INTERNATIONAL JOUNAL OF: FINANCIAL RES. AND MANAGEMENT SCIENCE

TIMBOU-AFRICA ACADEMIC PUBLICATIONS
INTERNATIONAL JOURNAL, AUGUST, 2023 EDITIONS
VOL. 14 NO. 7 ISSN: 2773-1040

EXAMINING THE CONNECTION BETWEEN GENDER DIVERSITY IN THE BOARDROOM AND ORGANIZATIONAL PERFORMANCE IN NIGERIAN-LISTED COMPANIES

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ABSTRACT

The paper aims to examine the effect of gender diversity in the boardroom on financial performance. The research design is quantitative research using secondary sources. Therefore, the financial firms were adopted as the population from companies listed on the Nigeria Stock Exchange (NSE) main board from 2013 until 2022. The findings show that the proportion of women serving on boards of directors is still relatively low. However, the proportion of women serving on boards of directors for financial firms is lower and the board meeting is positive and statistically significant. The study concludes

Introduction

Researchers have spent decades focusing their attention on the issue of managerial effectiveness. This is a significant problem for both the public and commercial sectors, but it may be even more significant in rising economies, which have many opportunities for economic growth (Analoui, 1999). During the recent financial crisis, weak corporate governance mechanisms have undermined institutions, which has resulted in poor financial performances, insolvencies, and multiple bail-out missions by the governments of both developed and developing economies (Organisation for Economic Cooperation and Development [OECD], 2004). In light of the problems inherently associated with corporate governance, this raises the question: Does the gender diversity of board members affect the effectiveness of management?

Africa is not left out of the campaigning and awareness efforts. There is no reason to exclude Africa from efforts to promote gender diversity and raise awareness. Companies in Nigeria are far behind female board members since diverse people exclude women from participation outside the country's constitution. The Capital Market Acts of 2015 mandated that gender diversity be supported on their board through free initiatives; however, there were no sanctions for failing to comply with this requirement. According to Ilaboya and Ashafoke (2017), shareholders see having a woman on the board of directors as a positive move, which boosts their belief in the company's productivity and has the potential to have a significant and positive impact on the value of the stock. This is based on the findings of a survey conducted among shareholders. A sample investigation of 183 companies by Delloite in Nigeria in 2018 revealed that women hold 5.8% of chairperson positions and 17.4% of board member positions (Olufemi, 2021).

that female quota on the board and board board board meeting are a significant factor that improves financial performance. Therefore, recommended that employing different methodologies or using various financial indicators as a measurement tool might produce a different outcome, and the study should be extended beyond the current scope of the study.

Keywords: Gender Diversity, Boardroom, board meeting, Financial Performance, Corporate governance.

A greater understanding of the importance of gender diversity has led to the inclusion of more women on boards in Nigeria. United Bank for Africa (UBA) 1984 appointed Bola Kuforiji-Olubi to chair the committee, making her the first woman to operate in that role in a bank in Nigeria. In the past, the banking industry board was dominated by men. The Nigerian Corporate Governance Code 2018 advocated that publicly listed companies should consider gender diversity when appointing and filling board vacancies; however, there were no dictates regarding quotas. The Central Bank of Nigeria required a minimum of 30% inclusion of females on the board of directors of Commercial banks in the Nigeria Exchange Group (SEG). Diversity in gender among board members can help to enable quality decision-making by bringing a more comprehensive range of skills and experienced people with various points of view on issues about strategic planning (Ilaboya & Ashafoke, 2017).
Due to the effects of globalisation and competition, it is now necessary to have a highly diversified board to maintain a competitive advantage. The concept of diversity on boards as a whole includes gender diversity as an essential component. According to Campbell & Bohdanowicz (2016), having female board members in a company would bring various perspectives into the boardroom and spark vibrant boardroom conversations. According to Al Azeez et al. (2019), management may have a reduced ability to manipulate a more diverse board to further their own interests.
Some nations have passed laws mandating quotas for gender diversity on boards, while others have taken no such action and instead focused only on encouraging voluntary targets to boost the number of women serving on committees. According to Guping et al. (2020), the European Commission predicted a threshold of 40% for listed businesses with low gender diversity of non-executive members on their board. This criterion did not include small and medium-scale organisations, however. Norway was the first country in Europe and the first country in the world to commence lawmaking on gender allotment on the board of directors with repercussions for non-compliance with the law in 2003. These sanctions included mandatory quotas for women on boards of directors. As a result of Norway's efforts to close the gender gap, the country's percentage of women serving on corporate boards of directors increased to 40.70 per cent in 2015. Other nations, such as Spain, France, Italy, Belgium, and Malaysia, have also passed legislation that makes it legal for women to hold board positions.
In light of the information presented above, the primary purpose of this research is to explore the influence that gender diversity on boards has on the organisational performance of publicly traded financial firms. There have been several studies conducted and discussions held on the topic of whether or not board qualities such as board gender diversity have any impact on the performance of the firms; nevertheless, there is a dearth of empirical evidence in the literature that focuses on nonfinancial

performance indicators such as managerial efficiency. As a result, it is anticipated that this research scope will contribute to the existing body of literature.

After the introduction comes the first of the study's four distinct parts, followed by the conclusion. In the second portion, the focus is on the literature review and the formulation of the hypothesis; in the third section, the methodology is presented; in the fourth section, the estimation results and the discussion of the findings are given; and in the fifth section, the conclusion and the recommendation are presented.

Literature Review and Hypothesis Development

An agency relationship is a legal contract between the principal and the agent in which the principal transfers the responsibility and authority of managing the business's activities to the agent. It establishes a distinction between ownership and control, remaining the ownership with the principal and the control with the agent (Jensen and Meckling 1976). In the agency theory, agents are equated to managers, while principals are to shareholders. According to this theory, the separation of ownership and control results in information asymmetry, as managers have more information than shareholders. Additionally, management can manipulate data to act contrary to the best interests of shareholders (Donnelly and Mulcahy 2008).

According to the agency theory, when a principal (shareholder) and an agent (manager) are separated, conflicting relationships exist, such as information asymmetry and agents' opportunistic behaviour. As a result, it is critical to closely monitor the agent's activities to minimise conflicts, align principal-agent objectives, and maximise shareholder wealth. Additionally, the agency theory explains that effective corporate governance oversight reduces agency conflicts, increases firm transparency, and improves financial performance (Hanh et al. 2018; Hussain et al. 2018).

Gender Diversity and Return on Asset

The literature is replete with findings concerning the association between gender diversity on boards and the effectiveness of managerial practises. The previously published research contains only a few studies on the connection between gender diversity and effective board meetings. While some individuals documented a great relationship, others claimed to have a poor relationship. Gordini and Rancati (2017) investigated the impact of gender diversity in the Italian boardroom and firm financial performance using data from 918 Italian-listed companies. The data collected were analysed using the regression technique. The result shows a positive and statistically insignificant relationship between gender diversity in the Italian boardroom and firm financial performance. Based on the previous argument, the study proposes the following hypothesis to be tested:

H1: Gender diversity in the boardrooms is positively associated with organisation Performance.

Board Meeting and Organisational Performance

Regular board meetings are widely acknowledged as essential to efficient corporate governance. According to the agency hypothesis, the number of board meetings a company has can affect the performance of the company. An increase in the frequency of meetings encourages sharing ideas, disclosure of performance, and debate to solve agency problems. According to the report published by Bursa Malaysia Berhad in 2017, even though there is no requirement for a minimum number of board meetings, it would be in the best interest of the firm for the board to meet regularly (i.e., at least five meetings, if not more frequently as the circumstances warrant). In addition, the number of board

meetings is not predetermined by the Malaysian Code of Corporate Governance (MCCG), which states that the circumstances of the firms should determine the number of sessions. According to previous studies (Correia and Lucena 2020; Elamer et al. 2018), holding regular board meetings is one of the best ways to increase the board members' ability to organise themselves and communicate as part of the governance mechanism. The performance of the company as a whole and its overall efficacy are improved as a direct result of board meetings, which remove ambiguity and develop agreed beliefs, expectations, and ideals. Information can be standardised through frequent meetings, which provide an opportunity to address strengths and flaws impacting the firm's profitability (Nguyen et al. 2021; Correia and Lucena 2020). This conversation can be beneficial in determining how to improve the firm's performance.

According to Amin et al. (2018), holding regular board meetings signals to stakeholders that the company is failing, which necessitates an independent director's involvement in the firm's careful monitoring. The authors of Wang et al. (2020) had a negative outlook on the board meeting. According to the findings of their investigation, board meetings hurt the company's overall operation. As a direct consequence, businesses are holding meetings more frequently to address the problems that stem from poor performance. In addition, productive board meetings often inform stakeholders of any issues or disputes arising in the organisation's running. It appears that the answer to the question of whether board meetings can potentially have a favourable governance influence on the success of a corporation is still up in the air because different people have different perspectives on the nature of board meetings. Hence, the Study by Barros & Sarmento, (2020) has shown that the frequency of board meetings is connected with FP, even though the attendance rate and the number of board meetings held each month have opposing impacts. This lower rate is associated with average levels of meeting frequency.

Similarly, Yakob & Abu Hasan (2021) examine if the board of directors' role is paramount in business success, which may reflect the organisation's ability to earn investor confidence and improve financial performance. They found that a firm's relationship between ES and financial performance, measured by Tobin Q and return on equity, may be significantly affected by board meetings. This article contributes to the theoretical foundations of the agency theory as it relates to the corporate governance function. The agency theory framework captures the inherent interrelationships between the board of directors and firm performance. Therefore, the frequency of board meetings generally correlates with financial performance and thus put forward the following hypothesis.

H2: Board meetings enhance the relationship with organisational performance.

Methodology

This study adopts quantitative research where the discovery by analysis of secondary sources is used. The study's objective is to examine the association between gender diversity of board members and firm performance. Therefore, the financial firms were adopted as the population from companies listed on the Nigeria Stock Exchange (NSE) main board from 2013 until 2022. The study is conducted for empirical analysis and classified according to the purpose (Boldrini, et al. 2019). This study uses explanatory research to explain and discover the relationships between variables. An illustrative study demonstrates and accounts for descriptive information (Boldrini, et al. 2019). At this point, the study employs several dependent, independent, and control variables similar to those used in prior studies.

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ISSN: 2773-1040

These variables have been tested in previous studies and assumed to be constant when conducting the test as they can affect the ROA. The measurement of each variable used is as follows:

Table1: Variables Measurement

Variables	Type	Measurement Scale
Return on Asset	ROA	Asset Turnover Ratio
Percentage of Women as Board Member	WOMB	Number of women directors / Number of directors sitting on the board
Number of Board Meetings	BMEET	Total number of board meetings held within the financial year.
Firm Size	FSIZE	Natural logarithm of total assets of the firm
Firm Age	FAGE	Number of years of business operation

This study utilised OLS regression has been created for the examined variables. The test will ensure that the problem of multicollinearity is completed first to ensure that the assumptions behind regression analysis are met. This will be done so that the test results can be trusted. The OLS estimator has the most negligible variation compared to other unbiased estimators if the residuals have a constant variance. In addition, hypothesis testing utilising F tests will be carried out if the errors follow a normal distribution. As a result, the f-statistics are used to present every one of the regression outcomes in this study, and the coefficients are used to figure out the relation. The regression model created is as follows, and its purpose is to assess the association between gender diversity and financial performance (ROA).

$$ROA = \beta_0 + \beta_1 WOMB_t + \beta_2 BMEET_t + \beta_3 BSIZE_t + \beta_4 FSIZE_t + \beta_5 FAGE_t + \varepsilon$$

Result and discussion

Table 2 reports the descriptive statistics of the variables used in this study. The overall distributions are comparable to those found in earlier studies. For example, this study's mean percentage of women on boards of directors is 10.6 per cent, significantly lower than the mean percentage of 13.5 per cent that Garba & Abubakar (2014) found using a sample of the top 72 insurance firms for their analysis. In that study, the researchers used data from those companies. While the calculated mean value of board meetings was 5.26, this average percentage is lower for board members to attend a meeting in a year. The study found that companies have been active in the market for an average of 22.58 years, making them veterans of their respective industries, while the average firm size of the companies in the sample had total assets worth 2058.22 million, the mean value of total assets.

Table 2: Descriptive Statistics of Variables used in the study

Variable	Mean	Min	Max
ROA	0.034	-0.268	0.473
WOMB	0.106	0.000	0.067
BMEET	5.26	1	16
FAGE	22.58	1	126
FSIZE	58.22	15.15	63.00

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

Correlation Analysis

The correlation analysis was performed on the data, and the results are depicted in Table 3, which shows the correlation between each variable investigated in this study and the control variables.

Table 3: Correlation Analysis

Variable	ROA	WOMB	BMEET	FAGE	FSIZE
ROA	1.000				
WOMB	-0.015	1.000			
BMEET	-0.092*	0.048	1.000		
FAGE	0.042	-0.013	0.055	1.000	
FSIZE	0.158**	0.389**	0.073	0.138**	1.000

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

In general, some variables strongly correlate with one another and have a significant significance effect when the value of p is less than 0.01 at a significance level of 99 per cent or less than 0.05 at a significance level of 95 per cent. According to the research conducted by Johnston et al. (2008), the significance of the association between several predictor variables shows the need to test for the possibility of a multicollinearity problem in the regression. Despite this, certain variables showed a negative connection but still had a substantial influence.

According to the findings of this study, the control factors, such as firm age and firm size, are positively connected and have a highly significant influence at 1 per cent. These findings are in line with the research that was published by Sabri et al. (2020). In general, the results of this study are generally compatible with the findings of prior studies. In addition, there is a negative correlation between board meeting attendance and performance, which is significant at the 5 per cent level. This is comparable to the research carried out by Barros & Sarmento, (2020), in which it was shown that there was a negative but lagging link between board meeting attendance and financial performance. Additionally, women's representation has negative and insignificant relations with all variables except board meetings. This indicates that it has to be examined in the regression because its weak ties can potentially avoid the problem of multicollinearity.

OLS Regression Analysis

Table 4 reports the OLS regression results on the WOMB, BMEET's effect on the financial performance.

Table 4 OLS Regression result.

Variable	Coefficient	t-statistic	Significant
Comstant	-0.113	-3.168	0.002
WOMB	0.006	0.269	0.788
BMEET	-0.006	-3.824	0.000
FAGE	0.053	-0.531	0.596
FSIZE	0.020	4.155	0.000
R-Square	0.51		
F-Statistics	5.990		

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

Conclusion and Recommendation

This study is essential because it addresses the benefits of women participating in noteworthy boardrooms. This research demonstrates that a positive correlation does exist between gender diversity and ROA, which suggests that women may be able to contribute to an improvement in the company's overall financial position. This follows the corporate governance policy, which mandates that there must be at least 30 per cent female representation at the decision-making level of the corporate sector. In 2012, the Securities Exchange Commission reviewed the corporate governance code, and more attention was shifted towards gender inclusion on the board. Therefore, it is proposed that this policy be consistently implemented and utilised by the corporate sector to acquire the advantage of mixing women and men in board composition for improved financial performance.

The presence of various characteristics in boardrooms might fulfil the boards' requirements to properly monitor and perform oversight roles on top management to maximise shareholder value. Including two or more women on board could better serve the organisation's decision-making process. Despite this, a few things in the study need to be addressed before it can be used as a basis for further investigation. The second consideration is the possibility that certain variables were omitted from the regression model, and unaccounted-for variables could result in more accurate forecasting and better explain the company's performance. Thirdly, using ROA as a proxy for financial performance comes with restrictions and constraints.

The conclusions could be contested by employing different methodologies or using various financial indicators as a measurement tool to get a more accurate result, which might produce a different outcome. The only two fiscal years accounted for in the analysis are 203 and 2021. As a result of the economic slump, most businesses were contending with severe financial challenges throughout these years. Therefore, the findings of this research can be extended to include 2023, which will be desirable.

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TIJFRMS
ISSN: 2773-1040