U.S.A.	Analysed using OLS regression. Data from 2000 to 2006, 5432 unique U.S. firms of which 1216 applied for a spa tent. ROA as the financial performance measure used.	Ethnicity and nationality mix has a positive impact on innovation and age dissimilarity and lack of women has a negative impact. **Did not make use of Tobin's Q & ROE. Not Nigerian based.**
8	Oxelh eim and Rando y (2001) ,	To examine the effect of foreign (Anglo-American) board membership on corporate Performance measured in terms of firm value (Tobin's Q). **Foreign directors**	Norway & Sweden	Analysed data using cross-sectional ordinary least-square and two-stage least-square regression. Data from firms. 132 are based in Norway and 121 in Sweden 1996-1998. Used ROE as financial measure	Found a significant positive relationship between the presence of foreign directors on the board and firms' financial performance. **Did not make use of Tobin's Q. No national diversity**
9	Torny eva and Werek o (2012)	Communication policy and performance evaluation aspect of soft corporate governance	Ghana	19 Ghanian companies. Panel data methodology for the regression analysis. Data collected combined primary and secondary data from 2005 – 2009. Financial measures are (ROA) & (ROE)	Communication policy and performance evaluation have statistically significant positive relationship with the performance. **Did not make use of Tobin's Q. Did not even focus on diversity. Not Nigerian based.**
10	Schwi zer et al.(201 2)	To determine the relationship between the presence foreign directors in board and performance **Foreign directors**	N/A	Data collected combined primary and secondary data US. Firms using ROE as financial measure.	Found a significant negative relationship between the variables. **Did not make use of Tobin's Q and ROA. No Ethnic diversity**
11	Zainal, Zulkifl i, and	To determine the relationship between board diversity and	Malaysia	Data collected from top 300 Malaysian firms of periods 2005 to 2009.	Financial performance (ROA) has a negative relationship with the presence of Women

	Saleh, (2013).	performance **Women and foreign directors**		Used longitudinal descriptive analysis of the trend of board diversity is presented. Mann-Whitney U test to find similarities and differences	and foreign directors. **Did not make use of Tobin's Q and ROE. No Ethnic. Not Nigerian based.**
12	Omoye, Alade, &Eriki, 2013	Examines board ethnic diversity and firm performance in Nigeria. **Ethnic diversity**	Nigeria	Analysed 96 randomly selected firms. Using ordinary least square regression. ROA	Found negative relationship between ethnic diversity on the board and firm performance. **Did not separate financial and non-financial firms. Used only ROA**
13	Protasovs, (2015)	To determine the relationship between board diversity and financial performance **Ethnic, ages, education and gender diversity**	Indonesi, Thailand, Malaysia & Singapore	100 companies within the South-East Asian region financial performance data (ROA & ROE) for the five-year interval from 2009 to 2013	There was no significant relationship between ethnic diversity and firm financial performance. **Did not make use of Tobin's Q. No National diversity. Not Nigerian based.**
14	Darmadi, 2011	To determine the relationship between board diversity and performance in Indonesia **Gender, nationality, and age**	Indonesia	Data were collected from top 300 Malaysian firms of periods 2005 to 2009 Using longitudinal descriptive analysis of the trend of board diversity. Mann-Whitney U test to find similarities and differences. ROE as financial measure	Found that nationality diversity has no impact on the financial performance for a sample of Indonesian companies. **Did not make use of Tobin's Q and ROA. No Ethnic diversity.Not Nigerian based.based**.
15	Ararat, Aksu and Cetin (2010)	To determine the relationship between board diversity and performance in Turkey. **Gender, Ethnic, Educational and Nationality background**	Turkey	Made use of Tobin's Q as a measure of financial performance in the empirical study.	Found that higher diversity leads to an increase in market-to-book ratio of a firm in such countries as Turkey. **Did not make use of ROA and ROE. Not Nigerian based.**
16	Lehman &	To determine the relationship between	N/A	This Empirical study made use of ROE as a	On the one hand, a diverse board in terms of culture may

	Dufrene (2008)	board cross-cultural diversity and performance **Ethnic diversity**		measure of financial performance for measuring the effects of ethnic diversity in board	cause cross-cultural communication problems and interpersonal conflicts. **Did not make use of Tobin's Q and ROA. No national diversity.**
17	Oxelheim & Randoy (2003)	To examine the effect of foreign (Anglo-American) board membership on corporate Performance measured in terms of firm value (Tobin's Q). **Foreign directors**	Norwegian and Swedish firms	Analysed data using cross-sectional ordinary least-square and two-stage least-square regression. Data from firms. 132 are based in Norway and 121 in Sweden 1996-1998.	A board which has foreign representatives creates potential benefits for the company. **Did not make use of ROA and ROE. No Ethnic diversity.Not Nigerian based.**
18	Ruigrok & Kaczmarek (2008)	To determine the relationship between board diversity and performance **Foreign directors**	UK, Dutch and Swiss firms.	Used ROE as financial measure	Found results that board which has foreign representatives creates potential benefits for the company. Using net income as a performance measure. **Did not make use of Tobin's Q, ROA and ROE. No Ethnic diversity.Not Nigerian based.**
19	Adams and Ferreira (2007) & (2010)	Examines the relationship between board diversity and firm performance **Board Diversity**	General	ROA, ROE, Other instruments were used as the financial performance measurement instruments .	Empirical findings indicate that diversity results in greater Knowledge, creativity and innovation and thus, organizations tend to become more competitive. **Was amongst the forunners in prior literature, so results are a based on data from the last decade and are not recent.**
20	Erhardt, Werbel, & Shrader, (2003),	Determining the relationship between board diversity and performance in the U.S. **Gender, race & ethnicity**	USA	Looked at 112 leading firms over five (5) years Made use of ROE as financial performance measure	Positive relationship between performance of those firms and their board diversity. **Did not make use of Tobin's Q and ROA. No National diversity. Not Nigerian based.**

21	Cimerovaa, doda, & Frijnsa, 2014),	To determine the impact of cultural diversity on firm performance. **Cultural diversity**	UK	Analysis was done using Two stage least square regression. Data was gotten from 244 firms from 2002-2012 Tobin's Q and ROA	Findings indicate that cultural diversity on boards negatively affects firm performance measured by Tobin's Q and ROA. **Only used Tobin's Q and ROA. Not Nigerian based.**
22	Ujunwa, Okoyeuzu and Nwakoby, (2012)	Determine the relationship between board diversity and performance **Ethnic, National and Gender Diversity.**	Nigeria	Collated and analysed panel data of 122 quoted firms using fixed effect generalized least square regression. Data from 1991-2008 (17yrs). ROA as the financial measure	Gender diversity, nationality and ethnicity were negatively, positively and positively linked to firm performance, respectively. **Data dated from 1991-2008 (pre-IFRS). Did not separate financial and nonfinancial firms. Used FEGLS regression**
23	Carter, D'souza, Simkins, & (Simpson, 2007)	Determine the effects of racial and gender diversity on firm performance **Racial and Gender**	U.K.	Data collected from the total composition of Fortune 500 board committees between 1998 and 2002, 5yrs. ROE as the financial measure	They found a positive Effect of Racial and Gender diversity on performance. **Did not make use of Tobin's Q and ROA. No Ethnic and National diversity. Not Nigerian based.**
24	Zainal-Abidin, Kamal & Jusoff (2009)	Board Composition, Directors' Ownership, CEO Duality, Board Size and their effects On performance of firms	Malaysia	Data from 75 companies listed on Bursa Malaysia. Analysed data using Content analysis and ROA as the financial measure	ROA has an inverse relationship with National diversity. **Did not make use of Tobin's Q and ROE. No Ethnic and National diversity. Not Nigerian based.**
25	Carter, D'souza, Simkins, & (Simpson, 2010)	Determine the effects of the inclusion of women and ethnic minority on firm performance **Racial and Gender**	U.S.A.	Data collected from the total composition of Fortune 500 board committees between 1998 and 2002, 5yrs. Analysed using OLS regression. Tobin's Q and ROE as the financial measure	They found that ethnic and Gender diversity may have a positive or negative effect on performance. **Did not make use of ROA. No Ethnic and National diversity. Not Nigerian based.**
26	(Miller &Triana, 2014)	investigated the mediators that can explain how corporate board	U.K.	Analysed data from fortune 500 firms between periods 2002 to 2005.	Findings show a positive relationship between innovation, board racial diversity and firm reputation.

		diversity is related to firm performance			Findings also indicated that firm reputation and innovation are mediators between board racial diversity and firm performance.

2.1.6.1 Measurement of Financial performance

The financial framework is the old paradigm for performance evaluation. Its roots are in the areas of accounting, financial management, and economics (Marie, Ibrahim and Nasser, 2014). Over the years, the accounting literature, for example, has recognized the importance of cost control, profitability, and liquidity. Financial and accounting reports employ various measures for profitability (Marie et al., 2014). Consequently, performance evaluation systems have seen two new profitability measures: percentage of gross profit and the rate of return on investment. However, several authors (e.g., Kaplan & Norton, 2001; Ibrahim, 1999) indicated that although financial measures are important, they are not enough for a good performance evaluation system. The system should also incorporate non-financial measures of performance. One rationale for this trend is provided by (Kelly, 2007). He indicated that firm value is created through different activities that promote critical success factors. These factors include innovation, quality, productivity, and customer satisfaction. Also, Gu (2005) pointed out that these success factors ultimately improve future financial performance. Current summary financial measures that report financial results, such as operating income and return on investment, are unlikely to fully reflect the long-term consequences of these activities. Hence, many firms complement summary financial measures with nonfinancial measures that reflect key value-creating activities (Kaplan & Norton, 2001). However, Ittner and Larcker (2001) indicated that there is a lack of evidence of when and how nonfinancial measures improve managerial performance. Firm performance can be looked at from different directions and perspectives. This study decided to focus on the financial aspect of performance. Financial performance itself can be viewed and assessed differently, including liquidity and turnover which measures the ability of firms to catch up with expected financial obligations that are due and this must be done without interruption of day to day operations of the business (Kamukama, 2011; Abdelmohsen et al., 2013; Tumwine et al., 2015)**.** Financial performance can also be seen from the eye of profitability. This dimension of financial performance deals with the extent to which a firm generates profit from the factors of

production such as labour, management and capital (Kreusel & Christian, 2008; Hofmann & Lampe, 2013). In this study, profitability will be measured in terms of ROA, ROE and TOBIN'S Q

Some useful measures of financial performance, which is the alternative term as financial soundness, are coined into what is referred to as CAMEL (Roger, 2008). The acronym "CAMEL" refers to the five components of a bank's condition that are assessed: Capital adequacy, Asset quality, Management, Earnings, and Liquidity. Each of this gives birth to the indicators of financial performance when it comes to the measurement of financial performance.

Capital Adequacy: This ultimately determines how well financial institutions can cope with shocks to their balance sheets. The firm monitors the adequacy of its capital using ratios. Capital adequacy is measured in relation to the relative risk weights assigned to the different category of assets held both on and off the balance sheet items (Roger, 2008).

Asset Quality: The quality of assets in terms of overexposure to specific risks-trends in non-performing loans, and the health and profitability of firms. Ultimately, this negatively impacts on the profitability and capital through extra specific provisions for bad debts (Roger, 2008).

Earnings: The continued viability of a firm depends on its ability to earn an adequate return on A number of authors have argued that, firms that must survive need: Higher Return on Assets (ROA)., better return on net worth/Equity (ROE), sound capital base, i.e. the Capital Adequacy Ratio (CAR), adoption of corporate governance ensuring transparency to stakeholders that is equity holders, regulators and the public.

Liquidity: Initially solvent financial institutions may be driven toward closure by poor management of short-term liquidity. Indicators should cover funding sources and capture large maturity mismatches.

2.1.6.1.1 The Tobin Q

The Tobin q has been employed, particularly by manufacturing firms to explain a number of diverse corporate phenomena. These have entailed (a) cross-sectional differences in investment and diversification decisions, (b) the relationship between managerial equity ownership and firm value, (c) the relationship between managerial performance and tender offer gains, investment

opportunities and tender offer responses, and (d) financing, dividend, and compensating policies (Chung and Pruitt, 1994). It is a statistic that might serve as a proxy for the firm's value from an investor's perspective. Tobin's Q is the ratio of the stock market valuation of firms to their "replacement" costs.

2.2 THEORETICAL FRAMEWORK

This section of the study is written with the aim of using relevant and recognized theories as a bedrock foundation to explain the study. Several theories can be used to explain the phenomena of diversity in board its effects. This study has chosen to lay hold of five theories that could help explain corporate board ethnic and national diversity and their effects the financial performance of a firm. The theories are outlined: Agency theory, Stewardship theory, Social identity theory, and Resource dependence theory

2.2.1 Agency vs. Stewardship Theory

The Agency theory serves as an appropriate approach for board diversity and its effects on business performance in one-tier and two-tier systems (Berle & Means, 1932; Jensen & Meckling, 1976). The board of directors or the management board and supervisory board within listed public companies represent the agents of the shareholders (principals) because they adopt and execute business management and monitoring on behalf of the shareholders (Yermack, 1996; Daily et al., 2003). The major problems of the agency theory are information asymmetries due to hidden characteristics, hidden information, hidden action and hidden transfer. Therefore, the risks of adverse selection and moral hazard increase (Jensen & Meckling, 1976). Furthermore, conflicts of interests between the corporate administration and the capital market rise. The corporate administration ideally operates in the investors' interests by considering the shareholder value-policy. Through monitoring and bonding, which also causes agency costs, hidden actions are supposed to be reduced.

Contrary to the agency theory the stewardship theory (Davis et al., 1997; Donaldson & Davis, 1991) neglects the assumption that board members act opportunistically. Therefore, the board members are supposed to operate in terms of shareholders and the capital market, whereas a trade-off between personal needs and corporate objectives takes place. In order to ensure the stewards' self-motivation, specific monitoring activities are counterproductive. This is based on

the assumption that the management board's activities correspond with the interests of the shareholder meeting. Furthermore, the management board is aiming to reduce possible information asymmetries. The supervisory board rather functions as a supporting and consulting instance, which creates and expands the optimal framework for the management (Donaldson & Davis, 1991; Muth & Donaldson, 1998; Ong & Lee, 2000).

2.2.1.1 Principal-Agent Problem

The owners of a business have the right to direct the business to the direction they desire. Most large firms require the appointment of good and competent hands capable of handling certain managerial duties. When a manager is employed he is expected to act in line with the ideas of the owners, though given a level of freedom to make a certain decision based on his expertise. Agency theory emphasizes on the relationship between the owner and the agent where both parties have contrasting goal and interests. It describes the relationship using the metaphor of contract (Jensen & Meckling, 1976) A situation where the managers choose to act in line with his own personal ideas and withhold certain critical information that is material to the business by the owners, has become a principal-agency problem. One of the major factors that facilitate conflict of interest between owners and agents is information asymmetry, with the agent being in a position where he has more access to key information for effective decision making.

In a way to tackle agency problem the principal chooses to devise a monitoring system that would be useful in mitigation of agency behaviours, and putting a check performance (Fama, 1980; Jensen and Meckling, 1976). However, the degree of information asymmetry between principal and agent decides the effectiveness of the monitoring mechanism. This theory has stimulated several governance types of research and the adoption of various corporate governance principles and codes in several countries. The common denominator of all these codes and principles is their emphasis on the importance of an independent board as a strategy for resolving this conflict of interest between principal and agents.

2.2.1.2 Corporate Governance and Stewardship Theory

In a modern corporate firm, a corporate board is established to mediate between the owners and the managers of a corporate firm. A corporate board is an established to perform certain duties such as the provision of valuable resources and information to the organization, identification,

and communication of stakeholder demands and opinions of the organization (Hun, 1998). The board is also responsible for the protection shareholders from management manipulation and favouring the interest of shareholders (Fame and Jensen, 1983). The corporate board assists in formulating, monitoring and improving the firm's corporate strategy.

Stakeholder theory

This theory alerts the firm on the need to satisfy the interest of every individual or community that has one thing or the other to do with the organization. (Freeman, 1984) as cited in (Richard, Muhsin, Mutahyoba and Laura, 2016) the theory assumes that firms are meant to recognize the responsibility to all those who are affected by all of their operations. These individuals have a direct or indirect relationship with the firm, this means that they either can affect the firm or the firm can affect them (Freeman, Wicks, & Parmar, 2004)

The stakeholders from the explanation of freeman can be the surrounding society which could be affected by operations. Amongst the stakeholders there are certain important stakeholders that are referred to as ‘key stakeholders’, these stakeholders could be shareholder, investors, regulators, important customer, suppliers, creditors and the likes.

2.2.2 Social Identity Theory

There is a sense of belonging that dawns on an individual, especially when he finds himself in an environment where in which the people around him share same social groupings such as social status, social identity, cultural background, ethnical heritage, same age range or even same religion. (Tajfel and Turner, 1979) claimed that certain groups categories of which individuals belong to, such as social class, family, and a football team and so on were an important source of self-esteem and pride for individuals. For instance, a person sees themselves as belonging to a specific group (in-group). Other comparable or alike group that the individual does not identify with is regarded as out-group which is more like an "us" versus "them" mentality, (Tajfel and Turner, 1979). Social identity theory suggests that people are drawn to one another when they have shared similarities mixed gender and racial groups may cause division and diversity may elicit group conflict that interferes with efficacy (Omoye, Alade and Eriki, 2013).

2.2.3. Resource Dependence Theory

The resource dependency theory provides a theoretical basis to explain this association between board diversity and firm financial performance, since the theory states that ‘board members with different skills, different cultural backgrounds, different gender, among others, will act as a strategic resource to the firm which may result to superior performance' (Ujunwa et al., 2012).

The resource-dependence theory developed by Pfeffer and Salancik (1978) focuses on the mutual interaction between organizations in order to support the exchange of resources. The long-term prosperity of companies depends on the availability and the controlling possibilities regarding critical resources (Pfeffer & Salancik, 1978). Thereby, the members of the corporate administration, who distinguish in terms of age, gender, nationality or education, are able to concentrate the diverging resources for the benefit of the company (Hillman et al., 2000). Hereafter, a higher effectiveness of board activities can be justified, for example, due to higher information processing or the necessity to discuss within the plenum (Carter et al., 2010). Due to the members' different individual contacts inside and outside the company, a variety of additional resources are generated by a growing board-size.

2.3 EMPIRICAL FRAMEWORK

Since the aftermath of recent scandals such as WorldCom, Tyco International (USA), HIH insurance (Australia), Parmalat (Italy), major practitioners have called for a more diverse board which would help mitigate against weak corporate governance.

On the empirical front, results from studies in different jurisdictions are mixed and inconclusive. Carter et al. (2007) examined the impact of board gender and ethnic diversity on the financial performance of all firms listed on the Fortune 500 over the period 1998-2002. Their results show support for the positive effect of diversity on financial performance measured by Tobin‘s Q. Smith, Smith and Verner, (2005) examined the relationship between gender diversity and firm performance using 2,500 largest Danish firms over the period 1993-2001, and find that the proportion of women on the board have a positive effect on firm performance. Oxelheim and Randoy (2001) examined the effect of foreign board member diversity on firm value in Norway and Sweden, and the result indicates a significantly higher performance for firms with foreign board membership. However, Marimuthu and Kolandaisamy (2009) examined the effect of demographic diversity on firm performance of listed companies in Malaysia. Their results

suggest that board diversity is not relevant to firm performance. Randoy, Thomsen, and Oxelheim (2006) analyzed board diversity and its impacts on the corporate performance of the 500 largest companies from Denmark, Norway, and Sweden and found find no significant diversity effect of gender, age, and nationality on stock market performance or on return on assets.

The empirical research presents contradictory findings on the value of diversity. Watson, Kumar, and Michealson (1993) report that a homogeneous board is better in the short-term, while a heterogeneous board is better in the long-term in achieving corporate goals. However, Pelled, Eisenhardt, and Xin (1999) found that a heterogeneous board resulted in an emotional conflict that ultimately harmed firm performance. Nigeria is made of about 250 ethnic groups and 500 languages. These ethnic groups are broadly classified into major and minor tribes. The major tribes are Igbo, Hausa, and Yoruba. In the past, prominent political positions revolved around the three major tribes. A board that is ethnically diffused in Nigeria may have a strong board capital. Board capital has been positively associated with the provision of advice and counsel, the provision of firm legitimacy and reputation, the provision of channels of communication and the acquirement of resource elements outside the firm, and a source of effective performance.The researcher examined this variable using a dummy, which takes a value of 1 if the board is made up of people from different tribes and 0 if otherwise, and propose that.

(Ujunwa, Okoyeuzu, and Nwako, 2013) made use of a panel of 122 listed firms in Nigeria studying gender, ethnic and board National diversity, making use of the fixed effect generalized least square regression analysis method for analysis from the period of 1991- 2008 (23 yrs). They found out that gender diversity was negatively related to firms' performance. While both national and ethnical diversity had a positive movement (relationship) with the firm's performance. One of these reasons was that foreign board members were found to be better qualified in terms of competence, board, and industrial experience.

Vivian Hunt, Dennis Layton, and Sara Prince (2015) obtained data from 366 publicly traded companies all across a range of industries from Canada, Latin America, the United Kingdom, and the United States. They found out that top quartile Companies for ethnic diversity are 35 percent more likely to have financial returns above national industry medians. Top quartile Companies for racial diversity are 15 percent more likely to have financial returns above national

industry medians. Racial and ethnic diversity has a stronger impact on financial performance in the United States than gender diversity, perhaps because earlier efforts to increase women's representation in the top levels of business have already yielded positive results. According to (Vivian Hunt, Dennis Layton, and Sara Prince, 2015) In the United Kingdom, greater gender diversity on the senior-executive team corresponded to the highest performance uplift in our dataset: for every 10 percent increase in gender diversity, EBIT rose by 3.5 percent. While certain industries perform better on gender diversity and other industries on the unequal performance of companies in the same industry and the same country implies that diversity is a competitive differentiator shifting market share toward more diverse companies (Vivian Hunt, Dennis Layton, and Sara Prince, 2015). The United Kingdom does comparatively better in racial diversity, albeit at a low level: some 78 percent of UK companies have senior-leadership teams that fail to reflect the demographic composition of the country's labor force and population, compared with 91 percent in Brazil and 97 percent for the United States (Vivian Hunt, Dennis Layton, and Sara Prince, 2015)

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

The chapter three of the study reveals the parameters, techniques and procedures used in sourcing, collecting and analysing data. The following subject matter depicts the study's research design, sample selection, population Justification, sample size, data collection and analysis technique, and model specification.

3.2 RESEARCH DESIGN

In order to effectively attempt to measure the influence that ethnic and national diversity in a corporate board will have on a firm's financial performance, the study made use of Ex-post factor research design which deals grouped variables that are not randomly assigned. Characteristics like traits and attributes for instance, gender, race, nationalities, religion (i.e. Grouped variables such as national diversity and ethnic diversity) are analysed against the dependable variable. Secondary panel data were used for this study because standard time series or cross-sectional data which make up the panel data regression used in Ujunwa, Okoyeuzu and Nwakoby, 2012; (Uwuigbe, Uwuigbe & Onyewo, 2015) as cited by Oyeleke, 2016 can enable the analysis of more complex issues because it combines both forms of the data element (Bremholm, 2015; Oyeleke, 2016). Secondary data were the most appropriate for this study as a result of the easy and quick access to the financial statement of firms on the internet. Also, the fact that the majority of prior studies used corporate websites and annual reports provides a greater potential for comparison of results (Uwuigbe, 2011).

Extraction of financial information and other corporate information (like board diversity) for analysis is usually easily accessed and can be appropriately sourced from the websites of firms in the Nigerian stock exchange.(Oxelheim and Randoy, 2001; Erhardt, Werbel, & Shrader, 2003; Carter, D'souza, Simkins, & Simpson, 2007; Adams and Ferreira, 2007; Lehman & Dufrene 2008Ararat, Aksu and Cetin, 2010; Adams and Ferreira, 2010; Darmadi, 2011; Omoye, Alade, &Eriki, 2013; Cimerovaa, Dodda, & Frijnsa, 2014; Protasovs, 2015; Oyeleke, 2016) all with similar research topics, made use of secondary data extracted from the internet. The analysis will be carried out using Ordinary least square regression which shows the degree of influence between two variables. Data will be collected for each period ended from 2012-2015. The method for analysis of data is

3.3 **SAMPLE SELECTION**

The study initially made use of random sampling (a probability-based sample selection technique). Agencies, such as Statistics New Zealand, insist on probability-based sampling methods because they are free from bias and objective (Doherty, 1994). The study made a probability sampling of the random selection 91 firms out of 119 listed firms [minus financial services sector (57 firms)] with the use of Taro Yameni sample selection formula. During the cause of sample selection, the study had to further select fewer samples by applying purposive (judgmental) sampling method due to the fact that it selected those firms that operate on the statutory period (i.e. From January 1st to December 31st), for the purpose of consistency. Judgmental sampling is a non-random sampling method that is subjective and can be used when specific data requirements that are needed are used as a benchmark for sample selection. This method previously used by (Uwuigbe, Uwuigbe & Onyewo, 2015; Uwuigbe, Uwuigbe, Adeyemo & Anowai, 2016) is needed basically because panel data deal with data from samples that are consistent with the given range of periods used (there must not be any anomaly in information available within an intended sample). The main objective of the sampling is to collect information from participants whose information's are consistent and easily accessible to the researcher (Ilker, Sulaiman and Rukayya, 2016). Not all members of a population can be used due to the fact that the characteristics of all the samples in a population might differ, for example, the characteristics and qualities of the firms in Nigerian stock exchange (NSE) in terms of firm size, period of operation, and other could differ. This is the reason why only listed firms of similarities in size and period would be eligible for sample use; this is to ensure consistency and validity of results. The aim of the study is to use financial reports of the period of 2012-2015 (4yrs), this is because most listed firms to the best of knowledge do not have their 2011 reports on Nigerian stock exchange (NSE). The first IFRS reporting date for listed firms began from on the 1st of January, 2012 as the pronouncement was made by the Financial Reporting Council (FRC) on the date of adoption (Nassar, Uwuigbe, Uwuigbe & Abuwa, 2014). The reason for the period 2012-2015 is that the Nigerian Federal Executive Council announced the approval of the Nigerian IFRS roadmap on the 28th of July 2010, (Madawaki, 2012). This roadmap provides various information on the strategized adoption plan, which showed that the transition timeline starts with public listed entities and significant public interest entities who should report in the year 2012 comparable statements (starting January 1, 2011) (Isa, 2014). The year for analysis began with 2012 because 2012 was when the IFRS

reporting year for listed companies began.The financial reports for the period ended 2016 are not yet published for most the firms so 2015 was used instead so as to ensure consistency in the range of 2012-2015 is most appropriate.

The sample selection method used for this study was the application of the Taro Yemeni formula for sample size determination, this sample size calculation method have been seen as acceptable in the works of several authors such as (Uwuigbe, 2011; Fakile, 2011; Umeilika, 2013; Afuberoh, Dennis1 & Okoye, 2014; Adetula, Owolabi and Onyinye, 2014; Gbedi and Adebisi, 2015). Yamane Taro sample selection formula is given as the following: ($n= N / [1+ (Ne^2)]$).

Where the:

n= sample size of listed firms,

N = population of listed firms used,

e = error limit of which is 0.05 in this study.

3.3.1 **Population Justification**

The study narrows its focus on listed firms from all industries in the Nigerian stock exchange (NSE). The population of the study has to be Nigerian based and must not go out of the scope of the Nigerian stock exchange. Few researchers have explored similar study of this within the scope of Nigeria within the context of cultural, ethical and national diversity (Omoye, Alade and Eriki, 2013). The study will make use of annual reports firms in all the sectors excluding that of the financial sector, this is because certain financial reporting rules of the financial sector differ from another firm. Also, the bodies governing and regulating acts such as the Bank and Other Financial Institution Act (BOFIA) issued by the Central Bank of Nigeria (CBN) have specific reporting requirements that are different from other firms. The total numbers of listed firms are 176 as at the current study date and financial service constitutes of 57 firms as of the date of study. An exemption of the financial services will bring a remainder of 119 firms available as feasible population of study

3.3.2 **Sample Size Justification**

Using Yaro Yamane's formula as show above earlier ($n= N / [1+ (Ne^2)]$).

$n= 119/ [1+ (119 \times 0.05^2)]$)

n= 119/ [1+0.2975]

n=119/1.2975 = 91.7 approximately 92 firms as sample size.

The study will make use of 60 firms because of consistency in the period of operation; only firms that use the statutory period (i.e. January 1st to December 31st) were preferred so as to ensure uniformity and consistency of financial report information. The study will also make use of 60 firms as a result of information available as some firms do not have all the reports published on the Nigerian stock exchange site from (2012-2015). 60 firms out of 92 depict a valid percent to 65.2% (i.e. The valid/ usable percentage of Yaro Yamane sample size). Also 60 firms out of 119 represent 50.4% of 11 listed companies in the Nigerian stock exchange out of an available population of 119 firms (with the exemption of financial service sector).

In order to fully capture a relevant percentage sample of the entire population of study a systematical approach was used in selecting samples from each industrial sector on the stock exchange, of which about 50% samples each were selected from each industry so as to avoid bias and cover a good percentage of the whole industries and consistent with (Krejcie and Morgan, 1970) rule which accept a minimum of 5%. Half a population is a great representative of that population as sixty (60) is more than 50% of a population of 119.

3.4. **DATA COLLECTION**

Method for data collection will majorly be through the internet, the Nigerian stock exchange (NSE) website. Secondary data collection method is most appropriate and convenient when seeking to extract any information about a firm's financial health. The major data needed for computation of the financial performance of any firm is through secondary data. Data was retrieved from secondary sources such as the published annual reports on Nigerian stock exchange (NSE) and when not found, from the company's website or other financial websites such as CapitalAssets.com. Similar to Chaharsoughi and Rahman (2013), the information related to the board of directors' Ethnicity and nationality is precisely obtained through a manual search from the section of the director's profile contained in annual reports and the

websites of the sample firms. The secondary data collection method for the purpose of the study was mostly from published articles, financial reports of the listed companies and other existing literature.

3.5. DATA ANALYSIS PROCEDURE AND INSTRUMENT

The financial report for periods 2012-2015 of the sampled 60 firms was accessed from the Nigerian stock exchange (NSE) site. The profit after tax (PAT), total assets, and total liabilities for each of the year were recorded in Microsoft Excel 2007. The study made use of financial measurement variable; specifically profitability and growth variables. The profitability variables used are ROE and ROA, while the growth variable used is TOBIN'S Q ratio. These variables were calculated as thus: The total equity (total asset-total liability), ROE (PAT/ total equity), ROA (PAT/ total asset), and Tobin Q ratio (total firm value/total asset value) was calculated using Microsoft Excel with their respective formulas. The results from these calculations were easily imported into E-views 8 Econometrics package. The E-views 8 Econometrics package is a standard and highly recognised statistical package in economics for analysis and can be used across various fields in business and social sciences. It can also be used in the pure and applied sciences for few analyses. The E-views 8 Econometrics package was used for final result analysis, of which we were able to run the panel data regression model of both fixed and random effects. The covariance analyses with inclusion of correlation analysis were firstly run with E-views 8 Econometrics package, in order to see the significance of relationship between all variables. The unit root test was a test that showed if each of the financial performance parameters were stationary before we proceeded with the panel data regression.

The E-views 8 Econometrics package had an acceptable mode of data imputation, so certain adjustments had to be made in order to import data correctly. For instance, ETHDIVRS represents Ethnic diversity in the board and is measured using the possible combinative ethnic group representatives on the board of each sampled firm will be indicated as follows:
SEG = single ethnic group, (i.e. The existence of only Hausa or Igbo or Yoruba only in a board) E-views 8 Econometrics package input value is represented as = 0, which shows no diversity
DEG = double ethnic group, (i.e. The existence of any two combinations of Hausa, Igbo and Yoruba in a board) E-views 8 Econometrics package input value is represented as = 1, which

depicts diversity in the board. Finally the last coded imputation which is TEG = triple ethnic group, (i.e. The combination of all ethnic diversity group in a single board) E-views 8 Econometrics package imput value is represented as = 3

3.6. MEASUREMENT OF VARIABLES

This section gives the reader a better understanding of how the variables used in the study were mapped out and measured in order to extract valid data for interpretation. The independent variables and dependent variables are Board diversity (ethnic and national) and financial performance respectively. The measured variables that were used as indicators of the financial performance of the listed firms are Return on asset (ROA), Return on equity (ROE) and Tobin's Q ratio. These financial measurement variables were calculated for each of the listed firms on a yearly basis from 2012-2015 using the following formula: ROE (PAT/ total equity), ROA (PAT/ total asset), and Tobin Q ratio (total firm value/total asset value. The data were extracted and documented for the 60 firms. The independent variable (board diversity) has two sub-variables which are the main focus of this study. These are national diversity (i.e. Also known as the presence of foreign director) and ethnic diversity. The independent variable was measured as follows:

National Diversity: The corporate information displayed in the financial reports of the listed firms usually indicate if the directors are foreign or not by revealing their countries. This has made it easy for this work to identify a foreign director or to know if the board of a firm has national diversity.

Ethnic diversity: One of the ways this study has been able to identify the direction of a different ethnicity is through their names. Though, to some extent, nowadays there is a level at which the name of a person reveals his or her tribe and ethnic group.

3.6.1 **Dependent Variables**

The dependent variable of this study is financial performance. Financial performance would be measured using financial indicators such as return on Equity (ROE), Return on asset (ROA), and Earnings per share (EPS). Tobin Q would be used as the primary measuring tool for firm performance in this study.

3.6.2 **Independent Variables**

The independent variables of this study are National diversity and Ethnic diversity. Board diversity in this study is narrowed down to National diversity (deals with foreign directors) and Ethnic diversity (Narrowed to Nigeria: Hausa, Igbo, Yoruba)

3.6.3 **Control Variables**

There is the need to control for other factors correlated to earnings predictability based on prior studies (Labelle et al. 2010). This study utilised the control for firm characteristics such as firm size, performance, governance variables such as the size of the board, external audit quality and lastly, the adoption of IFRS. The control variable selected for this study is the board size. This was chosen because prior Nigerian based studies such as (Omoye, Alade and Eriki, 2013) made use of a firm's size as a control variable. This study seeks to fill in that gap. The performance variable is quantified using the return on asset employed (ROA), Return on Equity and Tobin Q. These are used because they show the profit earned per value of assets and also reflects the management capability in utilizing firms' financial and tangible resources to generate profits (Darmadi, 2011). It is implied that when the firm is performing well, there are lower incentives to manage earnings, which increase its ability to predict future outcomes. It is then computed by dividing the operating income before interest and taxes by total assets of the firm.

3.7. MODEL SPECIFICATION

The study made use of a model adapted from the studies of (Marimuthu, 2011; and Omoye, Alade and Eriki, 2013). The adaptation of the model to this study is suitable because the work of (Marimuthu, 2011) and this work are similar in terms of scope and but different in terms of approach and direction. (Omoye, Alade and Eriki, 2013) made use of return on equity as a base measurement of Companies' performance and adapted their specifications to that of Marimuthu, (2011) on ethnic diversity (i.e. Dividing non-Malay directors with the total directors using ROE). The model adaptation is described as follows:

$$ROE_i = \eta_0 + \eta_1 \text{HAUSA}_i + \eta_2 \text{YORUBA}_i + \eta_3 \text{IGBO}_i + \eta_4 \text{ASSET}_i + \varepsilon_{it} \ldots (1)$$

Incorporated into this study it will become…

Firm performance$_{it}$ $= \eta_0 + \eta_1$ ETHDIVRS$_i$ $+ \eta_2$ NATIONDIVRS$_i$ $+ \eta_3$ BOARDSIZE$_i$ $+ \varepsilon_{it}$ … (2)

Firm performance is a general representation of the performance measures that was used for the study. The individual performance measures are depicted below:

$ROE_{it} = \eta_0 + \eta_1$ ETHDIVRS$_i$ $+ \eta_2$ NATIONDIVRS$_i$ $+ \eta_3$ BOARDSIZE$_i$ $+ \varepsilon_{it}$ … (3)

$ROA_{it} = \eta_0 + \eta_1$ ETHDIVRS$_i$ $+ \eta_2$ NATIONDIVRS$_i$ $+ \eta_3$ BOARDSIZE$_i$ $+ \varepsilon_{it}$ … (4)

$TOBIN'S\ Q_{it} = \eta_0 + \eta_1$ ETHDIVRS$_i$ $+ \eta_2$ NATIONDIVRS$_i$ $+ \eta_3$ BOARDSIZE$_i$ $+ \varepsilon_{it}$ … (5)

$\varepsilon_{i\,1}$= Error term and Aprori sign: η_i > or <0

Where variables:

NATIONDIVRS represents national diversity which stands for the representation of foreign directors (directors from countries other than the country of firm's origin) in the board.

Independent variable, ETHDIVRS represents Ethnic diversity in the board and is measured using the possible combinative ethnic group representation in the board of each sampled firm will be indicated as follows:

SEG= single ethnic group, (i.e.the existence of only Hausa or Igbo or Yoruba only in a board) SPSS input value is represented as = 0, which shows no diversity

DEG= diverse ethnic groups, (i.e.the existence of any two or more combinations of Hausa, Igbo and Yoruba in a board) SPSS input value is represented as = 1, which depicts diversity in the board.

The control variable for this study is firm size, the same used in the work of (Omoye, Alade and Eriki, 2013) which is depicted in the model stated above using the firm's asset as a measure of firm size. The study made use of a financed based measure of the dependent variable (firm's performance) which is Return of asset, ROA is measured as follows:

Figure 3.0: Formula for ROA, ROE and Tobin's Q

$$ROA = \frac{\text{Profit after tax}}{\text{Total Asset}} \quad \text{and} \quad ROE = \frac{\text{Net profit}}{\text{Total Value of Equity}}$$

$$\text{Tobin Q ratio Formula: } = \frac{\text{Total Market Value of firm}}{\text{Total Asset value}}$$

Gender diversity is the percentage of male or female composition of the board (Williams, 2000; Swartz and Firer, 2005). This, therefore, implies Ethnic diversity in board refers to the percentage representation of any combination of Igbo, Hausa and Yoruba in the board of a firm. In this study when there is more than one ethnic group it represents a level of ethnic diversity, but when it is a single ethnic group present it mean there is no ethnic diversity. This is in exception to boards that have foreign members in their board. This study intends to use the panel data regression model to ascertain the relationship between the independent and dependent variable.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter shows the analysis of data collected and its interpretation. The study had the main objective of ascertaining the influence that ethnic and national diversity in a corporate board will have on a firm's financial performance. To achieve this objective, the study made use of panel research design. This chapter begins its exhibition from section 4.1, which shows the test ran to show if the financial performance determinants are stationary. The unit root test was used in this section.

4.1 DESCRIPTIVES

Table 4.0: **Descriptive statistics**

	BODSIZE	ETHDIV	NATDIV	ROA	ROE	TOBIN_Q
Mean	8.710084	2.403361	0.588235	0.012063	-0.384073	0.404668
Median	9.000000	2.000000	1.000000	0.029490	0.069196	0.450558
Maximum	21.00000	3.000000	1.000000	0.839554	5.068578	13.5206
Minimum	4.000000	1.000000	0.000000	-0.985136	-102.6472	-17.45409
Std. Dev.	2.733598	0.653705	0.493190	0.145083	6.700296	1.956588

Probability	0.000000	0.000048	0.000000	0.000000	0.000000	0.000000
Sum	2073.000	572.0000	140.0000	2.871059	-91.40943	96.31087
Sum Sq. Dev.	1770.996	101.2773	57.64706	4.988612	10639.87	907.2920
Observations	238	238	238	238	238	238

The statistical table shown above helps explain the descriptive from the sample sample that was used and analysed. This table shows the mean, median, standard deviation, Skewdness, Jarque-Bera, probability (significance of values of the table) and the number of useful observations.

Mean: mean represents the average value of a group of relatable value (like a series) usually depicted in numerical signs and obtained by summing up the series and dividing it by the number of observations. The mean values for all the used variables in this study were calculated and the above result is explained. The mean value of ethnic diversity, (2.403361), approximately (2), to the nearest whole number. This implies that the board of non-financial firms in the Nigerian stock exchange have a level of ethnic diversity of at least two major ethnic group representations, i.e. a combination (in doubles) of either Yoruba, house and igbo. This reveals that an average corporate board of the non-financial firms of the Nigerian stock exchange have a level of ethnic diversity, however it was observed that a number of firms amongst this sampled firms have no ethnic diversity.

The board size has an average value of (8.710084), approximately nine (9). This imply to the fact that the board of non-financial firms in the Nigerian stock exchange had nine (9) as the average number of directors on the board based on the data of year 2012-2015 meeting the Nigerian corporate governance code requirement. However, some firms in specific do not have board size, reaching the stipulated number required as specified in the Nigerian code, the highest number of boards is twenty (21) as shown above (maximum), and the minimum is four (4) as shown which is less than the requirement. The national diversity has an average value of (0.588235), approximately one (0.6=1). This also there explains the fact that the board of non-financial firms in the Nigerian stock exchange has one(1) as the average number of foreign representatives which is a solid representation. The financial performance measurements of

ROA, ROE, and TOBIN'S Q have average values of (0.012063), (-0.384073) and (0.404668) respectively. This also explains the fact that there is a need for more than one financial measure in determining the level of a firm financial performance because the values vary. For instance, ROE above showed that the firms have a poor performance on the average, ROE have a negative mean, while ROA and TOBIN'S Q have positive mean which showed a reasonable performance level. The positive mean from Tobin's Q ratio reveal that the growth of firm around the sampled firm is steady on an average.

Median: The median is the middle value of s series. It is also the average of the two middle values ordered from the largest to the smallest or vice-versa depending on whether the number of observations is an odd or even numeric value. Mean have better reliable outcome; this is because it is a good measure of center of distribution and it is less sensitive to outliers than the result of mean.

The median above shows similar results to the mean with respect to the results of the Ethnic diversity (ETHDIVE = 2), National diversity (NATDIV = 1), and Board diversity (BODSIZE = 9). The result above help to validate the result of the mean, due to the fact that the values provided by the mean are reliable.

Probability: the probability above shows the degree to which all the values presented in the table are significant. The percentage of statistical significance must not be more than 0.05 (5%). From this, we can say that all the values shown in the above table are significant because all of the probability values are less than 0.05 (5%).

4.2 UNIT ROOT TEST

Table 4.1: **Result of unit root test**

Financial performance determinants	Unit Root Test Methods					
	PP – Fisher Chi-square		ADF - Fisher Chi-square		Levin, Lin & Chu t*	
	Statistic	Prob.**	Statistic	Prob.**	Statistic	Prob.**
ROE	97.7944	0.0025	93.2359	0.0063	-30.3420	0.0000
ROA	90.0950	0.0114	82.2523	0.0436	-30.6269	0.0000

TOBIN_Q	169.121	0.0000	144.922	0.0000	-104.621	0.0000

Source: Researcher's computation, 2017

The unit root test is a test that reveals the variables that have unit root. The criterion for decision are based on the requirement laid out by Levin, Lin and chu (2002), Augmented Dickey Fuller test (ADF- Fisher Chi-square) and Philips-Perron (PP-Fisher Chi-square). The other methods in agreement with the above are (Breitung, 2000; Im, Pesaran, and Shin, 2003).

Stationarity Testing

This study makes use of time series data because it makes use of years (years = t). A time series is said to be stationary (in the weak sense) if its statistical properties do not vary with time (expectation, variance, autocorrelation). The study also makes use of cross-sectional data which is data across firms in the Nigerian stock exchange and unit root test can be used to test

Stationarity test

Interpreting the Levin, Lin and chu (2002) method:

Null hypothesis (H_0): panel data has unit root (assume the common unit root process) when it is above 5% i.e. greater than 0.05. Then it is not a stationary data.

Alt hypothesis (H_1): panel data has not unit root when the probability is above 5% i.e. greater than 0.05.

For instance, assuming probability is less than 5% i.e. 0.05, then the Null hypothesis (H_0) should be accepted and the Alternative hypothesis (H_1) should be rejected, meaning that the Null hypothesis panel data has not unit root and the alternative hypothesis has unit root. Then it is a stationary data.

Interpreting the Fisher Type test using ADF and PP test (Maddala and Wu, 1999; Choi, 2001 which assumes an individual unit root process):

Null hypothesis (H_0): panel data has unit root (assume the individual unit root process) when the probability is above 5% i.e. greater than 0.05. Then it is not a stationary data.

ALT hypothesis (H_1): panel data has not unit root when probability is above 5% i.e. greater than 0.05. s

For instance, assuming probability is less than 5%, i.e. 0.05, then the Null hypothesis (H_0) should be accepted and the Alternative hypothesis (H_1) should be rejected, meaning that the Null

hypothesis panel data has not unit root and the alternative hypothesis has a unit root Then it is a stationary data.

In accordance with the above methods, we can say that if the panel data of each variable does not have a unit root in its Null hypothesis, then it is a stationary data so we accept the Null hypothesis. We can easily interpret the data shown in the above table to aid understanding.

4.2.1 ROE (Return on Equity)

The first financial performance variable which is ROE shows a below 5% probability shows that ROA variable is stationary and has no unit root, using the three methods as shown below.

Levin, Lin and chu = (0.0000)

ADF- Fisher Chi-square = (0.0063)

PP-Fisher Chi-square = (0.0025)

Decision: Accept the null hypothesis H_0 and reject the alternative hypothesis H_1

Implication of results (interpretation)

The data is stationary given all the above methods for ROE with Levin, Lin and chu = (0.0000), ADF- Fisher Chi-square = (0.0063) and PP-Fisher Chi-square = (0.0025) all below 5%. This shows that the data has no unit root and therefore its statistical properties do not vary with time (expectation, variance, autocorrelation), which proves its test of time and reliability.

4.2.2 ROA (Return on Asset)

The first financial performance variable which is ROA shows a below 5% probability. This shows that ROA variable is stationary and has no unit root, using the three methods as shown below.

Levin, Lin and chu = (0.0000)

ADF- Fisher Chi-square = (0.0436)

PP-Fisher Chi-square = (0.0114)

Decision: Accept the null hypothesis H_0 and reject the alternative hypothesis H_1

Implication of results (interpretation)

The data is stationary given all the above methods for ROA with Levin, Lin and chu = (0.0000), ADF- Fisher Chi-square = (0.0436) and PP-Fisher Chi-square = (0.0114) all below 5%. This shows that the data has no unit root and therefore its statistical properties do not vary with time (expectation, variance, autocorrelation), which proves its test of time and reliability.

4.2.3 TOBIN Q Ratio

The first financial performance variable which is Tobin Q shows a below 5% probability shows that ROA variable is stationary and has no unit root, using the three methods as shown below.
Levin, Lin and chu = (0.0000)

ADF- Fisher Chi-square = (0.0000)

PP-Fisher Chi-square = (0.0000)

Decision: Accept the null hypothesis H_0 and reject the alternative hypothesis H_1

Implication of results (interpretation)

The data is stationary given all the above methods for Tobin's Q with Levin, Lin and chu = (0.0000), ADF- Fisher Chi-square = (0.0000) and PP-Fisher Chi-square = (0.0000) all below 5%. This shows that the data has no unit root and therefore its statistical properties do not vary with time (expectation, variance, autocorrelation), which proves its test of time and reliability.

4.3. COVARRIANCE AND CORRELATION

The table below is the covariance analysis of the data, showing the t- statistic, correlations between variables and significance (p-value)

Table 4. 2: Covariance Analysis: Spearman rank-order
Sample: 2012 2015
Included observations: 238
Balanced sample (listwise missing value
deletion)
Degree-of-freedom corrected covariances

Covariance
Correlation

t-Statistic Probability	BODSIZE	ETHDIV	NATDIV	TOBIN_Q	ROA	ROE
BODSIZE	4645.850 1.000000 ----- -----					
ETHDIV	993.9241 0.235691 3.725717 0.0002	3827.848 1.000000 ----- -----				
NATDIV	1393.354 0.348311 5.708322 0.0000	-433.8228 -0.119474 -1.848637 0.0658	3444.473 1.000000 ----- -----			
TOBIN_Q	143.3945 0.030557 0.469637 0.6390	-349.4177 -0.082030 -1.264427 0.2073	114.9831 0.028456 0.437329 0.6623	4740.150 1.000000 ----- -----		
ROA	-7.581224 -0.001616 -0.024818 0.9802	-551.5696 -0.129487 -2.006111 0.0460	149.8797 0.037092 0.570218 0.5691	804.3882 0.169697 2.645299 0.0087	4740.146 1.000000 ----- -----	
ROE	292.1308 0.062251 0.958181 0.3390	-428.6076 -0.100620 -1.553645 0.1216	-9.037975 -0.002237 -0.034361 0.9726	-621.4852 -0.131111 -2.031700 0.0433	3328.253 0.702141 15.14875 0.0000	4740.156 1.000000 ----- -----

Result interpretation and implication

The results above are going to be interpreted and explain in relation to real occurrences associated with the sampled firms. The result above provides figures for covariance, correlation, t-statistic, and P-value (significance) but we shall be discussing the results of Covariance, correlation and probability only.

Tobin's Q has a positive, negative and positive covariance with Board size, ethnic diversity and national diversity respectively. ROA has a negative, negative and positive covariance with Board size, ethnic diversity and national diversity respectively. Finally ROE has a positive, negative and negative covariance with Board size, ethnic diversity and national diversity respectively

This therefore implies that TOBIN'S Q has more positive joint variability between its mean and that of the diversity variables (i.e. With Board size and National diversity). Covariance could also be used to measure the strength of correlation between two random variables.

Correlation: The correlation and probability figure shows that Tobin's Q has an insignificant positive relationship with board size (0.030557) and national diversity (0.028456) but has a negative insignificant relationship with ethnic diversity (-0.082030). The above table also shows that there is an insignificant negative relationship between ROA and Board size (-0.001616), insignificant positive relationship between ROA and national diversity (0.037092). But also shows a significant negative relationship between ROA and ethnic diversity (-0.129487) with significant level of (0.0460) within 5%. The results under ROE show that ROE has an insignificant positive relationship with board size (0.062251) and negative relationship with national diversity (-0.100620) and ethnic diversity (-0.002237). The results shown in the above table also reveals a positive significant relationship between board size (BODSIZE) and ethnic diversity (ETHDIV) which can explain that boards with bigger size tend to be more diverse ethnically amongst these sampled firms. It also shows a significant positive relationship between board size (BODSIZE) and national diversity (NATDIV) which also shows that board size increase is in reciprocal to the increase in the number foreign directors.

4.4 PANEL DATA REGRESSION MODEL

Under the panel data regression model, there are two basic model effects which are: The fixed Effect Model and The Random Effect Model. Using the panel data regression model any of this method can be used as a benchmark for regression analysis.

4.4.1 The Hausman Test

In order to choose objectively and based on the most appropriate effect that would produce the precise result, we needed to run the Hausman Test. **The Hausman** test helps a researcher to know the best effect between the random effect model and fixed effect model that will best explain the variables in a typical panel data regression model. Under the Hausman test, if the probability is below 5% (0.05) then it the most appropriate effect to be used is fixed effect and if the probability is above 5% (0.05) then random effect is most appropriate.

Table 4.3: HAUSMAN TEST RESULTS

HAUSMAN TEST	
Variables	Probability
ROE	0.1047
ROA	0.6317
TOBIN Q	0.9989

Source: Researcher's computation, 2017

From the above, we can deduce that the probability percentage for all the variables in Hausman test is above 5% (0.05), which proves that random effect is a more appropriate selection for regression analysis.

4.4.2 Random Effect Ordinary Least Square results

The random effect least squares were run for each of the financial performance variables/indicators (the independent variables) and below showed the results extracted directly from the E-views 8 Econometrics package.

4.4.2.1Return on Asset

The two stage least square formula imputed as a command to produce the regression is shown as follows:

Command as imputed into Eviews8:

LS(CX=F) ROA C ETHDIV NATDIV BODSIZE

Estimation Equation:

ROA = C(1) + C(2)*ETHDIV + C(3)*NATDIV + C(4)*BODSIZE + [CX=F]

Substituted Coefficients:

ROA = -0.247914817131 + 0.0787532010762*ETHDIV + 0.1241156705*NATDIV - 0.00026446684534*BODSIZE + [CX=F]

Below are the tabulated least square regression results

Table 4.4: ROA Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.247915	0.200680	-1.235376	0.2183
ETHDIV	0.078753	0.058737	1.340782	0.1817
NATDIV	0.124116	0.127045	0.976941	0.3299
BODSIZE	-0.000264	0.018621	-0.014203	0.9887

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.433793	Mean dependent var	0.012063
Adjusted R-squared	-0.233194	S.D. dependent var	0.145083
S.E. of regression	0.127045	Durbin-Watson stat	2.393132
Sum squared resid	2.824586	Akaike info criterion	-1.066620
Log likelihood	189.9278	Schwarz criterion	-0.147490
F-statistic	2.162490		
Prob(F-statistic)	0.000046		

Coefficient

Firstly attention should be focus on the coefficient, which describes the relationship, influence and the direction between the dependent variable (ROA) and the independent variables (NATDIV, ETHDIV), the control variable (BODSIZE). The results of coefficient of ETHDIV from the above table shows that ETHDIV has approximately (0.08), 8% positive influence on ROA (i.e. Has no influence). This means if ETHDIV in the board of a firm increases by one (1) additional member of one of the three ethnic groups, then ROA would have 8% positive changes in value without considering the level of significance. The results of coefficient of NATDIV from the above table show that NATDIV has approximately 12% positive influence on ROA. This means if NATDIV in the board of a firm increases by one (1) additional foreign member, then ROA would have 12% positive changes in value without regarding level of significance. BODSIZE from the above table show that BODSIZE has approximately 0% positive influence on ROA. This means if BODSIZE increases by one (1) more member, then ROA would have no change in value

Significance

In terms of the significance of probability we see NATDIV in the probability column reads (0.3299), which can be interpreted as 33% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This, therefore, concludes that NATDIV has no significant relationship with ROA. This implies that regardless of the coefficient results if the board of a firm increases the number of foreign directors there would be no change in the financial performance of that firm using ROA as the performance parameter. We can also see that ETHDIV, in the probability column reads (0.1817), which can be interpreted as 18% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This therefore means that ETHDIV also has no significant relationship with ROA. This implies that regardless of the coefficient results if the board of a firm increases the number of members of the three ethnic groups there would be no change in the financial performance of that firm using ROA as the performance parameter. We can also see that BODSIZE, in the probability column reads (0.9887), which can interpreted as 98.9% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This therefore concludes that BODSIZE also has no significant relationship with ROA. This implies that regardless of the coefficient results, if the board of a firm increases the number of directors there would be no change in the financial performance of that firm using ROA as the performance parameter

R-squared (can explain variation). As we see, 0.433793 above shows that 43.4% variation of ROA can jointly be explained by ETHDIV, NATDIV, and BODSIZE. In other words, ETHDIV, NATDIV, and BODSIZE can jointly influence 43% ***variation*** of the outcome of ROA, which is a very little significant influence. 100%-43% = approximately 57% ***variation*** of ROA can be explained by outside variables not captured in the study. This percentage, 47%, is reasonable owing to the fact that this study is a behavioural inclined research where it involves the effect of dynamic and unpredictable variables like board of directors (humans). The diversity in board is highly dependent on the certain un-captured factor like the behavior of each member, personality, competence and so on that could influence the performance of a firm. The

significance is also confirmed in the probability value of prob(F-statistic) 0.000046, which is 0% i.e. it is significant. The significance of probability must be below (0.05) 5%.

4.4.2.2 Tobin's Q ratio

The two stage least square formula imputed as a command to produce the regression is shows as follows:

Command as imputed into Eviews8:

LS(CX=F) TOBIN_Q C ETHDIV NATDIV BODSIZE

Estimation Equation:

TOBIN_Q = C(1) + C(2)*ETHDIV + C(3)*NATDIV + C(4)*BODSIZE + [CX=F]

Substituted Coefficients:

TOBIN_Q = 0.681223623121 - 0.0934067234135*ETHDIV + 0.0616189389999*NATDIV - 0.0101391022331*BODSIZE + [CX=F]

Table 4.5: Tobin Q Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.681224	3.520225	0.193517	0.8468
ETHDIV	-0.093407	1.030331	-0.090657	0.9279
NATDIV	0.061619	2.228565	0.027650	0.9780
BODSIZE	-0.010139	0.326637	-0.031041	0.9753

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.042053	Mean dependent var	0.404668
Adjusted R-squared	-0.297334	S.D. dependent var	1.956588
S.E. of regression	2.228565	Durbin-Watson stat	1.476950
Sum squared resid	869.1377	Akaike info criterion	4.662520
Log likelihood	-491.8399	Schwarz criterion	5.581650
F-statistic	0.123908		
Prob(F-statistic)	1.000000		

The coefficient, which describes the relationship, influence and the direction between the dependent variable (TOBIN'S Q) and the independent variables (ETHDIV, NATDIV), the control variable (BODSIZE). The results of coefficient of ETHDIV from the above table show that ETHDIV has approximately (-0.09), 9% negative influence on TOBIN'S Q. This means if ETHDIV increases by one (1) member of the three ethnic groups, then TOBIN'S Q would have 9% negative change in value without considering the level of significance. The results of coefficient of NATDIV from the above table show that NATDIV has approximately 6% positive influence on TOBIN'S Q. This means if NATDIV increases by one (1) additional foreign director, then TOBIN'S Q would increase by approximately 6% in value without considering the level of significance. BODSIZE from the above table show that BODSIZE has approximately 1% influence on TOBIN'S Q. This means if BODSIZE increases by one (1), then TOBIN'S Q would be 1% change in value. This implies that without considering significance level, if the board of a firm increases the number of directors there would be no change in the financial performance of that firm using TOBIN'S Q as the performance parameter

In terms of the significance of probability we see NATDIV in the probability column reads (0.9780), which can be interpreted as 98% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This, therefore, implies that NATDIV has no significant relationship with TOBIN'S Q meaning that if there is an increase in the number of foreign directors there would be no significant change in the financial performance using TOBIN'S Q. We can also see that ETHDIV, in the probability column reads (0.9279), which can be interpreted as 93% significance. The state of the significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This means that if there is an increase in the ethnicity of the board members there would be no significant change in the financial performance using TOBIN'S Q. This therefore implies that BODSIZE also has no significant relationship with TOBIN'S Q. We can also see that BODSIZE, in the probability column reads (0.9753), which can interpret as 98% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This therefore concludes that BODSIZE also has no significant relationship with TOBIN'S Q. This implies that regardless of the coefficient results, if

the board of a firm increases the number of directors there would be no change in the financial performance of that firm using TOBIN'S Q as the performance parameter

R-squared (can explain variation). As we see, 0.042053 above shows that 4% variation of TOBIN'S Q can jointly be explained by ETHDIV, NATDIV, and BODSIZE. In other words, ETHDIV, NATDIV, and BODSIZE can jointly influence 42% ***variation*** of the outcome of TOBIN'S Q, which is a very little significant influence. 100%-4% = approximately 96% ***variation*** of TOBIN'S Q can be explained by outside variables not captured in the study. This percentage, 4%, is not reasonable, though diversity in board is highly dependent on the certain un-captured factor like the behavior of each member, personality, competence and so on that could influence the performance of a firm. The significance is also confirmed in the probability value of prob(F-statistic) 1.00, which is 100% i.e. it is not significant. The significance of probability must be below (0.05) 5%.

4.4.2.3 Return on Equity

The two stage least square formula imputed as a command to produce the regression is shown as follows:

Command as imputed into Eviews8:

LS LS(CX=F) ROE C ETHDIV NATDIV BODSIZE

Estimation Equation:

ROE = C(1) + C(2)*ETHDIV + C(3)*NATDIV + C(4)*BODSIZE + [CX=F]

Substituted Coefficients:

ROE = -1.62334644673 + 0.0592169584209*ETHDIV + 1.0734171275*NATDIV + 0.0534474304737*BODSIZE + [CX=F]

Table 4.6: Roe Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.623346	10.67911	-0.152011	0.8794
ETHDIV	0.059217	3.125660	0.018945	0.9849
NATDIV	1.073417	6.760674	0.158774	0.8740

BODSIZE	0.053447	0.990901	0.053938	0.9570

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.248236	Mean dependent var	-0.384073
Adjusted R-squared	-0.018104	S.D. dependent var	6.700296
S.E. of regression	6.760674	Durbin-Watson stat	2.197971
Sum squared resid	7998.675	Akaike info criterion	6.882049
Log likelihood	-755.9639	Schwarz criterion	7.801180
F-statistic	0.932028		
Prob(F-statistic)	0.618224		

Firstly, attention should be focused, on the coefficient, which describes the relationship, influence and the direction between the dependent variable (ROE) and the independent variables (ETHDIV, NATDIV), the control variable (BODSIZE). The results of coefficient of ETHDIV from the above table show that ETHDIV has approximately (0.06), 6% influence on ROE. This means if ETHDIV increases by one (1), then ROE would have 6% change in value. The results of coefficient of NATDIV from the above table show that NATDIV has approximately 100% positive influence on ROE. This means if NATDIV increases by one (1), then ROE would increase by 100% in value. BODSIZE from the above table show that BODSIZE has approximately 5% (0.05) influence on ROE. This means if BODSIZE increases by one (1), then ROE would be no 5% change in value

In terms of the significance of probability we see NATDIV in the probability column reads (0.8740), which can be interpreted as 87% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This, therefore, implies that NATDIV has no significant relationship with ROE. This implies that regardless of the coefficient results, if the board of a firm increases the number of foreign directors there would be no change in the financial performance of that firm using ROE as the

performance parameter. We can also see that ETHDIV, in the probability column reads (0.9849), which can interpret as 98% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This therefore concludes that BODSIZE also has no significant relationship with ROE. We can also see that BODSIZE, in the probability column reads (0.9570), which can interpret as 96% significance. The state of significance in probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This therefore concludes that BODSIZE also has no significant relationship with ROE. This implies that regardless of the coefficient results, if the board of a firm increases the number of directors there would be no change in the financial performance of that firm using ROE as the performance parameter

R-squared (can explain variation). As we see, 0.248236 above shows that 25% variation of ROE can jointly be explained by ETHDIV, NATDIV, and BODSIZE. In other words, ETHDIV, NATDIV, and BODSIZE can jointly influence 25% ***variation*** of the outcome of ROE, which is a very little significant influence. 100%-25% = approximately 75% ***variation*** of ROE can be explained by outside variables not captured in the study. This percentage, 25%, is reasonable owing to the fact that this study is a behavioural inclined research where it involves the effect of dynamic and unpredictable variables like board of directors (humans). The diversity in board is highly dependent on the certain un-captured factor like the behavior of each member, personality, competence and so on that could influence the performance of a firm. The significance is also confirmed in the probability value of prob (F-statistic), 0.618224 which is 62% i.e. it is not significant. The significance of probability must be below (0.05) 5%.

DISCUSSION

The findings above is in agreement the findings of (Marimuthu and Koladaisamy, 2009; Darmadi, 2011) which report no significant relationship between foreign directors and firm financial performance and Omoye, Alade, &Eriki, 2013; Protasovs, 2015 which report no significant relationship between board ethnic diversity and firm financial performance. However, this study is not in agreement with the prior studies that suggest that ethnic diversity has a significant positive relationship with financial performance (Swartz and Firer, 2005; Nishii, Gotte & Raver, 2007; Marimuthu, 2008) and is also not in agreement with studies that suggest

that ethnic diversity has a significant positive relationship (Oxelheim and Randoy, 2001; Sanda, Garba & Mikailu, 2008 and Garba & Abubakar, 2014). In the case of (Oxelheim & Randoy, 2001; Sanda, Garba & Mikailu, 2008; Garba & Abubakar, 2014) it was observed that national diversity has a strong significant positive effect on the financial performance of the firms they sampled. This implies that both national and ethnic diversity has positive effect on the firm's performance. Hence, when there is more foreign content and when there is a more diverse and balanced representation of the major ethnic groups on the board the firm financial performance is positively influenced towards an increase.

Equally, (Schwizer, 2012, Zainal, Zulkifli, and Saleh, 2013) concluded that the relationship between national diversity in the board of a firm and firm performance is a significant negative relationship which is also in disagreement with the results of this study. This implies that a percentage increase in the foreign content of the board of a firm results in an equal percentage decline in firm's financial performance. This indicates an inverse relationship between national diversity and firm's financial performance study which is not in disagreement with the results of this work. The studies of (Cimerovaa, doda, & Frijnsa, 2014) indicate that there can also be a negative relationship between ethnic diversity and firm performance. Finally, (Marimuthu and Koladaisamy, 2009: Darmadi, 2011) proved that ethnic diversity and financial performance has no significant relationship and (Protasovs, 2015) showed that national diversity and financial performance has no significant relationship of which both are consistent with this study's result.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This study helps to provide evidence based on the effects of national diversity and ethnic diversity on firm financial performance of an emerging economy like Nigeria. This chapter brings to conclusion the argument earlier stated in the form of the hypothesis. And it provides answers to the research question stated in chapter one. This chapter shows the interpretation of the results in chapter four and links it up with other empirical research, showing its agreement or disagreement with them. This chapter advances through the following sequence of headings: Summary of analysis, Summary of Findings, Conclusion, Recommendation of study, Contribution to knowledge, Limitation of study, and Suggestion for further study

5.1 Summary of analysis

The study has been able to come with an analysis based on the main objectives of the study, which is to determine the influence of ethnic diversity as a variable on the firm's performance and to Ascertain whether the presence of a foreign director (national diversity as another variable) affects firm's performance using ROA, ROA and Tobin's Q as financial measures.

Below represents the summary of the results from each regression analysis using the three financial measures mentioned above.

	ROA			ROE			TOBIN'S Q		
	Coefficient	R-squared	Probability	Coefficient	R-squared	Probability	Coefficient	R-squared	Probability
NATDIV	0.124116	0.433793	0.3299	1.073417	0.2482	0.8740	0.061619	0.04205	0.9780
ETHDIV	0.078753	0.433793	0.1817	0.059217	0.2482	0.9849	-0.093407	0.04205	0.9279

From the above, based on the results from the various financial performance measures we see that NATDIV and ETHDIV have no significant relationship with all the selected financial performance measure based on the values of their probability. With these results, we can therefore deduce that NATDIV and ETHDIV have no significant influence on the financial aspect of the firm's performance. Firm performance was measured in the light of three basic representations, ROA, ROE, TOBIN'S Q to ensure validity and reliability of results. The results of the measurements of financial performance as shown in the summarized table above was all had different explanations as a result of various values in probability, R-squared and coefficient.

ROA

The above table shows that ETHDIV has approximately (0.08), 8% positive influence on ROA (i.e. Has no influence) and NATDIV has approximately 12% positive influence on ROA. This means if ETHDIV increases by one (1), then ROA would have 8% change in value and if NATDIV increases by one (1), then ROA would increase by approximately 12%. In value. BODSIZE from the above table show that BODSIZE has approximately 0% positive influence on ROA. This means if BODSIZE increases by one (1), then ROA would increase by approximately 0% in value. In terms of the significance of probability we see NATDIV (0.3299) and ETHDIV (0.1817) has no significant relationship with ROA. The state of significance in

probability starts from 0.05 (5%) and below. i.e. it must not be greater than 0.05 significance. This therefore implies that BODSIZE, (0.9887), also has no significant relationship with ROA.

R-squared interpretation

As we see, 0.433793 above shows that 43.4% variation of ROA can jointly be explained by ETHDIV, NATDIV, and BODSIZE. In other words ETHDIV, NATDIV, and BODSIZE can jointly influence 43% ***variation*** of the outcome of ROA, which is a very little significant influence. 100%-43% = approximately 57% ***variation*** of ROA can be explained by outside variables not captured in the study. Significance is also confirmed in the probability value of prob (F-statistic) 0.000046, which is 0% i.e. it is significant. The significance of probability must be below (0.05) 5%.

TOBIN'S Q

The results of coefficient of ETHDIV (-0.09), 9% negative influence on TOBIN'S Q. From the results of coefficient of NATDIV. NATDIV has approximately 6% positive influence on TOBIN'S Q. BODSIZE from the above table show that BODSIZE has approximately 1% influence on TOBIN'S Q. In terms of the significance of probability we see NATDIV (0.9780) in the probability column shows NATDIV has no significant relationship with TOBIN'S Q. We can also see that ETHDIV, in the probability column reads (0.9279) ETHDIV also has no significant relationship with TOBIN'S Q. We can also see that BODSIZE, in the probability column reads (0.9753), which shows that BODSIZE also has no significant relationship with ROE.

R-squared interpretation

As we see, 0.042053 above shows that 4% variation of TOBIN'S Q can jointly be explained by ETHDIV, NATDIV, and BODSIZE. In other words ETHDIV, NATDIV, and BODSIZE can jointly influence 42% ***variation*** of the outcome of TOBIN'S Q, which is a very little significant influence. 100%-4% = approximately 96% ***variation*** of TOBIN'S Q can be explained by outside variables not captured in the study. Significance is also confirmed in the probability value of prob (F-statistic) 1.00, which is 100% i.e. it is not significant. The significance of probability must be below (0.05) 5%.

ROE

The results of coefficient of ETHDIV from the above table show that ETHDIV has approximately (0.06), has 6% influence on ROE. The results of coefficient of NATDIV from the above table show that NATDIV has approximately 100% positive influence on ROE. BODSIZE from the above table show that BODSIZE has approximately 5% (0.05) influence on ROE.

In terms of significance of probability we see NATDIV and ETHDIV do not have significant relationships with ROE because the probability column reads (0.8740) and (0.9849), which can interpret as 87% and 98% respectively. They are both above the 5% significance level. This therefore implies that BODSIZE also has no significant relationship with ROE because the probability column reads (0.9570), which can interpret as 96%.

R-squared interpretation

As we see, 0.248236 above shows that 25% variation of ROE can jointly be explained by ETHDIV, NATDIV, and BODSIZE. In other words ETHDIV, NATDIV, and BODSIZE can jointly influence 25% ***variation*** of the outcome of ROE, which is a very little significant influence. 100%-25% = approximately 75% ***variation*** of ROE can be explained by outside variables not captured in the study. Significance is also confirmed in the probability value of prob (F-statistic) , 0.618224 which is 62% i.e. it is not significant. The significance of probability must be below (0.05) 5%.

5.2 Summary of Findings

This study examined the effect of ethnic and national diversity (board diversity) in the board of a firm in the firm's financial performance. During the process of seeking to examine this effect, we made use of financial performance measures such as return on asset (ROA), return on equity (ROE) and Tobin's Q. The result showed an insignificant relationship between ethnic and financial performance, and also showed an insignificant relationship between national diversity financial performances. The result derived using all the three financial measures have no significant relationship with ethnic and national diversity. This is in agreement the findings of (Marimuthu and Koladaisamy, 2009; Darmadi, 2011 which report no significant relationship between foreign directors and firm financial performance and Omoye, Alade, &Eriki, 2013; Protasovs, 2015 which report no significant relationship between board ethnic diversity and firm financial performance. However, this study is not in agreement with the prior studies that suggest that ethnic diversity has a significant positive relationship with financial performance (Swartz

and Firer, 2005; Nishii, Gotte & Raver, 2007; Marimuthu, 2008) and is also not in agreement with studies that suggest that ethnic diversity has a significant positive relationship (Oxelheim and Randoy, 2001; Sanda, Garba & Mikailu, 2008 and Garba & Abubakar, 2014).

Results of similar studies in Nigeria

The study seeks to see the difference between its results and that of similar studies done within the same locality (Nigeria) and the study tries to consider why the outcome differs or are similar as analysed below:

Ujunwa, Okoyeuzu & Nwakoby, (2012), carried out a similar study to this study. They made use of panel data of 122 quoted firms in the Nigerian stock exchange regardless of industrial differences. They focused on gender, ethnicity and nationality as board diversity using fixed effect generalized least square regression examining periods of 1991-2008 (17yrs) of which these periods are pre-IFRS adoption periods. Their results showed that national and ethnic diversity were positively linked to firms', performance which is not in agreement with this study.

A year later, Omoye, Alade, & Eriki, (2013) published their study on this same subject matter. They made use of 96 randomly selected from the Nigerian stock exchange, using ordinary least square regression using the individual ethnic groups for separate analysis. Results showed that the individual ethnic group (Hausa, Igbo, and Yoruba) each had a negative association with firm performance. Garba & Abubakar, (2014) investigated gender, ethnic diversity and board size. Selected 12 listed insurance firms, using data period of 2004-2009 which were analysed using feasible generalized least square regression and random effects estimators. Results showed a positive link between the foreign directors and firms' performance, but ethnic diversity had no significant impact on firms' performance, of which this is in agreement with this study.

5.3 Conclusion

This study examined the effect of ethnic and national diversity (board diversity) in the board of a firm in the firm's financial performance. We made use of financial performance measures rather than general performance measure. The selected financial measures were returning on asset (ROA), return on equity (ROE) and Tobin's Q. The result showed an insignificant relationship between ethnic and financial performance, and also showed an insignificant relationship between

national diversity financial performances. The result derived using all the three financial measures have no significant relationship with ethnic and national diversity. These imply that both national and ethnic diversity has no effect on the firm's performance regardless of the number of foreign directors present at a board and also regardless of the level of ethnic diversity present in a board. Hence, when there is more foreign content and when there is a more diverse and balanced representation of the major ethnic groups on the board, the firm financial performance is not influenced towards an increase or decrease. The control variable for the study is IFRS and board size, IFRS based on the fact that the data collected was from financial reporting for the post IFRS adoption years (2012-2015). The findings indicated that the average board size of the sixty (60) listed firms used was approximately (9) which explains that fact that on a average the minimum number of directors recommended by the new corporate governance code is attained.

5.4 Recommendation of study

Based on the results obtain from this study, we deduce that ethnic diversity and national diversity showed no significant influence on the financial performance of all the sixty (60) listed firms sampled. This result was based on the financial measurement variables that were used for the analysis and other factors that could have influenced the result as stated in the limitation to study above. The obvious implication of this study is that regardless of the presence of board diversity in terms of nationality and ethnicity, there will be no difference or change when it comes to the financial performance of a firm. In addition, this study has made recommendations based on the importance of two factors: The overall strength in the ***corporate governance*** (anchored on agency, stewardship and social identity theory, emphatic on interest of shareholders and board) of a firm and firm's ***profitability-growth*** factor (anchored on stakeholders and resource dependency theory emphatic on resource for expansion and satisfaction of business community).

Given the level of weak ***corporate governance*** in a business environment like Nigeria, firms should look to diversify their corporate board composition. Nigeria, being a diverse nation has firms with ethnic diversity amongst employees and management as well as at the ownership level, there will also be a need for diversity in board level of proper representation. However, if they also confirm that there is no traceable influence between demographic diversity and firm performance, this study still recommends that Nigerian firms should consider diversifying board

because it would be as a form of guard against the gang up of board members against owner as a result of conflict of interest as proven by *social identity theory* and *agency theory*. The firms that perform operations in Nigeria need to re-strategize when it comes to ethnic diversity in corporate boards as ethnically diverse board enhance productivity, accountability and performance making the board effective *stewards*. The reason is because if the Nigerian corporate governance adopts a policy of ensuring every board is composed of diverse ethnic group representations then diversity in board will be inevitable for the success of every business in Nigeria. However, despite the suggestion this, the latest Nigerian Corporate governance code 2016 is yet to incorporate such.

Based on ***profitability-growth*** and in terms of National diversity, we can recommend that firm board should be composed of at least a foreign director, depending on the global market base and stakeholders reach. For every listed or a multinational firm, their market is global and has stakeholders in nations apart from base nation where it majorly operates. Boards make certain critical decision that affects the stakeholder and eventually affect the interest of the shareholders. There must be a proper representation of the key stakeholder in that board so as to voice the possible opinions of this stakeholder and fight for the shareholder's interest which is backed up *stakeholders theory*. Since the board of directors is directly involved in issuing, restructuring, takeover exercises, introducing measures to enhance regulatory, transparency, accountability and independence, therefore a foreign director is advisably recommended for every listed firm, and a must for the success of every multinational. Foreign directors could be crucial when it comes to strategies such as merger and acquisition of a foreign firm and cross-listing in the international market for the purpose of expansion of the base and growth. Hence, the inclusion of a foreign board member should be seen not only as a low-budget alternative for firms that regard cross-listing as too big a venture, but also as an important complement for firms where cross-listing already exists. Foreign director also facilitates vast initiatives, innovations, background knowledge, competence, rare skill/ability (e.g. Language) and resources to the board, supported by *resource dependency theory*.

Finally, firms who have practically been able to trace a direct influence between diversity and performance in terms of cost and benefits should disregard the consideration of demographic

diversity if the cost outweighs the benefit which affirmed to the negative relationship between ethnic diversity and performance.

5.5 Contribution to knowledge

The filling in of gaps in literature stands as contribution to existing knowledge. This study was able to identify certain gaps in literature such as earlier identified in chapter one of the study. Gaps in the literature could be in the form of methods, population type and location, sample size, and time range, etc. The study's additions to knowledge were based on these gaps. Firstly, majority of prior studies examined this topic in locations like Malaysia, Netherlands, Germany, New Zealand, Indonesia, U.K., U.S.A. and other developed countries. Just Only about three (3) to five (5) studies have focused on Nigeria thus far based on a similar topic.

(Ujunwa, Okoyeuzu and Nwakoby, 2012) and (Garba & Abubakar, 2014) was able to combine ethnic diversity and national diversity, but Only Garba & Abubakar, 2014 made use of the three financial measures used in this study (ROE, ROA, and TOBIN'S Q) as shown in THE above table. Out of this Nigerian-focused studies, none were able to provide analysis and results for non-financial listed companies in the Nigerian stock exchange making use of OLS regression. This is the gap that this study was able to fill in thereby contributing to the knowledge of literature.

5.6 Limitation of study

This study has lots of limitations in the cause of running the study. The limitation to the study would be discussed under the following headings: Type of diversity Time frame of study, Number of years, financial performance measures Size of population, Location, Source of data

Type of diversity: The next limitation of the study will be in terms of the aspects of diversity used. The diversity used for this study is demographic in context according to the classification made by (Peterson, 2000; Timmerman, 2000), they are ethnic diversity and national diversity. These types of diversities are referred to as demographic diversities because they are mostly attributed to physical characteristics, they can be inherited and can be used to trace an individual's origin. This study made use of only ethnic diversity and national diversity. Ethnic diversity can be seen in many ways. One of the ways could be in form of racial diversity (where we have the black, white race, etc.), other ways of viewing ethnic diversity could be in form of nationality, tribe/ ethnic group (origin ,e.g. Hausa, Igbo and Yoruba), clan (divided by

indigenous language variety and village), and cultural diversity. The ethnic group was categorized in the form of the three basic ethnic groups in Nigeria, but in reality there are several ethnic groups in Nigeria that should be represented in future studies.

Population and Location: The choice of Nigeria as the focus of the study stands as a limitation because the study would be based on the financial information present on the firms listed on the Nigerian stock exchange. The use of the non-financial sectors which comprise of 10 sectors, namely, services, industrial goods, consumer goods, natural resources, building/real estate, healthcare services, conglomerate, agriculture, ICT, and oil and gas. Though at least about 50% of firms in each of these sectors were represented, there is always a need for a greater percentage representation of the sectors used to extract adequate and useful data needed for analysis.

Methods used in data collection and Source of data: The study was also limited to the methods used in data collection and Source of data which was through secondary data method and the internet sources respectively (i.e. The listed firm's published financial report on Nigerian stock exchange).

The Number of reporting years of firms and Time frame of study: The study made use of data from the financial statement of 60 firms listed on the Nigerian stock exchange and the number of reporting years was four years (4 years) from 2012-2015 because 2012 was when the IFRS reporting year for listed companies began. The study was conducted within a space of seven months (6 months. November 2016 - April 2017) so far gone and the work is still in an ongoing process

Financial performance measures: The study was limited to the measurements of ROA, ROE and TOBIN'S Q as financial measures of which are not all the possible measures that can be used to determine if a firm's performance is good or bad. There are multiple measures of financial performance that can be made use for future research. This research only made use of profitability measures like ROA, ROE, ROCE and ROI, etc. Other Financial performance measures such as Growth (e.g. Asset growth, Market-share growth) & Market Value (e.g. stock price volatility, earnings per share) should be considered.

The names of the board members were used as the main means of categorizing the board into the three basic ethnic groups. One of the limitations of this method is that nowadays as a result of

migration and relocation of various ethnic groups (into other regions not their origin), modernization, western influence, marriage, and national schemes (like NYSC), names are no more 100% reliable in determining ethnic origin. This is because he modern Nigeria people adopt names from other ethnic groups and westerners as a result of marriage, western influence, national scheme, relocation and so on.

Model: The regression model in this study assumes there is a linear relationship between diversity and performance. There could be a curvilinear relationship. This is a limitation to this study. This also means diversity may result in adverse results for a certain period, followed by indifferent results, then positive relationships with regard to performance.

5.7 Suggestion for further study

The suggestion for future studies would be discussed under the following headings: Type of diversity Time frame of study, Number of years, financial performance measures Size of population, Location, Source of data

Type of diversity: This study examined ethnic diversity and National diversity. Future studies should go farther in focusing on other forms of diversity such as background diversity (industrial experience). This knowledge-based form of diversity would be greatly needed in terms of board decisions and contributions. Such information about directors' industrial backgrounds could be extracted from the curriculum vitae and biography. A combination of directors of various backgrounds regardless of race or any other form of diversity is crucial for creativity and innovation. Ethnic diversity can be seen in many ways. The ethnic group was categorized in the form of the three basic ethnic groups in Nigeria, but in reality there are several ethnic groups in Nigeria that should be represented in future studies.

Population and Location: The use of the non-financial sectors only was because of differences in regulations such as BOFIA and financial regulator like CBN. Nevertheless, future studies could examine a population of listed financial institutions in the Nigerian stock exchange only.

The Number of reporting years of firms and Time frame of study: The study made use of data from the financial statement of 60 firms listed on the Nigerian stock exchange and the number of reporting years was four years (4 years) from 2012-2015. Future studies should expand the population of the number of firms beyond sixty (60) and the number of years should also

increase. Future studies should make us of IFRS adoption as a dummy variable, where a pre-adoption and post-adoption examination would be analysed.

Financial performance measures: There are multiple measures of financial performance that can be made use for future research. This research only made use of profitability measures like ROA, ROE, ROCE and ROI, etc. Other Financial performance measures such as Growth (e.g. Asset growth, Market-share growth) & Market Value (e.g. stock price volatility, earnings per share) should be considered.

Model: There could be a curvilinear relationship. This is a limitation to this study. This also means diversity may result in adverse results for a certain period, followed by indifferent results, then positive relationships with regard to performance. This study needs to be expanded across specific industries with the comparism between the behavioral differences (in terms of effect of board-ethnic diversity) in these industries of which there are gaps to fill in respect to other countries

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APPENDIX

FIRMs	Year	ROE	ROA	TOBIN Q	ETHDIV	NATDIV	BODSIZE
PRESCO PLC	2012	0.153295	0.136555	0.890797	3	1	12
PRESCO PLC	2013	0.055498	0.046929	0.845609	3	1	12
PRESCO PLC	2014	0.1141	0.104259	0.913753	2	1	10
PRESCO PLC	2015	0.047313	0.041833	0.884169	2	1	10
FTN COCOA	2012	-0.20497	-0.09249	0.451232	2	0	6
FTN COCOA	2013	-0.16882	-0.06283	0.372164	2	0	6
FTN COCOA	2014	0.481564	0.130547	0.27109	2	0	6
FTN COCOA	2015	-0.06274	0.424901	-6.77242	2	0	6
LIVESTOCK FEED	2012	0.178853	-0.22754	-1.2722	3	0	8
LIVESTOCK FEED	2013	0.998115	-0.12184	-0.12207	3	0	8

LIVESTOCK FEED	2014	0.102844	0.042618	0.41439	3	0	8
LIVESTOCK FEED	2015	0.096427	0.041124	0.426478	3	0	8
OKOMU OIL	2012	0.492836	0.44653	0.906042	2	1	9
OKOMU OIL	2013	0.027803	0.023785	0.85549	2	1	9
OKOMU OIL	2014	0.1234	0.072523	0.587706	2	1	9
OKOMU OIL	2015	0.272956	0.150935	0.552963	2	1	9
ELLAH LAKES	2012	-0.05062	-0.02764	0.54597	3	0	9
ELLAH LAKES	2013	-0.04199	-0.02111	0.502666	3	0	9
ELLAH LAKES	2014	-0.02043	-0.01166	0.570841	3	0	9
ELLAH LAKES	2015	-0.06772	-0.0311	0.459313	3	0	9
SCOA PLC	2012	0.02251	0.010376	0.460957	2	1	10
SCOA PLC	2013	0.037604	0.013739	0.365366	2	1	10
SCOA PLC	2014	0.058779	0.018113	0.308152	3	1	9
SCOA PLC	2015	-0.6533	-0.12047	0.184404	3	1	9
TRCP	2012	0.195451	0.125834	0.643814	3	0	7
TRCP	2013	0.080274	0.046552	0.579914	3	0	7
TRCP	2014	0.036814	0.019351	0.525634	3	0	7
TRCP	2015	0.016502	0.007117	0.431307	3	0	7
UACN	2012	0.116193	0.057259	0.492791	3	0	10
UACN	2013	0.138946	0.079583	0.572761	3	0	10
UACN	2014	1.457753	0.839554	0.575923	3	0	10
UACN	2015	0.069929	0.040299	0.576284	3	0	10
ABRICO PLC	2012	2.062	0.14	0.073	2	1	7
ABRICO PLC	2013	5.068578	0.11132	0.021963	2	1	7
ABRICO PLC	2014	1.277652	-0.05676	-0.04442	2	0	7
ABRICO PLC	2015	3.706091	0.059846	0.016148	2	0	7
FULLROADS	2012	0.224	0.051	0.137	3	1	5
FULLROADS	2013	0.087242	0.011373	0.130359	3	1	5
FULLROADS	2014	0.264465	0.03816	0.144293	3	1	5
FULLROADS	2015	-0.78465	-0.06474	0.082509	3	1	5
JULIUS BERG	2012	0.344183	0.02029	0.058953	3	1	11
JULIUS BERG	2013	0.373356	0.034556	0.092556	3	1	11
JULIUS BERG	2014	0.315758	0.032182	0.101919	3	1	11
JULIUS BERG	2015	0.100451	0.009956	0.099116	3	1	11
SKYSHELTER	2012	0.069	0.097	0.811	3	0	5
SKYSHELTER	2013	0.045552	0.043829	0.962184	3	0	5
SKYSHELTER	2014	0.056452	0.054696	0.9689	3	0	5
SKYSHELTER	2015	0.088861	0.079143	0.890646	3	0	5
SMART PROD	2012	0.21421	0.100687	0.470041	1	0	5
SMART PROD	2013	0.19891	0.111217	0.559133	1	0	5
SMART PROD	2014	0.194376	0.10544	0.542451	1	0	5
SMART PROD	2015	0.228368	0.126817	0.555319	1	0	5
7UP	2012	0.133445	0.032674	0.24485	3	1	10

7UP	2013	0.287053	0.058914	0.205239	3	1	10
7UP	2014	0.371326	0.115185	0.310199	3	1	10
7UP	2015	0.297731	0.105276	0.353594	3	1	10
PZ	2012	0.059225	0.039419	0.665583	3	1	10
PZ	2013	0.11459	0.073602	0.642312	3	1	10
PZ	2014	0.033	0.021386	0.648075	3	1	10
PZ	2015	0.018533	0.010704	0.577568	3	1	10
FIDSON	2012	0.03957	0.01919	0.48497	3	0	8
FIDSON	2013	0.029546	0.012659	0.428432	3	0	8
FIDSON	2014	0.109591	0.040059	0.365528	3	0	8
FIDSON	2015	0.11771	0.044653	0.379346	3	0	8
GLAXOSMITH	2012	0.021	0.042	0.539	3	1	12
GLAXOSMITH	2013	-0.03403	-0.01263	0.371224	3	1	12
GLAXOSMITH	2014	0.020482	0.007824	0.381998	2	1	10
GLAXOSMITH	2015	0.008808	0.00826	0.937777	2	1	10
MORRISON	2012	-0.05049	-0.04193	0.830491	2	1	9
MORRISON	2013	-0.24906	-0.18335	0.736139	2	1	9
MORRISON	2014	-0.24906	-0.18335	0.736152	2	1	9
MORRISON	2015	-0.4886	-0.25666	0.525289	2	1	9
MAY&BAKER	2012	0.04521	0.01236	0.4539	3	0	6
MAY&BAKER	2013	-0.03403	-0.01263	0.371224	3	0	6
MAY&BAKER	2014	0.020482	0.007824	0.381998	3	0	6
MAY&BAKER	2015	0.021864	0.00826	0.377768	3	0	6
PHARMA DEKO	2012	0.074354	0.025208	0.339021	3	1	9
PHARMA DEKO	2013	-0.26715	-0.08878	0.332326	3	1	9
PHARMA DEKO	2014	0.108469	0.035576	0.327978	3	1	9
PHARMA DEKO	2015	0.369295	0.256515	0.694607	3	1	9
CWHG	2012	0.111431	0.029578	0.26544	2	1	7
CWHG	2013	0.121381	0.045571	0.375436	2	1	7
CWHG	2014	0.024179	0.008795	0.363744	2	1	7
CWHG	2015	-0.58633	-0.17061	0.290975	2	1	7
ETRANZACT	2012	0.053607	0.03888	0.725287	2	0	6
ETRANZACT	2013	0.074802	0.053586	0.716371	2	0	6
ETRANZACT	2014	0.136606	0.087451	0.640168	2	0	8
ETRANZACT	2015	0.202607	0.120795	0.596206	2	0	8
TRIPLE G&CO	2012	0.004266	0.003734	0.875357	3	0	7
TRIPLE G&CO	2013	0.012887	0.011281	0.875357	3	0	7
TRIPLE G&CO	2014	0.01037	0.008851	0.853525	3	0	7
TRIPLE G&CO	2015	0.026533	0.022579	0.850997	3	0	7
COURTVILLE	2012	0.148019	0.048019	0.801925	3	0	11
COURTVILLE	2013	0.107578	0.07055	0.655805	3	0	11
COURTVILLE	2014	0.095546	0.067269	0.704052	3	0	11
COURTVILLE	2015	0.021023	0.014926	0.709984	3	0	11

ENAMELWARE	2012	0.062478	0.033571	0.537326	2	1	7
ENAMELWARE	2013	0.069391	0.027936	0.402585	2	1	7
ENAMELWARE	2014	0.056952	0.014805	0.259949	2	1	7
ENAMELWARE	2015	0.094625	0.029402	0.310719	2	1	7
ASHAKA	2012	0.041925	0.024926	0.899489	2	1	9
ASHAKA	2013	0.060394	0.042245	0.699489	2	1	9
ASHAKA	2014	0.089085	0.063845	0.716677	2	1	9
ASHAKA	2015	0.052146	0.039282	0.753313	2	1	9
AUSTIN LAZ	2012	0.030956	0.026822	0.866464	1	0	6
AUSTIN LAZ	2013	0.003881	0.003179	0.819171	1	0	6
AUSTIN LAZ	2014	-0.0888	-0.07786	0.876839	1	0	6
AUSTIN LAZ	2015	-0.03414	-0.03163	0.926553	1	0	6
BERG	2012	0.110637	0.067416	0.609344	3	1	12
BERG	2013	0.103192	0.071069	0.688705	3	1	12
BERG	2014	0.060495	0.04088	0.675751	3	1	12
BERG	2015	0.127667	0.084786	0.664121	3	1	12
NIGERIAN ROPE	2012	-2.29264	-0.25052	0.109269	2	0	9
NIGERIAN ROPE	2013	1.434969	-0.30282	-0.21103	2	0	9
NIGERIAN ROPE	2014	0.337349	-0.28905	-0.85683	2	0	9
NIGERIAN ROPE	2015	0.60899	-0.22678	-0.37239	2	0	9
UNDC	2012	-0.01726	-0.22954	13.29996	3	0	8
UNDC	2013	0.01	0.136693	13.52062	3	0	8
UNDC	2014	0.077	-0.98514	-12.8414	3	0	8
UNDC	2015	0.002	-0.03844	-17.4541	3	0	8
BOCG	2012	0.185	0.115025	0.620719	1	1	6
BOCG	2013	0.144	0.091005	0.631538	1	1	6
BOCG	2014	0.059	0.035451	0.592966	1	1	6
BOCG	2015	0.108	0.070681	0.656809	1	1	6
ABCT	2012	0.147516	0.065176	0.441825	3	0	10
ABCT	2013	0.133846	0.054166	0.404688	3	0	10
ABCT	2014	-0.20699	-0.05793	0.27985	3	0	10
ABCT	2015	0.072167	0.02233	0.309417	3	0	10
AVCN	2012	0.040351	0.007561	0.187374	2	0	8
AVCN	2013	-0.05284	-0.01061	0.200858	2	0	8
AVCN	2014	0.009028	0.001564	0.173184	2	0	8
AVCN	2015	-0.00457	-0.00068	0.148253	2	0	8
JULI PLC	2012	0.119749	0.115025	0.960546	2	0	6
JULI PLC	2013	0.144101	0.091005	0.631538	2	0	9
JULI PLC	2014	0.112083	0.066461	0.592965	2	0	9
JULI PLC	2015	0.060243	0.039568	0.656809	2	0	9
CAPH	2012	0.131653	0.055546	0.421913	1	1	10
CAPH	2013	0.051833	0.026172	0.504923	1	1	10
CAPH	2014	0.070929	0.035025	0.493799	1	1	10

CAPH	2015	0.124094	0.065078	0.524426	1	1	10
CAVN	2012	#DIV/0!	0.2183	#DIV/0!	3	1	11
CAVN	2013	0.164763	0.047697	0.289489	3	1	11
CAVN	2014	0.082076	0.026738	0.325772	3	1	11
CAVN	2015	0.078516	0.02501	0.318535	3	1	11
CEMENT CO.	2012	0.156579	0.083983	0.536364	2	1	9
CEMENT CO.	2013	0.157093	0.09454	0.60181	2	1	9
CEMENT CO.	2014	0.203094	0.121569	0.598584	2	1	9
CEMENT CO.	2015	0.118397	0.070048	0.591639	2	1	9
CHAM	2012	0.019498	0.010042	0.515014	2	1	9
CHAM	2013	0.040289	0.017583	0.436408	2	1	9
CHAM	2014	0.040917	0.023316	0.569838	2	1	9
CHAM	2015	-1.01519	-0.3978	0.391847	2	1	9
CILS	2012	0.183	#DIV/0!	#DIV/0!	3	1	7
CILS	2013	0.031572	0.008456	0.267841	3	1	7
CILS	2014	0.054352	0.013521	0.248763	3	1	7
CILS	2015	0.02615	0.005081	0.194309	3	1	7
COND	2012	0.045653	0.008604	0.188472	2	1	10
COND	2013	0.170207	0.037271	0.218975	2	1	10
COND	2014	0.05184	0.009636	0.185881	2	1	10
COND	2015	0.130299	0.033256	0.255229	2	1	10
ETNA	2012	0.147935	0.028494	0.192609	2	0	4
ETNA	2013	0.098893	0.038525	0.389561	2	0	4
ETNA	2014	0.153152	0.069455	0.453505	2	0	4
ETNA	2015	0.131974	0.044742	0.339022	2	0	4
FIRA	2012	0.008956	0.010954	1.223107	3	1	8
FIRA	2013	-0.08015	-0.11719	1.462074	3	1	8
FIRA	2014	0.002421	0.003517	1.452648	3	1	8
FIRA	2015	0.009437	0.013433	1.423485	3	1	8
NNIG	2012	0.140215	0.062136	0.44315	3	1	13
NNIG	2013	0.131655	0.071494	0.543043	3	1	13
NNIG	2014	-1.48839	-0.46657	0.313471	3	1	13
NNIG	2015	-0.64621	-0.49791	0.770511	3	1	13
FORTE OIL	2012	0.132867	0.023699	0.178366	2	0	9
FORTE OIL	2013	0.11817	0.047808	0.404567	2	0	9
FORTE OIL	2014	0.100522	0.032007	0.318409	2	0	9
FORTE OIL	2015	0.125194	0.047587	0.380104	2	0	9
GRIF	2012	0.12952	0.061667	0.476122	1	1	6
GRIF	2013	-0.78444	0.044879	-0.05721	1	1	6
GRIF	2014	0.128903	0.065449	0.507737	1	1	6
GRIF	2015	0.073272	0.034405	0.469548	1	1	6
GUINESS	2012	0.368145	0.134088	0.364226	3	1	15
GUINESS	2013	0.257688	0.097998	0.380298	3	1	15

GUINESS	2014	0.212453	0.072346	0.34053	3	1	15
GUINESS	2015	0.161247	0.063764	0.395441	3	1	14
BETA	2012	0.106664	0.059162	0.554662	2	1	9
BETA	2013	0.106691	0.054013	0.506255	2	1	9
BETA	2014	0.149829	0.088762	0.592422	2	1	9
BETA	2015	0.113273	0.073281	0.646943	2	1	9
INLK	2012	-0.05695	-0.03455	0.606587	2	1	12
INLK	2013	0.013818	0.00825	0.597058	2	1	12
INLK	2014	0.007722	0.005415	0.701221	2	1	12
INLK	2015	0.010828	0.007771	0.717703	2	1	12
BRIS	2012	-0.0896	-0.01989	0.221977	3	0	8
BRIS	2013	-0.03017	-0.00601	0.199075	3	0	8
BRIS	2014	0.559353	0.096157	0.171907	3	0	8
BRIS	2015	-102.647	0.299986	-0.00292	3	0	8
PORT	2012	-0.29407	-0.09571	0.325465	3	0	6
PORT	2013	0.121571	0.04927	0.405281	3	0	6
PORT	2014	0.160762	0.065263	0.405962	3	0	6
PORT	2015	-0.33687	-0.12267	0.364146	3	0	6
JPUL	2012	-0.45024	-0.20857	0.463233	3	0	9
JPUL	2013	0.015734	0.006183	0.392956	3	0	9
JPUL	2014	-0.20796	-0.06731	0.323683	3	0	7
JPUL	2015	-2.30383	-0.23715	0.102937	3	0	7
LIVE	2012	0.227537	0.069537	0.305605	2	0	13
LIVE	2013	0.121838	0.057415	0.471239	2	0	13
LIVE	2014	0.128116	0.044182	0.344859	2	0	8
LIVE	2015	0.096427	0.041124	0.426478	2	0	8
LARFARGE	2012	0.215211	0.09682	0.449885	2	1	11
LARFARGE	2013	0.304041	0.175484	0.577171	2	1	11
LARFARGE	2014	0.191996	0.081309	0.423496	2	1	11
LARFARGE	2015	0.153767	0.059597	0.387581	2	1	11
MOBIL	2012	0.43677	0.085756	0.196342	3	1	7
MOBIL	2013	0.364953	0.085463	0.234176	3	1	7
MOBIL	2014	0.347529	0.118227	0.340193	2	1	6
MOBIL	2015	0.463299	0.09899	0.213663	2	1	6
MORS	2012	0.022301	0.016783	0.752563	3	1	9
MORS	2013	-0.04619	-0.03345	0.724264	3	1	9
MORS	2014	-0.24922	-0.18335	0.735695	3	1	9
MORS	2015	-0.4886	-0.25666	0.525289	3	1	9
MRSO	2012	0.010765	0.00369	0.342725	3	1	8
MRSO	2013	0.03232	0.009657	0.298794	3	1	8
MRSO	2014	0.036918	0.012903	0.349513	3	1	8
MRSO	2015	0.044602	0.013987	0.313592	3	1	8
MANS	2012	0.008137	0.005584	0.686311	2	1	5

MANS	2013	-0.1171	-0.05625	0.480388	2	1	5
MANS	2014	0	0	0.999017	2	1	5
MANS	2015	-0.59638	0.132214	-0.22169	2	1	5
MULV	2012	0.011345	0.005584	0.492236	3	1	21
MULV	2013	-0.25525	-0.11016	0.431569	3	1	21
MULV	2014	-0.34532	-0.11653	0.337453	3	1	21
MULV	2015	-0.30001	-0.08168	0.272265	3	1	21
BECO	2012	-1.25697	-0.70687	0.56236	1	1	7
BECO	2013	-0.12261	-0.07074	0.576966	1	1	7
BECO	2014	-0.12261	-0.07074	0.576966	2	1	7
BECO	2015	0.421457	0.200341	0.475353	2	1	7
PREM	2012	-2.54073	-0.10361	0.040778	2	1	10
PREM	2013	2.288282	-0.07394	-0.03231	2	1	10
PREM	2014	-7.07874	0.027998	-0.00396	2	1	10
PREM	2015	-1.14007	-0.08643	0.07581	2	1	10

Panel unit root test: Summary
Series: ROE
Date: 03/08/17 Time: 15:03
Sample: 2012 2015
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-30.3420	0.0000	58	174
Null: Unit root (assumes individual unit root process)				
ADF - Fisher Chi-square	93.2359	0.0063	58	174
PP - Fisher Chi-square	97.7944	0.0025	58	174

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

Panel unit root test: Summary
Series: TOBIN_Q
Date: 03/08/17 Time: 16:04
Sample: 2012 2015

Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-104.621	0.0000	58	174
Null: Unit root (assumes individual unit root process)				
ADF - Fisher Chi-square	144.922	0.0000	58	174
PP - Fisher Chi-square	169.121	0.0000	58	174

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

Panel unit root test: Summary
Series: ROA
Date: 03/08/17 Time: 16:06
Sample: 2012 2015
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0
Newey-West automatic bandwidth selection and Bartlett kernel
Balanced observations for each test

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-30.6269	0.0000	58	174
Null: Unit root (assumes individual unit root process)				
ADF - Fisher Chi-square	82.2523	0.0436	58	174
PP - Fisher Chi-square	90.0950	0.0114	58	174

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.