BOARD DIVERSITY IN NIGERIAN NON-FINANCIAL FIRMS (2011-2021): A DESCRIPTIVE STUDY

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ABSTRACT: This study investigated the extent of diversity on the board of the listed non-financial firms. Expo-facto research design was adopted using secondary data. The population of the study consisted of 109 firms in the non-financial sector listed on the Nigerian Exchange Group as at December 2010, while seventy (70) firms were purposively selected. Data were sourced from the audited financial records of the firms and the Nigerian Exchange Group factbook from 2011 to 2021, which was the period that witnessed an increased call for diversity inclusion on corporate boards. Data were analysed using percentages and graphs. The study was anchored on the feminist ethics theory, which emphasises equality, care and the dismantling of gender-based economic barriers. The results showed that there was about 65% ethnic diversity on the boards of non-financial firms in Nigeria. The board gender diversity was only about 12.68%, while the board independence has a representation of 69%. The study concluded that the underrepresentation of women on corporate boards emphasises that women are economically disadvantaged in Nigeria. These findings contribute to the literature on board diversity by highlighting the persistent gender imbalance in corporate governance. Furthermore, the study provides empirical evidence that can guide regulators and stakeholders in formulating gender-inclusive corporate governance frameworks to promote equitable economic participation. It is recommended that soft laws be enacted to give room for women's involvement on corporate boards so as to achieve fair and equitable diversity on the boards of corporate firms in Nigeria.

Keywords: Diversity, Board of Directors, Non-Financial Firms.

INTRODUCTION

As the apex decision-making organ in corporate organisations, the composition of the board has been a subject of academic and policy discourse in the last 30 years. A board of directors comprises social capital, which is a differentiated set of skills and abilities. This social capital is used to assess the board members with respect to the value added in the course of carrying out or discharging its governance responsibilities. Hence, there seems to be a global realisation that effective board composition is instrumental to organisational performance (Toyararanonte, 2022).

WorldCom and Enron's involvement in corporate scandals, as well as financial institutions' failures like Lehman Brothers, have shattered trust in big companies and re-ignited discussions about corporate governance (particularly the make-up of the BoDs and the social responsibility of corporate organisations). Thus, to firm up corporate governance, the US government introduced the Sarbanes-Oxley Act of 2002, whereas the United Kingdom promulgated the Corporate Governance Code that emphasises dialogue as fundamental to the effective functioning of any Board. The financial crisis particularly has exposed the problems inherent in 'group think'. Consequently, a major way by which debates that are constructive can be encouraged is by having diversity on corporate boards. These diversities include gender and race (Financial Reporting Council, 2016).

Beyond composition, the diversity of the Board of Directors (BoD) has become an issue of academic interest. Unlike in the past when companies existed to safeguard only shareholders' interests, contemporary companies co-exist with and consider other stakeholders whom its (in)actions affect directly or indirectly. Firms and stakeholders are mutually connected for survival, meaning all contracts (explicit and implicit) with diverse social elements must be honoured (Abdullah & Ismail, 2013). Therefore, a board composed of individuals with the requisite skills, abilities and technical know-how can potentially proffer differentiated strategic and unique advantages to companies (Finkelstein & Hambrick, 2014).

Board diversity comes in different dimensions, each with its opportunities and challenges. In corporate governance literature, three board diversities have been identified, namely task-based diversity, non-task-based diversity and structural diversity. Task-based board diversity considers professional or educational background; non-task-based diversity focuses on age, gender, ethnicity or nationality, while structural diversity is interested in the CEO's non-duality and board independence. Diversity is becoming a topic of serious discourse among policymakers regardless of its impact, making it more crucial to understand the role it plays.

Gender typifies people's responsibilities, roles, and relationships, as well as the identities ascribed to them within a given society or particular context and the influence that these can have on one another. Broadly speaking, diversity in terms of gender in an organisation is the recognition, consideration and promotion of a variety of resources, potentials and skills of men and women, which is achieved when the entire workforce of an organisation has access to and benefits from the same resources, opportunities and rewards irrespective of gender or sex (Abdullah & Ismail, 2013). It is the requirement of gender diversity that the policies and practices of the workplace take cognisance of the differing experiences and needs of women and men. More specifically, gender diversity, in terms of corporate boards, refers to the policy or practice of providing equal opportunities for women to be included in corporate governance through representation on corporate boards (Hoseini & Gerayli, 2018).

Existing studies (Ilaboya & Ashafoke, 2017; Ilona, Abidin, & Ahmad-Zaluki, 2019) have also shown that ethnic diversity within corporate boards influences corporate effectiveness, which in turn enhances aggressive tax planning. It is an avenue individuals use to define themselves, and consequently, it could be used for (in)actions (Ilona, Abidin & Ahmad-Zaluki, 2019). Therefore, the ethnic diversity on corporate boards refers to the ethnic/tribal affiliation of the board members.

The cultural differences in every ethnic group may make it important to include various ethnic groups on the board of corporate organisations. An ethnically diverse board tends to have members with relatively adequate knowledge of their ethnic group, and this can be utilised in the design of the strategies of the organisation in such a way that benefits stakeholders. Diversity in ethnic affiliations on the board of corporate organisations leads to the emergence of highly effective, feasible and quality ideas compared to those of a homogenous board (Abdullah & Ismail, 2013).

Diversity and Inclusion on corporate boards may affect tax decisions, thereby influencing the extent of TA (Hoseini & Gerayli, 2018). Despite the increased call for greater diversity on the boards of corporate organisations as a result of the possibility of enriched decision-making and improved governance on corporate boards, the diversity on the boards in Nigeria remains a challenge and discourse that has not been concluded. Hence, this study dissects the diversity on the board of listed non-financial firms in Nigeria.

Vacca et al. (2020) and Riguen, Salhi and Jarboui (2019) in their studies discovered that the presence of women on corporate boards positively impacts ETRs in Italy and the United Kingdom, respectively. Considering the above, this study aims to assess the extent of board diversity—gender, ethnicity, and independence—among Nigerian-listed non-financial firms between 2011 and 2021 and how it correlates with tax aggressiveness.

LITERATURE REVIEW

Conceptual Review

The conceptual review described the corporate board, board gender diversity, board ethnic background diversity and board independence.

The aftermaths of the corporate scandals that rocked the business world have made policymakers and governments promote women's representation in the bodies that make decisions for companies. The directive 2012/0299/EC of the European Commission specifically initiated the long-term support for gender diversity in the governance structure of listed firms as well as including women on the board to 40% (European Commission, 2012). To further the clarion call for women’s inclusion in public space, Goal 5 of the UN Agenda 2030 for Sustainable Development has gender equality as its focus and sub-target 5.5 particularly advocates for women's participation and equality in the managerial and political processes involving the making of strategic decisions in firms and governments. Also worthy of note is the widely-used Global Reporting Initiative (GRI) standards for the preparation of reports on sustainability. The GRI standards require that governance bodies of corporate organisations include equal opportunities and gender diversity as part of their social dimensions.

. Since boards of directors (BoDs) influence talent acquisition (TA) (Lanis & Richardson, 2011) and effective board monitoring, further investigations are needed to validate the impact of BoD gender diversity. Furthermore, in many economies, including Nigeria, board gender diversity is an essential policy question that is yet to be resolved. The Global Gender Report (2017) from the World Economic Forum admitted that women have lesser access to education, health assistance, political decision-making power, economic participation as well as potential earnings. This report is indicative of an unbalanced opportunity for the basic wherewithal that can help project the capabilities of women despite the increased call for gender inclusiveness.

Corporate Board of Directors

A corporate BoD is the apex governing organ of an organisation or company, with its members elected by the shareholders (where the company is a public one) and vested with the responsibility of setting strategy, overseeing the management of the organisation as well as protecting the stakes of both shareowners along with other categories of associated parties. A BoD is elected, constituted and required to use their expertise and experience to guide and oversee a company in ensuring sustainability and profitability (Schwarz, 2023). The mandate of the board is to be the face of all stakeholders. Hence, the board is required to make decisions and take necessary actions that will serve the collective interests of all parties related to the organisation. The operation of the board is free from the control of the administrators of the organisation and focuses on major issues that affect it rather than everyday operations.

The formulation of the BoDs of a corporate body is usually drawn from both within and outside the company. The board members from within are mostly described as employees, although this group sometimes includes significant shareholders. However, the board members from outside the organisation are only involved with the organisation as a result of their board membership, hence making them independent and more objective than the inside members in carrying out their obligations of trust. The outside directorship enables differentiated perspectives and expertise which relate to a variety of businesses, making them very important to the board as it carries out its fiduciary duties (Galia & Zenou, 2013).

Board Diversity

Diversity as a concept in the governance of legal entities involves the membership of the BoDs and the many expertise, features and attributes that individual member of the corporate governing body brings to the board process and resolutions. Gender, Age, commercial and industry experience, culture, ethnicity, representation at constituency level, religion, professional affiliation, independence, knowledgeability, technical expertise and skill, career and life experience are all examples of the different forms that diversity can take in the boardroom among directors. (Milliken & Martins, 1996). The heterogeneity of the BoD tells of the inclusion of a variety of distinctiveness in the compositions of the board, which can be classified into directly visible (e.g., ethnicity, age, gender) and concealed (e.g., job experience and education) factors (Galia & Zenou, 2013).

The diversity of the board of legal entities relates to the concept of equitable representation and, as a result, to the best possible outcomes that will be reflective of what is fair, just and equitable in societies (Brammer, Millington & Rayton, 2007). Proponents of board diversity claim that there are ethical and economic benefits to having a diverse boardroom. According to the ethical viewpoint, board diversity is desirable because it is against the principle of equity to exclude some groups or persons from the decision-making arm of the government of corporate organisations as a result of factors like colour, religion or gender (Carter, Simkins & Simpson, 2003).

Furthermore, diversification of the board has been identified as one way to enable members of communities who have hitherto been marginalized from officially having the power to make important decisions. The economic reason advanced for board diversity is that it improves the board's functional abilities, notably the board's ability to be involved in decisions that relate to the visions of the organisation, modern approaches to solving problems and the monitoring of management (Forbes & Milliken, 1999). As a result of globalized economies and complex corporate concerns, the demand for diverse boards is growing. Diversity on corporate boards leads to improved problem-solving (Dobbin & Jung, 2011), standardised and better corporate decision-making (Marimuthu & Kolandaisamy, 2009), increases the competitiveness of the organisation and provides a deeper understanding of ideas that can bring about desired innovations (Cook & Glass, 2015). Corporate board diversity reduces the possibility of monotonous domains of knowledge, points of view and ideas that are available for consideration in the process of making organisational decisions (Liao, Luo & Tang, 2015).

A critical investigation into the different studies on diversity reveals the division of these studies into two groups of research works. On the one hand, are those groups of researchers who examined diversity from a noble standpoint focusing on the achievement of social equity in organisations, thereby promoting social justice, while the second group examined diversity from economic and organisational perspectives. This group focuses on how diversity affects work-related outcomes and underscores the need for organisations to embrace diversity.

Board Gender Diversity

It has been claimed that women are instrumental in compliance and obedience to the requirements of laid down rules, laws or regulations and more especially in tax-related problems. Hence, in the United States of America, the Higgs Derek Report (2003) suggests that heterogeneity on the board can enhance its effectiveness and, consequently, submits that organisations benefit from having professional women on their boards. Through the institutionalisation of the governance structure of the corporate organisation that is effective, the board is in charge of monitoring and reviewing management to make sure they consider the interests of shareholders as paramount.

To effectively carry out this role, the BoD should be sufficiently varied in order to apparently limit the rate at which corporate resources are exploited such as through the extraction of rent. The extent of women's representation on the BoDs provides an opportunity to research the degree of TA, as Mohammed et al. (2019) reveal that the directors can impact businesses' aggressive tax posture. Consequent to the extent of diversity on corporate boards, businesses profit from more fruitful management, a greater awareness of the demand and supply of their products/services, global linkages and superior problem-solving. Female directors are thus a governance tool that indicates women are represented on the BoD. Women are often encouraged to serve on corporate boards because they are thought to bring essential ideas, knowledge and information to the table stemming from their diverse professional experiences; they have also been found to be favourably disposed to compliance with rules and regulations specifically matters that have to do with tax (Boussaidi & Hamed, (2015).

Mustafa and Che-Ahmad (2018) discovered that the monitoring mechanisms for sampled enterprises in a BGD analysis were enhanced by female directors. Hoseini, Gerayli & Valiyan, (2019) found that having more women on business boards lowers corporation tax aggressiveness. Regarding this, Lanis. Richardson and Taylor (2015) submit that a statistically negative significant interaction exists between tax aggressiveness and female representation on the board. Companies can promote gender equality concerns by having heterogeneous BoDs. Generally, men are seen as company leaders, but women are regarded as unfit for such positions. Stemming from this viewpoint, the existence of women in the workplace is lower than that of men. With their significant professional experience, women, on the other hand, give several advantages to businesses. Women place a great emphasis on honesty in the workplace, and they can provide ethical principles, transparency, and increased trust. Having women present on the board provides males with a distinct picture when it comes to corporate governance. Women in positions of leadership are more open and receptive than men (Oyeleke et al., 2016).

In the Nigerian legal system, there are no well-defined requirements for gender diversity. However, the apex bank in Nigeria (CBN), in an effort to increase the diversity in terms of gender on the boards of commercial banks in Nigeria, issued a regulation mandating a 30 percent minimum representation of women on the boards of these banks. However, publicly listed firms in Nigeria are encouraged by the Nigerian Exchange Group code to give consideration to gender in selecting their board members. Similarly, the Nigerian code of corporate governance encourages the setting of diversity goals and putting this in mind whenever they are filling board vacancies. Thus, neither the Nigerian Exchange Group nor the Nigerian Code of Corporate Governance has prescribed any mandatory diversity quota.

Board Ethnic Background Diversity

The possession of a variety of ethnic groups within the board broadens its perspectives, particularly in making decisions that affect issues that are unique to a specific ethnic community. Furthermore, the standard of the information managers receives from the board will be improved by the unique knowledge possessed by various directors (Carter et al., 2010). Heterogeneity of thoughts in the process of making decisions by boards is being fostered by minority-group directors (Westphal & Milton, 2000).

An ethnically heterogeneous board stands to have a sharpened insight into the needs and choices of stakeholders belonging to the same ethnic group, thereby improving corporate social responsibility transparency (Plessis, Saenger & Foster, 2012). People's perspectives on the world are shaped by their ethnicity, and a board with a broad ethnic makeup is more receptive to fresh ideas and perspectives. Members of the board from various ethnic origins contribute to the board's process of making decisions by broadening the perspectives of the board. Since it is known that ethnic groups are distinctive culturally from one another, the participation of representatives from differing ethnic affiliations on the board is critical for business purposes and the development of strategies, as they are better acquainted with their own group than others (Khan, Khan & Saeed, 2019).

According to Shukeri, Shin and Shaari (2012), ethnic diversity among board members leads to the expansion of ideas, experience and knowledge by exposing them to a variety of information and resources from various cultural backgrounds. Additionally, they opined that a company whose managerial team comprises individuals with culturally heterogeneous personalities share ideas and make final choices based on a variety of perspectives, hence improving the performance of management through a shared agreement among the multi-racial board members.

Shareholders will receive more reliable information from boards that include a diverse group of members of various ethnic inclinations (Ammer & Ahmad-Zaluki, 2014). Many recent business crises in the United States have been attributed to groupthink, in which board members belonging to the same group were unquestionable in their monitoring due to cultural and social ties, as well as a lack of ethnic diversity (Sarra, 2012).

Board Independence

Independence is a quality which refers to the inability of an individual to be unduly influenced by an interested/related party as well as being free from any bottleneck that can hinder an individual from taking an appropriate course of action in any given situation. An independent director is a person whom the shareholders of a company are entrusted to be their representative, thereby reducing the problem that may result from the agency. The corporate governance code recommends that corporate board member composition be balanced and should include independent directors who are expected to be an external director responsible for enhancing the standards of governance and corporate credibility of the company.

Therefore, board independence is used to refer to the numeric value of independent directors present on the BoDs of a company per time. The independence of the board is crucial to the effective fulfilment of its role and ensuring management accountability to the company. The position of an external director is a non-managerial position, attracting only the remuneration of a director. Consequently, an independent director, his/her relatives/firms under his/her control should not have any transaction that can be classified as a material one or a relationship of a pecuniary nature with the company, its directors, its promoters, its holding company, the subsidiaries, its associates or its senior management as this may have an influence on the objectivity of the director.

The outside members on a board are those board members who have no material connection in whatever way to the company, are not part of the management team and do not involve in the daily operational undertakings of the firm.

Empirical Review

The United Kingdom's corporate board was dissected along the gender and ethnic divide by Brammer, Millington and Pavelin (2007). They discovered that the existing diversity was limited and less pronounced among top executives. Additionally, the study revealed that there is a remarkable cross-sectorial difference in gender diversity, with utilities, retail, banking and media firms having more women on their board seats

Rhodes and Packel (2013), in assessing how much difference a difference can make on corporate boards in the United States, disclosed that about one-quarter of corporate board members in the United States' biggest companies are non-white men. The study also submits that data available at the time revealed that about 14.8% of the board seats of Fortune 501-1000 firms are occupied by women, while men occupy about 85.2%. Similarly, on the boards of the Russell 3000 firms, women occupy only about 11.9% while their male counterparts take about 89.1% of the seats. This situation, according to the study, is almost the same in other countries except for countries with mandatory quotas. Additionally, the study also reported a non –significant percentage of board seats with people of different colour/races, with about 13% of the Standard and Poor's (S&P) 200 organisations having no minorities on their boards and less than one-third of the Fortune 500 firms having women of colour on their boards. Among the S&P 100 firms, about 63% have no minority women on their boards.

Sikkand, Dhami and Batra (2013) surveyed the gender diversity on the boards of 185 companies listed on the Indian stock exchange for a six-year period. The outcome of their investigation revealed that 40 percent of the sampled firms have at least a woman on the board. However, women represented only about five percent of the aggregated number of directors. Richagan et al. (2015) found that a good number of Malaysian board directors are from the Malay and Chinese ethnic groups. Additionally, they observed that Chinese, Indian and Malay nationals are represented on the boards of firms in Singapore.

Kruisinga and Sensen (2017) examined the diversity in terms of gender on corporate boards in the Netherlands and found that as of May 2016, women have only an average representation of 10.2 percent on the Dutch corporate boards. This is implicative of the fact that the Netherlands' corporate boards are still a long way from the 30 percent target set by its regulatory body. Oliveira and Zhang (2022) investigated the determinants and trends in gender and age diversity among 8,590 firms over a 20-year period and found an increase in gender diversity. They also found that firms' age and size have a positive correlation with gender diversity. Similarly, Tovaranonte (2022) reports that as of February 2020, only about 41% of firms in the United Kingdom Financial Times Stock Exchange (FTSE) have a minimum of one director of colour on their boards. Additionally, only 30% of the FTSE 250 met the set target of mandatory disclosures given to them, while about 11% do not have any policy on diversity.

Swain and Mishra (2023) reviewed existing literature on gender diversity on corporate boards and concluded that evidence abounds, pointing to the marginalisation of the female gender on the board of corporate organisations. However, they also submitted that the system of quota in a number of countries has helped in improving gender diversity on the board of corporate organisations. This, they submit, assisted India in growing the number of women's representation on corporate boards in 2015. This notwithstanding, they added that the proportion of women representation on the boards of Indian companies still remains negligible. Therefore, they proposed a deliberate initiative to be taken by corporate organisations to improve the quota of women on their boards.

Spierings (2023) reported that the percentage of women on the boards of corporate organisations in the United States of America continues to grow though at a slow rate. Specifically, the proportion of non-male directors in the S&P 500 witnessed a growth from 23% in 2018 to 32% in 2023. Similarly, in the Russell 3000 firms, women directors grew from 17% in 2018 to 28% in 2023. This indicates that though the percentage of women represented in the S&P 500 is greater than that of Russell 3000, this difference is gradually decreasing. Additionally, the report revealed that larger firms having a minimum of $50 billion annually have a greater percentage of women on their boards, while smaller firms with annual revenues that are below $100 million have a lesser percentage of gender diversity on board. This may indicate that the volume of the operations of a firm is a potential causality of the degree of diversity that may be achieved on its board.

Furthermore, the Spierings (2023) study also submitted that as of August 2023, about 54% of the Russell 3000 firms had at least three non-male directors. The study noted that this is an improvement over the 48% and 18% that were recorded in 2022 and 2018, respectively. Also, at the time of the report, only 1.6% of the Russell 3000 firms had no female representation on their board compared with 21% in 2018. Similarly, 86% of the S&P 500 have a minimum of three female directors, which is a significant increase from the 47% and 56% recorded in 2018 and 2019, respectively. Regarding the ethnic diversity of the board of the S&P 500, the Spierings (2023) study reported a reduction in the percentage to 75% in 2023 from 80% in 2018. However, the ethnic composition of the Russell 3000 firms remains relatively unchanged at 79% for the period under review.

Cassel, Weston and Yimfor (2023) compared the diversity of public and private firms with the intent of verifying whether the structure of business ownership influences the gender and racial heterogeneity of corporate boards. and discovered a diversity gap occasioned by institutional barriers. Additionally, they found that public companies are more diverse than their private counterparts. They opined that this may arise from management's financial incentives, shareholder monitoring differences, the degree of public and media scrutiny, and the extent of institutional constraint.

In Nigeria, the work of Saidu (2020) on the description of the ethnic and international diversity of the board from 2011 to 2016 observed that both ethnic and international diversity exist across all industries in Nigeria. However, the Yoruba nationality was observed to be more represented on corporate boards. The study found 39.28 percent Yoruba, 13.75 percent Hausa, 16.11 percent Igbo and 15.94 percent minority representation on the boards. The study further investigated the national and international diversity on the board and found 85.08 percent and 14.80 percent, respectively. The study also underscores the import of diverse boards in terms of ethnicity in Nigeria, as this is a major consideration in several business and political decisions.

Theoretical Framework

This study is anchored on feminist ethics theories. The feminist ethics theory focuses on the ethicality and morality of protecting every stakeholder. In the spirit of the feminist ethics theory, it is ethical to pay taxes to the government, and it is a signal of the degree of a company’s sense of duty and obligations to its social responsibilities. It, therefore, follows that a company that aggressively pursues tax avoidance or is highly tax aggressive to the extent that the revenue that accrues to the government from taxes is negatively affected is socially irresponsible. Feminist ethics emphasises care and social responsibility in decision making. It urges boards to consider the ethical implications of corporate decisions, including tax planning. In this light, tax aggressiveness is considered socially irresponsible as it undermines public funding and equity. Board with diverse, especially female, representation are more likely to reflect feminist ethical values and discourage aggressive tax strategies.

METHODOLOGY

Data

The study used secondary data and was conducted using the expo-facto research design. The expo-factor research design is appropriate for this study because it investigates existing conditions using historical data that cannot be manipulated. The study's population comprised 109 non-financial companies that were listed on the Nigerian Exchange Group as of December 2010. The purposeful selection of seventy (70) businesses was based on their uninterrupted operations. This criterion was crucial to guarantee data completeness, consistency and comparability over time. Sources of data included the Nigerian Exchange Group factbook and the audited financial records of the companies from 2011 to 2021, during which there was a greater push for diversity on corporate boards.

The study employed descriptive statistical tools to analyse board diversity among listed non-financial firms in Nigeria. Percentages were used to quantify the extent of gender, ethnicity and independence representation on corporate boards. Graphical illustrations were used to visualise the patterns and trends of board diversity over the study period.

BD =Board Diversity

GDR= Gender Diversity Ratio

EDR=Ethnic Diversity Ratio

BIR= Board Independence Ratio

GDR= Number of Female Directors/ Total number of Directors * 100

EDR= Number of Ethnic Minority Directors/ Total number of Directors * 100

BIR= Number of Independent Directors/ Total number of Directors * 100

GRD, EDR and BIR were expressed as proportions and analysed using percentages and graphical representations.

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

Descriptive Statistics

The descriptive statistics such as mean, maximum value and minimum value of the sample data presented in Table 1 depict the basic features of tax aggressiveness measures, including effective tax rate and Book Tax Gap, board diversity measures including board ethnic background, gender diversity, measure of tax haven and set of control variables used in the study. The summary statistics of the variables used in the study are contained in Table 1

Table 1: Estimated Descriptive Statistics of Variables

	BEB	BGD	BODI
Mean	0.651	12.679	69.357
Median	1.000	11.110	70.000
Maximum	1.000	66.670	100.000
Minimum	0.000	0.000	16.667
Std. Dev.	0.477	12.096	13.732
Skewness	-0.632	0.831	-0.438
Kurtosis	1.399	3.456	2.829
Jarque-Bera	133.451	95.346	25.563
Probability	0.000	0.000	0.000
Sum	501.000	9762.680	53404.708
Sum Sq. Dev.	175.025	112522.7	145011.04
Observations	770.000	770.000	770.000

Source: Authors' Computation, 2024

The results in Table the study reports an average board ethnic diversity score of 0.651, suggesting that 65% of the non-financial firms in Nigeria have ethnically diverse boards. Though this is above average, others who have concentrated or homogenous ethnic boards can improve on this through the appointment of board members from diverse ethnic groups. Nonetheless, a deeper breakdown by Saidu (2020) showed Yoruba dominance (39.28%) followed by Igbo (16.11%) and minorities (15.94%). This indicated that while ethnic diversity appears in aggregate, it may be skewed in favour of particular groups. The results showed an average gender diversity of 12.679, suggesting that the average female representation on the board of Nigerian-listed non-financial firms is 12.68

per cent. This is far below average, suggesting that females are not well represented on the board of Nigerian listed non-financial firms. In addition, the estimated board independence means of 69.357 suggests that the proportion of outside directors on the board of listed non-financial firms in Nigeria is about 69 per cent, indicating that there is high outside members representation on the board of Nigerian listed non-financial firms.

The Probability values of Jarque-Bera for all the variables are below 0.05, indicating that the sampled data were not normally distributed. However, the large sample size used in the study has trivialized the influence this could pose on the results, as suggested by the Central Limit Theorem, which states that data from sample sizes of 30 and above are approximately normally distributed.

The trend is presented in the proxies of board diversity used in the study including board ethnic diversity, board gender diversity and board independence. The trend in the board diversity of the firms is shown in figure 1 which indicates a considerable upward trend in the female representation on the board. The lowest female representation on the board recorded over the sampled period is 6% recorded in 2011 while the highest recorded is 19% in 2021. This upward trend aligns with increasing global awareness and pressure for inclusions. Additionally, this can also be a move in the direction of the mandatory quota of 30 percent given to firms in the financial sectors by the Central Bank of Nigeria.

The trend in the ethnic diversity of the firms is shown in figure 2 where ethnic diversity increases from 2011 and 2015 and then remain constant from 2015 to 2021. This gradual increase may be as a response to the call for inclusivity as entrenched in the sustainable development goals. The trend in the independence of the board of Nigerian non-financial firms is equally shown in figure 3 where board independence remains relatively stable between 60 and 80 % over the period of the study.

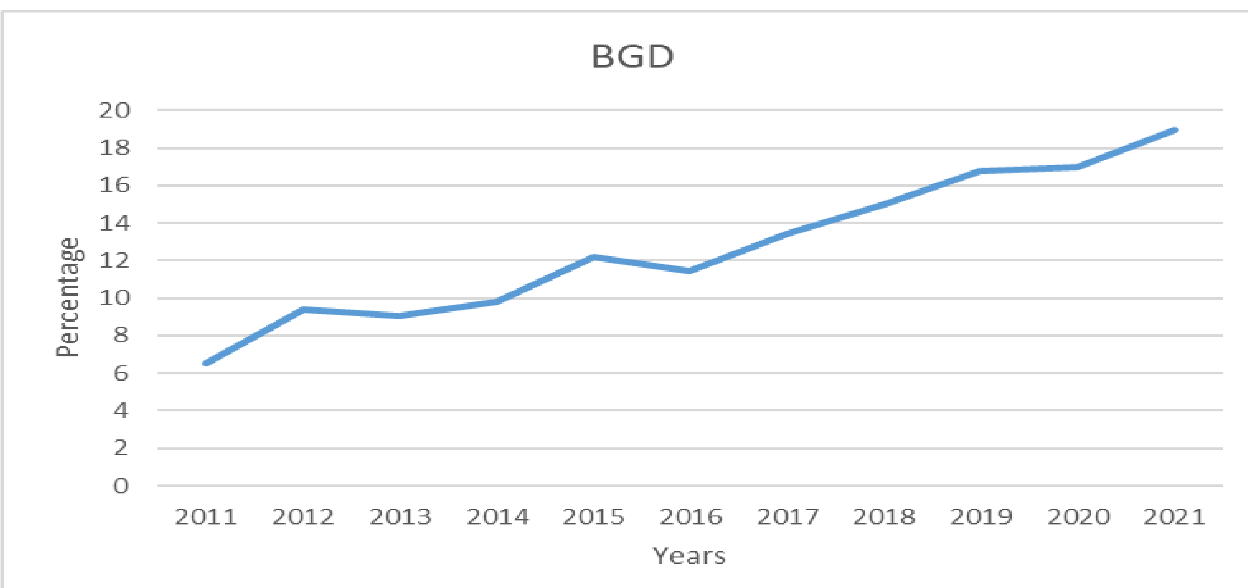

Figure 1: Graph showing trend in board gender diversity

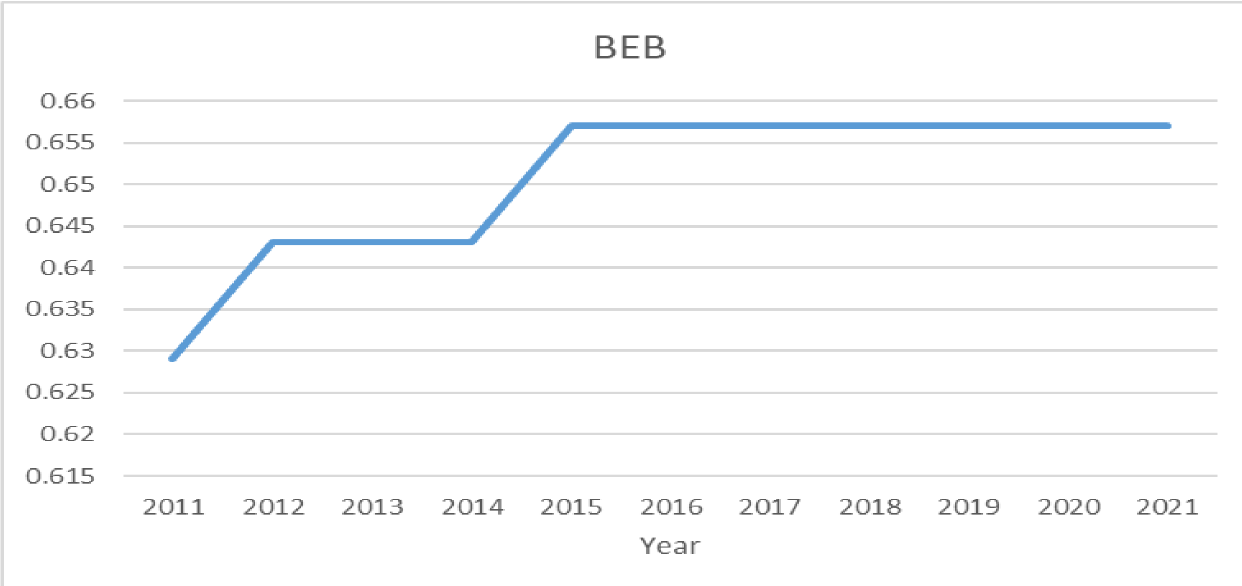

Figure 2: Graph showing trend in board ethnic diversity

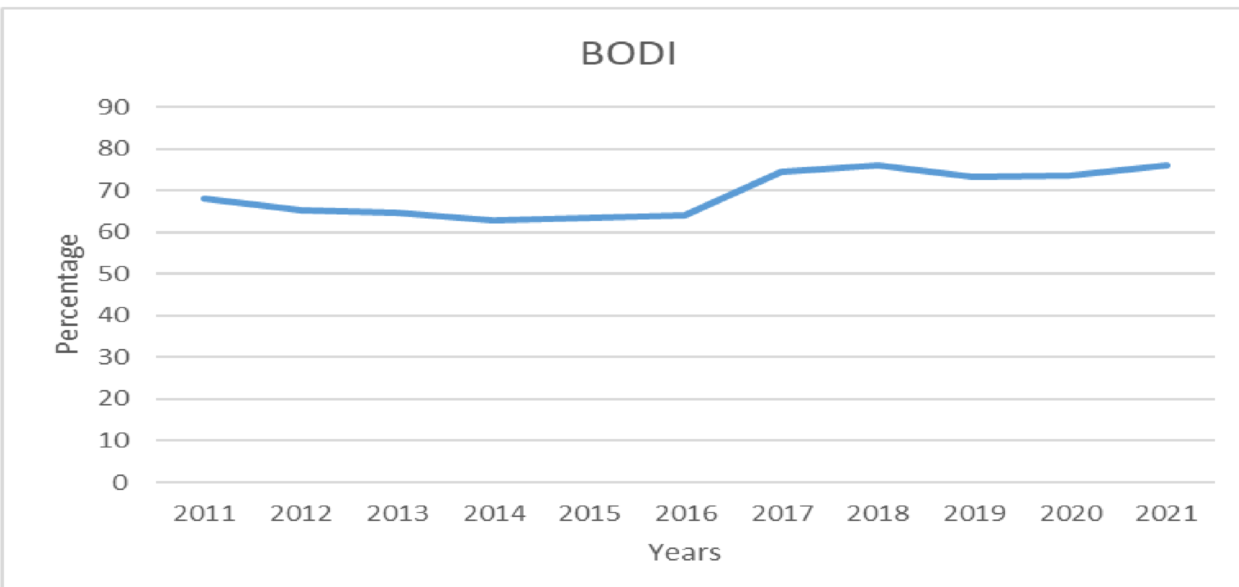

Figure 3: Graph showing trend in board independence

Discussion of Findings

The finding of some firms without ethnic diversity of boards suggests a lack of representation from various ethnic backgrounds. This position was somehow alluded to by Saidu (2022). However, he mentioned that ethnic and international diversity existed on corporate boards in Nigeria and that the Yoruba ethnic group are more represented on corporate boards in the country. This could potentially limit the varieties of viewpoints and technical know-how contributing to the decision-making processes of these firms. Furthermore, similar findings by Khan *et al.,* (2019) confirm that, the participation of representatives from differing ethnic affiliations on the board is critical for business purposes and the development of strategies, as they are better acquainted with their own group than others.

Based on the results, the observation of low female representation on boards implies a gender imbalance within the leadership structures. This result is consistent with the result of Rhodes and Packel (2013) in the United States of America where they found an 11.9% women representation on boards of the Russell 3,000 firms. Comparatively, Spierings (2023) noted that in the U.S., S&P 500 firms increased female board representation from 23% in 2018 to 32% in 2023. Thus, Nigeria lags significantly behind global trends. This lack of gender diversity may impact the variety of skills, viewpoints, and considerations brought to the decision-making table. The low representation of outside or independent members on the board of some of the sampled firms indicates a potential lack of external perspectives and oversight. Independent directors often play a critical part in ensuring that the administrative processes of companies are transparent, accountable and are tailored towards the achievement of organisational objectives. Overall, the low diversity on boards may result in limited perspectives and potential innovation stagnation.

Diverse boards are often associated with superior resolutions and innovative brainstorming. Homogeneous boards may be susceptible to groupthink, where individuals conform to prevailing viewpoints, potentially leading to suboptimal decision-making. This risk is particularly relevant when considering complex issues such as tax planning. A lack of diversity might expose firms to reputational risks and criticism for not embracing inclusive and responsible practices. This corroborates some of the past works, such as Oyeleke *et al.,* 2016. The sub-optimal level of gender heterogeneity on corporate boards in Nigeria may be a fallout of the patriarchal system and possibly the income discrepancies between men and women. Hence, there may be a need for soft laws to accommodate portions for women on corporate boards and reduce the income gap between genders.

Conclusion and Recommendations

The objectives of the study were duly achieved using descriptive methods. The study found a very low rate of diversity in terms of gender on the board of the non-financial sector for the sampled years. However, the study revealed that the ethnic background diversity in the non-financial sector was above average. Though this is reasonable, it can still be improved upon, considering the vast ethnic diversity of Nigeria. The policy implications of the findings of the study are:

i. From the lens of feminist ethics theory, which prioritises equity, care and the dismantling of systematic barriers, the results reflect the embedded structural and institutional disadvantages faced by women in corporate governance. While the trend shows improvement, the level of female participation remains insufficient. There should be deliberate efforts to address this in view of the need to bridge the economic gap between genders and promote economic equity and inclusiveness in the market place

ii. Also, the persistence economic marginalisation of women, as evidenced by their board underrepresentation, demands more than rhetorical commitment. It requires concrete, enforceable intervention.

As a result of the conclusion drawn from the study, the following policy measures are recommended.

i. A legally mandated quota should be introduced, requiring a minimum of 30-40% female representation on corporate boards of publicly listed non-financial companies.
ii. Regulatory agencies such as Security and Exchange Commission (SEC) should compel companies to disclose the gender and ethnic composition of their boards in annual reports.
iii. Government agencies, in collaboration with private sector, should develop targeted leadership training, corporate governance boot camps, and executive mentorship programs for women. This will ensure they are not only present on boards but prepared to lead effectively.
iv. Also, policies that seek to reduce the socio- economic gap between genders are also recommended.

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