The Impact of Gender Diversity On Boards Composition On the Corporate Environmental Disclosure in Nigerian Listed Firms

1* Mike Soomiyol, 2Mohammad Syahir bn Abdul Wahab, 3Mod. Amir Mat Samsudin
2Lecturer, Department of Accounting, Universiti Utara Malaysia
3Lecturer, Department of Accounting, Universiti Utara Malaysia

Abstract

Objective: The main objective of this paper is to ascertain the level of influence of gender diversity on board’s composition on corporate environmental disclosure in Nigeria. The environmental disclosure level by Nigerian firms is still low, which has prompted concern from various stakeholders on the natural conditions of the environment which has also necessitated this research.

Methodology: This research work adopts the qualitative approach using data from the annual reports of the sampled firms listed on the Nigerian stock exchange. The theoretical framework will be supported by the stakeholders theory, agency theory and social role theory. The data will be analyzed using descriptive, correlation and multiple regressions. The estimation results would be evaluated based on individual statistical significance test (t-test) and overall statistical significance test (F-test). The goodness of fit of the model would be tested using the coefficient of determination (R-squared).

Results: The hypotheses is expected to be supported by the data to be collected. Based on previous reviewed related literatures, it is expected that gender diversity will enhance the level of environmental disclosures.

Implication: This paper presents a conceptual framework to determine the level of influence by gender diversity on corporate environmental disclosure among Nigerian companies listed on the Nigerian stock exchange. The study is expected to facilitate the promulgation of Nigerian stock exchange sustainability guidelines for disclosure among Nigerian companies. Secondly, the study will promote heterogeneous board’s composition to leverage on the diverse set of skills from diverse board members.

Key words: gender diversity, audit committee, board characteristics, corporate governance, and corporate environmental disclosure.

Introduction

Corporate governance has a significant impact on the economy, as it ensures returns to investors by minimising associated investment risks and, hence, contributes to firm’s performance (Shleifer & Vishny, 1997). Boards of directors play a fundamental role in strengthening corporate governance by accomplishing the important roles of monitoring and advising on the provision of scarce resources (Tricker, 2012; Ntim, 2015).

One of the foremost responsibility of a company’s board of directors is to oversee the decisions and actions taken by the company’s management (Rupley et al., 2012). The board of directors is
the highest influential decision making body in a company (Leung, 2015). Other responsibilities of the board includes taking financial and strategic decisions, approving mergers and acquisition, and the appointment of top executives (Ferreira, 2011). Based on prior related literatures, the four main functions of a board includes; providing information and counsel to managers, monitoring and controlling managers, linking the corporation to the external environment and monitoring compliance within applicable laws and regulations (Mallin, 2004; Monks & Minow, 2004).

This study examines the impact of gender diversity on the disclosure practices of companies listed on the Nigerian stock exchange (NSE). Gender diversity can be defined as the extent to which a group or a firm is heterogeneous with respect to the gender of its members. In recent times, the issue of gender diversity especially gender diversity on boards of companies has become increasingly important (O'Rourke, 2003; Sangle, 2010). Several other studies have also been conducted to examine the effects of gender diversity on firms’ disclosure practices (Tiessen, 2004; Muzio & Tomlinson, 2012; Bendl & Schmidt, 2013; Ben-Amar et al., 2015; Shaukat et al., 2015).

In spite of several prior research, the impact of gender diversity on board’s disclosure practices remains unclear. Some studies have shown positive correlation between board diversity and environmental disclosure (Michelon & Parbonetti, 2012; Post et al., 2011; Rao et al., 2012; Rupley et al, 2012). While other studies disclosed a negative correlation between board diversity and corporate environmental practices (Marshal, 2011; Liao et al., 2014; Ben-Amar et al., 2015). Despite the government’s commitment to gender equality in Nigeria, the practical solution is characterised with cultural prejudices, discriminatory traditions and religious beliefs (Lincoln & Adedoyin, 2012). The traditional African cultural perspective which places the male folks over the female is one of the crucial factors militating against female participation in top managerial positions (Sener & Karaye, 2014). The practice in Nigeria as is common in most other African countries, the male dominates, thus women are mostly under-represented in top management roles because of the socio-cultural traditional practices which inhibits them (Lincoln & Adedoyin, 2012).

With the growing importance of environmental disclosure around the globe, capital markets around the world are now incorporating environmental, social and governance data in their business evaluation models (Eccles et al., 2011; Ioannou & Serafin, 2015). The NSE introduced a phased project to harmonize sustainability reporting among its listed companies. This gave birth to the Sustainability Disclosure Guidelines (SDG) which includes social, environmental and governance issues. However, the level of corporate governance in Nigeria is still at its embryonic stage.

**Board Gender Diversity in Nigeria**

After the United Nations declaration of the International Women’s Year in 1975, gender equality started to gain attention in Nigeria (Fakeye, George, and Owoyemi, 2012). Until of recent, the Nigerian corporate boards have been mainly a ‘boys club’. Actions have been in place to eliminate glass ceiling in workplace for Nigerian women, one of the strong action was the equality law of the provision of section 17 of the 1999 constitution. Another strong
effort was the establishment of National Gender Policy in 2006 and the Strategic Implementation Framework for the policy in 2008, this policy call for at least 35% female representation in both appointments and elective positions (Fakeye et al, 2012). In-spite of the Nigerian government open commitment to gender equality, the practical situation is characterized with discriminatory traditions and cultural prejudices (Lincoln and Adedoyin, 2012). Nigeria is ranked 120 out of 135 countries in the 2011 Global Gender Gap Index, and 79 out of 86 in the 2012 (Social Institutions and Gender Index). The Nigerian attitude towards women can be seen as a traditional African attitude which saps women’s initiation in Nigeria (Lincoln and Adedoyin, 2012). Nigerian organizations are dominated by males, few females progress to high positions and when they successfully reach the positions of directors and senior managers, they are discriminated against, marginalized and they are regarded as female representative for the sake of gender regulations not for their skills, knowledge and ability to significantly contribute to the prosperity of the organizations (Fakeye et al, 2012). It was stated that women in Nigeria have to work harder and sacrifice a lot more than their male counterpart in other for them to successfully gain top management positions or to be appointed as board members (Fakeye et al 2012; Geddes, 2009; O’Connor, 2005). With this negative attitude toward gender equality in Nigeria, the female representation in the board of Nigerian listed companies is slightly different, in that, in the last decade, there is more female representation in the boards of the companies than the ratio of female top management staff. Although the countries that have more gender diverse boards, have the tendency of having more female in top management positions (Terjenen et al 2009; Lincoln, and Adedoyin, 2012). In Nigeria culture plays a crucial role in limiting the representation of women in boards and top management, for example the culture of ‘man is best suited for leadership than woman’ is one of the factor that hinder gender balance in the top positions in corporations. In recent years, the significance of board gender diversity in Nigeria is gradually becoming visible and obvious. Committee on Corporate Governance of Public Companies in Nigeria (2003) identifies the boards of companies as the key mechanism of implementing corporate governance in Nigerian corporations (Paul et al, 2011). However, in its effort to mitigate these gender imbalance, the Central Bank of Nigeria (CBN) has join the league of imposing mandatory quotas target, through the Banker’s Committee, the target is to increase female representation in the boards of companies to 30% by 2014 and increase in female representation to 40% in top management positions. This helps in boosting the female board representation in Nigeria. In 2012, it was reported from the Statistics of the CBN that female representation in board was 15% and in top management it was 27% (Lincoln, and Adedoyin, 2012).

**Literature Review**

The study aims to provide insights to answering the following central question: does gender diversity on board characteristics have an impact on the environmental disclosure practices of Nigerian firms? To answer this question, the study applies the mixed method approach to investigate the impact of the following board aspects, namely board size, audit committee,
gender diversity. These aspects are believed to be essential as the board of directors plays a major role in enhancing sound corporate governance of listed firms (Ujunwa, 2012).

**Board size**

Stakeholder theory favours a large board, as it can improve connections between a firm and its external environment (Pfeffer & Salancik, 2003; Guest, 2009; Tricker, 2012; Lückerath-Rovers, 2013). However, from a decision-making perspective, smaller boards are suggested as they can enhance effective decision-making (Yermack, 1996). There has been some empirical evidence, which supports the argument that an increase in board size with a higher proportion of female directors has a positive impact on firm’s disclosure practices (Kyeroboah-Coleman & Biekpe, 2006; Jackling & Johl, 2009). However, other studies found that there is a negative relationship between board size and firm’s disclosure practices (Afrifa & Tauringana, 2015; Arora & Sharma, 2016; Malik & Makhdoom, 2016). Studies by Ferrer and Banderlippe (2012) and Garba and Abubakar (2014), did not find any relationship between board size and firm’s disclosure practices. The SEC guidelines (2005) recommend that boards should provide wider expertise and skills to improve their effectiveness.

**Audit committees**

Gender diversity enhances disclosure through better control of managers which increases transparency and promotes effective board communication with various stakeholders. Srinidhi et al., (2011) established that gender diversity on board is positively related to audit quality and disclosure. They discovered in their study that female directors on the audit committee promotes the companies reporting integrity and investors confidence in corporate disclosure. Sun et al., (2011) on the other hand found no impact of female representation on audit committees. Liao et al., (2014) discovered that gender diversity on the board is positively associated with non-financial and financial information disclosures. Implying that companies with a higher proportion of gender diversity on board are more likely to disclose non-financial issues such as environmental matters. Sartawi et al., (2014) provided further evidence that gender diversity is one of the attributes positively influencing the voluntary disclosures in corporate annual reports. Similarly, Barako and Brown (2008) reported that a higher female representation on board significantly enhances corporate disclosure. Thankon et al., (2015) in a recent study, examined the impact of female directors and corporate disclosures in the UK. They discovered that firms with a higher number of female and independent female directors tend to disclose more than those with a lower number of female directors.

**Board Gender diversity**

There is a general assumption prevailed in the academic and policy circles that the gender structuring of the corporate boards will bring alternate views and transparency in the corporate decision-making process. Prior literatures have documented the difference between male and female in terms of personality, communication style, decision making, risk taking, leadership, expertise and general performance in business (Johnson & Powell, 1994; Peterson & Philpot, 2007; Dowling & Aribi, 2013) which indicates that women present an alternative perspective.
which requires attention in all areas of corporate governance. The extent to which the difference between females and males might apply to the decisions on corporate disclosure has largely been resolved as an empirical question. Coffey and Wang (1998) found that women directors are less self-interest oriented which improves the decision-making process and enhances board effectiveness. Post et al. (2011) argued that gender diversity on the board of directors improves the chances that different types of knowledge, ideas and perspectives will be considered in the decision-making process. Women bring different viewpoints to the boardroom which facilitate informed decisions (Daily et al., 2000; Rose, 2007) with an increasing transparency in decision making.

Gender diversity on board improves disclosure quality through better control of the managers and promotes active board communication to investors. Liao et al. (2014) provided evidence that gender diversity on the board is positively associated with information disclosure. Implying that companies with a higher proportion of gender diversity of the board are more likely to disclose more information, the findings of Gibbins et al. (1990), Nalikka (2009) and Sartawi et al. (2014) provided further evidence that gender diversity is one of the attributes influencing positively the voluntary information disclosures in annual reports. In the same vein, Barako and Brown (2008) reported that a higher level of female representation directors significantly enhance corporate disclosure. With a greater number of female directors enhancing corporate disclosure, a firm would most likely appear more ethical and demonstrate a good corporate image (Landry et al., 2016).

There is mixed empirical evidence on the female directors’ impact on firm disclosure practices. For example, Mahadeo et al. (2012), Lückerath-Rovers (2013), Ntim (2015) and Abdullah et al. (2016) found a positive relationship between the proportion of women on boards and firms disclosure practices. In Nigeria, Fodio and Oba (2012) examined the extent to which gender mix of the board influences environmental disclosures. The sample comprised 16 firms for the period 2005-2007. Using content analysis to develop a score for the environmental disclosure, the study discovered that board gender impacts on the extent of environmental disclosure. However, Ahern and Dittmar (2012) found a negative relationship, and Marimuthu and Kolandaisamy (2009) did not find any link between the ratio of women on boards and firms disclosure practices.

RESEARCH METHOD

The study adopts the quantitative approach. The data for the relevant years will be obtained from the annual reports of the respective firms and Nigerian Stock Exchange fact books. The study will focus on all firms listed on the first tier market of the exchange. This tier is selected because companies there are assumed to be the biggest in terms of size and environmental disclosures has been found to be associated with size (Galani, Gravas, & Stavropoulos, 2011; Gray, Kouhy, & Lavers, 1995). The population of the study will comprise 172 firms quoted on the stock exchange as at 2016 (NSE Fact book, 2016). The sample size will comprise 118 firms based on the generalized scientific guideline for sample size decisions (Krejcie & Morgan, 1970). The unit of
analysis will be the firm. Furthermore, the data will be analyzed using descriptive, correlation and multiple regressions. The estimation results would be evaluated based on individual statistical significance test (t-test) and overall statistical significance test (F-test). The goodness of fit of the model would be tested using the coefficient of determination (R-squared).

**Research Framework**

The need for companies to ensure optimum environmental performance and environmental disclosures has been advocated. Therefore, there is need to identify factors that influence these disclosures. This study finds the stakeholder, legitimacy, agency and social role theory as appropriate conceptual linkages in the decision to be environmentally responsible especially in a developing country like Nigeria where the development of well-established and enforceable environmental protection policies that addresses environmental related issues seems a mirage. The legitimacy theory posits that organizations should act in order to ensure that they operate within the norms and bonds set by the society (Deegan, 2011). Therefore, according to this theory, voluntary disclosures are provided to meet the expectations of the society and to continue to legitimize the actions of the organization.

Further, based on agency theory from a number of prior studies (Ajibolade & Uwalomwa, 2013; Akhtaruddin et al., 2009; Fama & Jensen, 1983; Jensen & Meckling, 1976) suggest that governance mechanisms such as the board of directors are important considerations to solve the agency problem that results from the separation of ownership from control. This study suggests that the board of directors can monitor management and enforce better environmental disclosure practices. Lastly, the social role theory asserts that male and female act differently in line with their stereotypes and beliefs associated with the roles they play in the organization (Eagly, 1987). These beliefs act as social norms and account for some of the factors influencing the way the firm is been managed. Particular reference to the women folks, prior studies on gender across the globe have associated the female folks with traits such as caring, empathy, affection and promoting values in relationships beneficial to the community (Eagly & Karau, 1991; Fondas, 1997; Fox, Gibbs & Auerbach 1985). The research frame work is therefore shown in Figure 1 below.

![Figure 1: Research Framework](image-url)

**Conclusion**
The motive of this research is to examine whether gender diversity has any impact on environmental disclosure practices of firms listed on the NSE from a conceptual point of view. Based on the review of several related literatures, it can be deduced that gender diversity significantly impacts on the disclosure practices of Nigerian companies. In this light, the research recommends that gender diversity on boards can help to improve firms’ environmental policy. This finding leads to several useful conclusions. First, for publicly listed firms, increasing gender diversity may lead to better firms’ environmental policy. As mentioned above, this beneficial effect may be attributed to several factors, including the increased sense of cooperate social responsibility at the firm level and women directors’ personal characters. Accordingly, to improve firms’ environmental policy or environmental protection in the future, the stakeholders of publicly listed firms, including major shareholders and relevant government agencies, may make greater efforts to increase gender diversity on boards. Second, when studying the effect of gender diversity on boards, it is more appropriate to take into account some relevant contextual variables, such as certain industry characters under which firms are operating. Future studies could try to identify more such contextual factors that may moderate the relationship between gender diversity and the firms’ environmental policy. The findings from such research should enrich the literature of business strategy, business ethics and demographic diversity in organizations. Finally, for training or educating practitioners or managers inside a given firm, the findings from our current study will be useful in terms of helping to understand the relationship between gender diversity and firms’ environmental policy. With the knowledge of this beneficial effect of gender diversity on boards, male firm managers may consider the views or opinions of their female counterparts more carefully and become more cooperative with their female counterparts at work. This should also help in improving firms’ environmental policy as well as in fulfilling corporate social responsibility as a whole.

REFERENCES


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