

Board Diversity and Profitability of Insurance Firms in Nigeria: Evidence from Listed Insurance Firms

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Abstract

The insurance sector in Nigeria has been plagued with the problems of declining financial performance evidenced by low profitability anchored on inadequate board independence and other diversity factors. This paper examined the relationship between board diversity components and profitability of listed insurance firms in Nigeria. This study adopted cross sectional survey research design and mixed sampling technique was used. A well-structured questionnaire was developed and validated. The Cronbach's alpha reliability coefficients for the constructs ranged from 0.727 to 0.955. The response rate was 95.8% and data were analyzed using descriptive statistics and Pearson Product Moment Correlation Coefficient Technique. The findings established that board diversity components had a significant relationship with profitability. Recommendation was anchored on promoting group-think towards improved profitability.

Keywords: *Board diversity, Gender diversity, Insurance sector, Nigeria, Profitability*

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Background to the Study

The insurance companies are experiencing financial difficulties as they struggle to expand their volume of premium received and shareholder value maximization (Deloitte, 2017). The Deloitte (2018) report projects a positive global insurance growth of 4.5% per annum in 2018 despite the major headwinds thumping the global economy (China-USA trade war and Britain-European Union negotiation) and many emerging markets. However, the sector has not attained its peak which is attributed to oversight (McKinsey & Company, 2017), unequal gender representation at the board level (Deloitte, 2016) low skilled board members as well as over-populated boards resulting in increased cost, low profitability and weak financial efficiency (Solimene, Coluccia & Fontana, 2017).

The diversity of corporate boards world-wide has been a subject of debate as concerns have been raised on its financial implication in terms of the composition of the gender, age, skills, ethnicity, and other demographic factors of the individual members of the board (Zhang, Han & Yin, 2018). The National Insurance Commission in 2018 described the performance of insurance sector unimpressive and academic questions are being asked with reference to why the dwindling financial returns. Although several attempts have been made to establish the relationship between the individual aspects of board diversity on the performance of the firm (Caliyurt, 2017; Manczak, Mangelsdorf, McAdams, Wong, Schoppe-Sullivan & Brown, 2016) there appears to be no consensus on whether one aspect of board diversity impacts more on the profitability. However, literature is unanimous that board diversity in general does affect the financial performance of the firm and the quality of corporate decisions (Gennari, 2016; Rao & Desta, 2016; Solimene et al., 2017).

The report of Augusto & 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). Furthermore, the extract from the Nigerian Stock Market Annual Report (NSMAR, 2016) showed that about 60% of the listed firms are either not making any margin or struggling to break-even with just 21% of the firms making a Profit Margin Ratio of 10% and above with the trend the same for the last few years.

Numerous studies have established the importance of board diversity to enhanced firm performance (Al-Matari, Al-Swidi & Fadzil, 2014; Sumedrea, 2016). Ageda (2015) and Rose (2015) are of the view that diversity provides positive performance benefits to organizations. There has been no consensus on the influence of board diversity on firm profitability in Nigeria especially as it relates to insurance firms. Findings of several studies indicate significant influence of diversity at the board level on the firms' financial performance (Shafique, Idress & Youseff, 2014; Sumedrea, 2016; Syamsudin, Setiany & Sajidah, 2017; Wagana & Nzulwa, 2016). Some other studies found insignificant influence on firms' financial performance (Cook & Glass, 2015; Sanan, 2016) while others reported no outright

influence (Alshetwi, 2017; Kramaric, Aleksic, & Pejje-Bach, 2018; Prostrasovs, 2015). This paper factored the divergence in conclusion and prescriptions to evaluate the relationship between board diversity components and profitability of listed insurance firms in Nigeria with a view of contributing the discourse.

Literature Review

Board Diversity

For decades, the issue of board diversity has been subject to growing research interest (Gordini & Rancati, 2017). Through a diverse board, the company would increase its ability to identify needs and interest of different stakeholders (Harjoto, Laksmana & Lee 2015). When the marketplace becomes increasingly diverse and globalized, it would be beneficial that the company match the market and external stakeholders with a similarly diverse offering. The board is the central mechanism of corporate governance (Ghasemi & AbdulRazak, 2016). The board of directors thus constitutes a bridge which links the persons who are the equity and money providers - shareholders with the management of the company, that is, those who manage and create value for the company. Groening (2018) defined diversity as the great number of different statuses among which a population is distributed. Social and cultural identity refers to the personal affiliation with groups that research has shown to have significant influence on peoples' major life experiences. These affiliations basically include gender, race, national origin, religion, age cohort, and work specialization amongst others (Cox, 1993).

The aforementioned definitions on the concept of board diversity principally focused on demographic, social, as well as cultural features without much mention of other important factors that drive diversity. Isa and Farouk's (2018) work viewed diversity to mean having a range of many people that are different from each other. Board diversity represents a significant corporate governance mechanism put in place in order to realize efficient management and monitoring within companies (Eulerich, Velte & van Uum, 2014).

Kagzi and Guha (2018) further defined board diversity from the perspective of observable criteria such as nationality, age, gender and through relatively less visible criteria such as educational, functional and occupational backgrounds of board members. According to Ararat, Aksu, and Cetin (2015) and Adams, Haan, Terjesen and van Ees (2015) diversity is based on demographics background, nationality, gender, age, educational, functional and occupational backgrounds. Abdussalam and Okike (2018) defined diversity in boards as the proportion of minority representation in the board membership of an organisation. It refers to the blend of attributes and skills possessed by board members representing the differences in age, ethnicity, race, religion, gender, and social-cultural identities amongst members of a board (Mandala, Kaijage, Aduda & Iraya, 2017). The collective board diversity characteristics which formed the fulcrum of this study are gender diversity, board composition, board size, professional diversity, and ethnic diversity.

Gender Diversity

One of the important diversity dimensions for organizations is the gender diversity. Most definitions of board gender diversity stem from the presence of women on board to the percentage representation of women on the board of a corporate organization. Gender diversity is advantageous to firms as women are generally risk-averse and help mitigate uncalculated risks male dominated boards might be skewed to take (Garcia-Izquierdo, Fernandez-Mendez & Arrondo-Garcia, 2018). It also increases the boards' ability to monitor management more objectively as women ask hard questions that their male counterparts might not be comfortable to ask (Andersson & Wallgren, 2018). It does help bring about a better understanding of the market place and gives companies positive social and economic outlook even though there is no consensus to the contribution of women on boards to the financial performance of firms (Kagzi & Guha, 2018). Gender diversity promotes Corporate Social Responsibility (CSR) spending and firm reputation (Vishwakarma, 2017). Gender diversity also influences firm performance in various ways. Women are more concerned about the shareholders and hence take appropriate decisions regarding acquisitions (Loh & Nguyen, 2018).

Board Composition

Board composition normally concerns issues related to board independence (including independence of board committees) and diversity (firm and industry experience, functional backgrounds) of board members. Mandala et al., (2017) defined board composition as the extent to which there exists independence between members of a firm's board and its chief executive officer (CEO). Board composition is characterized by the presence of executive, non-executive and independent directors (Muchemwa, Callaghan & Padia, 2016). The work stressed that board should include a balance of executive and non-executive directors with a majority of independent non-executive directors as this reduces the possibility of conflict of interests. A board composed of members who are not executives of a company, or shareholders, or blood relatives or in-laws of the family (Andres, Arranz-Aperte & Rodriguez-Sanz, 2017). Independent boards are expected to play an important role in synchronizing the interest of managers and those of the shareholders (Alabede, 2016). It is widely argued that the presence of directors who are not employees may enhance the effectiveness of the board in monitoring managers, and hence improve company's value and performance (El-Habashy, 2018). This is because independent directors are more likely to defend the interests of external shareholders better compared to internal directors (Vaklenko, 2016).

Board Size

Alabede (2016) 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. The argument revolves around the fact that smaller board size will contribute more to the financial success of the firm (Vo & Phan, 2013) while another position considers that a large board size will improve a firm's financial performance (Orozco, Vargas & Galindo-Dorado, 2017). The two most important functions of the board of directors are those of advising and monitoring (Adefemi, Hassan & Fletcher, 2018). The advisory function involves the provision of expert advice to the

CEO and access to critical information and resources (Buallay, Hamdas & Zureigat, 2017). This is performed by both insiders and outsiders, although he noted the importance of outside directors, who bring valuable expertise and potentially important connections.

Professional Diversity

According to Recadina and Ouma (2017), professional diversity refers to 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. Another perspective to measure the stream 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 while Setiyono and Tarazi (2014) viewed professional diversity as heterogeneous based on depth (education levels) and breadth (education types) amongst board members.

Ethnic Diversity

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). Another definition 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). 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. However, ethnic diverse boards may cause cross-cultural communication problems and interpersonal conflicts which consequently slow down the board internal process (Prostasovs, 2015). In view of the reviewed scholarly perspectives to this concept, this research defines ethnic diversity as the number, 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 at a given time.

Profitability

Profitability reflects the final outcome of business operations from a well designed and implemented strategic template (Babalola & Anifowose, 2018). Farlex financial dictionary (2017) profit is defined as a company's total revenue less its operating expenses, interest paid, depreciation and taxes. According to Babalola and Anifowose (2018), profitability describes the ability of a business entity to earn profits. The ability also depicts the earning power, capacity or operating performance of the business entity. Gadoiu (2016) relates profitability to the efficiency of a company expressed as a ratio between the resulted benefits and the efforts to achieve them. Ziad, Ahmad and Abdelrazaq (2017) also defined profitability as the indicator that detects the competitive status of the organisation in its sector as well as the quality of its management.

Board Diversity Elements and Firm's Profitability

The studies of Isingoma, Aduda, Wainaina and Mwangi (2016), Barroso-Castro, Villegas-Perinan and Dominguez (2017), Grace, Vincent and Evans (2018), Kobuthi, K'Obonyo and Ogutu (2018); Recadina and Ouma (2017) utilized survey research design in their study to

investigate the effect of board diversity on performance. Rana and Wairimu (2017) added to the discussion by examining the impact of board gender diversity on profitability in Kenya which revealed that percentage of women directors has positive and significant effect on firm profitability. Lopes, Ferraz and Martins (2016) also submitted that board characteristics significantly influence Iberian non-listed financial companies. Vishwakarma (2017) suggested that board independence and diversity of gender in the boardroom has positive and significant impact on return on assets (ROA). Bebeji, Mohammed and Tanko, (2016) also found that board composition and independence have a positive and significant impact on bank performance.

The findings of the study Kilic (2015) provide evidence of a negative relationship between board diversity and profitability measured with return on assets (ROA) and return on equity (ROE). Hence, the findings do not support the economic case for board diversity in companies. Similarly, Rao and Desta (2016) found that board size, board gender diversity and ownership type have no significant impact on profitability performance as measured with return on equity (ROE) and return on assets (ROA). While Larsson and Olofsson (2017) found gender diversity to have no effect on profitability as measured with profit margin, earnings before interest and tax (EBIT) and earnings per share (EPS).

Several studies including Abdussalam and Okike (2018), Abu, Okpehand Okpe (2016), Borlea, Achim and Mare, (2017), Nwonyuku (2016), Sunday and Godwin, (2017) have found a positive relationship between board size and firm performance measured with profitability indices. Nwonyuku (2016) concluded that board composition has negative relationship with return on equity while board skills and competence has negative relationship with return on equity and net assets per share. Also, Abuet al(2016) found that independent non-executive director and women director have no significant impact on banks performance in Nigeria. Sunday and Godwin (2017) found no significant relationship between board gender diversity and profitability as measured by return on total assets. Abdussalam and Okike (2018) recorded that return on equity as measure of profitability is not affected by the number of female board members of banks in Nigeria.

Zahoor (2016) also found a negative relationship between gender diversity and profitability. Adams and Mehran (2012) investigated board size and firm performance and found a negative relationship between board size and profitability. This finding is robust with specific characteristics of a firm such as firm size, growth opportunities, board structure, director ownership and industry sector. Ongore, K'Obonyo, Ogutu and Bosire (2015) found that improving board size has an inverse relationship with profitability of listed firms on the Nairobi Stock Exchange. In the light of the foregoing, it was hypothesized that board diversity components have no significant relationship with profitability of listed insurance companies in Nigeria.

The paper theoretical approach is premised on resource dependence theories. The resource dependency theory was developed by Pfeffer and Salancik in 1978 with emphasis on mutual interaction between organizations in order to support the exchange of resources. The major

argument of the resource dependence theory is that organizations attempt to exert control over their environment by co-opting the resources needed to survive (Pfeffer & Salancik, 1978). Hillman, Cannella, & Paetzold (2000) opine that directors bring resources to the firm, such as information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. Williamson (1985) advanced that apart from gaining access to the required resource, firms with appropriate network connections are also able to reduce the transaction cost associated with interaction in the external environment. Other scholars also used resource dependence theory to explain the composition of boards, especially in terms of outsider representation (Bathula, 2008). Pearce and Zahra (1992) submitted that outsiders are appointed on the board in order to bring a fresh perspective when the firm is not doing well. The basic implication of this theory on corporate governance is that boards of directors are an important mechanism for absorbing critical elements of environmental uncertainty into the firm. Environmental linkages could reduce transaction costs associated with environmental interdependency.

Methodology

This study adopted cross sectional survey research design. Other researchers (Ongore, K'obonyo, Ojutu & Bosire, 2015; Otieno, Mugo & Kimathi, 2015; Hyun, Yang, Jung & Hong, 2016) used similar research design which enabled them to describe similar incidences of phenomenon to explain how internal factors interact in different organizations. The unit of analysis was the directors/executive management officials of the top twenty listed insurance firms based on their market capitalization out of a total number of twenty-eight listed insurance firms on the Nigerian Stock Exchange (Stock Exchange Listing, 2017). The sampled respondents were three hundred and fifty-nine. Total enumeration technique was adopted to determine its sample size. The adoption of this technique is consistent with Onyaliand Okerekeoti (2018).

Primary data were harvested through a well-structured close-ended questionnaire adapted from previous studies. The questionnaire has three sections: A focused on demographic variables; B collated data on the constructs of board diversity and C consisted of firm profitability as the dependent variable. 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. The content validity was ascertained and construct validity 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 Cronbach's alpha values of all the variables ranged from 0.727 to 0.955 and were above 0.7 thresholds recommended by Marczyk, DeMatteo and Festinger (2005). The instrument was administered to the respondents and 344 copies of questionnaire were retrieved representing 95.8% response rate. The data collected were analyzed using frequency count, percentages, mean, and correlation.

Results and Discussion

The constructs were analyzed and results summarized to describe numerically pattern of respondents perception on each of the item.

Table 1: Descriptive Statistics on Gender Diversity

Description	Level of Agreement in scale of 1-6						Mean	Standard Deviation
	Very High	High	Moderately High	Moderately Low	Low	Very Low		
Gender Diversity								
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
Profitability								
Operating profit	23.0%	48.3%	22.1%	2.9%	2.3%	1.5%	4.822	0.990
Asset quality	14.0%	58.4%	25.9%	1.7%	0.0%	0.0%	4.845	0.667
Earnings before interest and Tax (EBIT)	8.5%	39.2%	47.7%	3.8%	0.3%	0.6%	4.500	0.764
Return on assets (ROA)	4.4%	30.8%	57.6%	5.2%	1.5%	0.6%	4.296	0.747
Return on equity (ROE)	9.3%	34.9%	44.8%	7.6%	2.0%	1.5%	4.375	0.933
Net profit margin	8.1%	30.5%	47.1%	9.9%	3.8%	0.6%	4.276	0.927
Average							4.519	0.167

Source: Researcher's Field Survey Result (2019)

These results showed that board diversity components and profitability of listed insurance companies have similar pattern of increase revealed by their average scores. The research finding revealed that number of women directors in the listed insurance is low as well as percentage of women on board. The descriptive statistics revealed that operating profit, asset quality, and earnings before interest and tax of listed insurance companies are high. The implication of the findings is that board diversity components could relate with profitability of the listed insurance companies through operating profit, asset quality, and earnings before interest and tax. The core of the paper was the test the assumption that board diversity components have no significant relationship with profitability of listed insurance companies in Nigeria. Pearson Product Moment Correlation Coefficient technique was used to test the hypothesis. The response for each research variable was combined to generate composite scores which were used in the analysis. The result is presented in Table 2.

Table 2: Correlation Results for Board Diversity Components and Profitability

Variables	PROF	GD	BC	BS	PD	ED
PROF	1					
GD	0.651**	1				
BC	0.226**	0.315**	1			
BS	0.452**	0.459**	0.364**	1		
PD	0.317**	0.161**	0.268**	0.606**	1	
ED	0.585**	0.678**	0.341**	0.544**	0.281**	1

***. Correlation is significant at the 0.01 level (2-tailed)*

Key: PROF= Profitability; GD= Gender Diversity; BC= Board Composition; BS= Board Size; PD= Professional Diversity; ED= Ethnic Diversity

Table 2 gives the Pearson's (r) correlation coefficient values as well as the P-values of significance showing the degree and significance of the relationship between profitability and the other variables of gender diversity, board composition, board size, professional diversity, and ethnic diversity. Table 2 shows a positive and significant ($r=0.651$, $p=0.001$) correlation between gender diversity and profitability of listed insurance companies. This means that increase in gender diversity (presence, number and/or proportion, independence and active participation of women on the board of directors of insurance companies) will lead to increased profitability of listed insurance companies. The result also shows that there was a positive and significant relationship between board composition and profitability of listed insurance companies ($r=0.226$, $p=0.001$). This implies that increase in board composition will lead to increased profitability of listed insurance companies. A positive correlation also exist between board size and profitability of listed insurance companies ($r=0.452$, $p=0.001$). This implies that increase in board size will lead to increased profitability of listed insurance companies. Also, there was a positive correlation between professional diversity and profitability of listed insurance companies ($r=0.317$, $p=0.001$). This means that increase in professional diversity will lead to increased profitability of listed insurance companies. In addition, finding shows that there was a positive correlation between ethnic diversity and profitability of listed insurance companies ($r=0.585$, $p=0.001$) implying that increase in ethnic diversity will lead to increased profitability of listed insurance companies.

The correlation results in Table 2 show that all the board diversity components are significantly related to profitability of listed insurance companies in Nigeria, but the magnitude of correlation had mixed results. Table 2 shows amongst the board diversity components, gender diversity had the strongest positive correlation with profitability, next was ethnic diversity while the least correlation was between board composition and profitability. This implies that listed insurance companies in Nigeria are focused on the board diversity components to enhance their profitability. Based on these findings, the null hypothesis was rejected.

Discussion

The objective of this paper sought to evaluate the relationship between board diversity components and profitability of listed insurance firms in Nigeria. The paper found that board

diversity components have positive and significant relationship with the profitability of listed insurance companies in Nigeria. Confirming the finding of this study, several studies such as Lopes, Ferraz and Martins (2016), Rana and Wairimu (2017), and Vishwakarma (2017) have established that board diversity, board size, and gender diversity have positive and significant relationship with profitability. Similarly, Kilic and Kuzey (2016) and Nyatichi (2016) suggest that the moderating presence of gender diversity and directors compensation individually had significant positive influence on the relationship between board composition and financial performance when measured as return on equity (ROE). Ogboi, Aderimiki and Enilolobo (2018) found that gender diversity was positively linked to financial performance. Other studies like Borghesi, Chang and Mehran (2016), Das and Dey (2016), Eduardo and Poole (2016), Galbreath (2016), Garcia-Meca and Palacio(2018), Gyapong, Monem and Hu (2016), Kumar (2016), Larson and Olofsson (2017), Nguyen and Hagedorff (2015), Ntim (2015), Perryman, Fernando and Tripathy (2016), Sabatier (2015), Sanan (2016) and Terjesen, Conto and Francisco (2016) found positive significance influence of gender diversity on financial performance.

On the contrary, few studies like Sunday and Godwin (2017) found no significant relationship between gender diversity and financial performance of banks. Kramaric et al (2018) and Mandala et al (2017) revealed that gender diversity at the top positions is not critical for financial success. Ujunwaet al (2012) found that gender diversity was negatively linked with firm performance. Based on these majority findings, board diversity components such as gender diversity, board composition, board size have positive and significant relationship with firm profitability. The paper rejected the hypothesis that board diversity components have no significant relationship with the profitability of listed insurance companies in Nigeria. Considering theoretical establishment on the link between board diversity components and firm performance, resource dependence theory supported the findings that the performance of a company depends on how board diversity. Through a diverse board, the board members will be more representative of the diverse ideas and perspectives that drive constructive criticism and critical thinking to enable profitability.

Conclusion and Recommendations

Anchored on the findings, it was concluded that there was a statistically significant relationship between board diversity components (gender diversity, board composition, board size, professional diversity and ethnic diversity) and profitability of selected and listed insurance companies in Nigeria. Thus, it was recommended that insurance companies should promote board diversity to engender greater profitability. 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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