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ABSTRACT

Capital structure decision is important because it influences the performance of firms. Researchers posit that the new diverse boards are critical in exercising strategic control, tougher monitoring and financial decision making. The purpose of the study is to examine the effect of age diversity of board of directors on firm's capital structure among listed firms in Nairobi Securities Exchange. The study adopted longitudinal design. The study utilized census technique for 34 firms that are listed on the Nairobi Security Exchange (NSE) consistently for 8-year period, 2004–2012, hence giving 272 years of observations. This study utilized secondary data. Documentary guide was used to collect data. Data was analyzed using both descriptive statistical method which included mean, standard deviation and inferential statistics to test linear relationship between variables and multiple regression to test hypothesis. The study found that age (β1= 0.362, p<0.05) has a positive and significant effect on firm's capital structure. The study concluded that board diversity was an important determinant of capital structure. Therefore, there was need to diversify the board of directors in terms of ethnicity and nationality so as to effectively monitor management from adopting excessive leverage. In order to add valuable and diverse expertise that domestic members do not possess, there was need to enhance national diversity.

Key Words: *Board Diversity, Strategic Management*

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INTRODUCTION

One of the important decisions made by board of directors is capital structure. Capital structure has long been linked to the firm's profitability and performance (Abor, 2005; Arbiyan and Safari, 2009; Chakraborty, 2010). According to Tarus and Ayabei (2014) board of directors have different characteristics such as board diversity which contribute to firms' corporate governance mechanism, with some characteristics providing more controlling mechanism than others. Therefore, it is crucial to examine whether having a diverse board would enhance or reduce the leverage of firms. Researchers agree that diverse boards are critical in exercising strategic control, tougher monitoring and financial decision making such as capital structure in firms (Gulamhussen and Santa, 2011). From agency perspective, boards monitor the management particularly in decision making, critical managerial decision making that require constant monitoring is capital structure decisions. It is argued that diversity is better for decision making particularly from a resource dependency perspective (Hillman et al., 2007). The successful selection and use of capital is one of the key elements of the firms' financial strategy (Velnampy & AloyNiresh, 2012). The existence of a well-developed board diversity assist in the management of debt (kajananthan, 2013).

Diversity has also been a topic of conversation in the public discourse for decades in industrial countries. Over time, laws have been changed to include diversity and many firms have also adjusted their policies to include this subject (Dagsson, 2011). Adams and Ferreira (2009) argue that having a diverse board may appear legitimate in the views of the public, the media, and the government. However, there are potential costs of board diversity such as lack of communication, pursuing distinct personal agendas, and conflicts of interests among directors (Ferreira 2010). Excessive diversity has been found to be negatively related to capital structure because of conflicts and communication breakdowns (Murphy and McIntyre, 2007). Board diversity may cause lenders to have faith in internal governance mechanisms and thus reduce borrowing costs. Carter et al., (2002) argued that board diversity contributes to creating shareholder value, promoted better understanding of the marketplace, led to the evaluation of more alternatives and more careful exploration of the consequences of these alternatives. Diversity also promotes more effective global relationships. Fields et al., (2010) asserted that firms with more diverse boards are less likely to have collateral requirements on their loans and those that also have greater board diversity and better director compensation are less likely to have financial ratio restrictions, even after adjusting for the influences of firm size and the financial characteristics of the borrower.

Previous studies suggested a link between board diversity and improved firm valuations; an extension would suggest a similar link to bank loans (Erhardt et al., 2003; Carter et al.,2003). However, Booth et al., (2001) and Bas et al., (2008) argued that knowledge about capital structure has mostly been derived from data in developed economies that have many institutional similarities. There are differences in social and cultural issues and in the levels of economic development thus the need to examine differently the board diversity and capital structure for firms in developing economies. According to Bulent et al., (2013) most studies have given attention on the developed countries, such as United States, leaving a gap in the existing literature on the board diversity and capital structure in emerging economies such as Kenya. As such this study attempted to determine the effect of board diversity on capital structure.

Statement of the Problem

Capital structure decisions are critical for a firms' success. Capital structure entails mix of both equity and debt in financing firms operations (Pahuja and Sahi, 2012). The decisions on structuring the mix of financing is largely a management responsibility, however with increasing cases of agency problems

(Bebchuk, 2004), boards of directors act as monitors in such decisions. Indeed, board of directors approve and ratify management decisions which includes capital structure decisions (Gulamhussen and Santa, 2011) and so the role of board in the decision of the capital structure cannot be ignored. Corporate failure among companies in Kenya has often been associated with the financing behavior of the firms. Momentous efforts to revive the ailing and liquidating companies have focused on financial restructuring. A great dilemma for management and investors alike is whether there exists an optimal capital structure and how various capital structure decisions, both short-term and long-term, influence business performance (Mwangi, Makau and Kosimbei, 2014).

Corporate governance literature has placed a lot of emphasis on the value of board diversity in corporate decision making. Some scholars such as (Carter et al., 2003; Carter et al., 2002; Adams and Ferreira, 2009; Hillman et al., 2007) argued that diverse boards bring in wealth of skills and experience as well as networks in decision making. Empirical evidence by Boone et al., (2007), Coles et al., (2008), and Linck et al., (2008) find that board structure and capital structure are related. Over the last decade, many authors have investigated the relationship between board composition and firm performance (Kiel and Nicholson, 2003; Van Ees et al., 2003; Uadiale, 2010), but the effect of diverse boards on capital structure is barely considered. In addition, recent diversity studies have focused on board diversity with interesting but mixed results (Dagsson, 2011). In Kenya for example, scanty literature can be found on relationship between gender diversity and firm performance with exception of Barako & Brown (2008). Barako & Brown (2008) established that board diversity in Kenya's banking industry leads to improved corporate social reporting. This study however, focused on the relationship between gender diversity and capital structure in Kenya.

But with the new constitution in place in Kenya, majority of women are likely to participate actively in various activities including business management. This study may have been timely to establish what effect board diversity have on capital structure with specific focus on the listed firms. Based on the above discussion, the current study assessed the effect of board diversity (age diversity, gender diversity, ethnic diversity and national diversity).

LITERATURE LIVIEW

Effect of Board of Directors' Age Diversity on Capital Structure

A field study was conducted by Wegge et al., (2008) and find that age heterogeneity improved the ability of directors to solve tasks with high complexity such as issues of debt and equity financing. For groups working on simple tasks, however, age heterogeneity increased the number of self-reported health problems - which in turn indicates that board of diverse ages should be utilized particularly for innovation or solving complex problems.

Vafeas (2003) found research suggesting that long-term director engagement was associated with greater competence, experience and commitment, because long-term directors have more knowledge of the firm and its business environment and that helped a firm to adopt the best governance structures in their transactions with potential suppliers of funds. By expanding the age diversity on the board of directors, Debt policy and equity ownership ideas are maximized.

Age diversity has the potential to enhance board performance, because directors of different ages will, to some extent, have different backgrounds, skills, experiences and social networks. Several examples of the benefits of a more age diverse board of directors come to the authors' minds. For example, different age groups have varied access to information and expertise about capital structure of a firm (Dagsson et al., 2010). Today's younger generations have grown up with computers and Internet at home, and may be better informed and more experienced on the subject of online business

and better ideas on debt and equity financing. The older generation may, however, be more experienced dealing with the business offline, as they have greater experience in this field through their career. Today more and more businesses have both online and offline services, so experience of both types of business is of importance to many firms. Carter et al., (2010) stated clearly when they argued that "diversity holds the potential to improve the information provided by the board to managers due to the unique information held by diverse directors.''

The only empirical study of the relationship between age diversity on the board of directors and firm capital structure is McIntyre et al., (2007). Their review of relevant literature on the role and function of the board particularly notes the increasing use of organizational behavior theory to predict board function and improve board processes. From this they argued that governance research should concentrate on creating and testing a theoretically sound model of Board effectiveness, rather than trying to relate team attribute variables to firm performance and capital structure. McIntyre et al., (2007) hypothesized that a firm's capital structure management will be lower in the case of low or high variation in the ages of directors than in the case of moderate variation, and that better management will also increase with the average age of directors.

METHODOLOGY

This study adopted longitudinal design. The researcher did not visit individual firms under study to administer any questioner but instead used secondary data from the Nairobi Securities Exchange handbook, published financial statements for the firms under study. The design was best for ascertaining the effects of board diversity on capital structure among listed firms at Nairobi Securities exchange in Kenya and it allowed for the use of secondary data through documentary guide analysis to facilitate data collection in the listed firms. The target population of this study was the published financial statements of the listed firms in Kenya, there are 34 listed firms in the NSE being firms which have shown consistency in the market during the period 2004-2012 giving a total of 272 firm year observations therefore the target population above was chosen since it provided research information in respect to the study. The study sampled all firms that had been listed on the Nairobi Securities Exchange (NSE) during the eight-year period, 2004–2012. Thirty-four firms qualified to be included in the study sample. The sample was selected from the firms which had been listed consistently for 8 years**.**

This study utilized secondary data which was obtained through hand book, magazine articles, sales analysis summaries and investor annual reports, for the researcher to get systematic information it used a designed documentary analysis guide. This guide was used to find out the information concerning board diversity age, gender, ethnic and national. The study utilized quantitative technique to analyze data; Quantitative data was analyzed using descriptive statistical method, the statistical tools such as frequency distribution, measures of central tendency and dispersal such as mean and standard deviation was used. The data collected was analyzed using multiple regressions and correlation analysis, the significance of each independent variable was tested at a confidence level of 95%. The regression equation of the form below was applied.

$$y_{it} = \alpha_{it} + \beta_1 x_{1it} + \varepsilon_{it}$$

Where, Y =capital structure of the firm measured by ratio of debt to equity, which was the dependent variable.

α = Constant

$\beta_1 \ldots \beta_4$=the slope which represented the degree in which capital structure of the firm changes as the independent variable change by one unit variables.

X_1= age diversity; ε = error term; i = measure of firms; t= measure of time.

FINDINGS

Descriptive statistics

The findings in Table 1 presented capital structure in all the sectors. The results in table 1 revealed that all sectors had an average of 53 years of operation. Gender diversity mean ratio was 12.2045, ethnic diversity (mean = 26.0389) and national diversity was evidenced by a mean ratio of 35.8739.The average board size for firms in NSE is 9 members with 54% of them being independent directors (mean = 0.5412). The average ratio for firm size among all listed firms in NSE was 6.5566 and CEO tenure was 2 years (mean = 2.7108) with 14% CEO duality.

Table 1: Descriptive Statistics for all Sectors

	Mean	Std. Deviation	Skewness	Kurtosis	Minimum	Maximum
Age	53.997	6.27248	-0.067	-0.497	40.18	69.27
Gender	12.2045	12.0455	0.926	0.26	0	48.2
Ethnic	26.0389	17.04075	0.215	-0.345	0	81
National	35.8739	30.23173	0.382	-0.883	0	128.33
Board Size	9.2587	2.8598	-0.102	-0.582	3	16
CEO Duality	0.1439	0.35156	2.04	2.178	0	1
Firm Size	6.5566	1.25838	-1.426	4.17	0	8.89
CEO Tenure	2.7108	0.93681	0.221	0.987	1	6
Board Independence	0.5412	0.55379	1.494	3.685	0	2.8
Capital Structure	1.7331	4.86528	3.715	12.696	0	26.91

Correlation Results

Correlation analysis is a technique of assessing the relationship between all variables: age, gender, ethnic, national diversity, industry, board size, CEO duality, firm size, CEO tenure and capital structure. Thus, the study analyzed the relationships that are inherent among the independent and dependent variables. The results were summarized and presented in Table 2.

From the results, the most significant relationship existed between gender and capital structure with a correlation coefficient value of 0.472 (significant at $\alpha = 0.01$) which indicates that gender contributes up to 47.2% of the change in capital structure. Eckel and Grossman (2002) found that on average women are consistently more risk-averse than men. Besides, the authors also concluded that both men and women overestimated the risk aversion of others especially that of women. The possible explanation is that when women are in the board they have negative attitude towards risk similar to those of men as they have overcome their risk-aversion in ascending the carrier ladder. Also, age was shown to contribute 31% of the change in capital structure as indicated by the correlation coefficient value of 0.310 which is significant at $\alpha = 0.01$. This means that the older the CEO's are, the more conservative they become and consequently the less they borrow.

Ethnic diversity was negatively correlated to capital structure as indicated by correlation coefficient value of -0.140 indicating that ethnic diversity was a significant factor contributing 14% negative relationship with capital structure. Further, national diversity was also negatively correlated to capital structure as evidenced by correlation coefficient value of -0.184 (significant at $\alpha = 0.01$) an indication of 18.4% negative relationship with capital structure. Industry type was also shown to be negatively correlated to capital structure as shown with a correlation coefficient value of -0.139 which indicates that the industry type accounts for 13.9% negative change in the capital structure (significant at $\alpha = 0.05$).

Firm size was also negatively correlated to capital structure as shown by correlation coefficient value of - 0.136.Thus, there is 13.6% negative relationship with capital structure (significant at $\alpha = 0.05$).

Furthermore, the correlation showed that 39.1% of the change in capital structure was significantly accounted for by CEO tenure as shown by correlation coefficient value of 0.391 (significant at α = 0.01). However, CEO duality, board independence and board size had no significant relationship with capital structure.

Table 2: Correlation Results

	CS	AG	GRD	ETH	NTL	BS	CD	FZ	CT	BI	I
CS	1										
AG	.310**	1									
GRD	.472**	-.154*	1								
ETH	-.140*	-0.028	-0.007	1							
NTL	-.184**	0.056	-.169**	-0.093	1						
BS	-0.098	0.067	0.032	0.061	-.201**	1					
CD	-0.105	0.017	-.187**	-0.046	0.04	-.399**	1				
FZ	-.136*	-0.063	-0.038	0.036	-0.004	.121*	-0.054	1			
CT	.391**	.173**	.140*	-0.073	-0.076	0.008	-0.033	-0.003	1		
BI	-0.034	0.048	-0.097	.174**	.283**	-.250**	0.063	0.018	0.019	1	
I	-.139*	-.146*	-.163**	-0.045	-.158**	.301**	-.148*	0.097	-0.022	-.131*	1

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Key:

CS = *Capital structure*
AG = *Age*
GRD = *gender*
ETH = *Ethnic*
NTL = *National*
BS = *board size*
CD = *CEO duality*
FZ = *Firm size*
CT = *CEO tenure*
BI = *Board independence*
I = *industry*

Hypothesis Testing

The results showed that age has a positive and significant effect on capital structure (β_1= 0.362, $\rho<0.05$) thus the hypothesis was rejected. This implied that, an increase in age increases capital structure; the t-value was 7.781 which showed that CEO age contributed over 7 times the amount of variation contributed by the error due to it.

SUMMARY

The study was carried out todetermine the effect of Board Diversity on Capital Structure among Listed firms in Nairobi Securities Exchange, Kenya. The study adopted an explanatory design.The study was guided by research objectives. The study utilized secondary data which was obtained through hand book, magazine articles, sales analysis summaries and investor annual reports. Further, the study made inference on the hypothesis that; age diversity, gender diversity, ethnic diversity and national diversity of board of directors have no significant effect on firm's capital structure.

Hypothesis 1 stated that age diversity of board of directors has no significant effect on firm's capital structure. Nonetheless, research findings showed that age diversity has a significant effect on firm's capital structure (β_1= 0.362, ρ<0.05). In line with the findings, Wegge *et al.,* (2008) found that age heterogeneity improved the ability of directors to solve complex issues such as those of debt and equity financing. Specifically, age diversity of board directors should be utilized for innovation or solving complex problems. Furthermore, once age diversity of the board of directors is expanded, debt policy and equity ownership ideas are maximized. Similarly, Vafeas (2003) opined that long-term director engagement is associated with greater competence, experience and commitment since long term directors have more knowledge of the firm and the business environment thus they helped a firm to adopt best business practices and governance structures in their transactions with potential investors. In the same way, age diversity has the potential to enhance board performance because directors of different ages will, to some extent, have different backgrounds, skills, experiences and social networks. Cognate to the results, Dagsson *et al,* (2010) argued that different age groups gave varied access to information and expertise about capital structure of a firm. In the same way, Carter *et al.,* (2010) stated that diversity has the potential to improve the information provided by the board to managers due the uniqueness of information held by diverse directors. As a result, both the younger and older generations need to be involved since they play key roles in enhancing firm's capital structure. According to McIntyre *et al.,* (2007) a firm's capital structure is lower in case of low or high variation in the ages of directors than in the case of moderate variation. As a result better management will increase with the average age of directors.

Similarly, the findings are opposed to hypothesis 4 that holds that gender has no effect on capital structure (β_2= 0.454, ρ<0.05).Thus, having gender diversity will lead to a higher capital structure. According to ILO, (2007), the participation of women has been on a rising trend since the 1980s though the growth has not been commensurate with the improvement in quality of employment and capital structure debt and equity financing.Thus, having gender diversity led to a lower capital structure.

Contrary to the results,Curdova, (2005) echoed that in many European countries, the participation of women in the labor market is lower compared to men, which has improved capital structure since women were likely to be turned down for a loan by banks. In reference to Kenya, the boards are overwhelmingly male dominated and this has improved debt and equity financing due to the idea that women were likely to be turned down for loan and most fear to use equity as way of financing due to lack of past experience(Business daily, 2010).This is due to the fact that old members of the board introduce their own friends to be board members before they retire hence the corporate scene becomes male dominated due to inadequacy of the nominating committees as stipulated by CMA.As a result, women lack experience of how to finance a company (Ibid, 2010).

According to the results in the study, Orser *et al.,* (2000) concluded that women were more concerned about access to capital than with any other business problem leading to an improvement in the financing (Grosvold *et al.,* 2007).Further, Robinson & Dechant (1997) argued that firms that

are diverse in the board rooms tend to outperform those that are less diverse because of broad ideas on firm's capital structure. On the same note, Ibid, (1997) argued that gender diversity led to creativity and innovation hence bringing about changes in firm performance. Similarly, Carter *et al.,* (2003) posited that gender diversity enhanced the board's ability to monitor management. Therefore, increasing the number of female directors' increased board independence and better ways of financing a firm since women tend to ask questions more than male do.

Further support to the study was provided by Smith *et al.,* (2006) who posited that board gender diversity enhanced problem solving hence more alternatives are evaluated in the debt and equity financing process. Also, Throsvold *et al.,* (2007) stipulated that in western economies, board gender diversity is desired by customers, employees and other stakeholders since it demonstrated the sensitivity of management to stakeholder preferences, better capital structure, aspirations and concerns. Moreover, Erhardt *et al.,* (2003) reported that a board that is diverse is likely to have positive impact on its capital structure performance. From the foregoing, it is evident that gender diversity has a mixed effect on the capital structure though greater gender diversity may negatively affect capital structure of the firm if women directors were appointed as tokens rather than due to their competency.

The findings provided evidence to suggest that ethnic diversity of board directors negatively affect capital structure (β_3= -0.188, ρ<0.05).Previous investigation by Carter *et al.,* (2003) revealed a positive significant effect between ethnic diversity and firm's capital structure. Consequently, the presence of both women and ethnic minority directors is an added advantage to a firm and in the long run it enhanced capital structure. Similarly, ethnic diversity improved capital structure in that it offers a broad range of skills and knowledge that leads to complementaries and mutual learning leading to enhanced creativity and innovation(Alesina and La Ferrara, 2005; Lee and Nathan, 2011; Ozgen *et al.,* 2011b).Nonetheless, costs associated with more ethnic diversity would be related to more difficult communication and coordination (Lazear, 1999; Morgan and Vardy, 2009).Contrary to the results, Watson, Kumar and Michealson (1993) reported that a homogeneous board is better in the short-term, while a heterogeneous board is better in the long-term in achieving corporate goals. Even so, to Pelled, Eisenhardt and Xin (1999) a heterogeneous board resulted in emotional conflict that ultimately hindered firm's capital structure. From the foregoing, ethnic diversity of board directors not only affected performance but firm performance may also affect diversity. Further, previous research has established that ethnic diversity can both be advantageous and disadvantageous to a firm's capital infrastructure. Specifically, it is of benefit to capital structure since it offered a wide array of skills and experience to the board and disadvantageous since it is associated with emotional conflict and difficulty in communication and coordination.

The findings showed that national diversity of board of directors has a negative and significant effect on a firm's capital structure (β_4 = -0.246, ρ<0.05). Contrary to study findings, Lee and Farh, (2004) argued that inclusion of foreigners in the board availed a large stock of qualified candidates who added valuable and diverse expertise which domestic members did not possess hence impacted positively on firm's capital structure. In a similar vein, Oxelheim and Randoy, (2001) opined that foreign board members can also help assure foreign minority investors that the firm is managed professionally in their best interests. However, foreign board members may be less informed about domestic affairs hence less effective. As a result, changing the board language so as to fit foreign members may be costly and added to adjustment problems (Hassan, Samian and Silong, 2006).

CONCLUSION

The study showed that age diversity of board of directors is positively and significantly associated with a firm's capital structure. In detail, age diversity improves the ability of a firm to solve tasks with high complexity for instance issues of debt and equity financing. Particularly, expanding the age diversity on the board of directors maximizes the ideas on debt policy and equity ownership. Moreover, age diversity enhances board performance in that directors of different ages have different backgrounds, skills, experiences and social networks which are of benefit to a firm.

Basing on the study findings, gender diversity of board of directors impacted positively on firm's capital structure. The involvement of women in the board is advantageous to a firm since women are more concerned about access to capital than any other business problem leading to an improvement in the financing. However, women lack expertise on the use of equity to finance firm's activities; hence a male dominated board leads to improved equity and debt financing. As much as a male dominated board is well versed with the knowledge on financing, firms that are diverse tend to outperform those that are less diverse because of broad ideas on firm's capital structure. Gender diversity promotes better understanding of the market since wide arrays of skills are brought on board.

According to the results in the previous chapter, ethnic diversity of board of directors has a significant effect on firm's capital structure. The results showed that firms that larger and more successful firms tend to have more minority directors. Precisely, ethnic diversity positively influences capital structure and team performance due to a more diverse pool of skills and knowledge that leads to complementariness and mutual learning. Furthermore, ethnically diverse board of directors is associated with more creativity and innovation.

Likewise, national diversity of board of directors also has a significant effect on firm's capital structure. National diversity makes it possible for a large stock of qualified candidates with broad industry experience to be availed in the board. Also, valuable and diverse expertise which domestic members do not possess is brought on board. Foreign board members can also attract foreign minority investors though they may be less informed about domestic affairs.

RECOMMENDATIONS

There is enough evidence that age diversity of board of directors is positively associated with a firm's capital structure. Therefore, in order to improve the ability of a firm to solve tasks with high complexity, there is need for age diversity of board of directors to be enhanced so as to increase the knowledge on debt policy and equity ownership and offer a broad range of skills and experiences. There is evidence that gender diversity of board of directors' impacts positively on firm's capital structure. Thus, there is need to include women in the board so as to increase access to capital. Also, when women are included in the board they will acquire the required expertise to manage the firm. Also an increase in the number of female directors' increases board independence and better ways of financing a firm are availed since women tend to ask more questions than male do. Therefore, gender diversity makes it possible for firms to outperform competitors and promotes better understanding of the market.

The study results showed that ethnic diversity of board of directors is advantageous because it enhances capital structure. Ethnic diversity is likely to increase leverage because of networks particularly among the ethnically diverse boards causing directors to become risk averse because high capital structures has a lot of risks. Thus, more networking through ethnic diversity in the board may help to build trust across ethnic divides and bring subgroups together behind a common goal under the right circumstance Furthermore; firms should put effective measures in place to counter emotional conflict and difficulty in communication and coordination that comes with ethnic diversity. With these considerations, firms will be able to

effectively manage their financing. National diversity of board of directors is also crucial if financing is to be improved. Therefore, firms should enhance national diversity so as to assure foreign minority investors that the firm aims at managing their best interests professionally. Also, in order to add valuable and diverse expertise that domestic members do not possess, there was need to enhance national diversity.

Theoretically, this study contributed to our understanding of the relationship between board demographic diversity and firm performance in several ways. The study built on the behavioral theory of the firm (Cyert and March, 1963) and signaling theory to assert that gender and racially diverse boards serve symbolic and instrumental roles for the firm by employing their human and social capital.

Further Research Recommendations

This study looked at the effect of Board Diversity on Capital Structure among listed firms in Nairobi Securities Exchange, Kenya. This attributed the findings to controls which may represent how much influence the board diversity actually has on the board. Having gender diverse groups represented on the board may not lead directly to capital structure if the gender diverse individuals on the board are seen as tokens and they do not have the power for their ideas to be adopted. Thus, the study found that the relationship between gender diversity and capital structure will not necessarily be positive and significant under conditions where status differentials between decision-makers either prevent women from being heard or keep their perspectives from being influential. Combs *et al.,* (2007) pointed out that many of the equivocal results between board characteristics and firm performance are due to missing CEO power; therefore, this aspect of board–CEO power should be investigated. Future research should investigate what mechanisms can curtail the relationship between board gender diversity and capital structure. Furthermore, because gender and race are proxies for human and social capital, future research may want to investigate how they influence nomination and selection to boards. Future research should investigate whether board members value diversity and whether these perceptions of value impact selection processes.

This study recommended that other studies be done to augment finding in this study; it therefore recommends a study be done on more number of firms rather than including only firms in the NSE for the sake of generalizing the results of the study. Moreover, including moderator factors can also be made in the research models of the new research by other scholars in future. This study included only four factors, there could be some other relevant factors that may be perceived important but were excluded from this study. Future researches, therefore, may consider more factors, like non-executive directors, audit committee, independent directors and other variables which can influence capital structure.

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