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Board Diversity and Sustainability Reporting: Examining the Impact of Gender and Nationality in Nigerian Banks

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Abstract

. This study examined the influence of gender board diversity and board nationality on sustainability reporting of banks in Nigeria using listed deposit money banks in the Nigeria Exchange Group from 2012 to 2022. The study employed descriptive and inferential statistics to summarize the data and to draw an inference on the data generated. The results from the panel least squares regression revealed positive but insignificant relationship between gender diversity and sustainability reporting of listed deposit money banks in Nigeria. The result on the relationship between board gender nationality and sustainability reporting revealed that board nationality has a positive and significant relationship with sustainability reporting of listed deposit money banks in Nigeria. The study recommended that banks in Nigeria, specifically listed deposit money banks, should encourage more representation of both female and foreign board directors, in order to improve on the extent of sustainability disclosure in banks in Nigeria.

Keywords: Female board director, Foreign board director, Sustainability disclosure, Content analysis, GRI

Introduction

Over the last few years, there has been an intense debate on the impact of corporate governance on sustainability reporting, with board diversity and sustainability reporting emerging as critical components of this debate. The composition of corporate boards, particularly in terms of gender and nationality, has been adduced to have a high influence on organizational performance, decision-making, and ethical standards (Buallay, 2019). Gender diversity brings different perspectives, problem-solving approaches, and a deeper understanding of market segments, while nationality diversity introduces varied cultural insights and international best practices (García-Sánchez et al., 2019). Together, these elements can enhance the robustness of sustainability strategies, leading to more comprehensive and transparent sustainability reporting.

Sustainability in the banking industry has become a major concern due to the growing recognition that banks are the cornerstone of every economy. The banking sector can be used to attain economic development and address issues like climate change, social inequality, and resource scarcity (Capgemini, 2024). The benefits of integrating sustainability into the banking industry are enormous. For instance. through green financing, banks can offer financial products that support projects that are green (projects that impact the environment positively) (Environmental Programme, 2024). Furthermore, through financial inclusion, financial institutions can provide financial access to rural and marginalized communities. Again, banks promote sustainable development by engaging in community development initiatives and investing in local projects that improve social infrastructure, education, and healthcare. These investments enhance the quality of life and economic prospects in the communities they serve (Trade & Development Bank, 2024). Thus, the study seeks to examine the impact of gender and nationality diversity on sustainability reporting in banks in Nigeria.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Sustainability Reporting

Sustainability reporting has garnered significant attention in recent academic literature. Sustainability reporting is the measurement, disclosure, and accountability of sustainable development goals to both internal and external stakeholders (GRI, 2019). According to Anderson (2023), sustainability reporting encompasses disclosing a company's environmental, social, and governance (ESG) objectives and the strategies to achieve them.

Sustainability reporting can be traced back to the early 1970s, during this period companies began to voluntarily disclose their non-financial impacts to the society and environment due to increase in public awareness of environmental and social issues (Christofi et al., 2012). These early initiatives laid the groundwork for what is now known as sustainability reporting. In the 1980s the concept sustainability reporting was popularized with the publication of the Brundtland Report in 1987 (Enofe & Uwaifo, 2016). In 1997, the Global Reporting Initiative (GRI) was founded with the aim of developing a universally applicable framework for sustainability reporting and in 2000 the GRI released its first sustainability reporting guidelines. In recent years, there has been a shift towards mandatory sustainability reporting, and government all over the world have started introducing regulations that will mandate companies to disclose non-financial information (GRI, 2024).

Gender Diversity

The board of directors plays an important role in companies and they are in charge of making decisions, they design the key policies of businesses, including environmental policies. Therefore, determining the suitable board of director's makeup is critical for the success of any business (Uwaifo & Igbinoba, 2023). Board gender diversity is the degree of representation of women on corporate boards, research suggests that gender-diverse boards are associated with various benefits, including better decision-making, improved financial performance, enhanced innovation, and stronger governance practices (Darmawan, 2024). For instance Fakoya & Nakeng (2019) are of the view that the presence of female in the board room may increase the chances of the board paying attention to issues relating to sustainability. Similarly the presence of female in the board may increase the image of the company in positive light because stakeholder may perceive the company to be socially responsive (Chebbi et al., 2020; Zaid et al., 2019). Also, Galbreath (2018) argue that women directors are more diligent in sourcing and collecting information on economic, environmental and social issues to meet stakeholder's needs in order to improve the performance and reputation of the firm. Hence, we hypothesis that;

Ho_1: Female board members have no significant impact on sustainability reporting

2.3 Foreign Board Diversity

Board members with diverse national backgrounds bring a global perspective to decision-making processes. They may have a deeper understanding of international sustainability issues, regulatory frameworks, and cultural nuances, enabling more comprehensive and contextually relevant sustainability reporting (Aguilera, & Jackson, 2003). Similarly, board with foreign national may have robust networks spanning various industries, regions, and stakeholder groups. These networks can provide valuable insights for sustainability initiatives and reporting. Board nationality diversity can facilitate access to diverse stakeholders, enhancing engagement and collaboration on sustainability issues

(Abdelkader et al., 2023) it has also been argued by Musa et al. (2020) that directors with diverse national backgrounds may be better equipped to identify and manage risks associated with global sustainability challenges, such as climate change, supply chain disruptions, and geopolitical instability.

Directors from different countries may challenge conventional assumptions and encourage thorough disclosure of environmental, social, and governance (ESG) performance metrics, improving the quality and credibility of sustainability reporting (Beji et al., 2020). As a result, it is envisaged that foreign boards will have a favourable impact on corporate social responsibility.

Ho_2: Foreign board members have no significant impact on sustainability reporting

MATERIAL AND METHODS

Methodology

The study adopted the ex-post factor research design the justification for the use of the x-post factor research design is because the event under investigation has past. The study was underpinned on the positivist philosophy because the researchers were independent of the event that is was studied. The population of the study consist of the 13 money deposit banks listed on the Nigeria stock exchange and the entire banks were chosen for the study (census). The study cover the period 2012 to 2022, the justification for ending in year 2022 is due to reporting lag.

Theoretical Framework

This work is anchored on Upper echelon theory developed by Hanbrick and Mason in the year 1984. Upper echelon theory provides a valuable lens for understanding the relationship between board composition and sustainability reporting. Nationality and gender diversity on boards contribute to improved sustainability reporting through enhanced cognitive diversity, ethical standards, and strategic prioritization. The theory posits that the experiences, values, and personalities of top executives (such as CEOs and senior management teams) significantly influence their interpretations of situations and, consequently, their strategic choices Hambrick and Mason (1984)

Model Specification

This study adopted the model of Orumwense and Osa-Izeko (2023)

ENVSDít = f

(BSZ, BGD, BNAT, BIND, CEO DUALITY)

The model for the study is specified in functional form:

SSR = f(GDIV, FBDIV, FSZE) ……………………………………….………..(i)

In econometric form:

$SR_{it} = \beta_{0it} + \beta_1 GDIV_{it} + \beta_2 FBDIV_{it} + \beta_3 FS_{it} + \varepsilon_{it}$ …………....(ii)

Where: SR represent Sustainability reporting; β_0 represent constant; GDIV denotes gender diversity; FBDIN connotes foreign board diversity; FS symbolizes board size $\beta_{1,}$ β_2 β_3 signify coefficient of explanatory variables; ε stands for standard error; i denote companies 1,…13; t represents time 1,…11

Table 1: Operationalization of variable

VARIABLE	MEASUREMENT	SOURCE
Sustainability disclosure	A score of one is assigned to banks that fully disclose information on economic, environmental, and social aspects, while a score of zero indicates partial or no disclosure.	**(Musa et al., (2020**
Female gender diversity	percentage of female directors on the board of directors of a given year	**(Zaid et al., 20)**
Foreign board nationality	Percentage of foreign directors serving on a company's board in a year	**(Beji et al., 2020)**
Firm size	Natural log of total asset	**(Musa et al., (2020**

Source: Researcher's Copulation, 2024

4. Data Presentation, Analysis and Discussion of Findings

Data presentation

In this subsection, the characteristic of the data that is used in the study is presented

Table 2: ***Descriptive Statistics***

Variables	**Mean**	**Min.**	**Max.**	**Std. Dev**
SR	0.3433	0.1960	0.6200	0.1119
GDIV	0.196293	0.000000	0.428571	0.120546
FBDIV	0.145558	0.428571	0.785714	0.224081
FS	10.4720	7.9540	12.8760	1.3139

Source: Researcher's Computation, 2024

Table 2 revealed the attributes of the companies used in the study. From Table 2 the average value of sustainability reporting score was 0.34433, while the highest and lowest score were 0.1960 and 0.62 respectively. The mean score of female and foreign board directors was approximately 20% (female-to-male director ratio) and 15% (foreign-to-local director ratio) respectively. The maximum and minimum value of GDIV is 43% and 12% (female-to-male director ratio) respectively and a correspondingly value of 79% and 22% (foreign-to-local director ratio) for FBDIV. Firm size had mean values of approximately 10, with the highest and the lowest value of 12.89 and 1.3139 respectively.

Preliminary Analysis

To prevent spurious result the following diagnostic test were done

Test of normality

Table 2: presents the result of the normality test

Sample	2012-2022
0bservations	143
Jargue-Bera stats	4.3245
Probability value	0.0642

Source: Researcher's Computation, 2024

The result of the normality test as shown in Table 2 revealed that the data are normally distributed since the p-value (0.0642) is greater than 0.05.

Test for Collinearity

Table 3: ***Correlation Matrix***

	FGD	BN	BSZE	FZSE
FGD	1			
BN	-0.2078	1		
BSZE	0.2944	0.1019	1	
FZSE	0.3818	0.0209	0.0362	1

Source: Researcher's Computation, 2024

Table 3 present the strength of the association among the independent variables. as seen in the matrix, the strength of the relationship between variables measured by the Pearson product-moment correlation showed that the association between the variables is relatively small and were below the threshold of 0.80, suggesting the absence of the problem of multicollinearity in the predictor variables (Studenmund, 2014).

Test for Serial Correlation

The Breusch-Godfrey serial correlation LM test was conducted to ascertain if there is serial correlation in the model and the result of this test is presented in Table 4

Table 4: Serial correlation test

F stat.	0.5647	probability F (2,100)	0.6232
Obs*R-square	1.5810	Prob. Chi-square(2)	0.5684

Source: Researcher's Computation, 2024

From the serial correlation test presented in table 4 we can deduce that there is an absence of serial correlation in the model since the p. value of 0.6232 is greater than 0.05.

Test for Homoscedasticy

To test for homoscedasticity of variance we apply the Breusch-Pagan Godfrey test and the result of the test is presented in table 5

Table 5: Homoscedasticity test

F.statistic	0.407	Prob. F(7,850)	0.1112
Obs*R-square	1.4861	Prob. Chi-square (7)	0.0710
Scaled expla	1.4488	Prob. Chi-square (7)	0.0506

Source: Researcher's Computation, 2024

As indicated in Table 5, the probability value from the Breusch-Pagan Godfrey test is 0.1112, surpassing the threshold of 0.05. Consequently, we infer that the data exhibits homoscedasticity.

4.2. Multivariate Analysis

In this sub-section the result of the panel regression was presented. First we conducted a Hausman test to enable ours to determine whether to estimate the model using the random or fixed effect. The result of the Hausman test revealed that the random effect was more appropriate because the probability value of the Hausman test was (0.9625) which is higher than the threshold of 0.05

Table 6: Panel Least Square

	coefficient	Std error	T stat	Probability
C	0.4438	0.0841	3.6141	0.0003
GDIV	0.0610	0.0572	1.01227	0.2085
FBDIV	0.0675	0.0314	2.1497	0.0433
FS	0.1747	0.0243	12.6158	0.0321

R-Square	0.5062
Adjusted R-Square	0.6821
F stat	24.5532
Prob. (F. Stat)	0.0041
DW	2.01

Source: Researcher Compilation, 2022

Table 6 displayed the outcomes of the analysis conducted. From the table the F-statistic stood at 23.44 with an associated P value of 0.0041 which indicate that the independent variables are jointly significant. Similarly, the adjusted R-square 0.68 indicate that all the independent variables put together account for about 68% changes in the dependent variable.

Regarding the first hypothesis, it was found that female gender diver have a positive relation with sustainability reporting. However this relationship is not statistically significant at 5% confidence interval because the p.value is higher than 0.05). this finding is in agreement with the study of Adeniyi and Fadipe (2018), Ozordi et al. (2020) and negate the findings of Zaid et al. (2019), Amidjaya et al. (2023). The variable board nationality have a significant relationship with sustainability reporting and the finding is in consonant with the study of Zaid et al. (2019), Odum (2023) but in contrast with the study of Musa et al. (2020), Anazonwu et al. (2018). Finally the control variable revealed a positive and significant relationship with sustainability reporting.

Conclusion and Recommendations

The overarching aim of this research was to explore the relationship between female board diversity and foreign board nationality on sustainability reporting in Nigeria. Both descriptive and inferential statistics were employed to analysed the data generated. The result from the inferential statistics revealed that the presence of female directors in the board have no significant influence on sustainability reporting while board nationality have a singnificant influence on sustainability reporting. Consequently, the study recommendation that Banks should enhance their policies regarding diversity, particularly in terms of gender and nationality representation in board.

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