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The Impact of the Board of Directors on the Financial Performance of Nigerian Banking Sector

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Abstract

The Board of Directors plays a key role as a internal mechanism of corporate governance. Indeed, its effectiveness is dependent on the presence of several factors, the most important are related to characteristics that relate primarily to the independence of its members, board size, the cumulative functions of decision and control, the degree of independence of the audit committee and the gender diversity of the board .This study examines the impact of the board of directors on the financial performance of Nigerian banking sector. The study employed exploratory research design. Ten (10) listed firms were chosen through a purposive sampling technique and data extracted from the annual reports of these firms from year 2008 to 2018 The study concluded that the board size of the directors, gender diversity, size of the audit committee and board characteristics has a positive impact on financial performance of the Nigerian banking sector. The study used multiple linear regression models to show the impact of the board of directors of on financial performance of the listed Nigerian banking sectors using secondary data. The findings further show that these four variables are interrelated such that none can have a significant impact without the presence of the other. Subsequently, the study recommends that the management and board of directors of the Nigerian banking sector should intensify effort on how to adopt a new strategy in other to meet up with the global challenges of the banking sectors. For banks to achieve greater returns in the market, it is recommended that board of directors should be integrated into the corporate governance practices as allowing for a more balance translates into better financial performance.

. **Keywords:**, Board size of directors, Gender diversity, Financial performance, Board characteristics, the size of the audit committee.

Introduction

In several years, matters surrounding Board of Director leadership and oversight roles have taken on increased significance to investors so much so that today's economic challenges highlight the importance that board heterogeneity plays in enhancing value and providing companies with a full range of fresh talents and experience. These challenges have been perceived overtime and have become a matter of concern after the collapse of many big multinational companies around the world arising from various board scandals.

The bleak aftermath of corporate scandals that stormed the United States which led to the Collapse of Enron, WorldCom, Dot-Com Bubble, Tyco and Xerox together with the subsequent liquidation of HIH insurance in Australia in the year 2001and Parmalatin Italy which is known as the biggest bankruptcy in Europe with estimated loss totaling $20 billion and Oceanic Bank in Nigeria in 2009 (Wahid, 2012).

The collapse of these multinational companies has raised concern over the activities of the Board of Directors and this has brought about looking out for other governance mechanisms one of which is board heterogeneity. Many practitioners have clamored for this board heterogeneity with the argument that it can mitigate the effect of homogeneous board such as groupthink which is a phenomenon in which members‟ effort to achieve consensus override their ability to realistically appraise alternative courses of actions (Rhode & Packel, 2010). The clamor for board heterogeneity led United States Security and Exchange Commission in 2009 to approve rules that require enhanced proxy statement disclosure regarding corporate governance and compensation matters. Among this disclosure requirements is the item 407 (c) (2) (vi) of regulation S-K which requires public companies to disclose how they view diversity with respect to their boards. Among the arguments for this requirement is the fact that human resources in terms of women directors were untapped and minorities remain woefully represented.

This argument that women directors and minorities were woefully represented was made possible with Alliance for Diversity Compiled Statistics of 2008 which shows that out of the composition of board members of fortune 100 companies; 71.5% were white men and only 28.5% of the board seats were occupied by women and minorities. Similarly, Agullar (2010) the United States SEC commissioner in 2010 gave a speech on why board diversity is important and how to improve it. He emphasized on its importance by making reference to the survey conducted by the California's Public Employees Retirement System (CalPERS), which reported that companies that have heterogeneous boards perform better than boards without same.

While heterogeneity and homogeneity are two sides of a coin, homogeneous group is best in handling routine problems, ill-defined and novel problems are best handled by heterogeneous groups (Filley, House & Kerr, 1976). Variety in the skills, education, age, culture, gender, ethnicity, race and other attributes of heterogeneity can either enhance board effectiveness and the overall firm performance or hinder the smooth process of decision making and may be detrimental to the performance of the firm due to difference in individual preference, interest or perspective (Knyazeva, Knyazeva&Raheja, 2009).

Bank performance is function of various factors such as regulatory scrutiny, degree of financial development and deposit insurance systems. It is also understood that the banking industry is largely characterized complex agency conflicts than any other industry (Levine 2004). For this reason, it of utmost importance that shareholders consistently seek various governance mechanisms that can help limit this conflict, of which board heterogeneity is one of the mechanisms that can mitigate the agency conflict by providing various alternative mix of directors on the board.

Gender, nationality, race, age and ethnicity are categorized as demographic differences among board of Directors which influence the decision they make and hence affect the firm overall performance (Hambrick& Mason, 1984). Under nationality, Masulis, Wang and Xie (2010), found that 13% of large United States of America firms have Foreign Independent Directors serving on their boards. They concluded that foreign directors bring in international expertise into the boardroom especially in the area of cross-border acquisition and explained that they exhibit poor meeting attendance, which affects their ability to contribute positively to the affairs of the board as well as organizational performance.

Smith, Smith and Verner (2005) argues that despite the focus on gender composition, the proportion of women on board is still very low in most countries. Although, while countries like U.S and some others in Europe have increasing population of women on board, Norway and Sweden authorities have enacted laws on gender composition so as to encourage gender equality.

For instance, the law in Norway as at 2005 states that at least 40% of larger firms "board members must be female.

Ethnicity especially in Nigeria, studies of Omoye and Eriki(2013), and Ujunwa, Okoyeuzu and Nwakoby(2012) described ethnic diversity of board members and the correlation to firm performance in Nigeria as a novel area. This is one of the major importance of this study, because given a country like Nigeria with variety of ethnic groups with different religious beliefs and

cultural backgrounds, such differences need to be related to organizational performance. In spite of the increasing trend in outsourcing arrangements, there are inadequate studies on how outsourcing activities affect organization performance in manufacturing sector in Nigeria. In order to bridge that gap, this research seeks to study the effect of strategic outsourcing on organization performance in manufacturing companies in Nigeria.

Research Objectives

The general objective of the study is to determine the impact of the board of directors on the financial performance of Nigerian banking sector

The specific objectives;;

i. To investigate the Impact of board size of the directors on the financial performance of Nigerian banking sectors sector..
ii. To determine the Impact of gender diversity on the financial performance of Nigerian banking sectors sector.
iii. To find out the Impact of the size of the audit committee on the financial performance of Nigerian banking sectors sector.
iv. To establish the Impact of board characteristics on the financial performance of Nigerian banking sectors sector.

Research Hypothesis

The following hypotheses was tested and formulated in a null form.

i. $\mathbf{H_{01}}$**:** Board size has no significant impact on the financial performance of Nigerian banking sectors sector.
ii. $\mathbf{H_{01}}$**:** Gender diversity has no significant impact on the financial performance of Nigerian banking sector..
iii. $\mathbf{H_{02}}$**:** Size of the audit has no significant impact on the financial performance of Nigerian banking sector..
iv. $\mathbf{H_{03}}$ Board characteristics has no significant impact on the financial performance of Nigerian banking sector.

Statement of Research Problem

The boards of directors are the main tool of internal governance mechanism, their efficacy may vary depending on their diversities. With the relationship between heterogeneity in boardroom and firm performance, or lack thereof, firms will be encouraged to make appropriate choices about board appointments to create and improve firm value as constructing a quality boardroom is all about the caliber and perspective of individual directors chosen. For example, one major noteworthy aspect of Enron's board as pointed out by Masulis, Wang andXie (2010) about foreign directors was that its audit committee included two foreign independent directors; the Chairman of the Hang Lung Group in Hong Kong and a senior executive of Group Bozano in Brazil. This incidence, at a minimum, raises questions about the effectiveness of foreign directors' monitoring of a firm's operations and financial reporting.

In Nigeria, the poor performance of boards in 2009 which almost led to the near collapse of nine banks in the country has eroded investors" confidence in banks leading them into divesting their investments and has also painted a poor image on the financial sector. It is a matter of concern as there are very few empirical analyses on this aspect of board diversity in Nigeria as most studies have been on board independence, CEO duality and board gender but rarely board ethnicity (Ogbechie, 2012; Ogbechie & Koufopoulos, 2010). Ujunwa et.al (2012) and Omoye and Eriki (2013) that have both examined ethnicity of directors of randomly selected, but there result remain inconclusive as some variables failed to test at any significant level. This study focus on the banking sector because of their complex agency conflicts when compared with other industries.

Justification of the study

This study to justify the needs for detail to enable the management of Nigerian banking sector to understand how the board of directors would influence the performance of the banking sectors in Nigeria and further shed more light on how they can optimize on it to gain and retain competitive advantage in today's turbulent business environment. The study would also contribute to the existing literature in the field of financial management for the banking sectors in Nigeria. It should also act as a stimulus for further research to refine and extend the present study especially in Nigeria

Review of related empirical studies

Theoretical framework

Rashid (2011) argued that there are various theories that can be used to explain corporate governance conventions and also the issues that arise as a result of these conventions. Various theories have been employed in explaining these governance conventions; these theories include the agency theory, stakeholder theory and stewardship theory. Sanda, Mikaila and Garba (2005) also identified these three theories as the main and most significant theories of corporate governance and they are explained further respectively below.

The stakeholders' theory provides that the firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. The purpose of the firm is to create wealth or value for its stake holders by converting their stakes into goods and services. This view is supported by Blair (1995) who proposes that the goal of directors and management should be maximizing total wealth creation by the firm. The key to achieving this is to enhance the voice of and provide ownership-like incentives to those participants in the firm who contribute or control critical, specialized inputs (firm specific human capital) and to align the interests of these critical stakeholders with the interests of outside, passive shareholders. Sundaram and Inkpen (2004) also suggest that "stakeholder theory attempts to address the question of which groups of stakeholder terms of "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent". Agency theory supports the delegation and the concentration of control in the board of directors and use of compensation incentives.

Stewardship Theory

In the stewardship, managers are assumed to be good stewards of the corporations and diligently work to attain high levels of corporate profit and shareholders returns (Donaldson and Davis 1994, hereafter referred to as (D & D). Their arguments support the investment of business schools in the development of management skills and knowledge. It also reinforces the social and professional kudos of being a manager. Whereas agency theorists view executives and directors as self-serving and opportunistic, stewardship theorists, reject agency assumptions, suggesting that directors frequently have interests that are consistent with those of shareholders.

Agency theory

In its simplest form, agency theory explains the agency problems arising from the separation of ownership and control. It "provides a useful way of explaining relationships where the parties' interests are at odds and can be brought more into alignment through proper monitoring and a well-planned compensation system" (Davis et al., 1997:24). In her assessment and review of agency theory, Eisenhardt (1989) outlines two streams of agency theory that have developed over time: Principal-agent and positivist. Principal-agent research is concerned with a general theory of the principal-agent relationship, a theory that can be applied to any agency relationship e.g. employer employee or lawyer-client. Eisenhardt describes such research as abstract and mathematical and therefore less accessible to organizational scholars.

This stream has greater interest in general theoretical implications than the positivist stream. On the other side positivist researchers have tended to focus on identifying circumstances in which the principal and agent are likely to have conflicting goals and then describe the governance mechanisms that limit the agent's self-serving behavior (Eisenhardt, 1989). This stream has focused almost exclusively on the principal agent relationship existing at the level of the firm between shareholders and managers. For example, Jensen and Meckling (1976), who fall under the positivist stream, propose agency theory to explain, inter alia, how a public corporation can exist given the assumption that managers are self-seeking individuals and a setting where those managers do not bear the full effects of their actions and decisions. The agency relationship explains the association between providers of corporate finances and those entrusted to manage the affairs of the firm. Jensen and Meckling (1976:308) define the agency relationship in terms of "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent". Agency theory supports the delegation and the concentration of control in the board of directors and use of compensation incentives.

1.1 Size of the board of directors and financial performance

Ajola et al. [4] studied the effect of corporate governance on the performance of Nigerian banking sector using the Pearson Correlation and Regression to analyze the relationship between corporate governance variables and banks' performance and found that a negative but significant relationship exist between board size and the financial performance of the selected banks covering a period of five years. Bawa and Lubabah [2] examined corporate governance and financial performance of banks on twelve banks in Nigeria covering a period of five years (2006-2010) and found negative relationship between board size and profitability of banks.

The literature is largely interested in the study of the impact of board of directors on the financial performance of the Nigerian banking sector.
A scan of the economic and financial literature we concluded that the link between the board of directors and financial performance leads to contradictory conclusions. Therefore, unanimity has not been proven about this relationship. Indeed, several researchers suggest that the number of directors may influence the functioning of the board and therefore the financial performance of the company. Some authors seem to favor a large council. Indeed, in an uncertain environment, the larger the board, the greater knowledge of the various administrators can improve performance and to exercise effective control (Kiel & al 2003, Coles & al 2005 and Linck, & al 2006).
Similarly Godard & Schatt (2004), provide more the number of directors is important more the company achieves high performance.
In this line, Pearce & Zahra (1989) and Provan (1980) provide for the existence of a positive relationship between board size and firm's financial performance.
In the same groove and in their Meta analysis Dalton & al (1998), confirm this positive relationship and find it is more intense for businesses to large sizes.
In the same direction, Pearce & Zahra (1989) and Adams & Mehran (2002) find that firms with a large board of directors ensure a better performance.
However, another strand of literature shows that, the large boards of directors are less effective and have a negative impact on company performance. Indeed, when the board is large, this may present a barrier to the management control of the company because of poor coordination, flexibility and communication. Wu (2000), Bhagat &Black (2002), Odegaard & al (2004), Mak & al (2005) and Andres & al (2005) state that small boards create more value than large boards.
This divergence of results shows that there are no consensuses on the impact of the size of the board on its monitoring capacity. Some argue for a larger size. Other research shows that the reduced number of directors strengthens the control of the board and subsequently improves the financial performance of companies.
In the context of our study the Code of Commercial Companies of Tunisia provides that public companies are managed by a board composed of three to twelve members at most. Hence our second hypothesis

2.2. Gender diversity and financial performance

Hence, gender diversity provides advantages as well as disadvantages, especially in terms of the long term performance of the firm (Murray, 1989). These advantages and disadvantages are consistent with the empirical studies conducted in different countries, since the obtained results imply positive as well as negative relations between gender diversity and firm financial performance. However, these opposite results, including the studies that do not find significant results, makes it hard to draw general conclusions about the association between female board members and firm financial performance in organisations, where the majority of the studies measures financial performance by Return on Assets (ROA) and Return on Equity (ROE), which are accounting-based measures (Vafaei et al., 2015) or Tobin's Q, which is a market-based measure. ROA indicates 'the ability of the firm to produce accounting based revenues in excess of actual expenses form a given portfolio of assets measured as amortized historical costs' (Carter et al., 2010, p. 403) and provides insights into the ability of management to perform well with the given resources (Dharmadasa, Gamage & Herath, 2014). ROE indicates the profitability for the providers of equity capital (Bodie, Kane & Marcus, 2008). Both represent the past performance of the firm (Campbell & Minguez-Vera, 2008). Tobin's Q indicates the ability of the firm to generate shareholder wealth (Rose, 2007) and focuses on the future performance of the firm (Campbell & Minguez-Vera, 2008). Tobin's Q is a useful addition to the accounting based measures ROA and ROE, since it reflects the market's expectations in terms of competitive advantages of the company (Campbell & Minquez-Vera, 2008) and ROA and ROE 'are sensitive to management's choice of asset valuation principles' (Rose, 2007, p. 409).

The next section analyses the empirical studies that use these three financial measures to examine the relation between board gender diversity and firm financial performance. In doing so, this section provides an overview of the inconclusive results when comparing the studies that are conducted in different countries.

2.3 Board Characteristics and Financial performance

The concepts of the boards is derived from the attributes or incentives variable that play a significant role in monitoring and controlling managers and can be described as a bridge between company management and shareholders (Dalton et al, 1998). The board is the supreme decision making unit in the company, as the board of directors has responsibility to safeguard and maximize shareholders wealth, oversee firm performance, and assess managerial efficiency. Fama and Jensen (1983) pointed out four actions of initiation, ratification, implementation, and

monitory, undertaken by the board in the decision making processes. Therefore, the main role of the board is seen as the ratification and monitoring of decisions, overseeing the actions of managers/ executives. From the above concept, the role of the board is quite daunting as it seeks to discharge diverse and challenging responsibilities. The board should not only prevent negative management practices that may lead to corporate failures or scandals but ensure that firms act on opportunities that enhance the value to all stakeholders. To understand the role of the board, it should be recognized that boards consists of a team of individuals, who combine their competencies and capabilities that collectively represent the pool of social capital for their firm that is contributed towards executing the governance function (Westphal, 2001). Given this, it is important to identify the board characteristics that make one board more effective from the other.
Several empirical studies were carried out to investigate the board characteristics on firm performance (McIntyre et al, 2007; Bonn, 2004; and Kiel & Nicholson, 2003), while most of the empirical studies have examined the direct relationship between board variables and firm performance, very few studies have considered the effect of moderating variables (Rhoades, Rechner & Sunderamurthy, 2001). Many scholars in this regard have recently called for investigation of moderating effects in studies, linking board characteristics to firm performance (Pye & Pettigrew, 2005; Carpental et al, 2004; Finkelstein & Mooney, 2003). In investigating board characteristics and financial performance of deposit money banks in Nigeria, the moderating effects use in this study, linking board characteristics to bank performance comprises five variables namely: Executives directors, Non-executive directors, board diversity (Women directors), foreign directors, and Grey directors. However, the link between board characteristics and financial performance is affected through other important variables namely: return on equity (ROE) and return on asset (ROA). These are both independent and dependent variables linked to the board characteristics and firm performance of deposit money banks. The study is carried out to investigate the impact of all these variables on financial performance of deposit money banks in Nigeria.

1.4 The size of the audit committee and financial performance

Pincus & al (1989) show that firms with larger audit committees are expected to devote more resources to monitor the process of accounting and financial reporting.

A large audit committee improves financial reporting quality in two main ways. DeZoort et al. (2002), in synthesizing the empirical literature on audit committee effectiveness, identified resources as one of the key factors contributing to audit committee effectiveness in overseeing

the financial reporting process. They allege that, to have sufficient resources, an audit committee should have an adequate number of members to generate a substantive discussion and to consider emerging issues, especially those raised by external auditors, in audit committee meetings.

Hence, firstly, a large audit committee will bring diverse perspectives to the questioning of the management and external auditors and will encourage shared knowledge among the members, who may have unequal access to inside information of the company, thereby allowing effective monitoring by the audit committee in the preparation of the financial statements (Krishnamoorthy, Wright, & Cohen, 2002). Secondly, it is more difficult for managers to exert pressure on a large audit committee to make the committee agree with their judgments on material issues and to resist adjustments proposed by external auditors (Pucheta-Martinez & Fuentes, 2007). A large audit committee better serves as an intermediary between managers and external auditors than does a small committee, because a large audit committee has a greater organizational status and is more powerful in solving disagreements between managers and external auditors (Braiotta, Colson, & Robert, 2010). Thus, the likelihood of earnings management being practised by managers can be minimized.

Despite some literature reporting a significant positive association between audit committee size and financial reporting quality, there are also many studies suggesting no positive relationship between audit committee size and financial reporting quality (Davidson et al., 2005; Saleh et al., 15 2007; Pucheta-Martinez & Fuentes, 2007). Davidson et al. (2005) study the effectiveness of internal governance structures in monitoring earnings management using a broad, cross-sectional sample of 434 ASX listed companies for the financial year ending in 2000. Using two different models of earnings management, namely the cross-sectional modified Jones model and small increases in earnings, the findings of both models confirm that audit committee size has no significant association with earnings management4. They argue that audit committee size is not a powerful proxy for audit committee effectiveness. However, a limitation of their study is a problem in their sample selection that could lead to potential bias in their findings. The sample fails to exclude firms in the mining, oil, gas and utilities industries. Similarly to firms in the finance industry, these firms have a unique nature of operations and some firms are controlled to a great extent by the governments. The nature of their operations will directly influence the exercise of earnings management over the undertaking and the reporting of business activities, which cannot be effectively captured by the Jones model, because the model is specifically designed for firms in standard industries (Klein, 2002; Wells, 2002). In Davidson et al.'s (2005) study, firms

from those industries represent approximately 33 percent of the sample, which could have a material impact on the robustness of their findings.:

Concept of Financial performance

Organizational performance has various measurement but basically two domain are emphasized in the literature: The financial one represented by profitability, growth and market value; and the operational domain that includes nonfinancial competitive aspects such as customer satisfaction, quality, innovation, employee satisfaction and reputation (Venkatraman and Ramanujam, 1986). (Forza and Salvador, 2000:359) defined performance as; "An information system that supports managers in the performance management process mainly fulfilling two primary functions: the first one consists in enabling and structuring communication between all the organizational units (individuals, teams, processes, functions, etc.) involved in the process of target setting. The second one is that of collecting, processing and delivering information on the performance of people, activities, processes, products, business units, etc.

Franco-Santos et al., (2007) argued that the financial performance are mostly denoted by financial ratios which are considered as a meaningful financial indicator which can be used by the different financial information users. Their study classified these financial ratios into liquidity ratios, activity (operational) ratios, profitability ratios, debt ratios and market ratio. The profitability ratios such as the return on assets (ROA) and the return on equity (ROE) are the most used profitability ratios in the analysis. They stated that while ROA measured as net profit to total assets measures the operating efficiency of the company based on the firm's generated profits from its total assets, (ROE) measured as net profit to total shareholders‟ equity measures the shareholders rate of return on their investment in the company.

3.1 Methodology\ Model Specification

This work is co relational in nature as it links board characteristics proxies and financial performance. The population of the study consists of all the 17 deposit money banks quoted on the Nigerian Stock Exchange as at 31st December, 2018. In order to have valid data for this study, effort was geared toward the banks that were listed on the Nigerian Stock Exchange for the period of this study (2008 - 2018). These are banks with complete data and whose data will also be available for the period under study. Therefore, 25 banks were selected to make 125 banks year observations. Consistent with prior studies (such as Pallant, 2005; Gujarati, 2003; Norusis, 2000; Kleinbaum, Kupper, Muller, and Nizam, 1998; as cited in Jusoh et al., 2013), a generalized least

square (GLS) method will be used to analyze the data. This is because when data distribution is not evenly distributed, the estimation method of ordinary least square (OLS) to analyze the sample data would produces bias and inefficient results.. Therefore, the multivariate regression will be used to analyze the data and the test of multi co linearity, homoscedasticity and linearity will also be carried out.

Data Collection Instruments: .Data analysis is the process of data to make meaningful information (Saunders, Lewis & Thornhill, 2009) defined data as mechanism for reducing and organizing data to produce findings that require interpretation by researcher. According to Hyndman (2008) data processing involves translating the answers on a questionnaire into a form that can be manipulated to produce statistics. This involves coding, editing, data entry, and monitoring the whole data processing procedure. Data collected was analysed by editing, coding and categorizing through the use of statistical package for social sciences (SPSS) version 20.0 computer software.

Multi Regression Model

$Y_1 = \alpha + \beta 1_{x1} + \beta 2_{\ x2} + \beta 3_{x3} ++ \beta 1_{x4=}\ \mu$

Where the variables are express as:

Y_1 = Financial Performance

X_1 = Board size directors

X_2 = Gender diversity

X_3 = Size of the audit committee

X_1 = Board characteristics

μ=Error term

β_1 (BSD) + β_2 (GD) + β_3 (SAC) + β_4(BC) $_=$ μ

Model 1

$ROE_{it} = \beta o + \beta_1 BSD + \beta_2 GD + \beta_3 SAC + \beta_4 BC + et$ ……..………………………….(1)

Model 2

$ROA_{it} = \beta o + \beta_1 BSD + \beta_2 GD + \beta_3 SAC + \beta_4 BC + et$…………………………….……...(1)

Where:

ROE and ROA represents firm performance variables which are: Return on assets and Return on equity for banking sector at time t.

BSD stands for Board size of Directors, GD stands for Gender Diversity, SAC stands for size of the audit committee while BC stands for Board characteristics and FP stands for financial performance which is measured by Return on Equity(ROE) and Return on Assets(ROA).

4. Data Analysis and Results

A descriptive analysis was used to give a summary result of the variables. This was followed with a correlation analysis to measure the degree of association between different variables under consideration. Lastly, the regression analysis was used to determine the impact of Board of directors on financial performance measured by ROE and ROA.

Descriptive analysis

Table 1: Descriptive statistic

	N	Minimum	Maximum	Mean	Standard deviation
ROA	125	-9.63	0.76	0.069	0.643
ROE	125	-7.25	4.34	0.087	0.615
BSD	125	10.66	23.67	16.10	4.87
GD	125	6.73	5.10	0.725	0.09
SAC	125	4.34	8.09	0.98	0.023
BC	125	8.10	12.54	9.66	0.44

Sources: author's field Report (2019)

From Table 1 it can be seen that the 125 listed banks included in this research generates Return on Equity (ROE) of about 8.7% and there is a standard deviation of 61.5%. This means that the value of the ROE can deviate from mean to both sides by 61.5%. The maximum and minimum values of ROE are 434% and -725 % respectively. However, a Return on Asset (ROA) of 6.9% was generated on the average, with a minimum and maximum percentage of -963% and 76% respectively. Also with regards to ROE and ROA, it can be seen that there is a wide deviation between banks.

Also for the banks studied, the average board size of directors is about 87 and a deviation of 61.5 which signifies that banks in Nigeria have a relatively similar board size. The maximum and minimum board sizes are 64 and 69 respectively. The average GD is 0.72 and this can deviate to both sides by 9.6%. The bank with the highest level of disclosure has 100% and that with the least has 86%.

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Correlation Analysis

The correlation analysis measures the degree of association between the governance variables and performance variables i.e. whether or not the Board of directors variables will improve financial performance. Table 1, 2,3and 4 presents the correlation results for all the variables reviewed in this study.

Table 2: correlation results for board size of directors and financial Performance

Model	R	R^2	Adjusted R^2		Std error of the estimate	
1	0.688	0.361	0.445		0.352	
Explanatory variable		**B**	**Std error**	**t – value**	**p- value**	**Remarks**
Constant		17.693	0.464	15.105	0.000	
Board size of directors		0.260	0.125	0.233	0.017	S

Table 2: indicated that board size of directors ($\beta = 0.26$; $t = 0.233$ $P<.05$)has positive and significant impact on financial performance. The result also indicated that the board size of directors has 37.2% decisive influence on organizational performance. This means that size of he board of directors has strong impact on financial performance of the Nigerian banking sector. The study conforms to Kamangaand Ismail(2016) and Jirawuttinunt(2015) that size of the board of directors is a strong predictor of financial performance..

Therefore, the null hypothesis which states that the size of the board of directors has no significant impact on financial performance is rejected, while the alternative is accepted.

Table 3: correlation result for Gender diversity and financial Performance

Model	**R**	**R^2**	**Adjusted R^2**	**Std error of the estimate**
1	0.761	0.579	0.490	1.602

Explanatory variable	**B**	**Std error**	**t – value**	**p- value**	**Remarks**
Constant	21.450	0.875	28.510	0.000	
Gender diversity	0.232	2.074	1.786	0.011	S

Table 3: revealed that Gender diversity ($\beta = 0.26$; $t = 0.233$ $P<.05$)has positive and significant impact on financial performance. Result also indicated that gender diverstyhas 57.9% decisive influence on financial performance. This implies that the higher the gender diversity the higher the financial performance of the Nigerian banking sector. The study is consistent with Vivian and Christopher(2015) andAkinbola, OgunnaikeandOjo(2013) that gender diversity is a strong predictor of financial performance.

Therefore, the null hypothesis which states that gender diversity has no impact on financial performance is rejected, while the alternative is accepted.

Table 4: correlation results for size of the audit committee and financial Performance

Model	**R**	**R^2**	**Adjusted R^2**	**Std error of the estimate**
1	0.609	0.372	0.271	1.512

Explanatory variable	**B**	**Std error**	**t – value**	**p- value**	**Remarks**
Constant	19.450	0.899	21.051	0.000	
Size of the audit committee	0.124	0.256	1.261	0.012	S

Table 3 showed that focus-driven outsourcing ($\beta = 0.124$;$t = 1.261$; $p< 0.05$)has positive and significant impact on financial performance. Result also indicated that size of the audit has 37.2% decisive influence on organizational performance. This implies that size of the audit committee has a strong predictor on financial performance. This result is in agreement with work

of Kenyon andMeixell(2011(andNordin(2008)who found that the size of the audit commmittee had positive and significant impact on financial performance. The implication of this result is that the size of the audit committee may enhance financial performance.

Therefore, the null hypothesis which states that the size of the audit committee has no impact on financial performance is rejected, while the alternative is accepted.

Table 5: correlation results of board characteristics and financial Performance

Model	R	R^2	Adjusted R^2	Std error of the estimate
1	0.761	0.579	0.490	1.602

Explanatory variable	B	Std error	t – value	p- value	Remarks
Constant	21.450	0.875	28.510	0.000	
Innovation-driven outsourcing	0.232	2.074	1.786	0.011	S

Table 5 revealed that innovation board characteristics (β = 0.26; t = 0.233 P<.05) has positive and significant impact on financial performance. Result also indicated that board characteristics 57.9% has a decisive influence on financial performance. This implies that the higher the board of characteristics the higher the financial performance. The study is consistent with Vivian and Christopher(2015) and Akinbola, Ogunnaike and Ojo (2013) that board characteristics is a strong predictor of financial performance.

Therefore, the null hypothesis which states that board characteristics has no impact on organizational performance is rejected, while the alternative is accepted.

Conclusion and Recommendations

This study examines the impact of board of directors on the financial performance the Nigerian banking sector The study conclude that the board size of the directors, gender diversity, size of the audit committee and board characteristics has a positive impact on financial performance of the Nigerian banking sector. The findings further show that these four factors are interrelated such that none can have a significant impact without the presence of the other. Subsequently, the study recommends that the management and board of directors of the Nigerian banking sector should intensify effort on how to adopt a new strategy in other to meet up with the global challenges of

the banking sectors. For banks to achieve greater returns in the market, it is recommended that board of directors should be integrated into the corporate governance practices as allowing for a more balance translates into better financial performance.

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