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Effect of Board Heterogeneity on the Financial Performance of Listed Deposit Money Banks in the ECOWAS Sub-Region

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ABSTRACT

This study investigated the effect of board heterogeneity on the financial performance of listed deposit money banks in the ECOWAS sub-region, specifically analysing how skill and professional background diversity and ethnic and cultural diversity, influence financial performance metrics Return on assets (ROA)and Tobin's Q. An ex post facto research design was employed, utilizing audited annual reports from Zenith Bank and United Bank for Africa (UBA) for the period 2008 to 2023. The data were analysed using regression models to identify significant effect between board diversity and financial performance. The findings indicate that neither skill and professional background diversity nor ethnic and cultural diversity have a statistically significant effect on financial performance of the listed deposit money banks of the ECOWAS sub-region. These results suggest that other governance variables, institutional factors, or economic conditions may be more influential on bank performance. The study recommends exploring additional variables and emphasizes the importance of effective governance practices alongside diversity initiatives to enhance bank financial performance in the ECOWAS banking context.

Keywords: Board, Heterogeneity, Skills /Professional background, Ethnic/cultural, Financial Performance, Banks

INTRODUCTION

Financial and market performance are critical indicators of organizational success measured through metrics like Return on Assets (ROA) and Tobin's Q (Handoyo, et al, 2023, Rashid,2021). Market performance, measured through Tobin's Q, reflects the market value of a company's assets relative to their replacement cost, offering a gauge of market expectations and perceived growth potential (Ishaq, et al, 2021). In the Economic Community of West African States (ECOWAS) sub-region financial performance of deposit money banks (DBM's) is a critical indicator of their stability and sustainability. Board heterogeneity encompassing dimensions such as skill/professional diversity, gender diversity, ethnic

diversity and age diversity plays a significant role in shaping strategic decision making and financial outcomes (Adams & Mehran 2012; Campbell & Minguez-Ver, 2008)

Globally, studies highlighted the positive impact of board diversity on financial outcomes. For instance, research conducted in the United States has shown that diverse boards bring varied perspectives and experiences, leading to better risk management strategies and improved innovation (Carter, et al, 2003). In Nigeria, discussion on board heterogeneity is influenced by the nation's intricate socio-political context, regulatory framework, and economic challenges (Oyewo & Adaramola, 2017).

This study focuses on several key variables and sub-variables to examine the relationship between board heterogeneity and financial performance. The variables include board composition, measured by factors such as skill and professional background diversity, ethnic and cultural diversity which is the independent variable of this study, while financial performance proxied by ROA and Tobin's Q, is the dependent variable. These variables are essential for understanding the dynamics of corporate governance and financial management within the banking sector, particularly in the context of diverse economic and regulatory environments across ECOWAS member states.

The study on board heterogeneity and financial performance in deposit money banks within the ECOWAS sub-region is motivated by the need to enhance our understanding of the factors shaping corporate governance dynamics and financial outcomes in a diverse and rapidly evolving economic landscape. By focusing on key variables such as board composition and financial performance indicators, the study aims to inform policy debates, guide regulatory reforms, and promote best practices in corporate governance and financial management across ECOWAS member states. However, there is a notable gap in the literature specifically focusing on the ECOWAS region, highlighting the need for empirical research tailored to the unique socio-economic and institutional dynamics within member countries.

The following are the research questions that guide this study:

i. To what extent does skill and professional background diversity affect financial performance of listed deposit money banks in the ECOWAS sub-region?
ii. To what extent does ethnic and cultural diversity affect financial performance of listed deposit money banks in the ECOWAS sub-region.

While the main aim of this study is to evaluate the effect of board heterogeneity on the financial performance of listed deposit money banks in the ECOWAS sub-region. The specific objectives for this study include to:

i. Examine the effect of skill and professional background diversity on financial performance of listed deposit money banks in the ECOWAS sub-region.
ii. Assess the effect of ethnic and cultural diversity on financial performance of listed deposit money banks in the ECOWAS sub-region.

The following null hypotheses were formulated in line with the objectives;

Ho: Skill and professional background diversity has no significant effect on financial performance of listed deposit money banks in the ECOWAS sub-region.

Ho_2: Ethnic and cultural diversity has no significant effect on financial performance of listed deposit money banks in the ECOWAS sub-region

LITERATURE REVIEW

Conceptual Review

Financial Performance

Financial performance is a concept that evaluates how well a company utilizes its resources to generate profits and create value for its stakeholders. It is generally assessed using various financial indicators such as profitability ratios, return on assets, return on equity, and earnings per share, among others. According to Gleißner, et al, (2022), financial performance is fundamentally linked to a company's ability to generate sustainable profits over time, which reflects its operational efficiency and financial health. Other scholars, like Dahiyat, et al, (2021), emphasize that financial performance is not just about profitability but also includes aspects such as liquidity, solvency, and the effective management of financial risks. These measures collectively provide insights into a company's capacity to meet its short-term and long-term obligations, ultimately indicating its overall financial stability.

Board Heterogeneity

The word heterogeneity refers to diversity. There are varieties of dimensions which individuals within a group can differ such as differences in board composition in terms of ethnicity, age, education, nationality and gender (Schwizer, et al, 2012). While some of these differences are observable, others are not. It encompasses demographic and cognitive diversity. Key dimensions include skill/professional background, gender, ethnic/cultural, and age diversity. Skill/ professional diversity; this includes the range of abilities, competencies, and professional backgrounds on the board (Apochi, et al, 2024). Ethnic /cultural diversity; this encompasses various racial, ethnic and cultural backgrounds (Prithaningtyas, et al 2023). Age diversity refers to the inclusion of board members from different generational cohorts and career stages (Islam, et al, 2022)

Empirical Studies Review

Skill and Professional Background Diversity and Financial Performance

Kabara, et al (2022) investigated the effect of educational diversity on firm performance in non-financial firms within developing countries, specifically focusing on Nigerian stock exchange companies. The study aimed to address the gap in literature by examining both demographic (gender) and cognitive (educational level) aspects of board diversity in this context. Methodologically, a quantitative approach was employed, utilizing data from 67 listed companies over eight years (2012-2019), applying fixed effect and generalized method of moments (GMM) estimations to ensure robust findings. The results revealed a significant positive influence of both educational and gender diversity on firm performance, aligning with expectations from agency and resource dependence theories. This study underscores the importance of board diversification, suggesting implications for regulatory frameworks and management practices in director selection to enhance corporate performance and market value in developing economies like Nigeria. The findings contribute valuable insights to the ongoing discourse on board diversity, advocating for its integration as a strategic imperative for sustainable business practices.

Ujebe and Nwankwo (2022) explored the impact of educational diversity on the financial performance of Information and Communications Technology (ICT) firms in

Nigeria, focusing on seven quoted firms from 2016 to 2020. Using an ex-post-facto design and secondary data from annual accounts and reports, the study employed ordinary least square panel regression analysis with Generalized Method of Moment (GMM) analysis using E-View version 9 software. The findings indicated that while board size and the presence of foreign directors positively influenced financial performance, board composition and gender diversity exhibited minimal negative effects. Overall, the study concluded that board diversity has mixed effects on ICT firm performance in Nigeria, with significant positive outcomes from larger boards and foreign directorships. Recommendations included increasing board sizes in compliance with corporate governance guidelines and encouraging gender diversity in board appointments to leverage diverse perspectives and enhance organizational performance.

Nobert, et al, (2019) examined the effect of board nationality, skills, and tenure on the performance of non-financial firms listed on the Nairobi Securities Exchange (NSE), Kenya. Utilizing an explanatory research design, the study analyzed secondary data from 33 out of 40 firms with complete data between 2012 and 2017. Descriptive statistics and regression analysis were employed to assess the relationship between board diversity and firm performance. The study found a strong positive correlation between board diversity and firm performance, with increased diversity linked to higher sales turnover. The results underscored that board diversity brings valuable skills, experience, and insights, significantly impacting firm performance. Consequently, it is recommended that shareholders in Kenya consider board skills, nationality, and tenure when appointing members, and that future research build on these findings.

Muiruri (2018) conducted a study to investigate the impact of educational diversity on the financial performance of commercial banks in Kenya, addressing governance challenges such as risk management and corporate fraud. The research focused on board gender diversity, nationality diversity, technical expertise, independence, and age diversity using a descriptive research design. Data spanning five years (2011-2015) from 42 commercial banks in Kenya were analyzed using panel ordinary least squares regression in Stata statistical software. The, findings indicated that gender and nationality diversity had a significant negative influence on financial performance, while technical expertise positively affected performance. However, board independence and age diversity did not show significant effects. The study recommended enhancing board diversity by recruiting members with diverse technical backgrounds and ensuring adequate gender representation to strengthen strategic implementation. Additionally, it advised controlling nationality diversity to foster board harmony and effectiveness in Kenyan commercial banks.

Ethnic and Cultural Diversity and Financial Performance

Nwaorgu and Iormbagah (2021) explained the effect of board diversity on the financial performance of listed firms in Nigeria, using an ex-post facto research design combined with content analysis. Data were analysed through multiple regression analysis, focusing on financial statements from Nigerian Stock Exchange firms for the period between 2014 and 2018. The study found that while gender diversity did not significantly impact the leverage ratio of these firms, educational and nationality diversity also had no significant effect. The authors concluded that increasing female board members could enhance risk evaluation and prevent bankruptcy, educational diversity could improve the board's capacity to evaluate financing options, and nationality diversity could better equip the board to handle international business challenges. They recommended that Nigerian listed firms should prioritize increasing female representation on boards to improve financial performance and ensure a balanced decision-making process.

Hassan et al (2017) conducted a study to explore the relationship between ethnic diversity in top management levels and firm financial performance using data from 84 non-financial companies in Malaysia. The study focused on two dimensions of demographic diversity: ethnic diversity and gender diversity within both the top management team (TMT) and the board of directors (BOD). Ethnic diversity was measured by the number of non-Malays, while gender diversity was measured by the number of females in top management positions. Financial performance was assessed using Return on Assets (ROA). The study employed descriptive statistics, correlation testing, and regression analysis to analyze the data spanning from 2008 to 2012. The findings indicated that ethnic diversity in both TMTs and BODs did not significantly impact firm performance (ROA). However, gender diversity showed a positive influence on performance, as measured by ROA, across both top management team and board of directors' perspectives. This research contributes to understanding how diversity in leadership impacts firm performance in the Malaysian context, highlighting the importance of gender diversity in enhancing financial outcomes.

Cheong and Sinnakkannu (2014) conducted a study to examine the relationship between board ethnic diversity and firm financial performance using data from Malaysian companies. The research focused on both market and book measures of financial performance, departing from prior studies predominantly conducted in culturally homogenous countries. Ethnic diversity was measured using the Herfindahl-Hirschman Index, while ethnicity was characterized by the largest representation of a single race on boards. The study controlled for various firm- and board-specific attributes to isolate the impact of ethnic diversity. Findings indicated a significant positive relationship between ethnic diversity on boards and firm financial performance. Moreover, the research highlighted that financial performance varied across different ethnicities, suggesting that despite trends towards modernization and cultural blending, corporate Malaysia still exhibits divisions along racial lines. This study contributes to understanding the dynamics of ethnic diversity and its implications for firm performance in diverse socio-cultural contexts.

Theoretical Review

There are several theories that explain the relationship between board heterogeneity and financial performance. This study adopts two of these theories to underpin this work. The Upper Echelon theory and Resource Dependence theory.

Upper Echelons Theory

Upper Echelons Theory, founded by Donald Hambrick in 1984, posits that the characteristics, values, and experiences of top executives influence organizational outcomes and decision-making processes. The theory suggests that executives' backgrounds, including demographics, values, and experiences, shape their cognitive frames, which in turn impact strategic choices and organizational performance. Hambrick and Mason (1984) found that executive characteristics, such as age, tenure, and educational background, significantly impact organizational outcomes. While Carpenter et al, 2004, argued that the theory oversimplifies the relationship between executive characteristics and organizational outcomes, neglecting situational factors and organizational context. The current study aims to evaluate the effect of board heterogeneity on the financial performance of listed deposit money banks in the ECOWAS sub-region. By examining the effects of skill and professional background diversity, and ethnic and cultural diversity on organizational performance, the study aligns with Upper Echelons Theory.

Resource Dependence Theory

Resource Dependence Theory (RDT), founded by Pfeffer and Salancik in 1978, seeks to explain the interdependencies between organizations and their environment, focusing on the allocation and acquisition of resources as a primary concern. The theory posits that organizations are reliant on external resources such to survive and thrive and engage in strategic actions to manage external dependencies. Pfeffer and Salancik (1978) argue that organizations seek to minimize dependency risks by diversifying their resource base, forming strategic alliances, and exerting influence over resource providers while critics of RDT such as Oliver (1991), is of the opinion that RDT oversimplifies the complexities of organizational environments and neglects the role of internal factors in shaping organizational behaviour. In the context of the proposed study, RDT can offer insights into how board heterogeneity influences the financial performance of listed deposit money banks in the ECOWAS sub-region. The study can explore how board diversity enhances access to diverse perspectives, networks, and resources, thereby enhancing organizational adaptability and performance.

METHODOLOGY

Research Design

This study adopted *Ex- post facto* research design. *Ex- post facto* research design, also known as retrospective or causal-comparative research, examines existing data to determine relationships between variables.

Population, Sample and Sampling Technique

The population under scrutiny for this research consists of all deposit money banks in the 15 countries that make up the ECOWAS. The total deposit money banks in the 15 ECOWAS countries are 216 in number. Each of these countries have their licensed deposit money banks. Details are in table 3.1

Table 3.1

LIST OF COUNTRIES AND THE NUMBER OF BANKS

S/N	COUNTRIES	TOTAL DMBS	SOURCE
1.	Benin	13	https://www.giaba.org/member-states/benin.html
2.	Burkina Faso	12	https://www.giaba.org/member-states/burkina_faso.html
3.	Cape Verde	4	https://www.giaba.org/member-states/cape_verde.html
4.	Ivory Coast (Côte d'Ivoire)	21	https://www.giaba.org/member-states/cote_divoire.html
5.	Gambia	14	https://www.giaba.org/member-states/gambia.html
6.	Ghana	25	https://www.giaba.org/member-states/ghana.html

7.	Guinea	12	https://www.giaba.org/member-states/guinea.html
8.	Guinea-Bissau	4	https://www.giaba.org/member-states/guinea-bissau.html
9.	Liberia	8	https://www.giaba.org/member-states/liberia.html
10.	Mali	13	https://www.giaba.org/member-states/mali.html
11.	Niger	10	https://www.giaba.org/member-states/niger.html
12.	Nigeria	35	https://ndic.gov.ng/wp-content/uploads/2023/10/NDIC-Quarterly-Volume-37-No-4-2022-Article-Financial-Condition-and-Performance-of-Deposit-Money-Banks-in-the-Fourth-Quarter-of-2022.pdf
13.	Senegal	19	https://www.giaba.org/member-states/senegal.html#:~:text=There%20are%2019%20deposit%20money,29%25%20of%20GDP%20in%202010.
14.	Sierra Leone	14	https://www.giaba.org/member-states/sierra_leone.html
15.	Togo	12	https://www.giaba.org/member-states/togo.html
TOTAL		**216**	

Source: Researchers findings, 2025.

Sample and Sampling Technique

This study employed purposive sampling to analyze two prominent banks present in the countries within the Economic Community of West African States (ECOWAS) region: Zenith Bank and United Bank for Africa (UBA), of the ECOWAS sub-region The analysis covered the period from 2008 to 2023. The selection criteria for these banks were based on their extensive presence across multiple ECOWAS member states, their dominant market positions, and their significant contributions to the regional economy. Conversely, the study excludes banks with limited regional presence, those with a niche market focus, and newly established entities. Banks that operate only in a few countries or have a narrow service range do not meet the criteria for inclusion. Additionally, newly established banks are not considered due to their insufficient track record for a comprehensive analysis.

Method of Data Collection

Technique for Data Analysis and Model

Technique for Data Analysis

Model Specification

This section presents the model that permits the qualification of the relationship between the dependent and independent variables. Functional econometric models for this

study were specified in line with Yasmeen et al (2013); Mukulu et al (2014) as follows:
ROA = *f* (Skill and Professional Diversity, Gender Diversity, Ethnic & Cultural Diversity, Age Diversity) 1a

Tobin's Q = *f* (Skill and Professional Diversity, Gender Diversity, Ethnic & Cultural Diversity, Age Diversity) 1b
Following the theoretical perspective, the models were specified such that the relationships as stated in the objectives of the study can be tested. The model in the above equation can be functionally specified in a linear form as follows:

$ROA = \beta_0 + \beta_1 SPD + \beta_2 GD + \beta_3 ECD + \beta_4 AD + \varepsilon$.....2a

$TQ = \beta_0 + \beta_1 SPD + \beta_2 GD + \beta_3 ECD + \beta_4 AD + \varepsilon$.....2b

Where;

β_0=Constant

$\beta_1 - \beta_4$ = Coefficient or parameters that show the extent to which each of the independent variables affects the dependent variable.

ROA= Return on Assets;

TQ = Tobin Q.

SPD = Skill & Professional background Diversity.

ECD = Ethnic & Cultural Diversity.

ε = Error term which represents other omitted variable

Variable Definition, Measurement and Sources

Variable	Definition	Measurement	Source
Skill and Professional Background Diversity	The variety of skills and professional backgrounds among board members.	Proportion of finance and accounting experts to the board size.	Kabara, Khatib, Bazhair, and Sulimany (2022); Ujebe and Nwankwo (2022); Muiruri (2018)
Ethnic and Cultural Diversity	The presence of various ethnic and cultural groups on the board.	Proportion of non-Nigerians to the board size.	Nwaorgu & Iormbagah (2021); Hassan, et al (2017).
Financial Performance	The overall financial health and profitability, and performance of the banks in the financial market.	ROA. Net income/total assets. Tobin's Q. ratio of market value of assets and replacement cost.	Wang, et al, (2020); Yahaya, et al,(2020). Aversano, et al,(2023) Ujebe & Nwamkwo (2022).

Source; Researchers findings, 2025

Justification of Methods

The chosen research methods and techniques are justified as they align with the study's objectives, providing a robust framework for analysis also, the use of ex post facto design, is suitable for analysis of existing data to determine causal relationships between variables. Purposive sampling of prominent banks was employed ensuring relevance and applicability of findings, Leverage audited reports for comprehensive and standardized data for a richer dataset, the use of multiple regression analysis and functional econometric models is justified for precise conclusions and hypothesis testing. These methods collectively provide

a rigorous approach to addressing the research objectives, generating valuable insights for stakeholders in the ECOWAS banking sector.

Data Presentation

This section presents and analyzes the data collected for the study aimed at examining the effect of board heterogeneity on the financial performance of listed deposit money banks in the ECOWAS sub-region. It includes a detailed analysis of the various dimensions of board heterogeneity, including skill and professional background diversity, and ethnic and cultural diversity on financial performance.

Descriptive Analysis

Table 4.1; Descriptive Statistics and Summary Metrics

Statistic	ROA (Return on Assets)	Tobin's Q	Skills /professional background diversity	Ethnic / cultural diversity
Mean	2.571875	1.6243	0.75812	0.01491
Median	2.6	1.65	0.771245	0
Maximum	3.4	2.6	0.93333	0.125
Minimum	1.8	0.93	0.5	0
Standard Deviation	0.423682	0.5057	0.102445	0.036506
Skewness	0.159978	0.1360	-0.52218	2.152858
Kurtosis	2.341718	1.7313	2.696331	5.981143
Jarque-Bera	0.714275	2.2448	1.577222	36.56853
Probability (Jarque-Bera Test)	0.699676	0.3255	0.454476	0
Sum	82.3	51.98	24.25984	0.47711
Sum of Squared Deviations	5.564688	7.9279	0.325346	0.041313
Observations	32	32	32	32

Source: Researcher's computation (2025) via Eviews 12

The descriptive statistics in Table 4 provide insights into the central tendencies, dispersion, and distributional properties of key variables in the study. The mean Return on Assets (ROA) of listed deposit money banks in the ECOWAS sub-region is 2.57%, with a median of 2.6%, suggesting a relatively stable return profile. Tobin's Q, an indicator of firm value, has a mean of 1.62, indicating that, on average, the market values these banks at a premium over their book value. The proportion of finance and accounting experts on boards has a mean of 0.76, signifying that over 75% of board members typically possess financial expertise. However, ethnic and cultural diversity, represented by the proportion of non-Nigerian directors, has a very low mean of 0.0149, showing minimal ethnic diversity across the sampled banks.

The standard deviations of ROA (0.42) and Tobin's Q (0.51) indicate moderate variability, whereas board diversity metrics exhibit lower dispersion. Notably, the proportion of non-Nigerian board members has a standard deviation of 0.0365, emphasizing the narrow range of variation in ethnic diversity. Skewness and kurtosis measures further reveal the

distributional properties. ROA and Tobin's Q are slightly positively skewed, indicating a rightward lean in their distributions. Meanwhile, the proportion of finance experts is negatively skewed (-0.52), implying a concentration of firms with high financial expertise representation. The proportion of non-Nigerian board members exhibits strong positive skewness (2.15) and high kurtosis (5.98), suggesting a highly asymmetric distribution with extreme values concentrated at the lower end.

The Jarque-Bera test assesses the normality of the data. The probability values for ROA (0.70), Tobin's Q (0.32), and the proportion of finance experts (0.45) indicate that these variables are normally distributed, as their p-values exceed the 0.05 significance level. However, the proportion of non-Nigerian board members has a Jarque-Bera probability of 0, implying a significant departure from normality. This lack of normality suggests that ethnic diversity is highly concentrated in a few banks and absent in most, reinforcing concerns over the limited representation of diverse ethnic backgrounds in corporate governance structures. The findings have strong implications for the study's hypotheses. The high proportion of finance and accounting experts suggests that skill and professional background diversity may be a key determinant of financial performance, potentially challenging Ho1. Conversely, the near-zero mean and strong skewness of the proportion of non-Nigerian board members indicate minimal ethnic diversity, which may explain why its effect on financial performance is statistically insignificant, supporting Ho2. These statistics suggest that while professional diversity is a significant factor in shaping bank performance, ethnic and cultural diversity remains underdeveloped, limiting its potential impact on financial metrics like ROA and Tobin's Q

Inferential Analysis for Model (1); Dependent Variable: (ROA)
Presentation and Interpretation of Regression Result showing the effect of board heterogeneity on return of assets of listed deposit money banks in the ECOWAS sub-region.
Table 4.2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.18815	0.57927	3.777427	0.0007
Skills/Professional background diversity	0.462586	0.766463	0.603533	0.5508
Ethnic /cultural diversity	2.215325	2.150899	1.029953	0.3115

Source: Researcher's computation (2025) via Eviews 12

Table 4. 3: Model Summary Statistics

Statistic	Value
R-squared	0.058984
Adjusted R-squared	-0.005914
S.E. of regression	0.424932
Sum squared residuals	5.236461

Log likelihood	-16.44459
F-statistic	0.908875
Prob(F-statistic)	0.41415

Source: Researcher's computation (2025) via Eviews 12

Model Fit and Implications for the Study

The model summary statistics reveal an R-squared value of 0.0589, indicating that only 5.89% of the variation in ROA is explained by the independent variables (skill and professional background diversity and ethnic diversity). The adjusted R-squared is negative (-0.0059), meaning that after accounting for the number of predictors, the explanatory power of the model is weak. The F-statistic of 0.9089 and its associated p-value of 0.4141 suggest that the overall regression model is not statistically significant. The Durbin-Watson statistic of 1.0813 indicates potential autocorrelation issues in the residuals, which may impact the reliability of the estimates.

Given these results, the study suggests that board diversity factors, at least in terms of professional and ethnic background, do not significantly influence the profitability of listed deposit money banks in the ECOWAS sub-region. This implies that future research should explore other governance variables, such as gender diversity, board independence, or leadership tenure, to assess their effects on financial performance. Additionally, policymakers and corporate governance practitioners may need to look beyond diversity metrics and consider broader institutional and economic factors when formulating strategies to enhance bank performance

Inferential Analysis for Model (2); Dependent variable;(Tobin's Q)

Table 4: **Presentation and Interpretation of Regression Result showing the effect of board heterogeneity on return of assets of listed deposit money banks in the ECOWAS sub-region. Table 4.4**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	0.340842	0.662293	0.51464	0.6107
Skills/professional background diversity	1.751924	0.876315	1.999195	0.055
Ethnic/cultural diversity	-2.993732	2.459173	-1.217374	0.2333

Source: Researcher's computation (2025) via Eviews 12

Table 4.5: Model Summary Statistics

Statistic	Value
R-squared	0.136599
Adjusted R-squared	0.077054
Standard Error of Regression	0.485835
Sum Squared Residuals	6.845034
Log Likelihood	-20.73063
F-statistic	2.294045
Prob(F-statistic)	0.118873

Source: **Researcher's computation (2025) via Eviews 12**

Model Fit and Implications for the Study

The R-squared value of 0.1366 suggests that only 13.66% of the variation in Tobin's Q is explained by the independent variables (skill and professional background diversity and ethnic diversity), while the adjusted R-squared is 0.0771, indicating limited explanatory power. The F-statistic of 2.2940 and its associated p-value of 0.1189 suggest that the overall regression model is not statistically significant. Additionally, the Durbin-Watson statistic of 0.3456 is significantly below the acceptable range (typically between 1.5 and 2.5), indicating strong positive autocorrelation, which may undermine the reliability of the model's estimates. These findings imply that while board diversity factors may influence market valuation, they are not strong determinants of Tobin's Q in the ECOWAS banking sector. Investors may place greater emphasis on other corporate governance variables, such as board independence, ownership structure, or risk management policies, when valuing banks. Future research should consider integrating additional governance and financial variables to better understand the determinants of firm value. Additionally, policymakers should recognize that increasing diversity alone may not be sufficient to enhance bank performance; instead, it should be complemented by effective governance practices and strategic decision-making.

4.2; Analysis and Discussion of Findings

Hypothesis 1 (Ho_1): Skill and professional background diversity has no significant effect on the financial performance of listed deposit money banks in the ECOWAS sub-region.

The regression results for model 1 show that the coefficient for the skills /professional background is 0.4626 with a p-value of 0.5508, which is greater than the 0.05 significance level. This indicates that skill and professional background diversity does not have a statistically significant impact on ROA. Furthermore, the t-statistic of 0.6035 suggests weak explanatory power. Given this outcome, the null hypothesis (Ho_1) is not rejected, meaning that skill and professional background diversity does not significantly affect financial performance, at least in terms of ROA. This result is in line with findings from the study conducted by Hassan et al (2017), in their study, they found out that ethnic diversity did not significantly impact firm performance ROA. This finding implies that while financial expertise may be a valuable attribute for board composition, other governance or external factors may have a greater influence on bank profitability.

Similarly, the regression results for model 2, indicate that the coefficient for the proportion of finance and accounting experts to board size is 1.7519, with a p-value of 0.055. This p-value is slightly above the conventional 0.05 significance level, suggesting that skill and professional background diversity has a weakly significant positive effect on Tobin's Q. The t-statistic of 1.9992 further supports a moderate relationship between board expertise and firm value. Given that the p-value is close to 0.05, there is marginal evidence that skill and professional background diversity may influence Tobin's Q. However, since the effect is not

statistically significant at the 5% level, we fail to reject the null hypothesis (Ho_1). This implies that while the expertise of board members in finance and accounting may contribute to market valuation, its impact is not strong enough to be considered definitive. Future studies could explore whether industry-specific regulatory frameworks or governance structures moderate this relationship.

These results are in contrast with previous studies, particularly Ujebe and Nwankwo (2022), which highlighted the nuanced relationship between board expertise and firm performance within the ICT sector. While Akisimire et al. (2016) suggested that boards with members possessing technical expertise could enhance financial performance, the current study indicates that such expertise may not directly influence operational efficiency and market valuation in the banking sector of this region. This divergence may suggest that while skilled board members contribute to strategic decision-making, their impact on immediate financial metrics like ROA can be overshadowed by other operational factors or external economic conditions.

Hypothesis 2 (Ho_2): Ethnic and cultural diversity has no significant effect on the financial performance of listed deposit money banks in the ECOWAS sub-region.

The regression result for model 1 show that the coefficient for the proportion of non-Nigerians to board size is 2.2153, with a p-value of 0.3115, which is also above the 0.05 threshold. This suggests that ethnic and cultural diversity does not significantly influence ROA. The t-statistic of 1.0299 further indicates a weak effect. Based on these results, the null hypothesis (Ho_2) is not rejected, as there is no sufficient evidence to support that ethnic and cultural diversity has a significant impact on financial performance. The implications of this finding suggest that the low representation of non-Nigerian directors (as seen in the descriptive statistics) may limit the potential impact of ethnic diversity on profitability. Additionally, it indicates that other board characteristics, such as leadership style or corporate governance policies, might be more relevant for financial outcomes in the banking sector of the listed deposit money banks in the ECOWAS sub-region.

Similarly, the results from model 2 show a coefficient for the proportion of non-Nigerians to board size is -2.9937, with a p-value of 0.2333, which is well above the 0.05 threshold. This suggests that ethnic and cultural diversity has no statistically significant effect on Tobin's Q. The t-statistic of -1.2174 indicates that while the relationship appears negative, it lacks statistical significance. Therefore, the null hypothesis (Ho_2) is not rejected, implying that the presence of non-Nigerian board members does not significantly influence firm

valuation in the banking sector. This could be due to the relatively low representation of non-Nigerian directors, as observed in the descriptive statistics, or the possibility that investors prioritize other governance factors, such as board independence or leadership style, over ethnic diversity when assessing firm value.

These results are in line with studies conducted by Nwaorgu and Iormbagah (2021), which similarly found limited effects of board diversity on financial metrics in Nigeria Similarly, the finding that ethnic and cultural diversity does not significantly influence Tobin's Q aligns with the conclusions drawn by Cheong ands Sinnakkannu (2014), suggesting that while ethnic diversity may be lauded for fostering a varied organizational perspective, it does not necessarily translate into enhanced market valuation.

CONCLUSION

In conclusion, this study highlights the significant role board heterogeneity plays in influencing the financial performance of listed deposit money banks in the ECOWAS sub-region. The empirical findings suggest that neither skills/professional background nor ethnic /cultural diversity has a statistically significant effect on ROA and Tobin's Q. These findings suggest that other governance variables, institutional factors, or economic conditions may have a more significant influence on bank performance in the ECOWAS sub region.

RECOMMENDATIONS

1. **Future Research Directions**; explore other governance variables, such as gender diversity, board independence, or leadership tenure, to assess their effects on financial performance.

2. **Policy makers and corporate governance practitioners**; consider broader institutional and economic factors when formulating strategies to enhance bank performance rather than solely focusing on diversity metrics.

3. **Investors**; place greater emphasis on other corporate governance variables, such as board independence, ownership structure, or risk management policies, when valuing banks.

4. **Banking sector**; implement effective governance practices and strategic decision-making, complemented by increasing diversity, to enhance bank performance.

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