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Board Diversity and Financial Efficiency of Insurance Firms: Evidence from Nigeria

[1]Ajayi, A. A, [2]Egwakhe, A. J, & [3]Akpa, V. O.
Department of Business Administration and Marketing,
School of Management Sciences,
Babcock University, Ilishan-Remo, Ogun State, Nigeria

Abstract

The study investigated the nexus between board diversity components and financial efficiency of listed insurance firms in Nigeria. Board diversity was conceptualized along gender diversity, board composition, board size, professional diversity and ethnic diversity. Survey research design was adopted. Twenty listed insurance companies were selected who control 93% of the total market capitalization of the insurance sector as at 31st December, 2017. The population comprised 359directors and executive management officials of selected top twenty listed insurance firms in Nigeria. Mixed sampling technique (purposive and total enumeration) was used for the study. A structured questionnaire used was validated and the Cronbach's alpha reliability coefficients for the constructs ranged from0.727 to 0.930. The response rate was 95.8% and data were analyzed using descriptive statistics and Pearson Product Moment Correlation Coefficient Technique. The finding shows that board diversity components had significant relationship with financial efficiency and recommendation focused on ensuring institutionalizing diverse independent boards by increasing the number of independent and non-executive directors to drive both monitoring and advisory roles.

Keywords*: Insurance sector, Board diversity, Efficiency, Gender diversity, Ethnic diversity*

Corresponding Author: **Ajayi, A. A**

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Background to the Study

The financial performance of business organizations has remained a constant demand and a determining force in the global economy owing to increasing expectation of returns by shareholders. In addition, the nature and scope of competition, resources partitioning, scarcity and the unfriendly external environment have fuelled the concerns for financial performance. This observation is also evident in insurance sector along the volume of resources it controls as premium collected and investment scale with low bottom-line. Notwithstanding, the demand for financial performance from insurance companies across the world continue to face enormous financial difficulties (Deloitte, 2017). These challenges are attributed to different factors (Lire & Tegegn, 2016), but cursory observations associate some of these to lack of adequate diversity at the board level, unsettled claims (Ukpong & Acha, 2017), service failure, inadequate representation of independent directors, governance issues and uncompetitive market.

American International Group Incorporation (AIG) which was one of the largest insurance firms experienced financial crises owing to indiscretions of the executive management who sold massive amounts of insurance without hedging the investment portfolio (Angelides, 2011). This enormous sale of credit default swaps were made without putting up initial collateral, setting aside capital reserves, or hedging exposures thereby culminating to a profound failure in corporate governance, decline in firm's efficiency and shareholder value (Angelides, 2011). The global perspective on insurance seems relatively indifferent with predictions and market forecast divided among nations and continents (PWC Report, 2018). The China's insurance sector is not immune from financial under-performance as this was attributed to regulatory reform and corporate governance behaviours (Li, Zhang, Tsai, &Qiu, 2017). These scholars (Li et. al., 2017) explained that most of the performance challenges are within the purview of governance, but could exhibit ripple-effects to financial area. Further, Hsu and Patchsakulong (2010) work discussed insurance financial weakness from the corporate governance challenges with the emphasis on non-life aspect. Kripa and Ajasllari (2016) identified factors affecting profitability of insurance companies in Albania with corporate governance as one of the determinants. Also, the Australian insurance sector has witnessed financial performance crises, as evident in the collapse of HIH insurance company which is adjudged to be the largest in Australia's history, with liquidators estimating its financial losses to A$5.3 billion (Cohen, Ding, Lesage, & Stolowy, 2017).

The performance of the African insurance sector continue to be plagued with low market penetration syndrome with about 2.9% market penetration rate which is a far cry from the competitive threshold of the industry (Agusto, 2017). Further, the financial performance of the Kenyan insurance market declined during the period 2010-2015 with equity turnover falling significantly in 2015 to close at KES7.11 billion compared to KES16.87 billion at the end 2010 (Insurance Regulatory Authority, 2016). The decline in performance was attributed to ineptness of executive management dominant on the board with irrelevant professional and educational background which has led to governance issues (Muia, 2017).

In Nigeria, The Nigeria Insurance Association (NIA) (2017) attributed the continued poor financial performance of Nigerian Insurance firms to low patronage, gender disparity, lack of independent board members, and large number of expatriates. The report (NIA, 2017) observed that the aforementioned increased overhead cost, fragmented premium payment from major schemes including government as well as prevalence of marginal players aside the slump in the economy. The report of Agusto & Co (2017) appeared similar in content as it painted a picture of weak financial performance in the sector. The depth of the financial brink in the sector is evident in the recorded poor financial indices ranging from the average loss rate from 43.8% to 46.2% between 2014 – 2016 financial periods (NIA, 2017). In addition, the average return on investment (ROI) remained flat at 8.1% in 2014 to 8% in 2016 while the average return on equity (ROE) dipped from 10.9% in 2014 to 10.2% in 2016 (NIA, 2017).

Few scholars delved into studying the influence of board diversity such as board composition and board size on the efficiency of insurance companies (Nyatichi, 2016) with most literature rather assessing the effect of board diversity on firm profitability (Mburu & Kagiri, 2013) and firm value (Adeusi, Akeke, Aribaba & Adebisi, 2013). Most of the studies on board diversity and financial efficiency of insurance companies are also inconclusive (Iftikhar, Iftikhar & Yasir, 2012) making it an imperative area of study. The Society for Corporate Governance Nigeria (SCGN, 2017) at the roundtable in corporate governance for financial institutions (insurance inclusive) concluded that the greatest challenge to insurance companies financial efficiency was the issue of independence of the board among others in dealing with issues of monitoring and controlling as well as risk management related issues. The foundation for entrepreneurial development (AFOS, 2017) also noted the lop-sidedness of the composition of boards of banks and OFIs (Other Financial Institutions) where the boards are dominated by executive and non-independent directors creating a situation where monitoring and executive functions become fused thereby impacting on the firm efficiency negatively. This study therefore examines the relationship between board diversity dimensions and financial efficiency of listed insurance firms in Nigeria.

Literature Review

The paper reviewed concepts along the constructs of board diversity; gender diversity, board composition, board size, professional diversity, and ethnic diversity to deepen insights. In addition, financial efficiency was defined and reviewed in relation to board diversity dimensions.

Gender Diversity

Gender diversity definitions stem from the presence of women on board to the visible density or percentage representation of women on the board of a corporate organisation. According to Mandala, Kaijage, Aduda and Iraya (2017), gender refers to a description of femininity or masculinity of a person. However, most literature on gender diversity relate the concept to presence, representation and percentage of women on boards of corporations. Mandala et. al. (2017) however brought the equality consideration in the gender diversity narrative as they defined board gender diversity as the consideration of women and men as equal resources and the equality of both genders. Gender diversity in the workplace is the equal treatment and

acceptance of both male and female employees in all organization's levels (Akpakip, 2017).Kagzi and Guha (2018) described gender diversity based on three broad perspectives which include theoretical perspective, moral and ethical perspective and business case perspective.

Onyali and Okerekeoti (2018) refers to gender diversity as the presence of women directors on corporate boards. Abdussalam and Okike (2018) also viewed diversity based on gender in line with percentage of women in the board of directors of a company. Board gender diversity is a significant aspect of corporate governance, it is defined as the presence of female directors on the board of directors of corporations (Abad, Lucas-Perez, Minguez-Vera, &Yague,2017). Kagzi and Guha (2018) board demographic diversity stated that diversity of gender on boards promote ethical behaviours, firm reputation and corporate social responsibility whilst also influencing firm performance. Mwatumwa (2015) viewed that gender diversity in organizations, are reinforced and justified by stereotypes and biases that describe positive characteristics and therefore a higher status to the males. Gender diversity is significantly increasing in the business space since a significant progress in female representation was identified by Waganaand Nzulwa (2016).

Board Composition

Board composition denotes the percentage of board members who are employees of organizations (internal board members) and those who are outsiders (El-Habashy, 2018). Outside directors are at times referred to as independent directors or non-executive directors who do not participate in the day to day running of the company (Saha, Moutushi & Salaudin, 2018). Onyali and Okerekeoti (2018) noted that independent directors are directors that have no personal or professional relationship with the company other than being a board member. The definitions of (El-Habashy, 2018; Gambo, Bello & Rimamshung, 2018) only highlighted the presence and percentage of outside and independent directors on the board of corporations. Loh and Nguyen (2018) defined board composition as the combination of executive directors (including the chief executive officer) and non-executive directors in the board which highlights the concept of totality in their definition. Further the definitions around relativity and totality of board composition, Ibrahim and Jehu (2018) also defined board composition to include the structures, processes, cultures and systems that engender the successful operation of organizations, while Rashid (2018) referred to board composition as the number and type of board members, board demographics, board structure, board education and evaluation, and board leadership.

Board Size

According to Gamboet al.(2018), the size of the board of an organization is the number of directors on board which includes executive and non-executive directors Onyali and Okerekeoti (2018) also affirmed that board size represents the total head counts of directors seating on the corporate board of an organization. These definitions above highlight the totality narrative being absolute number of persons appointed to serve on the board of a company. It refers to the complete composition of directors either executive, non-executive, independent or either male or female. Alabede (2016) further defined board size from the

effectiveness perspective and not only from the head counts. He defined board size as the number of people that make up corporate board and that determine how effective it discharges its fiduciary responsibilities. There are two distinct schools of thought in relation to the size of a board and a firm's improved financial performance (Onyali & Okerekeoti, 2018). The first school of thought argues that smaller board size will contribute more to the financial success of the firm (Vo & Phan, 2013) while the second school of thought considers that a large board size will improve a firm's financial performance (Orozco, Vargas & Galindo-Dorado, 2017).

Professional Diversity

Recadina and Ouma (2017) defined professional diversity as the proportion of persons with professional skills on the board of an organization. Kagzi and Guha (2018) explained professional diversity in relation to education which can be examined in two ways. First, is to measure the level of education (Ararat, Aksu &Tansel-Cetin, 2015) which refers to the height of educational qualifications of board members. The second way is to measure the stream, breadth or nature of education of the board members (Rose, 2015) in relation to the different fields of study represented on the board. Mwenja and Lewis (2009) explained professional diversity with the perspective of occupation. They related professional diversity to the extent to which board members are knowledgeable about their organization, board roles, responsibilities, and performance. Setiyono and Tarazi (2014) in their study viewed professional diversity as heterogeneous based on depth (education levels) and breadth (education types) amongst board members.

Ethnic Diversity

Ujunwaet al.(2012) explained ethnic diverse board as one that is ethnically diffused along major tribal lines. The work went further to identify foreign directorship as a factor in ethnic diversity narrative to include as ratio of foreign board members to total board size (Sunday & Godwin, 2017; Ujunwaet al., 2012). Ethnicity is considered to be shared characteristics such as culture, language, religion, and traditions, which contribute to a person or group's identity (Kumudha & Jennet, 2016). Ethnic diversity was further defined as the measure or representation of a racial, ethnic or socio-cultural group on a board in contrast to the total number of directors serving on the board of the organization (Hassan, Marimuthu & Johl, 2015). Sharma (2016) asserts that ethnic diversity brings with it a broad spectrum of ideas in form of differences in attitudes, cognitive development, values and norms. According to Mba, Ofobruku, Nwanah and Anikwe (2018), ethnicity remains the most salient dimension of diversity especially in Nigeria as the nation is highly divided along ethnic lines with each group clamouring for recognition.

Financial Efficiency

Most of the definitions reviewed define the concept in relation to getting more output from the same resources or getting the same output from fewer resources (Farlex Financial Dictionary, 2017). It is referred to as the ability to optimally generate income using the available assets of the company in most literature. Firm efficiency is one of the various measures of financial performance. It depicts the meeting of necessary requirements for the provision of highest quality services/goods at the lowest possible cost (Bernile, Bhagwat & Yonker, 2018). Firm

financial efficiency is also defined as a measure of an organization's ability to translate financial resources into mission related activities with the intensity that guarantees that resources are correctly and optimally allocated amongst competing uses at a point in time (Uribe-Bohoquez, Martinez-Ferrero, & Garcia-Sanchez, 2018)

Board Diversity Constructs and Financial Efficiency

Prostasovs (2015) reported that efficient management of a firm is dependent on having an experienced and mature board. It was observed that an older board is able to ensure a more efficient level of operations not only within the board but also throughout the company by providing necessary experience, network and financial resources. Van den Berg (2015) results did not support the hypothesis that firms with more nationality diverse boards of directors are more financially efficient. Abdul Rauf, Johari, Buniamin, and Abd Rahman (2012) used content analysis and the study reveals that board race negatively influences profit efficiency.

Prior studies (Atuahene, 2016;Hassan & Miller, 2017; Homan, 2017; Ilogho, 2017; Quik, 2016; Woschkowiak, 2018) have reported a positive relationship between board composition and firm efficiency. Hasan and Miller (2017) in a sample of 24 listed companies in Tunisia from 2010–2015 found that the proportion of outside directors is positively associated with efficiency measured by technical efficiency. Similarly, Al-Matariet al(2014) also found that the proportion of non-executive directors is positively related to standard profit efficiency measured using ROA. Shehu and Musa (2014) found that board composition positively, strongly and significantly influences firm efficiency in terms of profitability measured by ROA. These similar findings suggest that boards with higher proportion of outside directors offer higher financial performance.

Divergently, Piekkari, Oxelheim and Randoy (2014) found that foreign director is positively, strongly and significantly influencing efficiency of firms. Other studies (Homan, 2017; Njoroge, 2017; Oosthuizen & Lahner, 2016) have reported that the proportion of independent non-executive directors representation on the board is negatively related to firm performance. Similarly, Mahrous (2014) reported a statistically negative relationship between non-executive board members and profit efficiency in a sample of Egyptian listed non-financial companies from 2006 –2010. Also, Garba and Abubakar (2014), using 12 listed insurance companies for the period 2004 to 2009 found a negative and significant relationship between board composition and firm efficiency measured by Tobin's Q and ROE.

In consonance with Mahrous (2014) and Ogbulu and Emini (2012) found a negative association between board composition and firm efficiency in banking sector as at December 2008. This indicates that the benefit of board independence, objectivity and experience expected from the representation of outside directors to influence board strategic decisions appears to hold back managerial initiative through too much monitoring. Evidence has also shown that board composition has no relationship with allocative efficiency (Kajola, 2008; Kwaji, Shamaki & Ishaya, 2017; Mansur & Ahmad, 2013; Rose, 2015; Taljaard, Ward & Muller, 2015).Kwajiet al(2017) found no relationship between board composition and firm performance measured by ROE and Profit efficiency. Also, Taljaard, et l(2015) reported that larger proportion of outside directors has no impact on firm performance measured by ROA, ROE, Tobin's Q and P/E ratio.

Likewise, Horvath and Spirollari (2012) investigated the effect of 136 American companies' board feature on firm performance in the S&P 500 Stock Index for the years 2005-2009. As a result of the research, statistically insignificant relationship was found between percentage of the female directors and technical efficiency. In a related study, Firoozi, Magnan and Fortin (2016) examined effect of the foreign board members on firm performance of companies listed in S&P 1500 Index. According to the results of the model estimates; they found statistically significant and negative relationship between foreign board members and technical efficiency.

Also, Prabowo and Simpsons (2011) analyzed the relationship between board structure and firm performance in family-controlled with a sample of Indonesian non-financial companies. They found an insignificant relationship between the share of independent directors on boards and firm performance for family-controlled companies in Indonesia. They revealed that this result is driven by the lack of institutional reforms in relation to the appointment of independent directors in Indonesia. In the same vein, Creek, Kuhn and Sahaym (2017) studied the relationship between corporate governance characteristics and measures of firm performance and found a negative relationship between the size of the board and Tobin's Q. For board independence, it was found that majority independence of the board of directors has minor negative impact on firm performance. Maintaining a majority of outside, independent directors has no significant effect on firm performance and may also lead to poorer results as the percentage of independent directors increases.

Velte (2017) citing the findings of Rouf (2015) stated that in Bangladeshi companies' separation of CEO and firm performance is positively related and board independent director also positively significant with profit efficiency. Rashid (2018) found a positive link between the independent variables; board structure variables: board size, separation of the positions of chairman and general manager, existence of duly empowered member, proportion of outside members and existence of sub-committees and the dependent variables: firm performance and separation of chairman and general manager positions. Another aspect of board composition, Karayel and Dogan (2016) examined the relationship between having female directors and financial performance and found a positive relationship between having female directors and ROA, but they cannot find any meaningful relationship between female directors and ROE and Tobin's Q. Rajula (2016) also found that gender diversity and the proportion of executive directors negatively affect the financial efficiency of companies listed at the NSE. In contrast Okwuchukwu, Ezeudu and Patience (2015) found a significant negative relationship between board size and financial efficiency. However, Garba and Abubakar (2014) did not find any significant relationship between board size and financial efficiency.

Theoretically, the paper premised its assumption on the inherent conflict of interest between the owners and management thus forming the basis for introduction of strong governance mechanisms (Gamboet al*.,* 2018; Rashid, 2018). Jensen and Meckling (1976) posits that agency relationship is a contract under which one or more persons (the principal) engages another person (the agent) to perform some services on their behalf. Several support for the

theory include, Jonas (2015), Bebeji, Mohammed and Tanko(2015) and Prostavos (2015) Wagana and Nzulwa (2016) amongst several others. These authors advocate that agency theory is an effective driver augmenting governance at firms' level, agency theory supports the presence of foreign directors on the board for improving firms' positive image, social license to operate and legitimacy in the eyes of shareholders and creditors (Almasarwah, 2015). This will in turn, facilitate firms in raising less costly funds from a larger pool of domestic as well as international markets (Alabede, 2016; Eulerich, Velte & Uum, 2014; Pasaribu, 2015). Therefore, foreign directors not only enhance shareholders' confidence (Lee & Kang, 2017; Sajjad & Rashid, 2015) but also improve firms' performance (Hillman & Dalziel, 2003; Ilogho, 2017, Muchemwa et. al., 2016; Pasaribu, 2015; Rashid, 2018).

The principal-agent theory serves as an appropriate approach for board diversity and its effects on business performance in ogansiational systems (Eulerichet al., 2014). The board of directors or the management board and supervisory board within listed public companies represent the agents of the shareholders (principals) because they adopt and execute business management and monitoring on behalf of the shareholders (Alamri, 2017). Agency theory advocated for a clear separation between decision management and control (Panda & Leepsa, 2017). Further, Ebere, Ibanichuka and Ogbonna (2016) elaborated that agency theory is concerned with resolving problems that arises from conflict of the desires or goals of the principal and agent and/or when it is difficult or expensive for the principal to verify what the agent is actually doing.

On the strength of Agency theory, a theoretical model was established in tandem with the theoretical framework. The agency theory states that a relationship exists between board diversity and financial efficiency. The agency proposed that board with large number of external directors is independent and may independently monitor (in terms of board composition, BC) managers who can promote the shareholders' interests and financial performance directly (Brickley & Zimmerman, 2010). The separation of roles based on professional diversity (PD) may enable boards to perform their oversight functions more effectively because such boards are considered to be independent (Finkelstein & Mooney, 2003). Given, the mathematical derivative function which gives the value of the slope at any value(x-------$x_{n)}$ since intuition explains that as $\Delta \rightarrow 0$, then $\Delta \rightarrow 0$. This can be deduced mathematically since a firm's financial performance is a function of board diversity; $Y=f(x_1$-----------$x_{n)}$. The agency theory further posited that an effective driver of financial performance is largely attributed to the diversity of the board as it relates to board composition (BC), gender diversity (GD), board size (BS), professional diversity (PD) and ethnic diversity (ED). This can be expressed in a functional relationship as FP=f (GD, BC, BS, PD, ES). The functional relationship was tested using the Pearson Product Moment Correlation.

Methodology

The paper adopted the survey research design. It was adopted because it is useful in assessing the thoughts, opinions and feelings of different groups of individual and allowing them give more valid and honest feedbacks on the area of study. Other researchers (Ongore, K'obonyo, Ojutu & Bosire, 2015; Otieno, Mugo & Kimathi, 2015; Raaj & Shri, 2015; Hyun, Yang, Jung

& Hong, 2016) used similar research design which enabled them to describe similar incidences of phenomenon to explain how factors are related in different organizations. The population consisted of directors and executive management officials of insurance supervision portfolios of top twenty listed insurance firms in Nigeria. The caliber of respondents that were purposively selected totaled three hundred and fifty-nine, hence total enumeration which is consistent with Onyali and Okerekeoti (2018).

The data collated and used were primary in nature. A well-structured, adapted close-ended questionnaire was utilized as the research instrument. The questionnaire consisted of three sections: A dealt with demographic variables; Section B was on the dimensions of board diversity: gender diversity, board composition, board size, professional diversity, and racial diversity and sections C focused on the financial efficiency. The responses options in the questionnaire covered, Very High (VH) = 6, High (H) = 5, Moderately High (MH) = 4, Moderately Low (ML) = 3, Low (L) = 2, Very Low (VL) = 1. This modified scale increased the reliability of the responses and also gained more effective result from the respondents (Solimene, Coluccia & Fontana, 2017).

In order to ascertain the validity of the instrument, content and construct validity were established. The content validity was ascertained and construct validity of the measuring instrument was also established through exploratory factor analysis (EFA) to determine the covariance between the main construct and the items. The Average Variance Extracted (AVE) > 0.5 was used to test the construct and convergent validity of the research instrument. The AVE results ranged between 0.758-0.767. The analysis of average variance results for all the variables were greater than 0.5 showing that the instrument was valid. The reliability of the instrument was determined through the internal consistency method. The Cronbach alpha analysis was used to measure the internal consistency of the instrument. The instrument was considered reliable because, the Cronbach's alpha values of all the variables ranged from 0.727 to 0.955 were above 0.7 threshold recommended by Marczyk, DeMatteo and Festinger (2005). The instrument was administered to the respondents and out of the 359 copies of the questionnaire administered, 344 (95.8% response rate) was returned and used. The data collected were analyzed using frequency count, percentages, mean, and Pearson product moment correlation. The hypothesis formulated was tested for significance at 0.05 alpha level.

Results and Discussion

Descriptive Statistics

The sample measures that were most pertinent to the objectives of this study were sample mean and sample standard deviation. These measures were used as a basis for summarizing, describing and comparing research variables numerically as well as revealing pattern of sample data-set as recommended by Saunders, Kitzinger & Kitzinger (2015).

Table 1: Gender Diversity

Description	Level of Agreement in scale of 1-6							
Gender Diversity	**Very High**	**High**	**Moderately High**	**Moderately Low**	**Low**	**Very Low**	**Mean**	**Standard Deviation**
Number of women directors	18.6%	45.9%	24.1%	4.9%	2.3%	4.1%	4.613	1.157
Percentage of women on board	12.2%	49.7%	27.0%	4.9%	1.7%	4.4%	4.526	1.106
Consideration of women as equal resources	11.0%	28.8%	49.4%	8.1%	2.0%	0.6%	4.369	0.901
Genuineness of women representation	8.4%	34.3%	47.1%	7.3%	2.3%	0.6%	4.375	0.871
Independence of women on board	9.3%	31.1%	39.2%	16.9%	1.7%	1.7%	4.241	1.011
Acceptance of women on inputs/suggestions	7.3%	34.9%	42.7%	11.0%	4.1%	0.0%	4.302	0.907
Average							**4.440**	**0.992**
Board Composition								
Independence of board committees	12.2%	54.4%	29.7%	3.8%	0.0%	0.0%	4.750	0.713
Number of internal directors	8.7%	49.1%	35.2%	5.8%	1.2%	0.0%	4.584	0.778
Percentage of independent directors	9.6%	33.1%	48.8%	8.1%	0.3%	0.0%	4.436	0.787
Representation of non-executive directors	6.4%	32.8%	43.0%	16.9%	0.9%	0.0%	4.270	0.847
Number of board members	12.8%	29.7%	43.0%	11.6%	2.6%	0.0%	4.561	3.400
Diversity in composition	9.9%	33.7%	43.6%	10.5%	2.3%	0.0%	4.384	0.886
Average							**4.498**	**1.235**

Board Size								
Number of directors	16.9%	50.9%	31.4%	0.9%	0.0%	0.0%	4.837	0.701
Adequacy of directors	11.9%	48.0%	37.8%	2.3%	0.0%	0.0%	4.694	0.705
Dynamism of directors	10.5%	32.3%	50.6%	5.8%	0.9%	0.0%	4.456	0.792
Expertise of directors	12.2%	39.0%	37.2%	10.5%	1.2%	0.0%	4.505	0.880
Complexities of decisions	12.8%	25.6%	49.7%	9.9%	2.0%	0.0%	4.372	0.900
Board cohesiveness	13.4%	32.6%	43.3%	8.1%	2.6%	0.0%	4.459	0.915
Average							**4.554**	**0.816**
Professional Diversity								
Educational qualification	18.3%	44.5%	36.6%	0.6%	0.0%	0.0%	4.805	0.732
Professional qualification	16.9%	45.3%	36.9%	0.9%	0.0%	0.0%	4.782	0.725
Depth/breadth of members' qualifications	11.3%	37.2%	47.1%	4.4%	0.0%	0.0%	4.555	0.750
Competence	8.4%	36.6%	42.4%	10.8%	1.7%	0.0%	4.392	0.853
Suitability for director role	14.5%	34.6%	37.8%	11.9%	1.2%	0.0%	4.494	0.922
Integrity	16.3%	36.9%	37.2%	6.7%	2.3%	0.6%	4.564	0.957
Average							**4.598**	**0.823**
Ethnic Diversity								
Ratio of foreign board members	17.2%	54.9%	19.2%	4.4%	1.2%	3.2%	4.729	1.041
Socio-cultural diversity	15.7%	42.4%	37.2%	2.0%	1.7%	0.9%	4.657	0.889
Number of foreign directors serving on the board	13.4%	25.9%	48.8%	8.1%	0.6%	3.2%	4.337	1.037
Representation of ethnic minorities	8.1%	33.7%	42.7%	12.2%	0.6%	2.6%	4.287	0.981
Number of local directors	17.2%	33.4%	38.7%	8.4%	0.6%	1.7%	4.529	1.003
Adequacy of racial groups on the board	14.2%	35.5%	36.6%	11.0%	1.5%	1.2%	4.465	0.992
Average							**4.500**	**0.990**

Financial Efficiency								
Operating expense	10.5%	48.8%	36.3%	3.8%	0.3%	0.3%	4.645	0.753
Premium growth	11.0%	48.0%	37.2%	2.6%	0.6%	0.6%	4.645	0.780
Expense ratio	10.2%	35.5%	50.9%	3.2%	0.3%	0.0%	4.520	0.732
Net fixed asset ratio	7.3%	34.3%	50.3%	6.7%	1.5%	0.0%	4.392	0.778
Net income ratio	11.0%	35.5%	40.1%	9.9%	3.2%	0.3%	4.404	0.942
Loss ratio	9.9%	32.0%	45.6%	9.6%	2.0%	0.9%	4.354	0.920
Average							4.490	0.817

Source: Researcher's Field Results (2019)

The descriptive analysis in the Table 1 above showed that board diversity components and financial efficiency of listed insurance companies have positive responses. These results showed that board diversity components and financial efficiency of listed insurance companies have similar pattern of increase revealed by their average scores. The finding of the study revealed that number of women directors in the listed insurance is low as well as percentage of women on board. The findings also reveal that there is independence of board committees in the listed insurance companies. Finding also revealed that the number of internal directors is high. It was also revealed that number of directors and their adequacy is high. The finding also reveals that educational and professional qualifications of board directors of surveyed insurance companies were high. Also, number of local directors is high, also socio-cultural diversity exist which were perceived to have promoted financial efficiency of listed insurance companies through operating expense, premium growth, and expense ratio. From the findings it can be inferred that board diversity components could relate with financial efficiency of the listed insurance companies through operating profit, asset quality, and earnings before interest and tax.

The paper's assumption was that board diversity dimensions correlate with financial efficiency. As such, Pearson Product Moment Correlation Coefficient technique was used to test this hypothesis. The result is presented in Table 2.

Table 2: Correlation Results for Board diversity components and Efficiency

Variables	FE	GD	BC	BS	PD	ED
FE	1					
GD	0.416**	1				
BC	0.366**	0.315**	1			
BS	0.337**	0.459**	0.364**	1		
PD	0.196**	0.161**	0.268**	0.606**	1	
ED	0.466**	0.678**	0.341**	0.544**	0.281**	1

***. Correlation is significant at the 0.01 level (2-tailed)*
Key: FE= Financial Efficiency; GD= Gender Diversity; BC= Board Composition; BS= Board Size; PD= Professional Diversity; ED= Ethnic Diversity
Source: Researcher's Field Survey Result (2019)

Table 2 presents correlation results on the relationship between board diversity dimensions and financial efficiency of listed insurance companies in Nigeria. The results showed that gender diversity has a positive correlation (r=0.416, p=0.001) with efficiency of listed insurance companies. The implication is that the higher the number and/or proportion, independence and active participation of women on the board of directors of insurance companies, the greater the efficiency of listed insurance companies in Nigeria. Additionally, the result shows that board composition has a positive correlation (r=0.366, p=0.001) with efficiency of listed insurance companies. This implies that increase in board composition will lead to greater efficiency of listed insurance companies. Furthermore, results show that board size has a positive correlation (r=0.337, p=0.001) with efficiency of listed insurance companies. This indicates that the higher the count/number of directors serving on the board of the insurance company, the greater the efficiency of listed insurance companies in Nigeria. Also, findings revealed that there is a positive correlation between professional diversity and efficiency of listed insurance companies (r=0.196, p=0.001).

This implies that increase in the variation of educational and professional qualifications amongst people appointed to serve as directors on the board of an insurance company will result into increased efficiency of listed insurance companies. Similarly, the results revealed that there was a positive correlation between ethnic diversity and efficiency of listed insurance companies (r=0.466, p=0.001) implying that increase in the number of a racial, ethnic or socio-cultural group in contrast to the total number of directors serving on the board of an insurance company will lead to increased efficiency of listed insurance companies. In terms of specific contribution of the variables, the results in the table above show that gender diversity and ethnic diversity respectively have the greatest correlation with the efficiency of listed insurance companies in Nigeria, while the least correlation was noted in professional diversity. Generally, the results showed that there was positive correlation between board diversity components and efficiency of listed insurance companies in Nigeria, but the magnitude of correlation had mixed results. As a result of these findings, the null hypothesis which states that there is no significant relationship between board diversity dimensions and efficiency of listed insurance companies in Nigeria was rejected.

Discussion

This study determined the relationship between board diversity dimensions and efficiency of listed insurance firms in Nigeria. The study established that there is significant relationship between board diversity dimensions and efficiency of listed insurance companies in Nigeria. Supporting this finding, various studies like Abdul Rauf, Johari, Buniami and Abd Rahman (2012), Atuahene (2016), Hassan and Miller (2017), Homan (2017), Ilogho (2017), Rajula (2016), Ironkwe and Adee (2014), Prostasovs (2015), Shehuand Musa (2014), Quik (2016), Woschkowiak (2018) and Van den Berg (2015) established that board diversity dimensions have positive and significant relationship with firm efficiency. Hassan and Miller (2017) found that the proportion of outside directors is positively associated with efficiency measured by technical efficiency. Similarly, Al-Matari, et. al., (2014), also found that the proportion of non-executive directors is positively related to standard profit efficiency measured using ROA. Shehu and Musa (2014) found that board composition positively, strongly and significantly influences firm efficiency in terms of profitability measured by ROA. Piekkari, Oxelheim and Randoy (2014) found that foreign director is positively, strongly and significantly influencing efficiency of firms.

Divergently, other studies (Garba & Abubakar, 2014; Homan, 2017; Njoroge 2017; Oosthuizen & Lahner, 2016; Uwuigbe, 2011) have reported that the proportion of independent non-executive directors representation on the board is negatively related to firm performance. Similarly, Mahrous (2014) reported a statistically negative relationship between non-executive board members and profit efficiency. In consonance with Mahrous (2014) and Garba and Abubakar (2014), Ogbulu and Emini (2012) found a negative association between board composition and firm efficiency. There are mixed findings on the link between association between board composition and firm efficiency but majority of the past empirical findings agreed that board diversity components have positive and significant relationship with firm efficiency. Based on these majority findings, the null hypothesis (H_{o2}) that there is no significant relationship between board diversity dimensions and bank efficiency was rejected.

The study is supported by the resource dependency theory, as board diversity promote an essential link between the company and external environment (Pfeffer & Salancik, 1978). Also, the agency theory suggested diversity eases the agency problem because it increases board independence (Jensen & Meckling, 1976). Board diversity increases problem-solving skills, which leads to high firm financial performance. This may be because boardroom diversity brings different perspectives to the corporate decision making process. Therefore, through a diverse board, the board members of insurance companies in Nigeria will be more representative of varied stakeholders and will be more aware of the needs of the various stakeholders thereby creating value and higher firm performance.

Conclusion and Recommendations

Board Diversity is adjudged to be prone to robust strategic discussions and sharing of ideas which enhance performance. Diverse boards provide different ideas and views in solving problems, make better decisions and ensure enhanced firm performance. They also protect shareholders' interests better as they are represented on the board and seen as representative.

This study determined the relationship between board diversity dimensions (gender diversity, board composition, board size, professional diversity, ethnic diversity) and efficiency of listed insurance firms in Nigeria. On the basis of the findings, this study concludes that there is positive and significant relationship between board diversity dimensions (gender diversity, board composition, board size, professional diversity, ethnic diversity) and efficiency of listed insurance firms in Nigeria. Similarly, based on the individual variable contributions, gender diversity and ethnic diversity respectively have the greatest correlation with the efficiency of listed insurance companies in Nigeria.

Insurance companies should ensure that they encourage diverse independent boards by increasing the number of independent and non-executive directors as they drive the provision of both monitoring and advisory roles to aid sound decision making in the corporate boardroom leading to increased firm financial efficiency. The shareholders should ensure that majority of their board members are independent implying that the directors are not employees of the company and do not depend on it for their livelihood so that they can fearlessly and honestly monitor the activities of the Chief Executive Officer (CEO) and other directors (executives). This will help constraint CEO and executive directors from taking advantage and exploiting other stakeholders of the company.

This study determined the relationship between board diversity components and efficiency of listed insurance companies in Nigeria. The findings and conclusions of the study are limited to the surveyed Insurance Company in Nigeria. Further study should examine the effect of board diversity on insurance companies' strategic implementation in selected quoted insurance companies in Nigeria. The study could be expanded to cover other insurance companies that are not listed in order to generalize findings. Also, future research direction could make use of broader sample of deposit money banks industry, telecommunication industry especially, looking at other sub-sectors of the service industry that was not part of this study.

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