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**BOARD DIVERSITY, POLITICAL CONNECTIONS AND FIRM VALUE:
AN EMPIRICAL EVIDENCE FROM FINANCIAL FIRMS IN NIGERIA**

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Abstract

The effect of board diversity, political connections and firm value of listed financial service firms in Nigeria is investigated in this study. Firm value, proxied by Tobin's q and computed as the ratio of the firm's market value of equity to the book value of total assets, is the study's explained variable, while board gender diversity, board nationality, board ethnic diversity, and political connections are the study's explanatory variables. The study's population consists of fifty-one (51) listed financial service firms on the Nigerian Stock Exchange as at 31st December 2020. Thirty-five (35) of these firms made up the sample size for a period of nine years (2012-2020). Data was gathered from the annual reports of the sampled companies and analyzed using the feasible generalized least square regression (FGLS) approach. According to the study, board gender diversity, board nationality, and board ethnic diversity have a positive significant effect on the firm value of listed financial service firms in Nigeria, whereas political connections had a positive but minor effect. According to the findings, the boards of directors of listed financial service organizations in Nigeria should ensure that females are considered for directorship seats on the boards in order to increase their value, as suggested by the resource dependency theory. Also, the board should be made up of foreign directors in order to lure foreign investors to the firm and enhance its value. In addition, the boards of directors of listed financial services firms in Nigeria should consist of a mix of both northerners and southerners to improve firm value.

Keywords: board diversity, political connections, firm value, financial service firms, Nigeria.
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1. Introduction

A firm's primary aim is to maximize shareholder's wealth by growing the firm's value. Maximizing firm value is important for businesses because it requires rising

shareholder's capital. A good firm value should entice investors to the business (Shuaibu, Ali, & Amin, 2019). The value of a firm is one of the most critical measures of its success. It aids businesses in establishing reputation, attracting money, and contributing to a nation's strong economic prospects (Nhan & Quy, 2016). According to Guardian (2018), Investors expressed shock at the rate of decline in value of their investments on the Nigerian exchange group (NGX). They noted that some publicly traded businesses in the financial service sector in Nigeria have weak corporate governance frameworks, adding that this weak management results in dividend payments being withheld mostly because of negative retained earnings. These negative retained earnings can affect the firm value and make investing in these companies less appealing to investors.

The financial sector is vital to any country's economic growth and development. This is due to the fact that it affects the amount of money stocks by making payments and extending credit. Similarly, financial systems play a significant role in accelerating economic development, and a well-structured financial sector could be a source of economic growth. Savings mobilization and well-organized financial intermediation roles will be among the advantages extracted from a strong and developed financial system. As a result, the collapse of this sector has an impact on a country's entire economy (Onyekwere, Wesiah, & Danbatta, 2019). On the other hand, corporate governance standards and procedures are increasingly being recognized as significant in deciding and exercising corporate control in the use of a company's assets and resources. On their part, Investors are gradually opting to invest based on the company's outlook, credibility, and corporate governance practices. This means that businesses must adopt corporate governance cultures and practices in order to attract foreign investors and boost their company's sustainability and competitiveness. As a result, proper processes and mechanisms of corporate governance like those seen in the western world, the European Union, and Japan, are required for the long-term survival of businesses, especially in developing countries such as Africa (Mlthiria & Musyoki, 2014).

Corporate governance practices are expected to boost a company's value. It is expected to raise the worth of companies who practice it than those companies that do not. In the long run, good corporate governance practices can improve stock returns and increase the value of a company. Corporate governance is among the most critical factors in increasing economic efficiency and development thereby increasing investor trust. An effective corporate governance system in an organization contributes to the level of trust required for a well-functioning financial sector (Haryono & Paminto, 2015). Due to corporate failures and

generally low corporate profits around the world, the reliability of existing corporate governance mechanisms has been called into question. This is because strong corporate governance is critical for optimal growth of the economy (Ongore & K'Obonyo, 2011). The consequences of poor corporate boards on businesses and national economies have prompted governments around the world to take steps to improve corporate governance. Diversifying the corporate board of directors is one of these steps (Garba & Abubakar, 2014). Diverse boards of directors have a significant impact on the company's value, asset maximization, and investor's trust (Hassan & Marimuthu, 2014). The importance of board diversity in determining the value of a company will encourage firms to make informed decisions about appointment of board of directors in order to maximize the value of the firm (Olaoti, 2016).

According to Carter, Simkins, Souza and Simpson (2007), a more diverse or heterogeneous board has the ability to make important decisions while considering more alternatives than a homogenous board. Individuals from various backgrounds and locations have a better knowledge of the company's market, which improves the effectiveness of innovation and creativity by knowing what the market wants. Since contributions are made by individuals of various backgrounds, a diverse board is easily equipped with ideas on better ways to treat their customers. As a result, customer satisfaction and the firm's goodwill or image will improve. This would improve consumer perceptions of the business and its goods while also growing the firm's value in order to draw investors. Female participation among company directors may strengthen corporate governance and raise the company's value. Women have qualities that can help improve companies' performance and, as a result, improve the value of the firm. They are, on average, younger than their male colleagues, giving them a competitive advantage. Better communication and new ideas are some of the advantages (Mintah and Schadewitz 2018). Furthermore, having international directors on the board of directors' assists in persuading foreign investors that the organization is operating in their best interests (Fidanoski, Simeonovoski, & Mateska, 2014).

Ethnic diversity would help to create a higher degree of corporate governance, as well as the board of directors' decision-making process, and thereby increase the firm's value. This is because people of various ethnic backgrounds are more inclined to approach challenges in unique ways, encouraging the board to explore a larger variety of ideas and strategies when it comes to addressing organizational issues (Olaoti 2016). Furthermore, political connections are another major factor in every business environment. Companies with political connections are granted

preferential treatment by the government, including lower funding costs, favorable tax treatment, and access to limited licenses (Niessen & Ruenzi, 2010). According to Vanguard (2018), a total of nineteen firms registered on the Nigerian stock market were subjected to hostile takeovers when stock values fell below par value. The stocks were exposed to low valuation when the NSE scrapped the years-old nominal value price floor of 50 kobo which share prices could not fall below. Fourteen out of the nineteen companies affected are insurance, while the other five come from other sectors. According to capital market operators and shareholders, the new nominal value policy, which presently enables quoted firms to sell for as little as one kobo, can ultimately result in forcible acquisitions and management changes because if the stock becomes too cheap or the price falls too low, the firm's value would be affected. This could result in a hostile takeover. They urged businesses that are affected by the policy to revise their procedures and re-strategize in order to provide the best possible value to their shareholders.

The board of directors has faced criticism as a result of the decline in shareholders' value caused by excessive corporate mismanagement, which has resulted in the demise of many well-established organizations around the world in recent years. Such corporate failures have been linked to the board of directors' failure to perform effective supervision tasks over the businesses to which they have been entrusted (Garba & Abubakar, 2014). As a result, attention has been focused on a company's decision-making process in order to create a balanced board that will make the best decisions possible and provide optimum value to the shareholders (Najjar 2013). Forbes and Miliken (2009) pointed out that, while a diverse board is likely to have differing viewpoints, it may face communication and teamwork difficulties as a result of failing to understand other members' experience in the problem-solving process.

In addition, in 2018, the CBN Governor Godwin Emefiele argued that weak corporate governance and non-compliance with legislation, lead significantly to chronic corporate failures in Nigeria and other parts of the world. The CBN Governor further argued that the board's relinquishment of power to corporate executives that serve their own self-interests, as well as the board's failure to fulfill its obligation to stakeholders, and inability to carry out their oversight duties effectively would have a detrimental effect on the firm's value. Fair and reasonable persons with diverse qualities should be designated into the board of firms in order to help improve their firm value (The nation, 2018). Although prior literatures examined how board diversity affects firm value (Woschkowiak, 2018; Nguyen, 2016; Hassan & Marimuthu, 2016; Darmadi, 2012). However, these studies did not

examine political connections. Yusoff, Norwahida and Salleh (2014) investigated political connections and firm value but their study was for a one year period and was not carried out in Nigeria. There is a need to examine the effect of board diversity and political connections on firm value in Nigeria using more than one-year period. This is because there are few recent studies on board diversity and political connections in Nigeria and the studies were cross-sectional.

This study examines the effect of board diversity and political connections on value of listed financial service companies which includes deposit money banks, microfinance banks, insurance companies, mortgage banks and other companies in Nigeria.

2. Review of Literature and Theoretical Underpinning

Firm valuation is a monetary measure of how the public views the business as a whole. That is the sum of all statements raised by investors. The list includes protected and unsecured creditors, as well as preferred and common equity investors. It is a term that is used to describe an entity's total worth overall rather than just the actual market capitalization. It's a series of statements from borrowers and investors (Kiharo&Kariuki, 2018). The market valuation of a corporation is measured by the combined value of its properties, which represents the collective wealth of investors, lenders, and owners (Awan, Lodhi, &Hussain, 2018). Tobin's Q is one of the most often used financial measurements for determining a firm's value. It is a market return measure that compares the assessed worth of a firm by financial markets to the value of its assets. James Tobin developed the Tobin's q ratio after hypothesizing that the aggregate market valuation of all publicly traded firms must be nearly equivalent to their replacement costs. Tobin's Q ratio is computed by dividing the market value of equity by the book value of the total assets (Tobin, 1969). Diversity on the board involves having members from diverse ethnic groups, languages, educational backgrounds, gender, skills, and experiences together to preside over a variety of important issues (Abubakar, 2018).

Board Gender Diversity and Firm Value

Board gender diversity was described by Khan and Subhan (2019) as the overall number of female representatives on the board. According to Mintah and Schadewitz (2018), board gender diversity is described as the appointing committee nominating males and females to the corporate board of directors with the goal of combining diverse perspectives and increasing a firm's valuation. The following studies were undertaken on the effect of board gender diversity and firm value: Salem, Metawe, Youssef, and Mohamed (2019) evaluated the qualities of the board of directors and firm value in Egypt and the United States. Variables like

CEO duality, board freedom, board size, board meetings, and board gender diversity were studied between 2012 and 2017. A total of 84 Egyptian listed companies and 30 American companies were chosen for the report. Secondary data was gathered from sampled firms' annual reports and accounts and evaluated using multiple regression analysis. Gender diversity on boards is linked to firm value in both nations, according to the survey. However, since the study was not conducted in Nigeria, a local replication is needed. Contrary to the above study, Tarigan, Hervindra and Hatane (2018) examined the impact of board diversity and financial results using Tobin's q as a metric of financial progress. Gender diversity, racial diversity, and educational diversity are among the study's factors. The study's sample consists of 525 firms that were quoted on the Indonesian stock exchange within the period of 2011 to 2015. Secondary data was collected from the sampled firms' financial accounts and analyzed using regression analysis. According to the study, gender diversity has a negative effect on Tobin's q. The study, however, is not Nigerian; therefore, a local replication is needed. Based on theoretical stand, the study formulated the following hypothesis:

H0: Board gender diversity has no significant relationship with firm value

Nationality of the Board of Directors and the Firm's Value

According to Khan and Subhan (2019), board nationality is described as having representatives from various countries on the board of directors. Board nationality is defined as the proportion of foreigners on the board as a percentage of the total number of board members (Okoro, Onodugo, Udoh, & Chukwu 2019). Studies conducted on board nationality and firm value include: Woschkowiak (2018) examined board diversity and company success in Europe using Tobin's q as a performance metric. The variables studied were gender diversity, nationality diversity and age diversity. All European firms traded on the European stock market in 2016 are included in the study's sample. Secondary data was gathered from the reported entities' annual reports and evaluated using regression analysis. The findings show that nationality diversity increases the mentioned firms' Tobin's q substantially. The analysis, however, is not Nigerian and it is a cross-sectional one. Therefore, there is a need to repeat this study in Nigeria using panel data analysis. However, contrary to the above study, Charles *et al.*, (2018) looked at the composition of corporate boards and their success in Nigerian deposit money banks using Tobin's q as a metric for performance. The analysis used 14 Nigerian classified banks as a sample. Gender equity on the executive, board composition, international directorship and ethnic diversity were also investigated. The fixed effect Generalized Least Square Regression was used to study the impact of board

diversity on bank results from 2011 to 2015. The result shows that including an international director on the board has a detrimental effect on Tobin's q. The analysis, based on theoretical stand, the study formulated the following hypothesis:
H0: Board of director nationality has no significant relationship with firm value

Board Ethnic Diversity and Firm Value

Board ethnic diversity, according to Joyce (2017), applies to members of a board that come from a variety of ethnic backgrounds. Egwakhe, Akpa, and Ajayi (2019) define ethnic diversity as the amount, measure or presence of a race, ethnic, or socio-cultural community on a board in relation to the total number of directors on the board at any particular time. Studies conducted on board ethnic diversity and firm value includes: Chuah and Hooy (2018) researched the effect of board ethnic diversity on company performance in Malaysia, using Tobin's q as a metric for firm performance. The sample of the research consists of 260 publicly traded firms in Malaysia from 2010 to 2012. Secondary data was collected from the listed companies' annual reports and analyzed via regression analysis. According to the findings, ethnic diversity on the board has a favorable impact on Tobin's q. This research however, is not Nigerian research; therefore, a Nigerian replication is needed. Contrary to the above study, Ilogho (2017) investigated the impact of board nationality and ethnic diversity on the financial performance of Nigerian listed companies. The research used Tobin's q as a metric of financial performance. The sample of the research includes 60 non-financial companies traded on the Nigerian stock market between 2012 and 2015. Secondary data was acquired from the sampled firms' annual reports and analyzed using OLS regression. The findings reveal that ethnic diversity has no bearing on the sampled firms Tobin's q. However, the financial sector was excluded from the sample and just two variables of board diversity were examined in the study. Based on theoretical stand, the study formulated the following hypothesis:

H0: Board ethnic diversity has no significant relationship with firm value

Political Connections and Firm Value

The board of directors is politically affected when a member or members of the board of directors occupy a political role, whether by referendum or nomination (Urhoghide & Omolaye, 2017). A board that is politically motivated has a chairman that is a present or former government political appointee, as well as military or ex-military personnel on it (Osazuwa, Ahmad, & Che-adam, 2016). Studies conducted on political connections and firm value include: Chung, Byun, and Young (2019) studied corporate political ties and companies' value. The sample of the study

includes 93 Korean firms traded on the Korean stock market from 1998 to 2013. The research used the regression method of data analysis. According to the research, political connections have a favorable and considerable impact on the value of the firm. However, the study is foreign and therefore cannot be used in a Nigerian context. Contrary to the above study, Berkman and Galpoththage (2016) investigated political connections and firm value. The study's sample consists of 99 publicly traded companies from 2006 to 2011. Secondary data was gathered from listed companies' annual reports and analyzed using regression analysis. The findings reveal that a firm's worth is unaffected by political connections. The research, however, was carried out in Sri Lanka; therefore, a Nigerian replication is needed. Based on theoretical stand, the study formulated the following hypothesis:

H0: Political connections has no significant relationship with firm value

Theoretical Underpinning

The resource dependency theory is the theory underpinning this research. Jeffrey Pfeffer and Gerald Salanick created the resource dependency theory in the 1970s. Pfeffer and Salanick (1978) argued that businesses operate in an open system in which they must exchange or acquire certain resources in order to survive, making them reliant on external units in their environment. This theory explains how critical it is for the board of directors of a company to connect to the outside world, because boards of directors' serve as suppliers of resources that are lacking internally. Organizations benefit from boards of directors because they provide advice, counsel, and information channels, as well as access to resources. Firms are increasingly faced with a complex and uncertain macro environment, necessitating leadership from a diverse group of individuals who can provide a diverse range of resources compatible with modern business culture. As a result, resource dependency theory explains the link that exists between board diversity and the value of the firm by concluding that the best-performing management teams should include members with diverse ethnicity, nationality, and gender.

Similarly, Hermalin and Weisbach (2001) agree with resource dependence theorists, arguing that board members gender, nationality, and ethnicity are valuable resources for guiding and improving the firm's value. Boards with a diverse ethnicity, gender and nationality according to Thomsen and Conyon (2012), have a diverse range of knowledge and skills. Diverse boards assist directors in gaining a better understanding of markets, customers, workers, and business opportunities. This leads to a greater grasp of business situations, which raises the

company's value. Moreover, having female board of directors will also help the firm connect with important external elements. Female directors on boards creates a positive image for companies which can assist organizations garner support from key stakeholders including suppliers, customers, and investors as well as gain access to valuable resources (Knippen, Shen, & Zhu, 2019). Unlike male directors, Joyce (2017) contends that female directors bring to their boards unique and valuable resources and relationships. According to Ruigrok, Peck and Tacheva (2007), as business becomes more internationalized, there will be higher demand for directors with the necessary skills and connections in international markets. A foreign director in this situation may be competent and capable of connecting the organization to various contexts in the countries where it operates. In addition, according to resource dependence theory, gender and ethnicity disparities are likely to create specific knowledge sets that may be accessible to management for improved decision making, thereby increasing the firm's value. According to Pfeffer and Salancik (1978), companies aim to establish connections with political actors in order to minimize reliance on limited resources managed by other parties. Political sway, according to this theory, is an important tool for dealing with environmental uncertainties. This effect can be seen in the government's incorporation of directors or their engagement in political parties. In accordance with organizational standards; the directors serve as resource suppliers. Political clout will make it easier for a corporation to obtain capital such as loans, contracts, and government funding, boosting the company's efficiency and value.

3. Methodology

The study used a correlational research design to look into the effect of board diversity and political connections on firm value. The study's population consists of all the fifty-one (51) financial service organizations that are listed on the Nigerian stock market (NSE) as at 31st December 2020. However, a sample of thirty five (35) organizations was arrived at after filtering out firms that did not have sufficient data for the period under study (2012-2020). (See appendix). The study used secondary data from annual reports of Nigeria's publicly traded financial services organizations. Panel data regression technique was used to estimate the link between the explained and explanatory variables. Fixed effect and random effect options were explored to address the panel effect of the data. Hausman specification test was also conducted to decide between fixed effect and random effect. In addition, robustness tests of multicollinearity and heteroskedasticity were also conducted.

Model Specification

In order to examine the factors that have effect on firm value, a multiple linear regression model is established. The model accounts for the effect of board gender diversity, board nationality, board ethnic diversity and political connections on firm value. In order to maintain consistency with previous studies, a control variable of firm size was added to the regression analysis. Firm size was used as a control variable because of the general notion that larger firms have more competitive advantages and benefit from economies of scale. This variable was chosen as a control variable based on the findings of Lee-kuen, Sok-gee, and Zainudin (2017), where they discovered a substantial association between firm size and firm value. The model is stated below:

$$\text{Tobin's } Q_{it} = \beta_0 + \beta_1 \text{BGED}_{it} + \beta_2 \text{BNA}_{it} + \beta_3 \text{BETHD}_{it} + \beta_4 \text{PCON}_{it} + \beta_5 \text{FSIZE}_{it} + \varepsilon_{it} \dots$$

Where:

Tobin's Q	= Firm Value
BGED	= Board Gender Diversity
BNA	= Board Nationality
BETHD	= Board Ethnic Diversity
PCON	= Political Connection
FSIZE	= Firm Size
ε	= Error term
t	= Time
i	= Firm

β_0 is the Intercept, β_1 - β_5 are the coefficients of the variables

Variables Definition and Measurement

Table 3.1: Variables Measurement

S/N	Variables	Measurement	Source
1.	Tobin's Q	The ratio of a company's market value of equity to its entire assets book value.	Nguyen (2016).
2.	Board Gender Diversity	Female directors as a percentage of total board members.	Siantar (2016).
3.	Board Nationality	Foreigners on the board as a percentage of the overall number of board members.	Okoro <i>et al.</i> , (2019).
4.	Board Ethnic Diversity	If the board is made up of both northern and southern Nigerians, the value will be 1; otherwise, it will be 0.	Charles <i>et al.</i> , (2018).
5.	Political Connection	If political connection exists, the value will be 1; otherwise, it will be 0.	Osazuwa <i>et al.</i> , (2016).
6.	Size	Natural Logarithm of Total Asset	Lee-kuen <i>et al.</i> , (2017).

Source: Compiled by Author, 2023

4. Results and Discussion of Findings

The descriptive statistics, correlation matrix, and regression results on the relationship between board gender diversity, board nationality, board ethnic diversity, and political connection as explanatory variables, with firm value measured by Tobin's q as the explained variable are presented in this section.

Table 4.1: Descriptive Statistics Results

Variables	Obs	Mean	Std.Dev.	Min	Max
TOBIN'S Q	315	0.435	0.717	0.014	6.901
BGD	315	0.175	0.131	0	0.667
BNA	315	0.087	0.157	0	0.714
BETHD	315	0.819	0.386	0	1
PCON	315	0.749	0.434	0	1
SIZE (Million)	315	680,095	1,426,243	382	7,689,028

Source: STATA Output (2023)

The average Tobin's q is 0.44, with a standard deviation of 0.72, as shown in Table 4.1. This indicates that firm valuation varies widely among Nigeria's publicly traded financial services organizations. Tobin's q has a minimum and maximum value of 0.01 and 6.90, respectively. This implies that the lowest Tobin's q value across the listed financial service firms was 0.01 and the highest Tobin's q value was 6.90. Board gender diversity (BGD), on the other hand, has a mean value of about 18% with a standard deviation of about 13%. The average value of 18% indicates that women made up 18% of the directors of Nigeria's publicly traded financial services firms. The standard deviation of 13% indicates that there is a little variation in gender diversity among Nigeria's publicly traded financial service firms. Board Gender Diversity has a minimum and maximum value of 0 and 67% respectively. This indicates that some listed financial service firms in Nigeria did not have any female directors on their boards, while others had as high as 67% of female directors on their boards.

Additionally, board nationality (BNA) has a mean value of approximately 9%, which implies that only 9% of directors on average are foreigners. The standard deviation of 16% also indicates a low variation in board nationality across Nigeria's publicly traded financial services firms. Board nationality has a minimum and maximum value of 0 and 71% respectively. This result indicates that some listed financial service firms did not have any foreigners on their boards, while others had as many as 71% of foreigners on their boards. Board ethnic diversity (BETHD) has an average of approximately 82%, which indicates that 82% of listed financial service firms in Nigeria have both northerners and southerners present on their boards. The standard deviation of approximately 39% indicates a high variation in ethnic diversity across Nigeria's publicly traded financial service firms. Board ethnic diversity has a minimum and maximum value of 0 and 1 respectively. Political connection (PCON) has an average value of 75% with a standard deviation of 43%, which also indicates a high variation in political connection across Nigeria's publicly traded financial service firms. The result indicates that, on average, 75% of listed financial services firms in Nigeria have directors with political connections. Political connections have a minimum and maximum value of 0 and 1 respectively. Lastly, firm size has an average of 680 billion naira and a standard deviation of 1.4 trillion naira, which indicates a high variation in the values of total assets across Nigeria's publicly traded financial service firms. Firm size has a minimum and maximum value of 382 million naira and 7.6trillion naira respectively.

Table 4.2: Correlation Matrix Results

VARIABLES	TOBIN'S Q	BGD	BNA	BETHD	PCON	FSIZE
TOBIN'S Q	1.000					
BGD	0.008	1.000				
	0.884					
BNA	0.140*	-0.158*	1.000			
	0.013	0.005				
BETHD	0.056	-0.084	-0.107	1.000		
	0.324	0.139	0.058			
PCON	-0.060	0.086	-0.220*	0.166*	1.000	
	0.291	0.128	0.000	0.003		
FSIZE	-0.319*	0.293*	-0.021	0.184*	0.189*	1.000
	0.000	0.000	0.705	0.001	0.001	

* shows significance at the .05 level

Source: STATA Output (2023)

The correlation matrix of the dependent and independent variables is shown in Table 4.2 above. The result shows that board gender diversity has a correlation coefficient of 0.008, indicating that board gender has a positive link with the firm value of Nigeria's listed financial service firms. This implies that board gender diversity and firm value move in the same direction. Board nationality has a correlation coefficient of 0.140 as shown in the correlation matrix table above. This implies that board nationality has a positive relationship with the firm value of listed financial service firms in Nigeria. Board ethnic diversity has a correlation coefficient of 0.056 as shown in the correlation matrix table above. This implies that there is a positive link between board ethnic diversity and firm value of Nigeria's publicly traded financial service firms. Table 4.2 shows that political connection has a correlation coefficient of -0.060, which means political connection has a negative link with the firm value of Nigeria's publicly traded financial service firms. This implies that political connection and firm value move in opposite directions, and an increase in political connection will result to a decrease in the firm value of Nigeria's publicly traded financial service firms. More so, the correlation coefficient of firm size has a value of -0.319. This implies that a negative relationship exists between firm size and firm value of listed financial service firms in Nigeria. This relationship indicates that both variables are moving in the inverse direction. There is no evidence of possible multicollinearity among the explanatory variables, according to the correlation matrix table. This is because as shown in table 4.2, all the correlation coefficients among the explanatory variables are less than 0.80 as propounded by Gujarati (2004). Therefore, there is no possible presence of multicollinearity among the independent variables.

Table 4.3 Robustness Tests

Tests	Chi-square value	p-value
Hetest	48008.50	0.0000
Hausman test	10.938	0.053
LM test	462.44	0.0000

Source: STATA Output (2023)

The Modified Wald test was used to test for the presence of heteroskedasticity. The chi-square value was 48008.50, with a p-value of 0.0000, indicating that the result was significant. This indicates that there is presence of heteroskedasticity. The research carried out multicollinearity test to show the strength of the relationship among the explanatory variables themselves. The variance inflation factor (VIF) test was conducted, and all the variables have values less than 10 and tolerance values more than 0.10. (Rule of thumb). This demonstrates that there is no issue with multicollinearity. To decide between the fixed and random effect models, Hausman specification test was conducted. The Hausman specification test was insignificant with a chi square value of 10.938 and a p-value of 0.053 which was in favor of the random effect model. However, the Breusch and Pagan Lagrangian multiplier test for random effects was carried out in order to select between the random effect regression and the pooled ordinary least square (OLS) regression. The findings showed a chi-square value of 462.44 and a p-value of 0.0000, which is significant. This indicates that the random effect should be selected. However, the presence of heteroskedasticity made the researcher run and interpret further feasible generalized least square (FGLS) regression.

Table 4.4 Feasible Generalized Least Square Regression Result

TOBIN'S Q	Coef.	St.Err.	T-value	P-value	Sig
BGD	0.899	0.303	2.97	0.003	***
BNA	0.809	0.245	3.30	0.001	***
BETHD	0.296	0.100	2.95	0.003	***
BPCON	0.023	0.090	0.25	0.800	
FSIZE	-0.121	0.017	-7.05	0.000	***
Constant	2.958	0.401	7.38	0.000	***
Number of obs		315			
Chi-square		60.229			
Prob> chi2		0.000			

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: STATA Output, 2023

The fitness of the model of the study as revealed in table 4.4 shows a chi-square value of 60.229 which is significant at 1%. This led to the robustness of the result and subsequent discussions that followed: Table 4.3 reveals that gender diversity on the board has a coefficient of 0.899 and a p-value of 0.003, which is statistically significant at 1%. The findings show that gender diversity on corporate boards has a positive and significant impact on firm value. By implication, it means an increase in board gender diversity will contribute to a rise in the firm value of Nigeria's publicly traded financial service firms. This is because positive female participation among corporate directors strengthens corporate reputation and raises the company's worth. The null hypothesis which states that board gender diversity has no significant effect on firm value of listed financial service firms in Nigeria is thus rejected. This research agrees with the study of Salem *et al.*, (2019), however, it disagrees the study of Tarigan *et al.*, (2018).

The result in table 4.3 shows board nationality has a coefficient of 0.809 with a p-value of 0.001 which is statistically significant at 1%. The findings suggest that board nationality has a favorable and considerable impact on firm value. By implication, it means that adding more foreign directors to the board of Nigeria's publicly traded financial service firms will enhance the firm value. This is because foreign directors bring valuable and diverse experience to the table that local board members lack, and their presence on the board helps to persuade international investors that the company is acting in their best interests. This provides evidence for rejecting the null hypothesis, which states that board nationality has no significant effect on the firm value of listed financial service firms in Nigeria. This study supports the research of Woschkowiak (2018) and contradicts the study of Charles *et al.* (2018).

In addition, table 4.3 shows that board ethnic diversity has a coefficient of 0.296 with a p-value of 0.003 which is statistically significant at 1%. The findings show that ethnic diversity on the board of directors has a favorable and significant impact on the firm value. By implication, this means that an increase in the mix of northerners and southerners on the board of directors will lead to a rise in the firm value of Nigeria's listed financial service firms. This can be possible because people from various ethnic backgrounds are more inclined to approach challenges in distinctive ways, encouraging the board to explore a larger variety of options and strategies when it comes to addressing organizational issues. This provides evidence for rejecting the null hypothesis, which states that board ethnic diversity has no significant effect on firm value of listed financial service firms in Nigeria.

The findings are consistent is with Chuah and Hooy (2018) but not in line with Ilogho (2017).

Furthermore, from table 4.3, political connection has a coefficient of 0.023 with a p-value of 0.800, which is insignificant. The result shows that the positive link between political connection and firm value is insignificant. The study, however, fails to reject the null hypothesis, which states that political connections have no significant effect on the firm value of Nigeria's listed financial service firms. The findings are in line with that of Berkman and Galpothhage (2016) but contradict Chung *et al.*, (2019), who showed a substantial relationship between political connection and firm value.

5. Recommendation and Conclusion

The research looked into the effect of board diversity and political connections on firm value of listed financial service firms in Nigeria. Based on the findings, the research concludes that board gender diversity, board nationality, and board ethnic diversity have significant effects on the firm value of Nigeria's listed financial service firms, while political connections do not have a significant effect on the firm value of listed financial service firms in Nigeria. According to the findings, the research recommends that females should be considered for directorship positions in order to boost the firm's value in line with the resource dependency theory proposition; they should also look at the possibility of board mixture with foreign directors, as their presence on the board could likely attract foreign investors to the firm; and Lastly, the board of directors should consist of a mix of both northerners and southerners in Nigeria. This is logical, because an ethnically diverse board would have a lot of synergy and its decisions are expected to have a bearing on all ethnic groups across the country. Also, ethnic diversity helps to create a higher degree of corporate governance and hereby increase the firm value.

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