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Original Research Article

CORPORATE BOARD DIVERSITY AND FINANCIAL PERFORMANCE OF BANKS: EVIDENCE FROM NIGERIA

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Abstract

This study examined corporate board diversity and financial performance of Nigerian Banks. The paper employed a panel research design; annual data were sourced from banks quoted in the Nigerian Stock Exchange (NSE) as at 2015 and were analyzed using Ordinary Least Square (OLS) statistical technique. The result from the study revealed that gender composition and foreign nationality exhibits significant impact on financial performance of banks in Nigeria, though the strength of their impact differs. However, independent directors and board ethnic diversity had insignificant impact on financial performance of banks in Nigeria. The study envisaged that a high sex composition in favors of women, foreign directors and ethnic diversity in favors of southerners in the board of Nigerian banks will significantly improve their overall financial performance. This paper therefore recommends that foreign nationalities in the board of Nigerian banks should be increased because it enhances their financial performance by increasing accessibility to technology, information sharing and reducing inefficiencies in management; it is also recommended that ethnic diversity be given serious consideration if the goal of maximizing corporate financial performance is to be achieved in Nigerian banks.

Keywords: Board diversity, Ethnicity, Foreign-nationality,

JEL Classification: L250

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1.0 INTRODUCTION

Board diversity is among the most momentous corporate governance issues in topical time (Milliken & Martins, 1996). Several firms in the USA have aligned to the fact that diversity in board of management leads to higher firms performance (Carter, Simkins, & Simpson, 2003). The board of directors plays a very significant or vital role in strengthen shareholders wealth (Omoye & Eriki, 2013). Similarly, Agraval, and Chadha (2005) point out the substance of having board members with high level of financial expertise and decisions skills in order to understand information given to the board and to better plan the future of the firm in the interest of the company in order to enhance its value. Consequently, activities of the board of directors of firms have generated concerns among accounting researchers and practitioners. This is necessitated by high profile accounting scandals (Xerox, Enron, WorldCom, Cadbury, Africa Petroleum) and insolvency of banks (Oceanic Bank, Union Bank, Afribank, Finbank, and Intercontinental Bank) due to high earnings management practices, poor corporate governance and weak internal control systems in corporate firms (Adeyemi, Okpala, & Dabor, 2011). The collapse of such large corporations has exposed the intentional misconduct of managers and weakness of board structure which could not protect investors from expropriation and sharp practices (Supawadee, Subba, & Omar, 2013). Moreso, one element of the corporate governance steps include diversifying the corporate board or what is traditionally called “board diversity”. In this context, board diversity refers to a given board with a foreign presence amongst other things. There are few studies on board diversity and corporate financial performance in Nigeria (Omoye & Eriki, 2013; Najjar, 2013; Tukur & Bilkisu, 2014). However, these studies have not addressed issues relating to board diversity and bank financial performance in Nigeria with foreign directorship variable. Hence, it is against this background that this paper addressed board diversity and bank financial performance. Following the introduction, the rest of the paper is organised as follows: Section 2 focuses on the review of related literature, Section 3 presents the methodology. Section 4 focuses on estimation result and discussion of findings while conclusion and recommendations are the basis of Section 5.

2.0 REVIEW OF RELATED LITERATURE

Conceptual Framework

Corporate Financial Performance

Corporate financial performance has been found to depend on both quantitative and qualitative factors. While quantitative factors are factors that are measurable, qualitative factors are not measurable but have a tremendous influence on the performance of corporations. Corporate financial performance has been found to depend on corporate governance issues. Firm's profitability ratios relate to the abilities of managements of these institutions to adhere to best corporate governance practices in all facets of their operations (Tukur & Bilkisu, 2014). Banks are competing in a highly competitive environment in order to offer good services to customers. Bank performance may be evaluated based on stiffer competition and customers' awareness of service quality amongst others. Consequently, the consolidation exercise of the banking sector in Nigeria has resulted to the expansion of market as a result of active participation of local and foreign elements which have led to enhance service delivery and assurance of customers. Bank thrives to enhance its performance by improving its service quality to meet customers' expectations. Performance of an organization could be evaluated by resource-based view (Barney, 1991; Wernerfelt, 1984), market orientation, organizational learning, human resource productivity, quality improvement or any other component (Banker & Sinkula, 1999).

Bank performance could be measured by both qualitative and quantitative tools. Number of studies had used non-financial measures to evaluate the effectiveness and performance of organization (Quinn & Rohrbaugh, 1983; Venkatraman & Ramanujam, 1986). Different quantitative measures of corporate financial performance exist in literature. They include, Return on Equity (ROE), Return on Asset and Tobins Q (Uadiale, 2010).

Corporate Governance

There are varied definitions of Corporate Governance in literatures though they all have similarities. Mayer (1999) view corporate governance as the sum of the processes, structures and information used for directing and overseeing the management of an organization. According to OECD (2004), Corporate Governance is a system which serves as a basis of which companies are directed and managed. Based on this, specifications are given for the division

of competencies and responsibilities between the parties (the board of directors, the supervisory board, the management and shareholders) and rules and procedures for adopting decisions on corporate matters. On the other hand, Arun and Turner (2004), was of the view that there exists a narrow approach to Corporate Governance. They view corporate governance as the mechanism through which shareholders are assured that managers will act in their interests. On a theoretical perspective, Sanda, Mikailu, and Garba (2005) asserted that corporate governance is an economic discipline which examines how to achieve an increase in the effectiveness of certain corporations with the help of organizational arrangements, contracts, regulations and business legislation.

Cadbury (2002) opined that Corporate Governance is a uniquely complex and multi-faceted subject that is devoid of a unified or systematic theory. It is one of the key factors that determine the health of a corporate system and its ability to survive economic shocks. The broader perspective of Corporate Governance is expected to be adopted for banking institutions because of the peculiar contractual form of banking which demands that corporate Governance mechanisms for banks should encapsulate depositors as well as shareholders. The unique nature of the banking system or firm, whether in the developed or developing world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks. Crespi, Garcia-Cestona, and Salas (2004) contend that corporate governance of banks refers to the various methods by which bank owners attempt to induce managers to implement value-maximizing policies. In the light of this, Corporate Governance can be defined as the manner in which systems, procedures, processes and practices of a bank are managed so as to allow positive relationships and the exercise of power in the management of assets and resources with the aim of advancing shareholders' value and satisfaction together with improved accountability, resource use and transparent administration (Daily, Dalton, & Cannella, 2003).

Gender Composition and Corporate Financial Performance

It is globally accepted that only 1-5% of top executive are women. Women hold few corporate board seats (Meyerson & Tompkins, 2007). Women around the world are faced with several hurdles that hindered them from attaining management positions (Mathur-Helm, 2005; Wilson, 2005). Studies have shown that

advancing to the top rungs for women is like a camel passing through the eye of a needle (Wilson, 2005; Meyerson & Tompkins, 2007). This is mostly so because there is a great deal of gender inequality in the workplace (Meyerson & Tompkins, 2007). Also, appointment of corporate board members is greatly influenced by the social, political and economic structure of a country (Terjesen & Singh, 2008), and the proportion of individual shareholding in the firm (Darmadi, 2011). Several studies including Obi, (2001); Owoyemi (2013) indicate that to date, the situation in Nigeria remains unchanged as women are still seen as inferior to their male counterparts no matter their qualifications. The National Gender policy recommends the adoption of special measures, quotas and mechanisms for achieving the threshold of pursuing 35% affirmative action in favour of women to bridge gender gaps in political representation in both elective and appointive posts at all levels ILO, (2010).

There are divergent views among researchers on the effect of gender representation in the board on firms' performance. Marinova, Plankaga and Remery (2010) summarized several of the positive points underpinning gender diversity. They believe that female directors may better understand particular market conditions than men, which may bring more creativity and quality to better decision-making. A more gender diverse board may generate a better public image of the firm and thus improve the performance, and that women in the board supply a wide range of pool of talents and also may positively influence the career development of women in lower positions, thus enhancing the performance of corporate entity.

Rose, Madsen, and Funch (2013) found that female board representation is not associated with superior performance. Hili and Affes (2012) highlight the importance of female presence in terms of rules conformity, preference for change, risk aversion but could not find a significant difference in earnings persistence, compared to firms with homogeneous board of directors (women absence).

H₀₁: *Gender composition of the board of Nigerian banks has no significant impact on their financial performance.*

Board Independence and Corporate Financial Performance

Basically, company's board of directors is made up of internal and external members. While the internal members are

referred to as executive directors, the external members are known as non-executive directors. The non-executive directors are known as the independent directors. Research has shown that a high proportion of independent directors on the board improve the quality of financial disclosure and subsequent financial performance of companies (Bouaziz & Triki, 2012). External directors' influence on the board of directors of firms has caused a lot of controversy among corporate financial experts. While some believe that External directors positively influence corporate governance in institutions, others see it as a check.

Babatunde and Olaniran (2009) found that no positive relationship exists between increase in external directorship and financial performance of firms. They suggested that the reason for this could be that external directors are determined by the Chief Executive Officer (CEO) who appoints them to suit his agenda for the firm especially in developing countries. Rose, Madsen and Funch (2013) claimed that the management problem can be avoided with the adoption of outsiders in the board since they do not hold active role in the company except for their directorship which puts them in the best position to judge managerial decisions objectively. Higher proportion of outsiders on a board can better monitor and control the opportunistic behavior of the incumbent management, thus, minimizing the agency problem and maximizing shareholders' wealth. A study conducted by Sanda, Mikailu and Garba (2010) examined board independence on 205 Nigerian public listed companies with panel data design from 1996 to 2004 by using only financial based measurement, ROA and ROE. The findings showed both positive effects of independent directors to firm performance. The results provide evidence that outside director representation is positively related with return on assets and on risk-adjusted stock returns.

H₀₂: *Boards Independence of Nigerian Banks does not have significant impact on their financial performance.*

Foreign Nationals and Corporate Financial Performance

Foreign directors (FDs) can be less effective monitors for several reasons. First, a director's geographic distance from corporate headquarters generates substantial oversight costs, since making on-site visits and attending board meetings (usually held at corporate headquarters) become more difficult and time-consuming.

This undermines a director's ability and incentives to gather information and closely monitor management. Consistent with this view, Lerner (1995) finds that venture capitalists are reluctant to sit on boards of geographically distant firms, and Knyazeva, Knyazeva, and Masulis (2009) document a significant local component to the matching process of companies and outside director candidates.

The obstacles created by distance are even greater for FDs, as the time and energy drain and hassle associated with international travel, coupled with heightened security concerns, are likely to impose heavy burdens on foreign directors, further eroding their monitoring incentives and ability. Second, directors who are geographically removed from the vicinity of a firm's corporate headquarters are cut off from local networks that provide valuable soft information (Babatunde & Olaniran, 2009). Sometimes located in foreign countries, FDs have even fewer channels and less access to current information about the companies on whose boards they sit, and thus may be less able to stay well informed about these companies' current operations and performance (Tukur & Bilkisu, 2014).

H₀₃: *Foreign nationals in the board of Nigerian banks do not significantly influence their financial performance.*

Ethnic Diversity and Corporate Financial Performance

Board diversity as a variety of the composition of board of directors can be categorized into demographic diversity and cognitive diversity. Demographic diversity refers to those observable attributes of directors such as ethnicity, gender, age and nationality while cognitive diversity are those unobservable attributes of directors such as educational background, skill, experience and occupational background (Zainal et al., 2013). The focus here is ethnicity which is a component of demographic diversity.

There are divergent opinions on the effect of ethnic diversity of members of board of directors on corporate financial performance. Wallalage and Locke (n.d) opined that ethnicity differences breed cultural differences and alternatives, enhances board independence, quality decision-making process, and thus impact on firm financial performance positively. In line with this position, Ntim (2013) affirmed that in South Africa, ethnic diversity within a corporate board of directors has a significant relationship

in the market valuation of the firm's stock. However, in Nigeria, it has been established that ethnic representation in the board of corporate entity has no significant impact on the financial performance of the firm (Omoye & Eriki, 2003; Tukur & Builkisu, 2014).

In UK, Brammer, Millington, and Pavelin (2007) classified ethnicity into white, non-white, white-male and others. In Nigeria there are thousands of different ethnic groups, both major and minors. But Omoye and Eriki (2013) classified them into the three (3) major ethnic groups (Hausa, Yoruba and Ibo). However, Tukur and Bilkisu (2014) classified Nigeria ethnic groups into two regions (Northerners and Southerners). For convenience purpose we shall adopt the two regional classifications for ethnic diversity, a director being either a Northerner or a Southerner.

H₀₄: *Ethnic diversity in the board of directors of Nigerian bank does not impact on the financial performance.*

Theoretical Framework

Agency Theory

The agency relationship explains the association between providers of corporate finances and those entrusted to manage the affairs of the firm. Jensen and Meckling (1976) define the agency relationship in terms of "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent". Agency theory supports the delegation and the concentration of control in the board of directors and use of compensation incentives. The board of directors monitors agents through communication and reporting, review and audit and the implementation of codes and policies. Eisenhardt (1989) explains that the agency problem arises when the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is actually doing. The problem is that the principal is unable to verify that the agent is behaving appropriately. Following the agency theory, the board of directors (BOD) connects the managers and shareholders, hence resolving agency issues. Consequently, a highly diversified board of directors will have a positive impact on firms' financial performance.

3.0 METHODOLOGY

Research Design

This study utilized a panel data design which is a combination of cross-sectional and time-series design properties. The population of the study consists of thirteen (13) commercial banks listed on the floor of the Nigerian Stock Exchange as at December 2015. However, due to the considerable number of listed commercial banks on the floor of the Nigerian Stock Exchange, this study considered all the 13 banks as sample of the study for a six year period (2010 – 2015). The data for this study are secondary data sourced from published annual financial statements of the commercial banks sampled for the study.

Model Specification

This study employed a modified version of the econometric model specified by Omoye and Eriki, (2013) as

$$ROE = \beta_0 + \beta_1 HAUSA + \beta_2 YORUBA + \beta_3 IGBO + \beta_4 ASSET + e$$

Since we employed different board diversity proxies, the above model is therefore modified below;

The functional form of the model is given as;

$$ROE = f(\text{GCOM, INDR, FORN, EDIV, BODS and DEQ})$$

The econometric form is stated as;

$$ROE_{it} = \beta_0 + \beta_1 GCOM_{it} + \beta_2 INDR_{it} + \beta_3 FORN_{it} + \beta_4 EDIV_{it} + \beta_5 BODS_{it} + \beta_6 DEQ_{it} + \mu_t$$

4.0 ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

Descriptive Statistics

Table 1.1: Descriptive Statistics of variables

	ROE	GCOM	INDR	FORN	EDIV	BODS	DEQ
Mean	0.193686	0.066065	0.320769	0.167502	5.423077	14.59615	110702
Median	0.061498	0.000000	0.370000	0.105263	5.000000	15.00000	106493
Maximum	0.306794	0.187500	0.440000	0.583333	13.00000	19.00000	438847
Minimum	-2.079422	0.000000	0.080000	0.000000	1.000000	8.000000	-228977
Std. Dev.	0.689192	0.076602	0.088336	0.180988	2.753580	3.327011	116171
Skewness	-2.164326	0.543472	-1.422884	1.324860	0.570185	-0.261094	0.26816
Kurtosis	6.057876	1.632302	4.799674	3.346077	2.881325	2.177811	4.32249
Jarque-Bera	60.85697	6.612763	24.56398	15.47170	2.848145	2.055461	4.41269
Probability	0.000000	0.036649	0.000005	0.000437	0.240732	0.357818	0.11010
Sum	-10.07165	3.435400	16.68000	8.710128	282.0000	759.0000	5756502
Sum Sq. Dev.	24.22430	0.299258	0.397969	1.670596	386.6923	564.5192	6.88E+11

Source: Computed by the researcher using e-views 7.0 (2017)

From the table above, the mean of the dependent variable Return on equity (ROE) is 0.194, with maximum and minimum values of 0.307 and -2.079 respectively. The means of the independent variables, Gender composition (GCOM), Independent directors (INDR), Foreign Nationality (FORN), Ethnic Diversity (EDIV), Board Size (BODS) and Directors' Equity (DEQ) are 0.066, 0.321, 0.168, 5.423, 14.596 and 110702 respectively. GCOM, FORN, EDIV and DEQ show positive skewness (skewed right) while ROE, INDR and BODS are negatively skewed (skewed left). With a value of -0.261, BODS is more symmetrical than the other variables in the model since it has a value closest to zero. Also, all the data show positive kurtosis (leptokurtic). ROE with a value of 6.058 showed the highest peak while GCOM with a value of 1.632 showed the flattest. The Jarque-Bera statistic shows that the variables except EDIV, BODS and DEQ approximate a normal distribution at the 5% significance level. Specifically, ROE, GCOM, INDR and FORN with Jarque-Bera statistic of 60.857, 6.613, 24.564, 15.472 and probabilities of 0, 0.04, 0, and 0 respectively show that these variables approximate a normal distribution.

The Correlation Result

Table 1.2: Pearson Correlation Result

	ROE	GCOM	INDR	FORN	EDIV	BODS	DEQ
ROE	1	0.1824	-0.0027	-0.0374	-0.4020	0.1606	0.4850
GCOM	0.1824	1	-0.2372	0.1515	-0.2319	-0.1646	-0.0991
INDR	-0.0027	-0.2372	1	-0.5115	0.1768	0.4381	-0.0066
FORN	-0.0374	0.1515	-0.5115	1	0.1222	-0.2323	-0.4626
EDIV	-0.4020	-0.2319	0.1768	0.1222	1	0.2673	-0.3670
BODS	0.1606	-0.1646	0.4381	-0.2323	0.2673	1	-0.0616
SHEQ	0.4850	-0.0991	-0.0066	-0.4626	-0.3670	-0.0616	1

Source: Computed by researcher using e-views 7.0 (2017)

Table 1.2 above shows the Pearson correlation coefficients with respect to the correlation of the variables. With correlation coefficients of -0.0027, -0.0374 and -0.402, a negative correlation is found to exist between INDR, FORN, EDIV and ROE respectively. However, GCOM, BODS and DEQ show a positive correlation with ROE with values of 0.1824, 0.1606 and 0.4850 respectively. In terms of the strength of the relationships, DEQ exhibited the strongest with an absolute value of 0.4850. INDR however showed the weakest with an absolute value of 0.0027. A relatively weak correlation is found to exist between the independent variables

(GCOM, INDR, FORN, EDIV, BODS and DEQ) and the dependent variable (ROE). This shows the probable absence of first order serial correlation.

Table 1.3: The Cochran Orcutt Regression result

Variables	COEFFICIENT	T-Statistic	PROB	Remark
C	-2.0980	-3.4634	0.0012	
GCOM	1.4704	2.7064	0.0084	
INDR	1.3779	1.1760	0.2478	
FORN	1.5064	2.5294	0.0152	
EDIV	-0.0403	-1.6574	0.0947	
BODS	0.0619	2.0613	0.0454	
DEQ	4.13e-06	5.2712	0.0000	
R ² = 0.7027	R ² = 0.6543	F-stat = 14.52		Durbin-watson = 1.9987
Multicollinearity test				
Variable	Coefficient variance		Centered VIF	
C	0.2918		NA	
Gcom	1.0509		1.1476	
Indr	1.2194		1.7708	
Forn	0.3175		1.9358	
Ediv	0.0009		1.3388	
Bods	0.0006		1.3048	
Deq	6.35E-13		1.5951	

Source: Computed by researcher using e-views 7.0 (2017)

The table above shows the summary of the Cochran Orcutt regression. The Breusch-Godfrey serial correlation LM test with prob. Chi-square (2) of 0.1890 gives a sufficient reason to accept the null hypothesis that there is no first order serial correlation. The absence of heteroskedasticity is also buttressed by the result. The highest centered VIF as reflected by the multicollinearity test is that of FORN with value of 1.9358. This obviously is far less than the benchmark of 10 implying that the explanatory variables used are not collinear. Hence, there is the absence of multicollinearity. The regression assumption test above therefore sufficiently allows us to analyze the Cochran Orcutt regression without fear of bias. The coefficient of determination (R^2) for the model (0.7027) is significantly high implying that changes in the explanatory variables explained about 70.27 percent of systemic variations in the return on equities of the banks. The remaining 29.73 percent could be attributed to some other forces affecting ROE outside the model.

This is further buttressed by the adjusted coefficients of determination (R^2) with value of 0.6543. The F- statistic of 14.52 shows that collectively, the explanatory variables are important determinant of Return on Equity. Taken together, GCOM, INDR, FORN, EDIV, BODS and DEQ significantly impact ROE in Nigerian banks.

Discussion of Findings

Gender Composition and Corporate Financial Performance

It has been shown by the results above that a positive and significant relationship exists between gender composition and corporate financial performance in Nigerian banks. This implies that an increase in proportion of females in the board of directors of Nigerian banks will improve their financial performances. Specifically, a unit increase in the proportion of females in the board of directors will increase returns on equities by 1.47 units. With a t-value of 2.70 we can conveniently say that gender composition impact significantly on corporate financial performance at the 5% significance level. We therefore reject the null hypothesis that gender composition of the board of Nigerian banks has no significant impact on their financial performance and accept the alternative hypothesis that gender composition of the board of Nigerian banks does affect their financial performance. This is in line with the findings of Marinova, Plarikaga, and Remery (2010).

Independent Board Members and Corporate Financial Performance

Though positive, an insignificant relationship is found to exist between independent board members and corporate financial performance of Nigerian banks. The coefficient of Independent board members has been found to be statistically equal to zero with the t-value of 1.1760 and probability of 0.2478. We therefore have no statistical reason to reject the null hypothesis that independent directors of the boards of Nigerian banks do not have significant impact on their financial performance.

Foreign Nationals and Corporate Financial Performance

The results with respect to the relationship between foreign nationality of the board of Nigerian Banks and their financial performance were impressive and conformed to a-priori expectation. The t-value of 2.53 with probability of 0.015 leads credence to this fact. Specifically, a unit increase in the foreign nationality of the board of Nigerian banks will increase their financial performance which is proxy by Return on Equities by 1.50 units increase. We can therefore conclude that corporate financial performance of the Nigerian banks is responsive to increase in the proportion of foreign nationals in the board of directors of these banks. We reject the null hypothesis and accept the alternative hypothesis that foreign directors of the board of Nigerian banks do influence their financial performance. This confirms the findings of Tukur and Bilkisu (2014).

Ethnic Diversity and Corporate Financial Performance

The results of this research work brought to bear a very interesting relationship between ethnic diversity in Nigeria and how it affects financial performance of Nigerian banks. Ethnic diversity in this context is the proportion of Northerners in the board of directors of the Nigerian banks. A significant negative relationship was found to exist between the ethnic diversity and the financial performance of Nigerian banks. With a t-value of -1.66 and probability of 0.09, we can say that at the 10% level of significant we are certain that a relationship exists between ethnic diversity and corporate financial performance in the board of directors of Nigerian banks. A unit increase in the proportion of Northerners in the board of Nigerian banks decreases their financial performance by 0.0403 units. This negates the findings of Omoye and Eriki (2003) and Tukur and Bikilsu (2014) who found an insignificant relationship between ethnic diversity and financial performances of Nigerian firms.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

This paper attempts to x-ray the impact board diversity has on corporate financial performance in Nigeria banks. Failure in corporate governance in Nigeria banks was identified to result to poor corporate financial performance of these banks. This necessitated this study in order to empirically show the relationship between some indices of board diversity and bank's financial performances in Nigeria. Using the Ordinary Least Squares Technique which has been adjudged as the Best Linear Unbiased Estimator, it was found out that a positively significant relationship exist between gender composition, foreign nationality and bank's financial performance. It was also discovered that though positively related to corporate financial performance, is statistically insignificant in determining bank's financial performance in Nigeria. Ethnic diversity on the other hand was found to negatively affect corporate financial performance in negation of a-priori expectations. The results of the regression conducted, therefore conforms to the hypothesis that board diversity does indeed affect corporate financial performance in Nigeria. The researcher concludes that a bias for sex composition in favors of women, foreign directors and ethnic diversity in favors of southerners in the board of Nigerian banks will significantly improve their overall financial performance.

Recommendations

The separation of ownership from management which sometimes bring about conflicts, engender stewardship, accountability, probity and transparency from management who are entrusted with the day-to-day activities of the organization. However, it is pertinent to note that the inclusion of reliable, knowledgeable and professional shareholders into the board makes the board more efficient and can checkmate the excesses of management. Akpan and Rimam (2012) posited that the size of shareholders in the board have positive influence on return on bank assets and return on equity. From our results presented in the study, board differential or diversity no doubt affects bank's financial performance in Nigeria banks. In line with this, we provided the following recommendation:

Corporate policies should aim to increase the proportion of females in the board of directors of Nigerian banks. Increasing the number of females in the board of directors will invariably 'increase return on equities of these banks. This could be because female gender is less prone to corruption than their male counterparts. Also, a board of directors completely made up of males is endangered by gender bias and could be inimical to corporate growth. Females are believed to understand particular market conditions than men, bringing about creativity and quality to better decision making. The bottlenecks impeding on female participation in the management of Nigeria financial system should be removed. Gender equality especially at the workplace should be preached in the country. The study, therefore recommended that the proportion of females in the board of Nigeria banks should be increased to enhance their financial performance by vigorously pursuing legislation that allow an equivalent representations of females in the board of directors of Nigerian banks.

Foreign nationalities in the board of Nigerian banks should be increased. This will enhances their financial performance by increasing accessibility to technology, information sharing and reducing inefficiencies in management. In like manners, ethnic diversity should be given a serious consideration if the goal of maximizing corporate financial performance is to be achieved in Nigerian banking system.

An effective legal framework should be developed to compel diversity in the board of directors of Nigerian banks and such information must be disclosed. Moreso, the implementation of board independence should be done with caution based on the negative relationship it has on banks financial performance.

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