EFFECT OF BOARD DIVERSITY ON FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc) DEGREE IN ACCOUNTING AND FINANCE

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DECLARATION

I declare that the work in this dissertation entitled "**Effect of Board Diversity Financial Performance of Consumer Goods Firms in Nigeria**" has been carried out by me in the Department of Accounting, Ahmadu Bello University, Zaria, Kaduna State, Nigeria. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this dissertation was previously presented for another degree at this or any other institution.

_____ _____

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CERTIFICATION

This Dissertation entitled **EFFECT OF BOARD DIVERSITY ON FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA** by Khadija Salihu ABUBAKAR meets the regulations governing the award of the degree of Master of Science (M.Sc)in Accounting and Finance of the Ahmadu Bello University, Zaria Kaduna State, Nigeria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This research work is dedicated to my parents Mal. Salihu S. Abubakar and Haj. Ummu-Kulthum Sulaiman.

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With every sense of humility, I give sincere thanks to almighty Allah from whom all wisdom, knowledge and intelligence come from. I have no iota of doubt that it is His grace that has made it possible for me to carry out this research. All praise is due to Allah (S.W.T), the creator of the universe. May the peace and benedictions of Allah be upon his noble messenger, the best of mankind, Prophet Muhammad (S.A.W).

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ABSTRACT

The most crucial level of control in every organization is board of directors. However, the role of a diverse board on the financial performance of a firm can never be over emphasized. Diversity in terms of gender, foreign director and board composition (outside director) are expected to affect the advisory role of board of directors due to the diverse information they posses. Thus, the study investigates the effect of board diversity on financial performance of consumer goods firms in Nigeria, the study covers a period of five years (2012-2016). The population of the study is made up of the twenty six (26) listed consumer goods firms as at 31st December, 2016. A sample of seventeen (17) firms was drawn from the population as they have all the information required within the period under study. Secondary data was obtained from the annual report and account of sample firms. The study used correlational research design and a multiple regression technique was employed for analysis to determine the effect of board diversity on financial performance of firms under study. The result was interpreted using fixed-effect regression model. The finding of the study showed that two of diversity variables (foreign director and board composition) have a positive effect financial performance and gender diversity has no significant impact on firm performance. The study, therefore, concludes that on the overall board diversity has a significant impact on financial performance of the firms under study. It is therefore, recommended that regulatory authorities should encourage firms to consider foreign directors in their board room when appointing board of directors for efficient monitoring and effective board oversight function.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Financial performance is a key factor in any organization; it is a variable examined by various stakeholders for informed decision making. Managers are interested mostly in their job security, welfare and remuneration while shareholders are interested in payment of dividend. Similar, government focus on the ability of the firm to pay tax and potential investors seeks to ascertain the health, weakness and success and to also compare its past and current performance for better decision making. The stability of job for material benefit is what made performance of the firm of utmost importance to employee. The interest of those stakeholders requires serious effort from managers to sustain and at the same time maximize the financial performance of the firm they managed (Modibbo, 2017).

However, organizations such as banks, insurance, agriculture, conglomerates among others are working hard towards achieving greater financial performance and maximizing shareholders value of the firm by which consumer goods firms will not be an exception. The consumer goods firms in Nigeria are among the worst hit from the economic recession that threatened most business in Nigeria. Therefore, top executives need to understand the best composition of board of directors that will give room for an informed decision that will maximize financial performance. Literatures have revealed the importance of effective corporate governance practice and efficient board of directors as essential drivers in achieving good financial performance and at the same time maintaining public trust and confidence in every organization.

Board of directors is one of the most influential decision making body in every organization. Their major responsibilities is making important strategic and financial decisions, such decisions

may include choosing the firm's top executive officers, decision on merger and acquisition and changes in capital structure when the need arises (Ferreira, 2010). The major effective functions of the board are mainly agreed to be four: controlling and monitoring managers, counseling managers and providing them with relevant information, monitoring their compliance with applicable laws and regulations and their ability to link the firm with the external environment where it operates (Monks &Minow, 2004).

More importantly, the board of directors is expected to be independent, acting as fiduciaries to its stakeholders. The board is expected to act on the interest of the firm they govern; they are expected to be able to take opposing decision to management when the need arises and not to compromise at their judgments. The after effect of the collapse of Great Corporation like WorldCom, Enron, Tyco, Adelphia, Arthur Anderson, Lehman Brothers, Freddy Mac and Fanny Mae in USA, Parmalat in Italy and Cadbury in Nigeria highlighted the monitoring role of board of directors by practitioners (Campbell &Mínguez–Vera, 2008) and bring out the importance of board diversity (Ujunwa, Okoyeuzu, &Nwakoby, 2012).

A lot of theories have supported the economic case of diversity in the board room. Board diversity is economically born out of the belief that the composition of the board affect the manner and ways by which board of directors carry out their responsibility and that the healthier board will be more effective when it comes to taking action. It, was, however, argued that diversity in the boardroom improves organizational performance due to different backgrounds. The most common diversity in the board of directors may include gender, age, education, experience, nationalism and ethnicity of the members in the board. The aspect of diversity that will lead to an improved strategic decision making is yet to be proved. Studies like that of Balta (2008), Kajola (2008) andMaharaj (2009) have investigated the effect of diversity variables on

corporate performance of organization, but there results were inconclusive. All these studies have proved that diversification in board has a positive and significant relationship with firm financial performance. This particular study has focus on gender diversity, inclusion of foreign directors on the board and board independence (board gender, foreign directorship and board composition), in order to find out their contribution to firm performance.

A lot of countries have taken one step or the other to address the issues of diversity in the board room. Countries like Norway, Spain, France and Italy have enacted laws on the number of women on the boards of listed companies (Schwizer, Soana, &Cucinelli, 2012). The United State Security and Exchange Commission also mandated all listed companies to encourage diversity in the appointment of board members (Upadhyaya&Puthenpyrackal, 2013), Women occupied 9.4% board seats of French companies (Dang & VO, 2012). All These laws are aimed at increasing the quality of corporate governance through the representation of women on board and thereby increasing the performance of that firm. Women on board can increase effectiveness of board control as they are believed to be more strict and trustworthy than their male counterparts. They are generally financially risk-averse than men, therefore their participation in board governance can help to avoid risky projects (Byrness et al., 1999). The selection of women into board by most companies is based on the resource to which they can provide access (Hillman et al., 2007). The resource they bring includes; prestige, skills, knowledge, and connection to external resources (Dang &Vo, 2012).

However, t\he 2011 Nigerian Security and Exchange Commission(SEC) Code requires Nigerian Corporate Boards to be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. Therefore, there was no specific allusion to gender diversity in the code (SEC, 2011).

Adegbite (2012) explains that the requirement might be deliberate as the regulators feared that there may not be enough females, who are competent and have required experience to consistently fill the female slot if mandated. It is very impressive to know that some progressive Nigerian companies have started disclosing information on their gender practices (Ekwochi, 2012).

Again, Prior studies such as Zweigenhaft and Domhoff's(2011),Folkman and Zenger (2012), Cook & Glass 2015 among others have argued that inclusion of women or foreign directors on the board may improve the performance of a firm, since they may bring diverse perspective to decision-making process in the board room. It has been argued that foreign directors may not be effective on their services due to physical remoteness and linguistic and cultural differences. While others are of the opinion that foreign directors may bring expertise that is not available in the country for companies that operates or seeks to expand globally. Gianneti, Liao and Yu (2014) opines that directors with foreign experience may improve firm performance as their knowledge of global management practices will make them more effective at monitoring and decision making process. Foreign directors are potentially valuable and their international experience is a valuable firm asset. Foreign directors can advise management on the possibility of expanding into a different market where they have information regarding the regulatory environment, social and cultural norms, local consumer preference as well as industry structure (Masulis, Wang &Xie, 2012).

The aspect of board diversity may be linked to a wider aspect of independent outside director. Board is more likely to be independent when it comprises of more outside directors than inside directors and this may help more in protecting the interest of other stakeholders (Sanda, Garba&Mikailu 2008). It is argued that outside directors are in the best position to protect the

interest of shareholders since the insiders will not be able to efficiently monitor day to day activities of the managers which impliedly means monitoring their own activities which is eventually impracticable. However, literatures revealed that board composition is related to firm performance. The Nigerian codes of best practice have also sought to strengthen the outsider element in board room (Central Bank of Nigeria, 2006 and Report of Corporate Governance of Public Companies in Nigeria, 2003).

Nevertheless, relevant researches have suggested that diversity in the board room increase innovative solutions to problems, decision making and hence, firm performance. Apfelbaum et al. (2014) opines that a heterogeneous board when asked to predict price movement for a particular product, had answers that were 58% closer to the actual values of that product than people who worked in a more homogenous board.

Therefore, this research investigates the impact of board diversity on financial performance, acknowledging the impact of gender and other board diversity variables on financial performance by exploring evidence from listed Consumer goods firms in Nigerian. This is with the hope to provide information on certainvariables of board diversity and their impact on firms' performance.

1.2 Statement of Research Problem

Previous studies which including that of USA (Nishii, Gotte& Raver 2007; Carter, Simkins& Simpson., 2003); U.K. (Haslam*et al* , 2010; Ruigrok&Kaczmarek, 2008); South Africa (Swartz & Firer, 2005 and Williams, 2000); Nigeria (Olaoti, 2016; Bilkisu, 2014; Oba &Fodio, 2013) reported a conflicting result. Hence, necessitate the need to carry out further research to justify their stand and to annex where necessary. Besides, most studies on impact of board diversity on

firm performance in Nigeria give less attention to consumer goods sector which is at its growing stage.

Hundreds of Norway major corporations were required to raise women quota on board to 40% in 2003. Stoll (2015) is of the opinion that gender quota was implemented as an exemplary progressive policy by other countries like France, Italy, Spain, Finland and Iceland. Miller (2014) opines that the women quota imposed by Norway on corporations have not improve the number of women occupying executive positions neither has the gender gap decrease. Ahem &Dittmar (2012) reveals that imposing mandatory gender quota has reduced market performance due to appointment of less experienced board, young board members among others.

However, Germanys parliament in march 2015 pass a bill requiring large listed companies to fill their board with 30% female non-executive directors (Torry, 2015). Great Britain required 33% of board to be filled by female by the year 2020 (Kollewe& Hickey 2015). Great Britain suggest that voluntary compliance with an increase on the percentage of women on board of directors may be sufficient and even better potentially than mandatory compliance for better change at the board level (Wood 2011).Looking at different countries passing legislation on an increase in female representation, as well as corporate governance practices in the aftermath of corporate scandals in the early 2000s, a question of whether strong positive relationship exists between board diversity and financial performance that Nigeria should follow suit.

The perpetuity of any profit oriented firm is determined by its performance, Consumer goods firms are profit oriented where performance is of utmost importance. The Nigerian consumer goods industry has faced a lot of challenges in the last three year and there was no significant change recorded within that period up till February 2016. The challenges emanated as a result of

factors such as depreciating naira, fall in oil price, nonpayment of workers salary some part of the country among others. While the aggregate spending power of the economy is a major determining factor consumer goods firms performance, the hit by macro-economic factor has affect the consumer goods firms so badly.

Therefore, it is an indication that consumer goods companies in Nigeria need to be observed for survival and the need for effective and efficient board that will assist management with advice on how the wealth of shareholders can be maximized. And need for a diverse view on how to tackle such issues such that the effect will not be that much on the firm's performance, hence, the need for diversity in board room (in terms of gender, foreign directors and outside directors).

The conduct of this study is aimed at filling areas left by researchers.This study therefore, seeks to investigate the effect of gender, foreign director and outside directors' diversity in the board room on financial performance of consumer goods firms.

1.3 Research Questions

In view of the above problem the research seek to answer the following questions

i. Does board gender diversity have a significant impact on the financial performance of listed consumer goods firms in Nigeria?

ii. Does Board composition diversity have a significant impact on the financial performance of listed consumer goods firms in Nigeria?

iii. Does foreign directorship have significant impact on the financial performance of listed consumer goods firms in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the relationship between board diversity and firm performance using consumer goods firms listed on the Nigerian stock exchange. Specifically, the study aims at achieving the following objectives:

i. To examine the impact of gender diversity on the financial performance of listed consumer goods firms in Nigeria.

ii. To examine the impact of board composition on the financial performance of listed consumer goods firms in Nigeria.

iii. To examine the impact of foreign directorship on the financial performance of listed consumer goods firms in Nigeria.

1.5 Research Hypotheses

$H_{01:}$ Gender diversity has no impact on the financial performance of listed consumer goods firms in Nigeria.

$H_{02:}$ Outside directors in the boardroom has no impact on the financial performance of listed consumer goods firms In Nigeria.

$H_{03:}$ Foreign directorship has no significant influence on the financial performance of listed consumer goods firms in Nigeria.

1.6 Scope of the Study

The study investigates the relationship between board diversity and financial performance of listed consumer goods companies in Nigeria. The study covers the period of 5 years from 2012-2016. The period of the study is considered adequate because it is an analysis of association between the dependent and independent variables over the relatively long period that cover two tenure of the directors within the same accounting regime in Nigeria.

The study chooses consumer goods companies as domain of the study because of increasing demand of accounting users such as shareholders, prospective and potential investors, government, foreigners and other stakeholders of the information contained in the financial statement and challenges they face in meeting up with the demand of shareholders, prospective and potential investors. The study covers only 17 consumer goods companies listed on the Nigerian Stock Exchange that have complete financial records for the period of the study. The proxies to independent variables of the study are gender, board composition and foreign directorship. The dependent variable is financial performances proxies by Tobin's Q.

1.7 Significance of the Study

This study is expected to of benefit in addressing diversity in the boardroom of listed consumer goods companies in Nigeria.

Again, considering the importance of financial performance in making informed decision, the finding**s** this study are expected to contribute to both theoretical and practical perspective. Upper-Echelon and agency theory are the theories underpinning the findings of this study. The expectation is either the finding of this study support the theory or contradicts it, which will in turn ground the applicability of the theories mentioned. From the practical perspective, policy makers like Security and Exchange Commission, Corporate Affairs Commission, Financial Reporting Council of Nigeria and other stakeholders may use the findings of this study as a guide in formulating policies that will serve as a tool for decision making.

Shareholders; potential and prospective investors and all other stakeholder in the industry will be willing to commit their resources in an atmosphere that business strive. Hence, this study will provide information regarding strongest or otherwise of corporate governance when the board of

directors is diverse in terms of gender, ethnic and foreign directors in an organization and its impact on the performance of that organization.

To the managers, the study will also help them to ascertain the importance of diversity in the boardroom in determining the performance of a firm. Considering the competitive nature of the contemporary business environment, the managers need to know what improve the performance of their firm. That is, the managers can critically evaluate the variables used in this study to see which one is viable and more beneficial to the overall growth of their stewardship.

Government at all level will find this work very useful as it reveal the extents to which board diversity affect the performance of listed consumer goods companies in Nigeria. These study will help to critically evaluate the extent to which prudential issues is being taken care off.

Finally, scholars, researchers and students would find the work useful as it adds to the existing literature. Though several literatures exist in this area of board diversity and firm performance around the globe, there is limited evidence from prior literatures that empirically investigate the relationship between board diversity and firm performance of listed consumer goods companies in Nigeria. These will, therefore, serve as a reference for further researchers in this area, by critically looking at the Nigerian perspective.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The chapter starts with the presentation of conceptual literature such as concept of board of directors, gender diversity, board composition, foreign directors andfinancial performance. Relevant literatures on gender, board composition and foreign director are reviewed and the theoretical frameworks are presented.

2.2 Conceptual Framework

This chapter covers the discussion on conceptualization. Concept of financial performance, board of directors, gender diversity and firm performance are conceptualized and presented

2.2.1 Concept of Financial Performance

The word 'Performance is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers the act of performing; execution, accomplishment, fulfillment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of FrichKohlar "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance.

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been

accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Different measures of financial performance have been identified by different authors. There is no general consensus among researchers on the proxy for Performance (Lausten, 2002). Return on asset (ROA), return on equity (ROE) and Tobin's Q has been used severally by different researcher as proxies for financial performance. ROA and ROE are traditional financial performance measurement which Swartz & Firer, (2005) argued that they may be questioned in the future. Tobin's Q is a market base measure for firm performance. Because of the limitation of the return on asset (ROA) and return on equity (ROE) the study employs the market measure of firm performance that is Tobin's Q. Hence Tobin's Q was measured as the book value assets plus the market value of equity less the book value of equity divided by the book value of asset (Cheng, 2008). It has also been measured in another study as the ratio of the firm market value to its book value of assets, where market value is the book value of asset less book value of equity plus market value of equity (Adam &Mehran, 2008). Adam & Ferreira (2004) and Duchinet al.,(2010) measure Tobin's Q as the ratio of the firm market value divide by its book value of asset. Furthermore, Sanda*et al.* (2010) obtained Tobin's Q as adjusted Q by dividing year-end market capitalization by the book value of total assets. The adjusted Q is being used for the study as it has particularly been used in Nigeria. And the data needed for the assessment of the adjusted Tobin's Q is easier to get within the country.

Forza and Salvador (2000) define financial performance as an information system that assist managers in managing performance process most especially fulfilling two main functions one of

which is enabling and structuring communication among all firm units (function, teams, individuals, processes, etc) which is involved in the process of target setting. The other one is gathering, processing and delivering information on the performance of people, processes, product, business unit, activities, etc.

2.2.3 Concept of Board of Directors

Board of directors is among the most important mechanism of corporate governance in an organisation. Board of director's function and efficiency has received serious attention in academics. According to Liu and Fong (2010) board of directors is regarded as an important institution for mitigating the agency problem that arises with absentee ownership in most studies. The ability of the board to handle conflict that arises as a result of separation of ownership between owners and management and for the board of directors to help in reducing agency cost is what is referred to as board of directors (McIntyre, 2007).

Iruku (1994) define board of directors as a committee made up of directors appointed by the shareholders of the company, charged with the responsibility of managing and directing the affairs of the company. According to Yahaya (1992), board of directors is a group of people elected or nominated by shareholders of a company to represent their respective interest in running the affairs of the enterprise.

Serious attention has been given to the relationship between board of directors and financial performance of firm in academics and even business world. Lopez (2005) states that, in recent years the debate has focused on the activities of the board of directors the most outstanding governance mechanism of the internal control system". The shareholders nominate the board members and gave them the highest managing position. The boards of directors are therefore,

representatives of shareholders and are required to act in accordance with the shareholders objectives. The board of directors is expected to protect the interest of shareholders and to maximize their wealth. There is the need for any promising organization to appoint professionals that can handle the affairs of that organization.

The code of corporate governance for public companies (2003) which was reviewed by a committee set up by the security and exchange commission in September 2008, states how a board is to be composed and structured. It states that size of the board should be sufficient relative to the size and complexity of operation of an organization and should ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. It further states that, the size of the board should not be less than five and should be independent of management for an efficient oversight function in an objective manner.

2.2.4 Concept of Board Diversity

Historically, women have been under presented in the corporate board of directors, the situation began to change in 1990s (Farrell &Hersch, 2005). Diversity has been divided into two. Basically, we have the observable diversity also known as demographic diversity it deals with diversity in terms of gender, race, qualification and ethnicity. The second category is the unobservable diversity which one cannot quantify with certainty, they are attribute of individual that are not visible and need careful observation to determine it. These attribute that are not visible may include skills, knowledge. e.t.c

Marimuthu (2008) define corporate board diversity as the disparity in terms of age, race, ethnicity, gender and socio-cultural identities within a group in a specific corporation. It has also

been defined as the composition of corporate board with a distinct combination of attributes, skills and characteristics which the members poses (Vanderbilt, Walt & Ingle, 2003).

Researchers have encountered difficulties on how to measure board diversity; however there are a lot of differences in its measure. Some studies proxy board diversity as gender diversity, director's age and size of the board (Eklund*et al.*, 2009). Some studies sees a board as divers when it consist of male and females in the board Adams and Ferreira (2004). Francoeur*et al*. (2008) and Marimuthu (2008) proxy diversity of the board with ethnicity. Swartz and Firer (2005), Marimuthu and Koladaisamy (2009b), Marimuthu and Koladaisamy (2009c) and Williams (2010) proxy board diversity with both gender and ethnicity. Again same MarimuthuandKoladaisamy (2009b), and Marimuthu and Koladaisamy (2009c) sees gender and ethnicity as determinants of demographic diversity. Schwizer*et al*. (2012) measure board diversity with the presence of both women and foreign directors on boards. For the purpose of this study, board diversity will be measured by gender, board composition and foreign directorship.

Various terms have been used by different researchers in defining board composition, it therefore, becomes very vital to know those terms and how they were defined. The terms are independent director, outside director and inside or executive director. Cheng (2008) define independent director as a director who has no relationship with current chief executive officer (CEO) of the company, employee, or former executive officer. It has also been defined as those who are not affiliated with the company and are not employees of the company in any manner other than their position as directors of the company (Booth et al. 2002). However, outside director has been defined as a person who has not been employed in the company before and currently not employed rather than him being a director of the company. While executive or

inside director is a director who is currently an employee/CEO of a firm (Lee, Rosenstein & Wyatt, 1999).

From the above definition of terms used in board composition, Baker and Gompers (2003) defined board composition as the outcome of bargain between the representatives of outside shareholders and the CEO Director. Board composition can also be defined as the percentage of outside directors on the board (Davidson III & Rowe, 2004). It has also been defined by Faleye (2007) as the fraction of directors who are outsiders, who has no personal relationship, business or employee-directors of the firm. Therefore, board is more likely to be independent when it comprises of more outside directors than inside directors and this may help more in protecting the interest other stakeholders (Sanda et al., 2008). Where the role of CEO and chairman of the board are separated it can also be regarded as independent board (Donaldson & Davis, 1991).

2.3 Review of Empirical Studies

This section reviews the empirical literature where the author(s) name, year of publication, title of research work, methodology adopted, findings and conclusion were discussed. The review is done to enable the researcher reveal gaps and make attempt to fill them.

2.3.1 Gender Diversity and Firm Performance

There are a number of researches conducted on the relationship between board gender diversity and firm financial performance. The result of these studies is mixed in the sense that some shows a positive relationship, some negative there are those that even report lack of relationship. Olaoti (2016) studied board of directors' heterogeneity and financial performance of listed deposit money banks in Nigeria. The population for the study is all fifteen deposit money banks listed as par the year end 2012, out of which 11 banks were selected as sample for the study. The study use ROE as a proxy for firm performance. The researcher found a significant positive

relationship between board gender diversity and financial performance of deposit money banks in Nigeria. Even though the researcher has performed wonderfully in capturing most of the variables that determine firm financial performance, but the domain used for the study restricts it generalization, this is because banking industry are highly regulated.

Bilkisu (2014) investigate the relationship between board diversity and firm performance. A panel data for a sample of 82 firms listed on the Nigerian Stock Exchange market. The investigation revealed a significant positive relationship between board gender diversity and firm performance of the firms under study. The study concluded and recommend thus; stakeholders and regulatory authorities to encourage firms to have a reasonable percentage of female on the board of directors. To the best of my knowledge this is a local study that captured a wide range of diversity variable and is also multi-sectoral in nature as it covers virtually all sectors of the economy.

Oba and Fodio (2013) use a cross sectional data for a sample of 30 quoted companies on the Nigerian stock exchange excluding financial institutions. The study found a significant positive relationship between board gender diversity and firm financial performance. In addition to this Mahadeo, soobarayon and hanuman (2012) in their paper titled board composition and financial performance: uncovering the effect of diversity in an emerging economy. A cross sectional data for a sample of 371 directors of 39 companies listed on the stock exchange of Manutius in 2007. The study use return on asset as its measure for performance. The study found a positive link between board gender diversity and firm performance. Though the paper is well researched, but it stopped at 2013. As such, it does not cover the present Nigerian reality.

Joecks, Pull and Vetter (2012) studied gender diversity and firm performance, they found that female are more represented in financial sector, telecommunication, pharma& health care and in consumer goods than any other group. The study use random effect estimator and OLS estimators with robust standard errors. The sample for the study is 151 listed German firms over the period of six years that is between 2000 and 2005. The researchers concluded that board gender diversity has no linear relationship with ROE. The study did not capture the market based reality, it restricted it self with traditional method of measure of performance.

Credit Suisse Research Institute (2012) conducted a study on 2,360 companies for a period of six years that 2005-2011. The study reveals that companies with at least one woman on their board tend to perform better than those with no woman in terms of share price. The study also explains that stock of firms with higher gender diversity on their board looks defensive generally; they usually tend to perform better when the market is falling, they also deliver higher average return on equity round the cycle, lower gearing ratio, and exhibits less volatility in earnings.

Campbell and Minguez-ver (2008) investigate the relationship between gender diversity on board and financial performance. A sample of companies from Spain was used by the researcher. The result of this investigation shows that gender diversity has a positive relationship with firm performance.

Apart from the above Nishii et al (2007) study the relationship between gender diversity and corporate performance for a sample of 210 us organizations. The study finds a positive correlation between gender diversity on board and organizational performance. Carter et al (2007) examines the impact of board gender diversity and ethnic diversity on the financial

performance of all listed firms on the Fortune 500 firms. The study finds that there is a positive impact of gender diversity on firm performance.

A study was also conducted using 2500 largest Danish firms by Smith, Smith and Venner (2005). The result revealed that there is a positive effect of gender diversity on the financial performance of a firm. Again Farrell & Herschel (2005) use a panel data for a sample of 1000 firms was used for the investigation. The study found a significant positive relationship between board gender diversity and firm performance.

Adams and Ferreira (2004) study the relationship between board diversity and firm performance for a sample of 327 firms in a fiscal year. The study found a significant positive relationship between gender diversity on board firm performance. The author deduces that a firm with a greater percentage of female on corporate board will increase profitability. They also confirm that profitability may also have impact on the proportion of women on board.

Erhardt, Werbel and Shrader (2003) study the link between female on board and ethnic minorities on board and firm performance. The study revealed that there is a positive link between the percentage of female on board and financial performance. Carter, Simkins&Sipson (2003) investigate corporate governance board diversity and firm value. Carter et al (2003) find a positive link between gender diversity and firm performance using a sample of 638 US fortune 1000 firms in 1997. Also, Cartalyst (2004) observed a link between board diversity and profitability of an organization. The study use over 500 leading companies in US, the study a significant positive relationship between the proportion of women on board and firm performance.

William (2000) found a strong positive relationship between the percentages of women directors in public listed firms and firm financial performance using a cross sectional data for a sample of 84 firms in Johannesburg stock exchange. Williams (2000) argues that board gender diversity can improve board influence on firm performance with regards to human resource capital. The study recommends among others that firms should strike a balance of directors with regards to gender diversity.

Norbur and Birley (1986) study the relationship between demographic diversity of board and firm performance using a cross sectional data for a sample of 210 US firms. The study found a significant positive relationship between gender diversity and firm performance. All the above literatures reviewed shows positive link between board gender diversity and firm performance.

In a study conducted by Ojunwa, Okoyeuzu and Nwakoby (2012) investigate the impact of corporate board diversity on financial performance of Nigerian quoted firms. The study uses a panel data for sample for 122 firms. The investigation reveals that corporate board gender diversity if negatively linked with firm performance. The study use return on asset as a proxy for firm performance.

He and Huang (2011) also found a negative link between board gender diversity and firm performance. The study uses a panel data for a sample of 530 US manufacturing firms. Firm performance was measured through return on asset and use blue index to measure gender diversity. Bohren and Strom (2010) examine governance and politics: regulating independence and diversity in the board room. A panel data for a sample of 203 firms in Norway listed on the stock exchange for a period of 1989-2002. The result shows a negative relationship between board gender diversity firm financial performances.

Again Haslam, Ryan, kulich, Trojanowski and Ahlans (2010) found a negative link between gender diversity in board and performance which was measured by Tobin Q, but find no link between boar gender diversity and firm performance and used a performance measurement of return on asset and return on equity. The sample for the study was 126 British companies. In addition Mari nova, Plantenga and Remery (2010) examines the relationship between gender diversity and firm performance. The study measure firm performance using Tobin's Q. The result shows that board gender diversity has no effect on performance of a firm.

Marimuthu and Kolandaisam (2009a) also found that there is no significant relationship between diversity in top management and firm performance. The sample for the study was 100 non-financial listed companies. A similar research by same author Marimuthu and Kolandaisam (2009b) studies the demographic diversity by ethnic and gender on performance. A panel data for the same sample of 100 non- financial listed companies over a period of 2000-2006. Return on asset and return on equity was used as a proxy for firm performance. The result suggests that the relationship between gender diversity in the board and firm performance is not significant.

Adams and Ferreira (2009) found a significant negative impact of gender diversity on firm performance of firms with strong governance and significant positive with on firms with week governance. The study was carried out using a panel data for a sample of 86,714 directors observed from 1,939 firms. A part from these Eklund et al (2009) uses Tobin's Q and marginal Q as a proxy for performance for a sample of 188 firms. The study finds a significant negative Relationship between gender diversity and firm performance.

Francoeuret. al., (2008) found that the relationship between gender diversity and firm performance is insignificant. The author applied three factor multivariate models; a panel data

for a sample of 500 largest Canadian firms was obtained. Rose (2007) use Tobin's Q a measurement for performance in its paper titled "does female board representation influence firm performance". The result finds no significant relationship between gender diversity and firm performance.

Randoy, Thomser and Oxelleim (2006) investigate board diversity and its impact on firm performance using a sample of 500 largest companies in Denmark, Norway and Sweden. The result shows that gender diversity has an insignificant effect on firm financial performance. Dutta and Bose (2006) study the effect of gender diversity on firm financial performance using a sample of 15 banks for a period of 2002-2005. The study found a significant but negative relationship between gender diversity and firm performance. Return on asset and return on equity as a proxy for firm performance.

The findings of Swartz and firer (2005) shows that there is no significant relationship between percentage of women on board and firm performance. Likewise Farrell and hersch (2005) investigate addition of women directors to US board on firm performance. The researcher use a Poisson regression and finds that adding female on board has no relationship with firm performance. The study measured performance through return on asset.

Shrader, Blackburn and Iles (1997) study the relationship between gender diversity firm financial performances. The study measured performance in terms of profit margin, return on asset and return on equity on a sample of US companies. The result signifies a lack of relationship between the percentage of women on board and the performance of a firm. Zahra and Starlon (1988) also report that there is no statistically significant relationship between gender diversity and firm

performance. The study use earnings per share and return on asset as a proxy for firm performance.

2.3.2 Foreign Directorship and firm performance

Chandrasekharan (2016) examines the effect of board diversity on financial performance of listed deposit money banks in Nigeria. The study finds a positive and significant effect of foreign director on performance. The study utilize a sample of eight (8) banks out of the fifteen (15) listed on the Nigerian stock exchange as at 31st December, 2015. The study recommends the inclusion of foreign directors in the board room should be encouraged by regulatory authorities.

Salami and Ramlat (2015) investigate the relationship between foreign director in the board room and financial performance of deposit money banks in Nigeria. The paper use a sample of 12 banks and finds a significant but negative impact on the performance of deposit money banks in Nigeria. The paper recommend that deposit money banks should reconsider the involvement or not of foreign directors in matters that affect board of directors so as to improve performance. The negative effect of foreign director on performance may be due limited number of foreign directors in the firms under study.

Daniel, McConnel and Naveen (2013) study the advisory role of foreign directors in U.S firms excluding the ones that are not incorporated in the state. The population for the study was 1500 S&P firms within 1998-2007. Firms' value was measured by Tobin's Q and was measured as the sum of book value of equity divided by the book value of assets. Their findings revealed that it is not just by adding a foreign director that adds value to a firm, rather the benefit from the director's advisory services in a foreign country which will add value to the firm.

Miletkov, Poulsen and Wintoki (2012) argued that foreign independent directors are significantly negatively associated with firm performance. Again, presence of foreign independent directors is significantly negatively associated with firm performance in wealthier countries that has developed capital market, legal institution and better education, but more negatively significant with countries that has less of these attributes. The study also observed that the further away a foreign director is from his home country to his host country, the more negative is the effect of the director on firm performance. They use a cross sectional data on more than 20000 firms from 98 countries. Their technique of analysis is ordinary least square; ROA was used as a proxy for firm performance, they used country-adjusted ROA by subtracting the countries median ROA from the firms ROA and percentage of foreign independent director on total board size was used as a measure for foreign independent director.

Masulis, Wangand Xie(2012) examines the effects of foreign directors on corporate governance and firm performance with a sample of 9979 firms and a time-period measuring from 1998 to 2006. The result reveals that firms with foreign independent directors (FIDs) displayed significantly poorer results than their counterparts. This was especially apparent as the firm's business presence lessened in the country which the foreign director resided in.

Oxelheim&Randoy (2003) examine the impact of foreign board membership on firm value using a random sample of 253 traded firms, based in Sweden and Norway for a period of 3 years. The results showed a significantly higher firm performance for firms that had recruited an Anglo-American board member than for firms that had not. 10% of firms in Norway and 16% in Sweden had a foreign director on their board.

Sugai, et al.(2008) examine the effects of foreign directors on firm performance using a sample consists of 60 firms, from 2006 to 2008. In order to compare companies including foreigner directors to those that did not, the authors used a sample, counter sample method. Here they selected two similar firms without foreign board members to the firm with one or more foreign directors. The firms selected were nearest in terms of total assets, and being the same industry as the firm with foreign director. The result revealed a significant positive effect of foreign directors on firm performance. The period used by the researcher to determine the effect is too small, as two years is not enough to observe any meaningful effect.

Hayes, Mehran and Schaefer(2004) examine the impact of board committee structures, ownership on firm performance using cross-sectional variations on the committee structure of boards of directors for S&P firms during 1997 and 1998. The study revealed that firm performance is negatively related to the percentage shares held by outside directors on the acquisition committee, ethics committee, succession committee, and technology committee, but is positively related to the percentage of shares held by the outside directors serving on the finance & investment committee as well as on the strategy committee. The study did not conduct normality test. Therefore, the statistical inference derivable from the study lack reliability

Tornyeva and Wereko(2012) investigatethe relationship between corporate governance and the financial performance of insurance companies in Ghana using secondary data collected from the national insurance commission and the primary data through interview questionnaires. Panel Data Methodology was used for the data analysis. The findings show that large board size, board skill, management skill, longer serving CEOs, size of audit committee, audit committee independence, foreign ownership, institutional ownership, dividend policy and annual general meeting are positively associated with the financial performance of insurance companies in

Ghana. The study covers a wide range of data both primary and secondary but there was no effort in conducting validity and reliability test to that effect.

Choi,Park and Yoo (2007) examine the value of outside directors using corporate governance reform from Korea where a regulation requiring outside directors was instituted after the Asian financial crisis. The study revealed that the effects of independent directors on firm performance are strongly positive. Foreigners also have positive impacts. The effects of indigenous institutions such as chaebol or family control are insignificant and negative.

Darmadi (2011) examines the associations between diversity of board members and financial performance of the firms listed on the Indonesia Stock Exchange (IDX) Using gender, nationality, and age as the proxies for diversity. Using a sample of 169 listed firms, this study finds that both accounting and market performance have significant negative associations with gender diversity. Nationality diversity is found to have no influence on firm performance. In contrast, the proportion of young members is positively related to market performance.

Ruigrok and Kaczmarek (2008) examine the impact of nationality, international experience diversityon Firm performance. The study looks at the variables of nationality diversity and international experience in the U.K on diversity, using the largest stock exchange listed companies from three economies of the U.K., the Netherlands and Switzerland. The result revealed that the international experience diversity variable produces significant results, whereas nationality diversity does not. In the Netherlands indicate negative significant relationships and in Switzerland the diversity effects on firm performance positively.

Choi and Hasan (2005) examine the impact of ownership, governance on bank performance using Korean experience. The result indicates the positive impact of the presence of foreign directors on financial performance of the Korean banks.

Kilduff, Angelmar andMehra (2000) examine the role of cognition of top management-team diversity and firm performancee using final market share and net marketing contribution of the European firms as the performance measure. The study however, found no empirical evidence of such associations. That is, fail to find any significant association.

Bilyk (2009) investigates the effects of foreign ownership on performance of Ukrainian manufacturing companies in 2002 – 2006. The results confirm the hypothesis that in studying the ownership-performance relationship a closer look at foreign offshore and foreign non-offshore owners is crucial. That is, revealing positive effect of investment coming from the group of developed countries, USA and Cyprus is found, while capital from transition economies is negatively related toperformance.

2.3.3 Board Composition and Financial Performance

Booth et al. (2002) studied board of directors, ownership and regulation on a sample of 300 firms at the yearend 1999. The study applies OLS regression in analyzing the data collected. The study found a significant positive relationship between firms with higher percentage of outside directors with firm performance.

Lawyer III et al. (2002) revealed that firms with large number of outside directors perform better than those with small number of outside board member. The study also found a positive and significant relationship between outside board members and the performance of companies using a sample of 354 US firms over a period of five years.

Again, Huson et al. (2004) study the relationship between board composition and firm performance. The study analyse panel data on a sample of 1344 public firms for a period of 22yrs (1971-1994) using OLS estimator. The study found a significant positive between higher outsider board and firms performance. In addition to this, kato and long (2006) apply descriptive and pooled regression analyses on a sample of 634 firms between 1998 and 2002 and find a significant positive relationship between independent board and firm performance

Similarly, Sinha (2006) found a significant positive relationship between percentage of non-executive director on board and firm's performance. The study use panel data for a sample of 219 manufacturing and 47 banking firms between 1988-1989 and 1994-1995, the study apply White/Hetero corrected covariance matrix and t-values.

A study was also conducted using a panel data on a sample of 161 firms covering a period of 5 years between 1998 and 2004. The study use conditional logistic regression and find apositive relationship between increase in the number of outside director and firms' performance (Charitou et al. 2007). Coles et al. (2008) use Tobin's Q as a measure of firms' performance, using a panel data for a sample of 8,165 firms between 1992 and 2001. The study apply OLS regression estimator and find a significant positive relationship between firm performance and number of outside director.

Sanda et al (2008) examines the relationship between firm performance and board independence. The study found a negative relationship between non independent director and firm performance. The study used OLS and fixed effect estimators on panel data for the period of nine years (1996-2004) for a sample of 89 firms for regression and 205 firms for descriptive analysis, firm performance was measured by return on equity (ROE) and price earning (PE) ratio and board

independence is measured by CEO tenure, non-intervention of CEO in important committee like interlocking directorship, family affiliation and audit committee of the board. This suggests a significant relationship between independent director and firm performance.

Eklund et al (2009) also found a significant negative relationship between inside directors on the board and firms performance. The author use panel data for a sample of 188 firms traded on the stock exchange between 1999 and 2005. Tobins Q and marginal Q were used as performance measurement and apply random and fixed effect estimator.

However, in a study using cross sectional data for a randomly selected sample of 75 firms for 2003 fiscal year and find a significant positive correlation between the proportion of outside directors and firm performance. The researcher applies Pearson correlation coefficient and Analysis of Variance (ANOVAs) and measure performance with value added (VA) efficiency of total resources (Zainal-Abidin et. al., 2009).

In a similar study by Dimitropoulos and Asteriou (2010), the researchers found that firms with higher number of outside directors report higher earnings quality than those with higher number of inside directors. A panel data for a sample of 97 non-financial firms listed on stock exchange for the period of 2000-2004. The study reveals a positive correlation between the fraction of outside director and firm's performance. The technique used by the study is Pearson correlation coefficient.

Kim and Lim (2010) reported a significant and positive relationship between higher number of outside directors and firms performance. The researcher measure firms performance with Tobin's Q on a sample of 593 firms between 1999 and 2006. The result was analysed using random effect estimators and revealed that the percentage of directors with government

experience have positive effect on firms performance and a negative effect with the proportion of directors with financial experience.

In a study by Olayinka (2010) who measure firms' performance with return on equity (ROE) and return on capital employed (ROCE) and also check the degree of multicolinearity among variables of the study using Pearson correlation analysis. The result reveals a positive and significant relationship between corporate financial performance and outside directors sitting on the board. The study use cross sectional data of quoted companies listed on the Nigerian stock exchange for the period of 2007. A sample of thirty (30) firms was used.

As all the studies reviewed above shows a positive and significant result between board composition and firm performance, on the contrary Adams and Mehran (2008) study corporate performance, board structure and their determinants on banking industry and find no significant relationship between proportion of outsiders on the board and firms performance using panel data for a sample of 35 firms between 1959 and 1999. The study applies OLS and fixed effect estimators.

In a similar study by Erickson, Park, Reising and Shin (2005) examines board composition and firm value under concentrated ownership: Canadian experience. The researcher applies generalized least squares method on a panel data for a sample of 66 Canadian firms between 1993 and 1997. The study use adjusted Q ratio and raw Q ratios as a measure of firm's performance. The study revealed that there is no significant any significant effect of board independence on firms performance. The finding of Pathan and Skully (2010) is also negative as he investigates endogenous structured board of directors in banks. The study apply OLS estimators on panel data set for the period of six (6) for a sample of 212 firms.

2.4 Theoretical Framework

There are a number of theories that underpin the relationship between board diversity and financial performance. The theories include Agency theory, upper-echelon theory and resource dependency theory. This section discusses each of these theories and relates it to the study.

2.4.1 Agency Theory

Agency theory is all about the relationship between the principal and the agents in an organization. The agents are the managers and executives of the company who are hired to run the affairs of the company. Considering the theory, the principals are the owners and as well the shareholders of the company who entrust the running of the business to the managers and directors of the company (Abdullah & Valentine, 2009). The agents are expected to act in the best interest of the principal. But due to information asymmetry the managers usually make decisions in their own interest without considering the interest of the shareholders, this however brings about the agency problem. Lupia (2001) argued that agency problem arises when there is a conflict of interest between the managers and owners of the business. Jensen and Meckling (2004) has explained the agency problem in detail, even though it was first highlighted in the 18th century by Adam smith.

Jensen and Meckling (2004) in his work cited the emergence of agency theory from the seminal paper of Jensen and Meckling (1976). The principal-agent model that is agency theory was adopted by many scholars in trying to describe the logic of delegation (Donaldson & Davis, 1991; and Tosi, Shea, & Gentry, 2003). The main assumption of the agency theory the shareholders (principals) are separated from the managers (agents). Eisenhardt (2004) is on the view that since the basis of the agency theory is the maximization of utility and motivation of self-interest by individual actors, the separation of power between the principals and agents that

exist in agency theory becomes necessary for individuals who seek their own self-interest to also seeks the collective interest of others when they are rewarded (Eisenhardt, 1989).

Therefore, due to the conflicts of interest that exist between the principal and the agent makes it necessary to find a way of protecting the interest of the owners of the business that is the shareholders. In order to attain this objective, the board of directors comes in order for them to monitor the activities of the chief executive officer (Donaldson & Davis, 1991). There is the need to establish strong governance structure most especially in large organizations, this will assist in making the managers act toward maximizing the wealth of the shareholders. The most common governance mechanism that ensure managers acts in line with the owners objectives are the board of directors, executive compensation and board size (Davis, Schoorman& Donaldson, 1997).

Looking from the perspective of this theory, it can be deduce that board of directors is put in place to monitor manager on behalf of the shareholders (Eisenhardt, 1989). The board of directors serves as a watch dog to the shareholders by making sure the interest of the owners pursued and protected (Booth *et al.,* 2002). The composition of the board of directors becomes very important particularly board diversity. Board diversity have received a lot of attention, but few relates board diversity with firm performance more especially gender and ethnic, as here in Nigeria we have different ethnic groups and the cultural background is different so the perspective of thinking will definitely be different.

2.4.2 Upper-Echelon Theory

Upper-Echelon theory was developed by Hambrick and Mason (1984), the theory states that the characteristics of chief executive officers will be determined to some extent by firm performance

variation. This theory is another theory in corporate governance field. The theory suggests that, the features or characteristics of decision makers become very important when decisions are complex like taking strategic measures (Zee &Swagerman, 2009). Firms are advised to diversify their top management if at all they want to attract, benefit or retain diverse talents from outside. When the top executives are diverse, they tend to be sensitive to issues that require attention for the advancement ant retention of the organizations diverse employees. Nishii et al. (2007) is of the opinion that the characteristics of top management of a firm can influence the decision made by that firm, such characteristics may include race, gender and age.

Furthermore, the board of directors can be regarded as the upper-Echelon in most large corporations since they are the ones that make the final strategic decision. We can infer that upper-Echelon affects firm's performance and strategy. Therefore, the board of directors is expected to possess some certain features such as ethnic and gender diversity for better decision making most especially in a complex organization. However, women and minorities can add value by bringing different opinion and experience to the board for better result. Adams and Ferreira (2004) argues that a board with more female directors may experience a transformation phase in which directors must create mechanisms to work comparatively.

CHAPTER THREE
RESEARCH METHODOLOGY

3. 1 Introduction

Under this chapter, the methodology used in collecting and analyzing data for the study was explained. The chapter states the method of data collection, population of the study, sampling techniques, sample size, how variables of the study is measured, data analysis and at end specify the model for the study.

3.2 Research Design

The study adopted correlational research design, a correlational research design is chosen as the most appropriate in establishing a relationship between variables. The paradigm for the study is positivist and the approach is quantitative.

In choosing correlational research design for a study, one should make sure the variables of the study are related. Each variable of the study must be expressed in terms of number and at the same time quantifiable and must be quantitative approach (Water, 2014).

3.3 Population and Sampling Design

The population for the study consist the entire twenty six (26) listed consumer goods firms quoted on the floor of Nigerian Stock Exchange as at 31st December, 2016. The study intends to use the entire population but due to some limitations the researcher employs a filter and arrived at a sample of 17 firms. The filter employed by the researcher is as follows:

a. Any firm that didn't meet the criteria of being listed on the NSE within 2012-2016 and should not have been delisted within the period. As such eight firms were eliminated (Mc Nicol, vono product, VTC etc. see appendix C)

b. Firm must have been publishing it director's profile as well as having information on the variables under study. After applying this filter only Dunlop tyre was eliminated. Therefore, nine (9) firms were eliminated living 17 firms. However, the remaining 17 firms were utilized as sample of the study as shown in appendix B.

3.4 Sources and Method of Data Collection

Secondary sources of data were utilized. The data were obtained from the annual reports and accounts of the selected firms. Board gender diversity, foreign director and board composition were obtained from the director's report; while firm size is obtained from the statement of financial position. However, financial performance represented with Tobins Q was obtained from Nigerian Stock Exchange factbook and other relevant sources for a period of five (5) years (2012 to 2016).

3.5 Techniques of Data Analysis

The technique of data analysis employed by the study is Generalized Least Square. It is a type of regression that addresses the course and effect of each variable in relation to their different time series. The reason why the study employs this technique or model is because the data used for this study comprises the combination longitudinal and time series.

Various options of panel data regression were run, such as random effect GLS regression, fixed effect (within) regression and generalized least square regression. The most robust among them is fixed effect (within) as suggested by Hausman specification test. The tool used in analyzing the data is Stata 10, as it allows carrying out certain statistical tests, like VIF test, Hausman test and Heterokedaticity test.

3.6 Variables Measurement

Table 3.1: Variables and Their Measurement

Nature of variable	Proxy(ies)	Measurement	Source
Depended variable	Tobin's Q	Tobin's Q = year end market capitalization/ book value of total asset	Sanda*et al.* (2010)
Independent variables	Gender diversity	G= number of women/number of board members	Swartz and Firer, (2005)
	Board composition	Measured by taking the number of outside directors as a proportion to Board size.	Sandaet al.(2010)
	Foreign directorship	Calculated as the percentage of foreign directors to board size.	Oxelheim and Randoy (2003)
Control Variable	Firm Size	Natural Log of Total assets	NireshandVelnampy (2014)

3.7 Model Specification

The theoretical model that was used to estimate the coefficient of the variables captured in this work specified as follows:

$$TOBINS'Q_{it} = a0 + \beta_1 GENDISTY_{it} + \beta_2 FRGNDIR_{it} + \beta_3 BODCOM_{it} + \beta_4 LOGASSET_{it} + e_{it}$$

Where:

$TOBINS'Q_{it}$ = measure for firm performance

$GENDISTY_{it}$= gender diversity of firm i in year t

$BODCOM_{it}$= board composition of firm i in year t

$FRGNDIR_{it}$= foreign directorship of firm i in year t

$LOGASSET_{it}$= firm size of firm i in year t

α_0 = intercept coefficient

β_1-β_4=Coefficient of parameters for firm i

i = intercept

t = Period (Time)

e= Error time in the course of year t for firm i

And lastly, the study conducts robustness test (multicolinearity test and hausman's test and heteroskedesticity) in order to improve the reliability and validity of the statistical inferences derivable from the regression model.

CHAPTERFOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter covers data presentation, analysis, interpretation, and discussion of the results of the study. Hence, results from the descriptive statistics, the correlation matrix, the robustness test, and the regression results are presented and discussed. The chapter also discusses the implications of the research findings.

4.2 Descriptive statistics

Table 4.1 presents descriptive statistics of the variables of the study. The mean, standard deviation, minimum, and maximum have been used to describe the data.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Tobinsq	85	2.116722	1.887395	.0085783	8.790401
Gendisty	85	0.1793311	0.1433603	0.00000	0.466667
Frgndir	85	0.224296	0.2110574	0.0000	0.666667
Bodcom	85	0.5658676	0.1503611	.272727	0.778889
Logasset	85	7.61851	0.508047	6.33589	8.56542

Source: Extracted from STATA output 13

From table 4.1, the financial performance of the listed consumer goods firms in Nigeria proxy by Tobin Q has a minimum value of 0.085%, (which is much closer to zero) and a maximum of 8.790. This shows that the minimum percentage of market performance of the sampled firms is 0.85% (which is less than 1%). While during the period, some firm's market performance was 8 times the book value performance. The financial performance of the sample firms shows a mean value of 2.1167 with standard deviation of 1.8874. This indicates that the deviation between firms is quite very small.

From the table, it can be seen that the proportion of women on the boards range from a minimum of 0.0000 to a maximum of 0.4667 and a mean of 0.1793. The mean indicates the average representation is only 18%. The minimum of 0.000 proves that some firms did not include women in their team of board of directors during this period of study; and for those that included women, the maximum representation is only 47%. The standard deviation of 0.1433 indicates the deviation between firms is low.

The mean value for foreign directors is 0.2242, indicating the average number of directors who served in the team of board of directors of listed consumer goods firms. The minimum and maximum values are 0 and 0.667 respectively, indicating that some of the firms did not have foreign directors, while some have up to 67% foreign directors.

The board composition is measured by the proportion of non-executive directors to total board of directors. From the table, the board composition shows a mean value of 0.5658, a minimum of 0.2727 and a maximum of 0.7789. The mean value indicates that averagely, the consumer goods firms in Nigeria have 56% of directors that were non-executive. Some firms had minimum of 27% as non-executive directors while some firms had up to 78% as non-executive directors.

4.3 Correlation Analysis

The correlation matrix is used to determine the degree of association between independent variables and dependent variable. It is also used to identify whether there is relationship among the independent variables themselves, to be able to detect if multicollinearity problem exists.

Table 4.2: Correlation matrix

	tobinsq	gendisty	Frgndir	bodcom	logasset
Tobinsq	1.0000				
Gendisty	0.5691 0.0000	1.0000			
Frgndir	0.7015 0.0000	0.4202 0.0001	1.0000		
Bodcom	0.6857 0.0000	0.4508 0.0000	0.6322 0.0000	1.0000	
Logasset	2.733 0.0114	0.3209 0.0028	0.0886 0.4201	0.1073 0.3282	1.0000

Source: Extracted from STATA output 13

From the table 4.2, the relationship between gender and financial performance of listed consumer goods firms in Nigeria is positive and significant at 1% level. This can be observed from the correlation coefficient of 0.5691 with a significant value of 0.0000. The positive association indicates that market performance may increase with the increase in the proportion of women directors.

Furthermore, foreign director has a strong and significant positive association with financial performance of listed consumer goods firms in Nigeria. This is because; the correlation coefficient is 0.7015 significant at 1% level. The direction of the relationship suggests that foreign director may have an increasing effect on market performance of listed consumer goods firms in Nigeria.

Also, the degree of association between board composition and financial performance is 0.6852. This shows that there is also a positive association between the two. The correlation coefficient indicates and the p-value suggests a significant association. This statistical association suggests that adding non-executive director in a board may increase market performance of listed consumer goods. The correlation coefficients will not serve as basis for generalization on the

impact of board diversity on performance as it only gives a degree of association between the dependent variable and the independent variables.

Additionally, the firm size introduced as a control variable has a significant positive relationship with financial performance of listed consumer goods in Nigeria. This can be confirmed from the correlation coefficient of 0.2733 with a p-value of 0.0114. The relationships between independent variables themselves suggest that there is a presence of multicolinearity between board composition and foreign directors. In order to access whether the presence of multicollinearity will disturb our statistical inference, the study further conducted multicollinearity test using Variance Inflation Factor (VIF) and its reciprocal (1/VIF).

4.4 Robustness Test for Dependent and Independent Variables

This section presents the result of robustness tests conducted in order to improve the validity and reliability of all statistical inferences for the study derivable from the regression model. These tests include, multicollinearity test and cook-wiesburge test of total heteroskedasticity.

Table 4.3: Robustness Test Results

Variables	VIF	Tolerance Values
gendisty	1.44	0.6937
frgndir	1.73	0.5767
bodcom	1.79	0.5585
logasset	1.12	0.8942
Mean VIF	1.52	-
Hettest chi^2		15.42
Hettest sig		0.0001

Source: Stata Output, 2017

Multicollinearity Test: This is to check whether there is excess correlation between the independent variables which will mislead the result of the study. Table 4.2 presents the matrix of linear relationship among the continuous independent variable. From observation, there is

onevariable with high correlation above 0.50, that is between board composition and foreign directorship (0.6322). In order to access whether the presence of multicollinearity will disturb our statistical inference, the study conducted multicollinearity test using Variance Inflation Factor (VIF) and its reciprocal (1/VIF).

The variance inflation factor and tolerance values are two advanced measure of assessing multicollinearity between the independent variables. Using stata, the variance inflation factor and tolerance values are computed and found to be consistently smaller than ten and one respectively which indicates that the multicollinearity would not pose a problem to the statistical inference.(Neter, Kunter, Nachtshem, and Wasserman, 1996 and Casey and Anderson, 1999).

Heteroskedesticty Test: This test is conducted to check whether the variability of the error terms is constant. The Breusch-Pagan test for heteroskedasticity reveals the chi-square value of 15.42, significant at 1% level. This indicates the presence of heteroskedasticity in the data. It is for this reason that OLS technique has a high chance of resulting in inefficient statistical result and by extension leading to incorrect inferences.

Given that the data has heteroskedasticity problem, the study focuses on two techniques used to analyze panel data- random effect GLS regression and fixed effect regression. Fixed effects model, assumed that something within the individual may affect or bias the predictor or outcome variables while random effects assume that entity's error term is not correlated with the predictors that allow time-invariant variables to play a role as explanatory variables.

To decide between fixed or random effects the study run hausman test**.** The hausman used to test whether the unique error term is correlated with the regressors. The results from random effect and fixed effect reveal that F-statistics are significant in all scenarios. But hausman specification

test considered fixed effect regression as the appropriate estimator of parameters on the bases that fixed effect correlated with the variables as the hausmantest is statistically significant at 5%. This can be confirmed from the chi-square value of 11.43 and a probability value of 0.0221. Therefore, hausman test indicated that the fixed effect (within) regression is the preferred model that should be used. Hence, result was interpreted using fixed effect regression output.

4.5 Presentation and Interpretation of Regression Result

This section presents the regression result of the dependent variables (financial performance) and the independent variables (gender diversity, foreign directorship and board composition). It follows with interpretation of the association between dependent and each independent variable individually and cumulatively. Summary of the regression result obtained from the model of the study ($TOBINS'Q_{it} = a_0 + \beta_1 GENDISTY_{it} + \beta_3 FRGNDIR_{it} + \beta_2 BODCOM_{it} + \beta_4 LOGASSET_{it} + e_{it}$). Hence the regression results are presented below:

Table 4.4: Summary of Regression Results

Fixed Effect Regression		
Variables	Coefficient	t-statistics / Significance
Constant	5.5542	0.87(0.387)
Gender	-0.4047	-0.32 (0.748)
Foreign	1.8582	2.15 (0.035)
Bodcom	3.1123	3.57 (0.001)
Control Variables		
FSIZE	-0.7275	-0.88 (0.381)
R-square (Within)	0.3197	
R-square (Between)	0.3403	
R-square (Overall)	0.3269	
F-Statistic	7.52 (0.0000)	

Source: Extracted from STATA output 13

The result from 4.4 indicates that independent variables (gender, foreign directorship and board composition) explained 0.3197 of the dependent variable (financial performance). Therefore, the

Board diversity variables have combined predictive power of 32% in controlling financial performance of listed consumer goods firms in Nigeria. While the negligible 64% attributed by stochastic error variances. The adjusted R-square provides an adjustment to the R-square such that independent variables that have correlation with dependent variable increases adjusted R-square. All this shows that board diversity has significant impact on financial performance of listed consumer firms in Nigeria

Similarly the result of F-statistics (7.52) shows that the model is well fitted as the accounting numbers used in the study are well selected and combined as supported by the prob chi^2 of 0.0000 (at 1%). Gender diversity shows a beta coefficient of -0.4047 and a t-value of -0.32 with significant value of 0.748, while foreign directorship has a beta coefficient of 1.8582 and a t-value of 2.15 which is significant at 5%. This indicates a positive relationship between foreign directorship and financial performance. Finally, result in respect of board compositionshows a beta coefficient of 3.1123 and t-value of 3.57 which is significant at 1%.

4.6 Test of Hypotheses

The regression results reveals that gender diversity has no significant impact on financial performance of listed consumer goods firms in Nigeria. This can be confirmed by the t-value of -0.32 with significant value of 0.748. This shows that gender diversity does not have any significant impact on the financial performance of the sampled firms. The finding serves as a base for failing to reject the null hypothesis one earlier formulated, which states that gender diversity has no significant effect on financial performance of listed consumer goods firms in Nigeria. The finding is in tandem with those ofBohren and Strom (2010), He and Huang (2011), Joecks et al. (2012) who also found insignificant impact of gender diversity on performance. It

however, contradicts the finding ofOlaoti (2016), Bilkisu (2014), Oba and Fodio (2013) who found a significant impact of gender diversity on firm performance.

Moreover, the inferential statistics show that foreign directors have a t-value of 2.15 with a significant value of 0.035 (that is significant at 5% level). This signifies that foreign directors are positively influencing the performance (market performance) of listed consumer goods firms in Nigeria. This implies that the higher the foreign directors the higher the performance level would be. The beta coefficient of 1.86 indicates that market performance increase by 1.86 times with an increase in one more foreign director. The result provides justification for the rejection of the null hypothesis, which states that foreign directors have no significant impact on performance of listed consumer goods firms in Nigeria. The finding is in line with those ofOxelheim and Randoy (2003) and Darmadi (2011) who also found a positive impact of foreign directors on performance. But the finding contradicts those ofOlaoti (2016), Salami and Ramlat (2015), Masulius et al (2012) who did not find evidence of a significant relation between frequency of foreign directors and performance.

The regression results further reveal that board composition has significant positive impact on financial performance of listed consumer goods firms in Nigeria at 1% level of significant. This can also be observed from the t-value of 3.57 with probability value of 0.001. This shows that increase in the proportion of non-executive directors on the board significantly increases the market performance of listed consumer goods firms in Nigeria. The finding serves as a base for the rejection of the null hypothesis, which states that board composition has no significant impact on financial performance of listed consumer goods firms in Nigeria. This finding is similar to the findings of Lawyer et al (2002), Zinal-Abidin et al (2009) and Dimitropoulus and

Asteriou (2010). The result is however contrary to those of Sanda et al (2008), and Eklund et al (2009) who did not find evidence of a significant impact of board composition on performance.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The control and direction function of board of director's ware improved by SEC as a response to financial scandals and corporate failures in Nigeria. This study investigates the effect of board diversity on financial performance of consumer goods firms in Nigeria. The study, therefore, examines the effect of board of directors' diversity in terms of board gender, board composition and board nationality on financial performance of consumer goods firms in Nigeria between 2012 and 2016 while controlling for firm size as it may have effect on financial performance. The study considers Tobin's Q as a proxy for financial performance. The study hypothesized that board gender diversity; board composition and board foreign director have no significant effect on financial performance of consumer goods firms in Nigeria. The concept of board diversity will be better understood thorough upper echelon theory and agency theory. Conceptual frameworks and related literatures were reviewed.

The population of the study is all the consumer goods firms out of which seventeen (17) firms were selected as our sample size. Correlational research design was used; this is because the study seeks to find the effect and relationship between board diversity and financial performance of consumer goods firms in Nigeria. The data collected were purely secondary extracted from annual report and accounts of firms under study. A panel data regression model was employed in order to test the effect of board diversity (board gender, composition and foreign directors) on financial performance. Various panel data regression was run but the most robust among them all is fixed effect (within) regression.

The result showed that board gender diversity has no significant impact on financial performance of listed consumer goods firms in Nigeria. While foreign directors is found to have significant positive impact on financial performance of listed consumer goods firm in Nigeria; The impact of board composition on financial performance of listed consumer goods firm was found to be positive. Board composition and board foreign directors confirm the upper echelon theory as they show positive impact.

Regulators, financial experts as well as practitioners can benefit from the study as they can have knowledge of the diversity variable that can improve the control and direction function of board of directors for better performance.

5.2 Conclusions

Based on the discussion and analysis in the preceding chapter, the study provides statistical and empirical evidence on the three independent variables utilized by the study (board gender, board composition and board foreign directors) on the performance of consumer goods firms in Nigeria. However, the study concludes as follows;

First and foremost, Board gender diversity has no significant impact on financial performance of listed consumer goods firms; this may be due to the fact that women are poorly represented in Nigerian board of listed consumer goods firms. Thus, women will not be able to contribute to financial performance.

Secondly, foreign directors have a significant positive impact on firm performance, the reason is attributable to their experience in controls and direction functions of board of directors.

Lastly, the higher the number of non-executive directors over the executive directors improves financial performance of consumer goods firms; the reason being that non-executive will do their control and direction work without any bias in their mind unlike the executive directors who have various interests on the firm they manage.

5.3 Recommendations

In line with the findings and conclusions of the study the following recommendations are proffered:

i. The finding of the study points out the poor representation of women on board of directors and lacking the contribution of women to the firm. While women are financially risk averse than their male counter parts, the study recommends the regulatory authority to encourage firms to have reasonable percentage of women seat on board of directors for better control & direction and performance result.

ii. Regulatory authorities should encourage firms to consider foreign directors in their board room when appointing board of directors for efficient control and effective board oversight function.

iii. The study also recommends the number of non-executive directors should always be higher than that of executive directors for an impartial and objective control and direction function.

5.4 Limitations of the Study

Like any other research, the result of this study is subject to the following limitations:

The findings and recommendations are limited to the domain of the listed consumer goods firms in Nigeria. Thus, any other firm not from this industry is excluded from this study, in addition

the sample selection is an important determinant when generalizing result of a study. Thus, the sample selection of the study was based on the availability of the data. This hampers seriously on the ability to generalize the result of this study.

The study, however, suffers from choosing the proxies to independent variable of the study which is restricted to only three diversity variable (gender, foreign directorship and board composition) without considering the other variables like ethnicity, age, education, experience among others. This does not in any way affect the reliability of the result.

5.5 Suggestion for Future Research

This research can be replicated using firms other than consumer goods firms under the manufacturing sector. Other sectors such as financial service, agriculture, oil and gas and other sectors of the economy can as well be replicated to make it more amenable to generalization.

i. The sample of the study can be increased to be able to generalize better.

ii. Other independent variables of board diversity such as ethnicity, age education, and experience can further be investigated.

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APPENDIX A

LIST OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

S/N	COMPANY NAME
1	7-UP BOTTLING COM. PLC
2	CADBURY NIG. PLC
3	CHAMPION BREWERIES PLC
4	DANGOTE SUGAR PLC
5	DANGOTE FLOUR MILL PLC
6	GUINESS NIG. PLC
7	GLAXOSMITHKLINE PLC
8	HONEYWELL FLOUR MILLS PLC
9	INTERNATIONAL BREWERIES PLC
10	NIGERIAN FLOUR MILL PLC
11	NIGERIAN BREWERIES PLC
12	NASCON ALLIED IND. PLC
13	NESTLE NIG PLC
14	NIGERIAN ENEMEL WARE PLC
15	PZ COSSONS NIG PLC
16	UNILIVER NIG. PLC
17	VITAFOAM NIG. PLC
18	DUNLOPTYRE & RUBBER PLC
19	MC NICHOLS PLC
20	MULTI-TREX INTEGRATED FOOD PLC
21	NOTHERN NIGERIA FLOUR MILLS
22	PS MANDRIDES & CO PLC
23	ROKANA INDUSTRIES PLC
24	UNION DICON SALT PLC
25	UTC PLC
26	VONO PRODUCT PLC

APPENDIX B

LIST OF SELECTED LISTED CONSUMER GOODS COMPANIES IN NIGERIA

S/N	COMPANY NAME
1	7-UP BOTTLING COM. PLC
2	CADBURY NIG. PLC
3	CHAMPION BREWERIES PLC
4	DANGOTE SUGAR PLC
5	DANGOTE FLOUR MILL PLC
6	GUINESS NIG. PLC
7	GLAXOSMITHKLINE PLC
8	HONEYWELL FLOUR MILLS PLC
9	INTERNATIONAL BREWERIES PLC
10	NIGERIAN FLOUR MILL PLC
11	NIGERIAN BREWERIES PLC
12	NASCON ALLIED IND. PLC
13	NESTLE NIG PLC
14	NIGERIAN ENEMEL WARE PLC
15	PZ COSSONS NIG PLC
16	UNILIVER NIG. PLC
17	VITAFOAM NIG. PLC

APPENDIX C

LIST OF ELIMINATED LISTED CONSUMER GOODS COMPANIES IN NIGERIA

S/N	COMPANY NAME
1	**DUNLOP TYRE PLC**
2	**MULTI –TRX PLC**
3	**MC NICOL PLC**
4	**NOTHERN NIGERIA FLOR PLC**
5	**PS MANDRIDE PLC**
6	**ROKANA PLC**
7	**UNION DICON SALT PLC**
8	**VONO PRODUCT PLC**
9	**VTC PLC**

APPENDIX D
STATA OUTPUT

```
  ___  ____  ____  ____  ____ (R)
 /__    /   ____/   /   ____/
___/   /   /___/   /   /___/   11.2   Copyright 1985-2009 StataCorp LP
  Statistics/Data Analysis             StataCorp
                                       4905 Lakeway Drive
     Special Edition                   College Station, Texas 77845 USA
                                       800-STATA-PC        http://www.stata.com
                                       979-696-4600        stata@stata.com
                                       979-696-4601 (fax)

Single-user Stata license expires 31 Dec 9999:
       Serial number:  71606281563
         Licensed to:  STATAForAll
                       STATA

Notes:
      1.  (/m# option or -set memory-) 50.00 MB allocated to data
      2.  (/v# option or -set maxvar-) 5000 maximum variables

. *(7 variables, 85 observations pasted into data editor)

. summarize tobinsq gendisty frgndir bodcom logasset

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
     tobinsq |         85    2.116722    1.887394    .008578     8.7904
    gendisty |         85    .1793311    .1433603           0    .466667
     frgndir |         85     .224296    .2110574           0    .666667
      bodcom |         85    .5658676    .1503611    .272727    .778889
    logasset |         85     7.61851    .5080469    6.33589    8.56542

. pwcorr tobinsq gendisty frgndir bodcom logasset, star (0.05) sig

             | tobinsq gendisty  frgndir   bodcom logasset
-------------+---------------------------------------------
     tobinsq |  1.0000
             |
             |
    gendisty |  0.5691*  1.0000
             |  0.0000
             |
     frgndir |  0.7015*  0.4202*  1.0000
             |  0.0000   0.0001
             |
      bodcom |  0.6852*  0.4508*  0.6322*  1.0000
             |  0.0000   0.0000   0.0000
             |
    logasset |  0.2733*  0.3209*  0.0886   0.1073   1.0000
             |  0.0114   0.0028   0.4201   0.3282

. estat hettest
last estimates not found
r(301);

. regress tobinsq gendisty frgndir bodcom logasset

      Source |       SS       df       MS              Number of obs =      85
-------------+------------------------------           F(  4,    80) =   38.46
       Model |  196.852159     4  49.2130397            Prob > F      =  0.0000
    Residual |  102.377433    80  1.27971791            R-squared     =  0.6579
-------------+------------------------------           Adj R-squared =  0.6408
       Total |  299.229592    84  3.56225705            Root MSE      =  1.1312

------------------------------------------------------------------------------
     tobinsq |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    gendisty |    2.81187   1.033713     2.72   0.008     .7547196    4.869027
     frgndir |   3.525623   .7701139     4.58   0.000     1.993048    5.058199
      bodcom |   4.081902   1.098448     3.72   0.000      1.89592    6.267883
    logasset |   .5014706   .2569243     1.95   0.054    -.0098251    1.012766
       _cons |  -5.308593   1.987895    -2.67   0.009     -9.26463   -1.352555
------------------------------------------------------------------------------

. vif

    Variable |       VIF       1/VIF
-------------+----------------------
      bodcom |      1.79    0.558476
     frgndir |      1.73    0.576665
    gendisty |      1.44    0.693710
    logasset |      1.12    0.894163
-------------+----------------------
    Mean VIF |      1.52

. estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of tobinsq

         chi2(1)      =    15.42
         Prob > chi2  =   0.0001
```

```
. xtset id year
       panel variable:  id (strongly balanced)
        time variable:  year, 2012 to 2016
                delta:  1 unit

. xtreg  tobinsq gendisty frgndir bodcom logasset, fe

Fixed-effects (within) regression               Number of obs      =        85
Group variable: id                              Number of groups   =        17

R-sq:  within  = 0.3197                         Obs per group: min =         5
       between = 0.3403                                        avg =       5.0
       overall = 0.3269                                        max =         5

                                                F(4,64)            =      7.52
corr(u_i, Xb)  = 0.1906                         Prob > F           =    0.0000

------------------------------------------------------------------------------
     tobinsq |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    gendisty |  -.4047529   1.254631    -0.32   0.748    -2.911167    2.101661
     frgndir |     1.85825   .8645606     2.15   0.035     .1310918    3.585408
      bodcom |     3.11232   .8706553     3.57   0.001     1.372986    4.851654
    logasset |  -.7275484   .8243395    -0.88   0.381    -2.374356     .919259
       _cons |   5.554182   6.381471     0.87   0.387    -7.194272    18.30264
-------------+----------------------------------------------------------------
     sigma_u |  1.4595977
     sigma_e |  .76211242
         rho |  .78577507   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(16, 64) =     7.02                 Prob > F = 0.0000

. est store fe

. xtreg  tobinsq gendisty frgndir bodcom logasset, re

Random-effects GLS regression                   Number of obs      =        85
Group variable: id                              Number of groups   =        17

R-sq:  within  = 0.2836                         Obs per group: min =         5
       between = 0.7677                                        avg =       5.0
       overall = 0.6481                                        max =         5

                                                Wald chi2(4)       =     57.42
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000

------------------------------------------------------------------------------
     tobinsq |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    gendisty |    1.01631     1.1157     0.91   0.362    -1.170422    3.203042
     frgndir |  2.738215   .7864283     3.48   0.000     1.196844    4.279586
      bodcom |     3.6878   .8607375     4.28   0.000     2.000786    5.374815
    logasset |  .3929383   .4315305     0.91   0.363     -.452846    1.238723
       _cons | -3.760116   3.323049    -1.13   0.258    -10.27317    2.752941
-------------+----------------------------------------------------------------
     sigma_u |  .88614879
     sigma_e |  .76211242
         rho |   .5748291   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. hausman fe re
estimation result re not found
r(111);

. est store re

. hausman fe re

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |       fe          re         Difference          S.E.
-------------+----------------------------------------------------------------
    gendisty |  -.4047529     1.01631       -1.421063        .5738581
     frgndir |     1.85825    2.738215       -.8799646        .3591595
      bodcom |     3.11232       3.6878       -.5754807        .1310404
    logasset |  -.7275484    .3929383       -1.120487        .7023653
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =       11.43
                Prob>chi2 =      0.0221
                (V_b-V_B is not positive definite)
```

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of tobinsq

         chi2(1)      =    16.58
         Prob > chi2  =   0.0000

. xtset id year
       panel variable:  id (strongly balanced)
        time variable:  year, 2012 to 2016
                delta:  1 unit

. xtreg tobinsq gendisty frgndir bodcom logasset, fe

Fixed-effects (within) regression               Number of obs      =        85
Group variable: id                              Number of groups   =        17

R-sq:  within  = 0.3643                         Obs per group: min =         5
       between = 0.4959                                        avg =       5.0
       overall = 0.4499                                        max =         5

                                                F(4,64)            =      9.17
corr(u_i, Xb)  = 0.3108                         Prob > F           =    0.0000

------------------------------------------------------------------------------
     tobinsq |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    gendisty |  -.3856427   1.212021    -0.32   0.751    -2.806933    2.035648
     frgndir |   1.853401   .8250889     2.25   0.028     .2050969    3.501706
      bodcom |   2.711224   .6363039     4.26   0.000      1.44006    3.982387
    logasset |  -.4553332   .8071028    -0.56   0.575    -2.067706     1.15704
       _cons |   3.580538    6.23754     0.57   0.568     -8.88038    16.04146
-------------+----------------------------------------------------------------
     sigma_u |  1.3404836
     sigma_e |  .73675133
         rho |  .76800326   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(16, 64) =     6.73              Prob > F = 0.0000

. est store fe

. xtreg tobinsq gendisty frgndir bodcom logasset, re

Random-effects GLS regression                   Number of obs      =        85
Group variable: id                              Number of groups   =        17

R-sq:  within  = 0.3340                         Obs per group: min =         5
       between = 0.7857                                        avg =       5.0
       overall = 0.6788                                        max =         5

                                                Wald chi2(4)       =     71.24
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000

------------------------------------------------------------------------------
     tobinsq |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    gendisty |   1.076056   1.065874     1.01   0.313    -1.013018    3.165131
     frgndir |   2.578189   .7506457     3.43   0.001     1.106951    4.049428
      bodcom |   3.230394   .6214982     5.20   0.000      2.01228    4.448508
    logasset |   .5236224   .4086549     1.28   0.200    -.2773265    1.324571
       _cons |  -4.619942   3.141026    -1.47   0.141    -10.77624    1.536357
-------------+----------------------------------------------------------------
     sigma_u |  .82562544
     sigma_e |  .73675133
         rho |  .55670045   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

```
. hausman fe re
```

	Coefficients (b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
gendisty	-.3856427	1.076056	-1.461699	.5769816
frgndir	1.853401	2.578189	-.7247877	.342495
bodcom	2.711224	3.230394	-.51917	.136465
logasset	-.4553332	.5236224	-.9789556	.6960001

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 10.29
Prob>chi2 = 0.0358
(V_b-V_B is not positive definite)

```
. regress tobinsq gendisty frgndir bodcom logasset d1 d2 d3 d4 d5 d6 d7 d8 d9 d10 d11 d12 d13 d14  d15 d16
```

Source	SS	df	MS		
Model	264.490388	20	13.2245194	Number of obs	= 85
Residual	34.7393614	64	.542802521	F(20, 64)	= 24.36
Total	299.229749	84	3.56225892	Prob > F	= 0.0000
				R-squared	= 0.8839
				Adj R-squared	= 0.8476
				Root MSE	= .73675

tobinsq	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
gendisty	-.3856427	1.212021	-0.32	0.751	-2.806933	2.035648
frgndir	1.853401	.8250889	2.25	0.028	.2050969	3.501706
bodcom	2.711224	.6363039	4.26	0.000	1.44006	3.982387
logasset	-.4553332	.8071028	-0.56	0.575	-2.067706	1.15704
d1	1.424253	.8953267	1.59	0.117	-.3643677	3.212874
d2	2.223343	.8934081	2.49	0.015	.4385552	4.008131
d3	1.253811	.4929482	2.54	0.013	.2690343	2.238589
d4	5.201121	1.070396	4.86	0.000	3.06276	7.339482
d5	2.989814	1.30033	2.30	0.025	.3921057	5.587522
d6	2.018027	.6951478	2.90	0.005	.6293095	3.406744
d7	2.985933	.7332657	4.07	0.000	1.521067	4.4508
d8	1.658116	.6449647	2.57	0.012	.369651	2.946581
d9	.5222598	.7972048	0.66	0.515	-1.07034	2.11486
d10	.7791439	.7948416	0.98	0.331	-.8087347	2.367023
d11	1.011933	.6857433	1.48	0.145	-.3579968	2.381863
d12	.6690635	.6292621	1.06	0.292	-.588032	1.926159
d13	.5483461	.7494981	0.73	0.467	-.9489484	2.045641
d14	-.2415918	.6839648	-0.35	0.725	-1.607969	1.124785
d15	.5418156	.6619867	0.82	0.416	-.7806548	1.864286
d16	.9679071	1.234956	0.78	0.436	-1.499202	3.435016
_cons	2.136227	5.774133	0.37	0.713	-9.39893	13.67138