ISSN No: 1008-0562
Journal Of Liaoning Technical University
Natural Science Edition

THE INFLUENCE OF GENDER DIVERSITY ON FINANCIAL PERFORMANCE OF QUOTED BANKS IN NIGERIA

YAKUBU Aminu Bello
Faculty of Business and Accounting
Lincoln University College, Malaysia

Dr. MURTADHO, Alao
Lincoln University College, Malaysia

ADENIYI, Sarafadeen Diran (Ph.D)
Lincoln University College, Malaysia

ADEDEJI Adeshina Akeem (Ph.D)
Department of Business Administration
Federal school of statistics, Ibadan. Oyo state

Abstract

This study investigates the influence of gender diversity on the financial performance of quoted deposit money banks in Nigeria. Adopting an ex post facto research design, the study employed a panel data methodology to analyse the relationship between board diversity and return on assets (ROA) over a ten-year period (2012–2021). Guided by a positivist philosophy and deductive reasoning, the research utilised a quantitative approach and purposive sampling, selecting thirteen banks listed on the Nigerian Stock Exchange (NGX) with consistent data records. Secondary data were sourced from annual reports, the Central Bank of Nigeria, and the Nigerian Deposit Insurance Corporation, while supplementary data were collected through stakeholder questionnaires. Panel regression models—including Fixed Effects, Pooled Mean Group (PMG), and Dynamic Autoregressive Distributed Lag (ARDL)—were used to assess both short- and long-run effects, while stationarity tests ensured the robustness of the model. The findings reveal a mean board diversity value of 17.688%, with significant variation across banks. A positive correlation ($r = 0.269$, $p = 0.000$) was observed between board diversity and ROA, suggesting that diverse boards are generally associated with better performance. However, ARDL results showed that while the short-run coefficient (0.050, $p = 0.072$) approached statistical significance, the long-run coefficient (0.013, $p = 0.334$) was not significant. These results imply that the positive effects of board diversity may be more immediate and less enduring. The study concludes that while gender diversity contributes to improved short-term financial outcomes, its long-term impact is more nuanced and context-dependent, highlighting the need for strategically tailored board composition.

Keywords: Gender diversity, Board composition, Financial performance, Nigerian banks, Panel data analysis

Introduction

The issue of corporate governance gained significant global attention in the aftermath of the 2007–2008 global financial crisis (GFC), which exposed deep-rooted governance failures in several major corporations. Organisations such as Enron, HIH Insurance, Freddie Mac, Lehman Brothers, and WorldCom were at the centre of high-profile collapses, triggering an urgent call for stricter oversight and transparency in financial operations. The lack of effective corporate governance was identified as one of the primary factors that intensified the crisis, highlighting that financial statements alone may not reliably reflect a company's true financial health. This global trend of governance-related corporate failures did not spare developing economies, with Nigeria witnessing several collapses in its banking sector due to poor governance structures. In the past two decades, Nigeria’s financial sector has experienced the demise of several banks including Liberty Bank Plc, Fortune International Bank Nigeria Plc, Gulf Bank Nigeria Plc, and Societe Generale Bank, among others. The Nigerian banking sector has been repeatedly challenged by a lack of transparency, insider dealings, financial misreporting, and general inefficiencies rooted in weak governance frameworks. In response to the crises, the Nigerian government established the Asset Management Corporation of Nigeria (AMCON), which took over non-performing assets totalling over ₦5.4 trillion (approximately $12.8 billion), recapitalised distressed banks, and transferred ownership to new investors. Despite these interventions, the sector continues to grapple with governance misalignments and systemic inefficiencies.

One emerging approach to strengthening corporate governance and improving financial outcomes is the promotion of gender diversity on corporate boards. As part of a broader call for diversity and inclusion, there is growing interest in the role of female board representation in shaping financial performance and enhancing institutional integrity. Studies on gender diversity provide compelling evidence that the inclusion of women in leadership roles brings about measurable improvements in governance practices and organisational outcomes. For instance, the work of Eni-Egwu, James, and Ezeilo (2022) found that gender diversity had a significant positive effect on the financial performance of Nigerian banks, while variables such as board size and audit committee independence showed a negative association. These findings align with those of Okoyeuzu et al. (2021), who also highlighted gender diversity as a positive determinant of bank performance. Furthermore, Dey and Bhattacharjee (2019), using the CAMELS framework, found similar results in Bangladesh, where gender diversity contributed positively to bank performance. This body of evidence suggests that gender diversity transcends regional contexts and may be universally beneficial in improving financial performance.

In contrast, Ayodeji and Okunade (2019) offered differing insights. Their research in Nigeria and Canada showed a significant positive relationship between audit committee independence and bank profitability in both countries, although the effect was marginal in Canada. They suggested that increased independence within audit committees could improve governance outcomes, but results may vary depending on the broader structural and cultural environment in each country. Beyond board independence and audit committees, the interplay between corporate governance, capital structure, and financial performance has also been explored. Bawuah (2024) analysed 100 firms across seven Sub-Saharan African countries, revealing that gender diversity, among other governance features such as institutional ownership and frequency of board meetings, significantly moderated the relationship between capital structure and firm performance. This moderation was especially strong in firms with gender-diverse boards and institutional ownership, showing that diversity could positively influence financial decision-making and outcomes.

Delving further into gender diversity, Adeabah, Gyeke-Dako, and Andoh (2018) examined the optimal board composition for bank efficiency in Ghana. Their panel data analysis of 21 banks revealed that having two women on a nine-member board optimised efficiency, whereas any deviation from this balance led to diminishing returns. Similarly, Horak and Cui (2017), using financial indicators such as return on equity (ROE), asset growth, and sales growth, concluded that gender-diverse boards performed significantly better, particularly in growth metrics. In the Nigerian context, Chijoke-Mgbame, Boateng, and Mgbame (2020) also affirmed that the presence and proportion of women in leadership positions positively influenced firm performance. Their study of 77 firms through panel data regression underscored that gender diversity, particularly on audit committees and boards, could act as a catalyst for stronger governance and financial robustness. These findings were supported by Okoyeuzu et al. (2021), further cementing the importance of gender diversity within Nigeria's banking sector.

Globally, scholars such as Nicolò et al. (2022) and Albitar et al. (2020) have established links between board gender diversity and enhanced corporate governance, particularly in the context of environmental, social, and governance (ESG) initiatives. Their findings indicate that gender-diverse boards not only promote transparency and ESG disclosures but also contribute positively to financial performance. These outcomes are rooted in the ability of diverse boards to consider a broader array of perspectives, leading to more informed and strategic decision-making. Similarly, Zhu et al. (2022) found that board gender diversity fosters innovation, creativity, and productivity. These qualities enhance both social equity and corporate governance by ensuring that strategic decisions are inclusive and well-rounded. Research conducted in different cultural and regional contexts, such as Fernando et al. (2020) in the United States and Duppati et al. (2020) in Singapore and India, further reinforces the cross-border relevance of gender diversity as a performance-enhancing factor.

The strategic importance of gender diversity is also reflected in its moderating role in curbing earnings management. Mensah and Boachie (2023) analysed 676 observations from 52 firms across nine Sub-Saharan African countries and found that gender diversity significantly influenced the relationship between corporate governance mechanisms and earnings management practices. Their findings suggest that female board members enhance the effectiveness of governance structures in mitigating unethical financial reporting, especially in contexts where conventional mechanisms may fail to deliver desired outcomes. Adding further depth to the discourse, Buchdadi et al. (2023) applied the critical mass theory to evaluate the influence of female executives on bank performance in Indonesia. Their analysis showed that while general female representation on boards did not yield significant financial effects, the presence of female CEOs did positively influence ROA and ROE. The authors attributed this to women's greater risk aversion, which led to more cautious but ultimately more profitable decisions. This finding emphasises the nuanced nature of gender diversity's impact and underscores the need to consider leadership positions individually rather than in aggregate.

Taken together, the above evidence strongly supports the assertion that gender diversity plays a critical role in enhancing financial performance in the banking sector, particularly in emerging economies like Nigeria. It has become evident that the presence of women in governance structures introduces new perspectives, curbs excesses, reduces financial manipulation, and improves sustainability. These outcomes are particularly relevant for Nigeria, where the banking sector continues to face significant governance challenges. To capitalise on the benefits of gender diversity, regulators, policymakers, and corporate stakeholders in Nigeria must institutionalise inclusive board practices and strive for a balanced representation of genders in leadership roles. Doing so will not only strengthen governance and mitigate risk but also contribute positively to financial performance and organisational sustainability in an increasingly competitive financial environment. The main objective of the study is to assess the influence of gender diversity on financial performance of quoted banks in Nigeria.

Methods

The study adopted an ex post facto research design using panel data methodology, which was appropriate since the events and variables under investigation had already occurred. This design enabled the researcher to examine cause-and-effect relationships without manipulating the independent variables, making it suitable for assessing the impact of gender diversity, which was already present in historical data. A positivist research philosophy guided the study, and a deductive approach was employed to test hypotheses derived from existing theories using empirical data. The methodology aligned with a quantitative research approach, relying on objective, observable, and measurable data to draw conclusions. The study utilised purposive sampling, selecting Nigerian deposit money banks that met specific inclusion criteria, such as being listed on the Nigerian Stock Exchange (NGX) and having consistent operational data between 2012 and 2021. Out of a population of thirty-three banks, thirteen were sampled based on their relevance to the study of gender diversity in corporate governance.

Data were obtained secondarily from annual financial statements, as well as from regulatory bodies like the Central Bank of Nigeria and the Nigerian Deposit Insurance Corporation. Additionally, questionnaires were administered to relevant stakeholders to gather supplementary information pertinent to the research objectives. In analysing the data, descriptive statistics were used to summarise and describe the characteristics of the variables, while panel regression techniques—including Fixed Effects, Pooled Mean Group (PMG), and Dynamic Autoregressive Distributed Lag (ARDL) models—were applied to explore the relationship between gender diversity and financial performance. Panel stationarity tests, such as Pesaran and Shin, were conducted to verify the order of integration and ensure the robustness of the results. This methodological approach provided a rigorous and comprehensive framework for understanding how gender diversity influenced organisational outcomes over the specified time period.

Results

Table 1: Comprehensive Statistics for Key Variables related to Bank Performance

VARIABLE		MEAN	STD. DEV.	OBSERVATION
BODV	Overall	17.688	12.159	N = 209
	Between		6.008	n =11
	Within		10.718	T=19

LGJDX ISSN No: 1008-0562 Journal Of Liaoning Technical University Natural Science Edition

Board diversity, with a mean value of 17.688%, reflects the extent to which a Bank's board includes members from diverse backgrounds. Diversity in board composition can enhance decision-making and innovation, potentially leading to better bank performance. The standard deviation values (12.159 overall, 6.008 between banks, and 10.718 within banks) indicate significant differences in diversity practices across Banks, which may explain variations in ROA. Economic theories on diversity suggest that diverse boards can reduce groupthink and lead to better risk management and strategic decisions, positively impacting ROA.

Table 2: Levin, Lin, and Chu Unit Root Test of at Level

Variable	Lag Only		Lag and Trend	
	t-stat	p-value	t-stat	p-value
BODV	0.1393	0.5554	-0.5451	0.2928

Note: * significance at 10%; ** significance at 5%; *** significance at 1%

Reviewing Table 2, the result reveal that BODV does not exhibit stationarity in either specification, with high p-values of 0.5554 ('Lag Only') and 0.2928 ('Lag and Trend'), indicating a lack of stationarity.

Table 3: Levin, Lin, and Chu Unit Root Test of at First Difference

Variable	Lag Only		Lag and Trend	
	t-stat	p-value	t-stat	p-value
BODV	-4.993	0.000	-4.850	0.000

Note: * significance at 10%; ** significance at 5%; *** significance at 1%

Table 3, which shows the results of the Unit Root Test at the first difference, highlights a significant shift in stationarity for the BODV. After employing first differencing, BODV consistently exhibit extremely low p-values (0.00) across both 'Lag Only' and 'Lag and Trend' specifications. This transformation indicates a robust achievement of stationarity through the first differencing technique.

Table 4: *Hausman Specification Test Results*

Parameter estimate	DFE	PMG	Difference	Std.
BODV	0.028	0.013	0.015	0.043
chi2(4) = 5.89				
Prob > chi2 = 0.2078				

Discussion

A crucial component of corporate governance is board diversity (BODV), which has an impact on the board's overall efficacy, strategic direction, and decision-making process.. The mean board diversity across the banks in the study is 17.688, with a standard deviation of 12.159, indicating significant variability in board diversity among the banks. The positive correlation between BODV and ROA (0.269, with a p-value of 0.000) suggests that more women on the boards are generally associated with better financial performance, which could be due to the diverse perspectives and expertise that a larger board can bring.

The long-run coefficient for BODV (0.013, p = 0.334) is positive but not statistically significant, according to the ARDL model results. suggesting that while board diversity may contribute to better performance, its impact might be less pronounced when controlling for other governance factors. The short-run coefficient is slightly higher (0.050, p = 0.072), indicating that the immediate benefits of having more women on the board might be more noticeable in the short term. These results imply that while board diversity is an important factor in bank performance, its effect may diminish over time as other factors come into play.

Overall, board diversity has a positive but nuanced impact on financial success., with larger boards potentially offering short-term advantages in terms of decision-making and strategic oversight. However, the long-term impact appears to be more modest, suggesting that the optimal board diversity might depend on the specific context and needs of each bank. These findings highlight the importance of tailoring board composition to the strategic objectives and operational realities of the bank to maximize its contribution to financial performance.

Conclusion

The study concluded that board diversity (BODV) plays a positive yet nuanced role in the financial performance of deposit money banks in Nigeria. While the descriptive statistics revealed notable variability in board diversity across the banks, the inferential analysis showed that BODV had a positive correlation with return on assets (ROA), suggesting that banks with more diverse boards tended to perform better. However, while the short-run impact of board diversity was more pronounced and nearly statistically significant, the long-run effect appeared weaker and statistically insignificant. This indicates that the benefits of board diversity may be more evident in the immediate term, possibly due to improved decision-making and oversight, but may not sustain as strongly over time when other governance dynamics are factored in. These results underscore the importance of contextualising board diversity within the broader framework of strategic and governance practices unique to each institution.

Recommendations

1. Banks should develop and implement recruitment policies that promote gender and professional diversity on their boards. This will enhance the pool of ideas, improve decision-making, and potentially lead to better short-term performance outcomes.

2. To maximise the impact of a diverse board, banks should provide ongoing training that helps board members understand and leverage their differences constructively. This can mitigate initial integration challenges and extend the short-term performance benefits into the long term.

3. Bank management should periodically review the composition of their boards to ensure that it aligns with their evolving strategic objectives. Rather than aiming for diversity

as a token measure, it should be tailored to meet specific organisational needs, especially in areas such as risk management, innovation, and stakeholder engagement.

References

Adeabah, D., Gyeke-Dako, A., & Andoh, C. (2018). Board gender diversity, corporate governance and bank efficiency in Ghana: a two-stage data envelope analysis (DEA) approach. *Corporate Governance 19*(2), 299-309. https://doi.org/10.1108/CG-08-2017-0171

Albitar, K., Hussainey, K., Kolade, N., & Gerged, A. M. (2020). ESG disclosure and firm performance before and after IR: The moderating role of governance mechanism. International Journal of Accounting and Information Management, 28(3), 429–444. doi: 10.1108/IJAIM-09- 2019-0108

Ayodeji, A., & Okunade, A., R. (2019). Board Independence and Financial Performance of Deposit Money Banks in Nigeria and Canada. *Asian Journal of Economics, Business and Accounting 11*(3), 1-9. https://doi.org/10.9734/AJEBA/2019/v11i330133

Bawuah, I. (2024) The moderator role of corporate governance on capital structure-performance nexus: evidence from Sub-Saharan Africa. Cogent Business & Management, 11(1), 1-20, https://doi.org/10.1080/23311975.2023.2298030

Buchdadi, D. A., Suherman, S., Mahfirah, F. T., Usman, B., & Kurniawati, H. (2023). An assessment of female executives' influence on bank performance in Indonesia based on critical mass theory International Journal of Management and Sustainability 12 (1), 26-43. Htpps://doi.org/10.18488/11.v12i1.3262

Chijoke-Mgbame, M. A., Boateng, A., & Mgbame, O. C. (2020). Board gender diversity, audit committee and financial performance: evidence from Nigeria, *Accounting Forum, 44*(3), 262-286, https://doi.org/10.1080/01559982.2020.1766280

Dey, M. & Bhattacharjee, S. (2019). Examining the impact of corporate governance on banks' performance using CAMELS approach: A panel data study of selected banks in Bangladesh. *The Chittagong University Journal of Business Administration*, 30, 1-28. Retrieved from https://www.cu.ac.bd/cuys doi:10.1016/j.jbusres.2018.11.052

Duppati, G., Rao, N. V., Matlani, N., Scrimgeour, F., & Patnaik, D. (2020). ender diversity and firm performance: evidence from India and Singapore. Applied Economics, 52(14), 1553–1565. doi: 10.1080/00036846.2019.1676872

Eni-Egwu, O. C., James, & C. M., Ezeilo, C., B. (2022). Impact of Selected Corporate Governance Variables on the Financial Performance of Selected Quoted Deposit Money Banks in Nigeria. *ARRUS Journal of Social Sciences and Humanities* *2*(1), 32-46. https://doi.org/10.35877/soshum733

Horak, S., & Cui, J. (2017). Financial performance and risk behavior of gender-diversified boards in the Chinese automotive industry: initial insights. *Personnel Review, 46*(4), 847-866. https://doi.org/10.1108/PR-10-2015-0274

Mensah. E., & Boachie, C. (2023) Corporate governance mechanisms and earnings management: The moderating role of female directors, Cogent Business & Management, 10:1, 2167290, https://doi.org/10.1080/23311975.2023.2167290

Zhu, C., Husnain, M., Ullah, S., Khan, M. T., & Ali, W. (2022). Gender diversity and firms' sustainable performance: Moderating role of CEO duality in emerging equity market. Sustainability (Switzerland), 14(12), 1–26. doi: 10.3390/su14127177