EFFECT OF BOARD COMPOSITION ON FINANCIAL PERFORMANCE OF SELECTED DEPOSIT MONEY BANKS IN NIGERIA

OKORO, Blessing Chineme

DEPAPRTMENT OF MANAGEMENT, FACULTY OF BUSINESS ADMINISTRATION, UNIVERSITY OF NIGERIA, ENUGU CAMPUS

ABSTRACT

Board composition is of paramount importance in the stability of banks and in the operation of an economy to the financial system, as such, an understanding of the issues that promote their profitability is vital and fundamental to the firmness of deposit money banks in Nigeria. This study investigated the effect of board composition on financial performance of selected money deposit banks in Nigeria covering the period 2000-2018. In the course of the study, the primary objectives of the study were to assess the effect of board size on the capital adequacy of money deposit banks, to examine the effect of chief executive officer (CEO) role duality on the profitability of money deposit banks, and to ascertain the impact of ownership structure on the incidence of bad debt of money deposit banks. A sample of nine banks was used in the study. The banks selected were First Bank of Nigeria Plc, Diamond Bank Plc, Fidelity Bank, Union Bank, United Bank for Africa, Zenith Bank, Access Bank, Eco Bank and Sterling Bank Plc. The study made use of secondary data extracted from the annual financial reports of the various sampled banks. The study adopted the ex-post facto design. The method of data analysis was the linear regression with the application of the ordinary least squares (OLS) technique using E-view version. Findings revealed that board size had significant positive effect on the capital adequacy of selected money deposit banks in Nigeria ($t^*_{calculated} = 3.903657 > t^*_{critical} = 2.131$), CEO role duality had no significant positive effect on the profitability of selected money deposit banks in Nigeria ($t^*_{calculated} = -0.949677 < t^*_{critical} = 2.131$), Ownership structure had no significant positive effect on the incidence of bad debt of selected money deposit banks in Nigeria ($t^*_{calculated} = -0.348073 < t^*_{critical} = 2.131$). Based on the findings, the study recommended, amongst others, that deposit money banks should increase the size of the board especially by electing more foreign directors who could bring diverse experience and expertise which the domestic directors may not possess.

INTRODUCTION

1.1 Background of the Study

The board is an important device for upholding effective corporate governance The role of the board of directors has evolved over time. However, there seems to be a consensus as to what their generic roles are. Specifically, Daily, Dalton, Cannella, and Johnson, (2003) observe that the most emphasized roles of the board of directors are control, service, and resourcing of the firm. Control imbues on the board the oversight functions of ensuring that company rules and regulations are obeyed and complied with. While the resource role views the board as facilitating the acquisition of resources critical to firm success (Njoka, 2010). Board Composition is of paramount importance in the stability of banks and in the operation of an economy to the financial system, as such, an understanding of the issues that promote their profitability is vital and fundamental to the firmness of deposit money banks in Nigeria.

Bank Boards have been placed with many prospects, reflecting the significant role banks have in our financial system. Some of these requirements derive from federal law and/or regulations. Others are included in guidance provided to boards by the bank regulatory agencies. It is important to note, however, that directors sitting on the bank of boards owe a fiduciary duty only to the shareholders of the firm (Jacob, 2011). These bank directors are held responsible for exercising the same duties that are assigned to all corporate boards by state corporate law. The precise role and supremacy of boards in any crisis or normal circumstances remain unidentified; it is obvious that directors are not likely to take into account the interests of other stakeholders, for instance, creditors, and taxpayers when making decisions.

In light of the failures, legislative action was taken to fortify board committees and hold them more responsible for bank performance. Remarkably, this was the case during the industrial turbulent towards the end of the 1980s. In view of that, the function of the board has become even more

demanding more than ever before, directors of large financial institutions are expected to recognize the complexity of risks in the financial sector and the speed with which severe losses can merge. (Rashid, & Lodh 2008). In law, the board of directors may moderate the principal-agent problem; individual directors may face incentives that make them inconsistent monitors of management. Legally directors may be found liable for failing to fulfill their fiduciary duty but, practically speaking, proving this negligence is incredibly difficult.

Kiel and Nicholson (2003), point out that Banks needs an adequate number and appropriate composition of directors who are capable of exercising judgment independent of the views of management, political interests or inappropriate outside interests. In addition, the board of directors has a responsibility to protect the bank from illegal or inappropriate actions or influences of dominant or controlling shareholders that are favorable or unfavorable in the best interest of the bank and its shareholders. Independence and objectivity can be enhanced by including qualified non-executive directors on the board or by having a supervisory board or board of auditors separate from a supervisory board.

Jeon, and Miller (2006), observe that in areas where there is a risk that the board of directors would be dominated by senior management or political influences, board should take action though may not be the bank's best interest, even though it may be in the personal interest of insiders or major shareholders, or likely for divergence of interest in key areas. Examples of such key areas include ensuring the reliability of financial and non-financial reporting, evaluation of related-party dealings, the selection of board members and key executives. Capable independent directors can bring new outlook from other businesses that may advance the strategic trend given to management, such as insight into local circumstances, and can also be important sources of management proficiency.

Ahern and Dittmar (2010), define board as the body of strategic decision-making as well as the highest managerial body of organization proposed to exploit the market value of the firm. The board conducts the corporate businesses in such a way as to make available long-standing and solid gain for the shareholders. They also ensure the continuity of the delicate balance between the shareholders and the need for growth of the banks. The duty of the board is to direct the firm in a

positive approach as the top in decision making while enabling shareholders to proceed constantly and permanently in the long-term.

Njoka (2010), confirms that every board has an adequate need for collective knowledge of each of the types of financial activities the bank intends to pursue. The board should have satisfactory knowledge and experience to enable efficient governance. In some cases, however, bank directors who are not engaged in management functions may not have detailed knowledge of banking, finance, risk management, conformity, skill, ability, and proficiency. Where otherwise qualified individuals lack such knowledge, banks are encouraged to implement programs of ongoing education for board members or take other steps to ensure that such knowledge is available to the board, in order to better enable them to fulfill their responsibilities (Rashid & Lodh 2008).

Omoye and Eriki, (2013), sees the board as a body with diverse influences both as a mediator and as a performer, determining the regulations of the game, though not within the daily operations. The boards are in charge of expected return-risk profile of strategic choices, short and long term balance of the performance, the fair protection of benefits between shareholders, listing priorities and encouraging innovation along with protecting the balance between inspection and control functions Thus, it is important for the decisions of the board to have a foresighted balance. The obligations of directing, inspecting, rule-making as well as exemplifying necessitate having a strong structure for boards.

Walker (2010), states that the board of directors and senior management at each organization has a responsibility to understand the risk chart of that organization and ensure that capital levels adequately reflect such risk. This regulation refers to a governance structure composed of a board of directors and senior management. The Committee recognizes that there are significant differences in the governmental and regulatory structure across countries as regards the functions of the board of directors and senior management. Some countries use a two-tier formation, where the managerial function of the board of directors is performed by a separate entity known as a supervisory board, which has no executive functions. Other countries, by contrast, use a one-tier structure in which the board has a broader role, due to the differences, the ideas of the board of directors and senior management will be used in this work not to recognize legal constructs but rather to label the management and oversight functions within a bank.

Nigeria is a good case for studying the implication of board composition on corporate performance for several reasons. There are several and daunting problems that are very visible in the country's corporate environment, and the weakness of regulatory frameworks to protect the entire spectrum of corporate stakeholders. Besides, the whole gamut of corporate governance, board characteristics and firm performance has suffered neglect both in the academia and public policy in Nigeria. The relative neglect of corporate governance in Nigeria public policy is perhaps a reflection of the paucity of empirical works in this area. The Nigerian Securities and Exchange Commission Code of Best Practice for Publicly Quoted Companies 2003; and the Code of Corporate Governance for Banks and other Financial Institutions 2003 are the main cornerstone of corporate governance reform in Nigeria.

1.2 Statement of the Problem

Board effectiveness is particularly important in the Nigerian financial sector because a number of financial failures, frauds, loss of public confidence, and poor rate of returns on investment, corruption, criminality and questionable business practices have adversely affected investors' confidence. Challenges arise where firms operate through structures that lack or impair transparency. The main problems in the Nigerian banking sector are the domineering of the Chief Executive Officer, manipulation of employment procedures, a situation whereby appointment goes to the highest bidder, family affairs ownership structure, non-adherence to internal control measures, undeserved welfare packages for chief executive officer and management among others.

The board of directors does not enforce clear lines of responsibility and accountability. The ineffective clear definition of authority of the board of directors, as well as senior management, consequently increases profiles of bad debts, poor profitability. The board of directors lack the potential to consider the appropriateness and set suitable limits on operations in such jurisdictions or the use of such structures, upon this, board members saw themselves as agent, of political parties in sharing the national cake emanating thereof and thus, attributed their allegiance to the party members rather than the proper administration of the bank itself. Operating in such structures or scenario may pose financial risks to the banking industry, such as bank collapse.

Recruiting inexpert and unskilled personnel to hold major positions in the bank sector seemed to play a major role in the failure of banks such as deteriorating of organizational culture, weak

internal control system instigated by the squabbles among the top management, delay in decision-making and mismanagement. These problems in the banking sector are worrisome and demand urgent attention. Consequently, this work sort to examine the effect of board composition on the financial performance of deposit money banks in Nigeria.

1.3. Objectives of the Study

The broad objective of the study is to assess the effect of board composition on the financial performance of selected deposit money banks in Nigeria. However, the specific objectives of the study are to:

1. determine the effect of board size on the capital adequacy of money deposit banks.
2. examine the effect of chief executive officer duality on the profitability of money deposit banks.
3. ascertain the impact of ownership structure on the incidence of bad debt of money deposit banks.

1.4 Research Questions

1. What is the effect of board size on the capital adequacy of money deposit banks?
2. What is the effect of chief executive officer duality on the profitability of money deposit banks?
3. To what extent does ownership structure impact on the incidence of bad debt of money deposit banks?

1.5 Research Hypotheses

1. Board size has significant positive effect on the capital adequacy of money deposit banks.
2. Chief executive officer duality has significant positive effect on the profitability of money deposit banks.
3. Ownership structure has significant positive effect on the incidence of bad debt of money deposit banks.

1.6 Significance of the Study

Board composition on financial performance is at present attracting attention among a wide

spectrum of people; governments, industry operators, directors, investors, stockholders, academia, international organization. Since empirical research on governance parameters and corporate performance in the context of Nigeria is lacking, the end result of this study will prove to be beneficial and lend more support to the improvement in the financial performance of banks in Nigeria. Specifically, the study will be of significance to the following:

a. Corporate Bodies

Board is the main center of the internal control mechanism, and their effectiveness may well depend on the board characteristics. There is a need for an evidence-based approach in constituting boards and implementing corporate governance protocols. The product of an empirical assessment on the level of adoption of corporate governance principles by the Nigerian banking sector and the impact of corporate governance on the firms' performance will certainly be of interest to different corporate bodies. Therefore, it is expected that the result of this study will be beneficial to corporate bodies in constituting an effective board that will enhance corporate performance.

b. Policy Makers and Regulators

In keeping with the mandates of promoting good corporate governance in Nigeria, Securities and Exchange Commission and Central Bank of Nigeria, introduced the Code of Best Practices for Public Companies in Nigeria (SEC, 2003) and the Code of Corporate Governance for Banks and other Financial Institutions (CBN, 2006) respectively. The codes are designed to make sure that management and investors of banks carry out their responsibilities as required and to be accountable and transparent in discharging their duties. The codes lay more emphasis on the board of directors' tasks, structures, and procedures.

The unique context of emerging economies also raises empirical questions, as the governance arrangements found in these countries are quite different from those found in developed countries. For example, firms often arrange themselves in the form of business groups through pyramidal ownership in countries that lack the institution needed for efficient market-based. Such governance arrangements may make traditional governance mechanism, such as the presence of independent directors on the board redundant. This study addressed the above-mentioned issues by using an integration of the agency theory with the institutional perspective. The result will be appropriate and beneficial to the regulatory authorities in evaluating the recommendations of these codes as they relate to corporate governance.

c. Shareholders and Members of the Boards of Directors

The board is collectively seen as a group of individuals with responsibilities of leading and directing, with the primary objective of protecting the firm's shareholders. The outcome of this study is expected to educate shareholders on the basic corporate mechanism that impact positively on firm performance. This is important because the shareholders, equipped with this knowledge could insist on the constitution of the board with identified characteristics that enhance board performance through their voting rights.

d. Researchers and other Scholars

The work will also be of significance to the researcher as it will broaden the researcher's knowledge on board composition mechanism, the interactions and dynamics that shape corporate governance in Nigeria and how these impact on the performance of the banking sector. Other scholars may also find the work illuminating and may act as a springboard for them to conduct further works in this area.

e. Educationist and Students

The work will be immensely valuable to both educationist and students alike for future references and will also serve as tools where necessary. This work will be a reference for further research as well as make relevant data available for their use for further research.

f. Policymakers.

Data gathered in this work will assist the economic board of directors, policy makers in their strategic policy making processes to turn around the economy, adoption of corporate governance is also expected to have a positive economic impact on the end user of the product. The effect of board composition on financial performance has received serious interest among the public at large, the external stakeholders, contractors, consultants, government officials and potential customers.

1.7 Scope of the Study

The study focuses on the selected deposit money banks in Nigeria. First Bank of Nigeria Plc, Diamond Bank Plc, Ecobank, Fidelity Bank, Union Bank, United Bank for Africa, Zenith Bank, Access Bank and Sterling Bank Plc. The study is to determine the effect of Board Composition on Financial Performance of banks in Nigeria. It contextually covers the subject matter of board

composition, board size, board ethnicity, capital adequacy, board duality, return on assets (ROA), return on equity (ROE), board skill, Independent Non-Executive Directors' Size, chief executive officer internalization, Ownership structure and board Nationality on Financial Performance of quoted banks in Nigeria. The study covers the time period of 2000 – 2018. The time period is considered adequate to provide relevant data for the study.

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter reviewed the work of past scholars and authorities relevant to this research work "Effect of Board Composition on Financial Performance of Quoted Firms in Nigeria", for the purpose of this study the literature is reviewed along with the following major headings; Conceptual Framework, Theoretical Framework, Empirical Review, Summary of Related Literature and Gap in Literature.

2.2 Conceptual Framework

Discussions regarding the concept of board composition on the financial performance of banks in Nigeria have been viewed by several authors and contributors in many ways. For the purpose of this study, there is need to examine the various concept put forward by people. The review of the literature on board composition as it affects the firm performance covers major issues; the size of the board, capital adequacy, the board duality, the board skill, the board nationality, the board ethnicity, board diversity, ownership structure, independent non-executive directors' size, and finally, chief executive officer internalization. Many researchers identified board composition as an issue that could influence deliberations of the board and further determine the capability of the board to control top management decisions and outcomes of deliberations (Veen, & Elbertsen, 2008).

Board composition is a broad term that encompasses issues such as who is on the board and the skills mix of the board. It involves both structural and cultural issues and board effectiveness depends on obtaining the right mix of skills and experience. Board composition varies significantly between firms and is influenced by legal requirements including the organization's constitution and purpose.

Corporate governance mechanisms can be seen as falling into two main categories, either internal or external. Internal governance tools include the board of directors, subcommittees of the board, compensation programs designed to align the interests of managers and shareholders and other corporate control systems. External governance mechanism includes accounting rules and regulatory reporting requirements, external auditors, the investment community, financial analysts, national laws and the shareholders themselves (Millet-Reyes & Zhao 2010). Starting from August 2002, chief executive officers (CEOs) and chief financial officers (CFOs) of many of the largest U.S. companies are required to state under oath that to the best of their knowledge the latest financial report is true. Under the Sarbanes-Oxley law, CEO and CFOs are required to certify the correctness of the reports to regain the confidence of investors. This legislation also stipulates that subsidized personal loans to executives be banned.

2.3 Ownership Structure

Ownership structure is the identity of company ownership and an important element of corporate governance which is potentially important. Ownership structure consists of two type, dispersed ownership to outside investors and concentrated ownership. Ownership concentration in some families or business group causes a big control to majority shareholder, which eventually a different treatment between shareholders emerge and the one who will be harm is the minority shareholders (Firth, Peter & Oliver, 2006).

Auvray and Brossard (2008), in their study of seventy- seven European banks over eight-year period concluded that ownership concentration of 20% is necessary for correct transmission of a shareholder's monitoring into a distance to default indicator. Olusanmi, (2015), researched on UK banks and reported that principal-agent's problem, which is a main challenge in corporate governance is not in agreement with bank ownership. This is due to differences in operating performance occasioned by the risk taking ability of management and owners. Investor protection is high when the management ownership is high because outside investors expect the manager with their share ownership significantly will act in the best interest of all the shareholders to minimize the negative impact from unanticipated crisis of their share, claimed that the bigger the ownership that owned by the controller shareholders and it will improve the quality and performance of a firm (Leung, & Bertrand, 2007).

Juliana (2006), proves that a high ownership concentration can give a trustable commitment from the controller owner with a purpose to build a reputation and not to exploit the interest of minority shareholders. In this regard, ownership concentration factor is one of the determinants of the performance of banks as business institutions.

2.4 Board Structure

Higgs (2003), centers on board structure and firm's performance. Over the years, experiential studies do not disclose a specific relationship between these two variables. The structure and the powers of the board are determined by organizations' bylaws, which can have a number of members, the way in which they are selected, how often they are voted, and how frequently they award. The number of members of a board can differ in size. Some cooperation has boards with as many as 31 members or as small as 3. The ideal size of a board is 7. The structure differs to some extent in some countries in the Europe and in Asia where the control of a firm is split into two tiers: an executive board, and managerial board. The executive board is made up of insiders nominated by workers and shareholders and is headed by the chief executive officer or administrative officer. This board is in charge on the daily basis business procedure of the firm. The Supervisory Board is chaired by someone other than the presiding representative of the executive board and concerns itself with matters related to what a board of directors would deal with in the U.S. (Skaggs, Stainback, & Duncan, 2012).

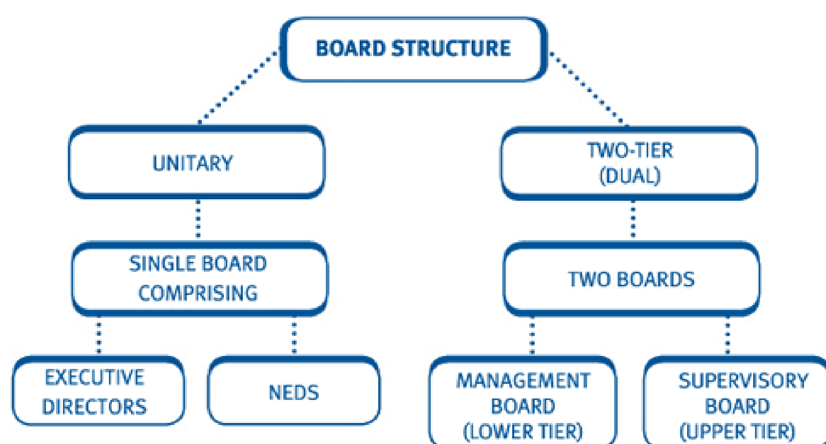
The practical results of most studies, in general, support a negative relation between board size and firm performance. The consequences of other board composition factors such as age, gender and nationality are far less consistent. In particular, the question of how ownership structure influences board composition and afterward firms' performance is mainly unsettled since very little empirical research exists, as a result, ensures that operators of the firm or its management pursue those strategies that will protect the interest of the shareholders (Ahmadu & Tukur, 2005).

Thus, board composition is common, known as governance mechanism that is based on a higher point of corporate responsibility that a firm demonstrates in relation to liability, transparency, and moral values, for this reason, Monk, (2004) Adams and Mehran (2003), were of the view that good corporate governance represents a vital issue for the operation of the modern banking industry in

the world today. It is aligned with this setting that this study seeks to examine the success of corporate governance with a view to determining the effect of board composition on the financial performance of money deposit banks in Nigeria.

Conceptual Models between Board Structure, Board Processes, and Board Performance.

Figure 2.2.1 Board Structure Processes



Source: Kula and Tian, (2005) Board process board performance Downloaded 12 March 2017

The Central Bank of Nigeria (CBN) (2006) attributed weaknesses in corporate governance of banks in Nigeria to include the following, amongst others:

1. Ineffective board oversight functions;
2. Disagreements between board and management giving rise to board squabbles;
3. Fraudulent and self-serving practices among members of the board, management and staff;
4. Overbearing influence of chairman or MD/CEO, especially in family-controlled banks.

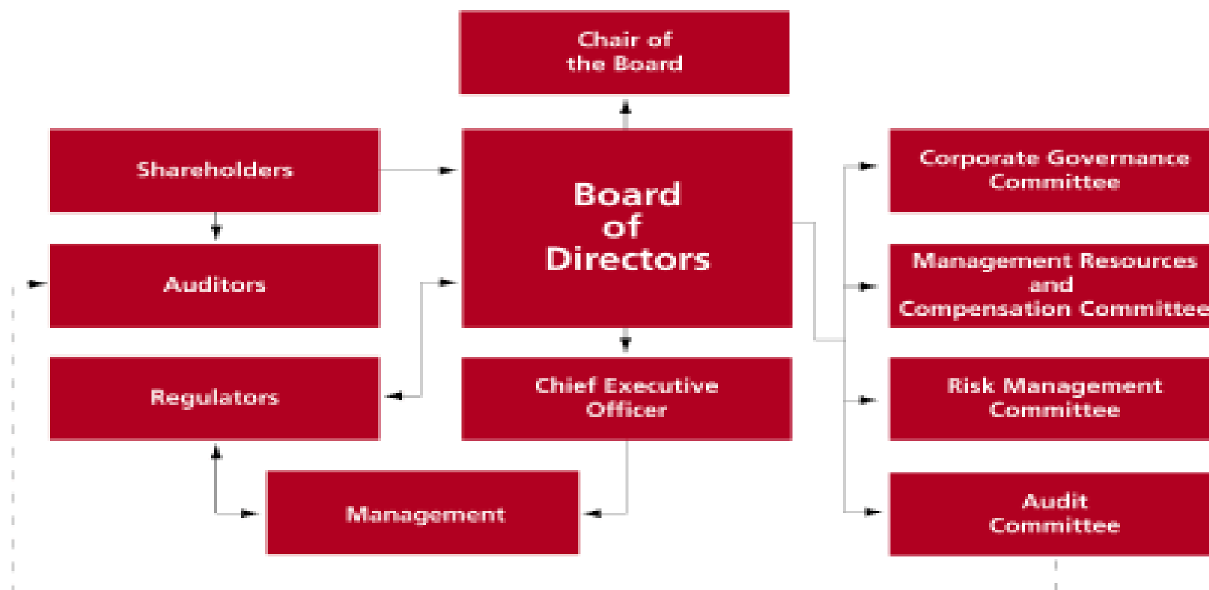
All these weaknesses have to do with the structure and composition of the board of directors. The strategic importance of the board of directors in the promotion of corporate governance practices led the CBN to maintain that the board of directors for a bank in Nigeria should essentially be one that is committed and focused in the discharge of its responsibilities with a high degree of independence from the management and individual shareholders and so composed that there is a

balance of power and authority so that no individual or coalition of individuals has unfettered powers of decision-making.

2.5 Board Size

Board size and firm performance are one of the focuses of board composition. Board size suggests that when the size of the group increases, individuals tend to put less effort. Having smaller groups may facilitate group cohesiveness.

Figure 2.2.2 Board of Directors and Corporate Governance Commission



Source: Laksmana L.A. (2008), Downloaded 2 March 2017.

The board is the supreme decision-making unit in the company. The board of directors, therefore, has responsibility to safeguard and maximize shareholders' wealth, oversee firm performance, and assess managerial efficiency**.** (Adams & Ferreira, 2007). The size of a board is a factor that can influence its effectiveness. However, there comes a point where the size of a board becomes unwieldy, difficult to control. It may be sensible, to begin with, a relatively small board perhaps four or five directors

As a general guide, the board should, on the one hand, be small enough to have high quality, active discussions, but on the other hand, big enough to provide the skills and practice essential for the board to function successfully, it is better to put together the board than to lessen. Over time, as gaps in the board's knowledge, skills and experience become apparent, particularly as circumstances changes, appropriate changes can be made to the board. Ideally, this would occur

as part of an established process of board assessment and renewal. The negative relation seems also to hold for Nordic firms, (Randøy, Thomsen & Oxelheim, 2009) for example, show that larger boards have a negative impact on firm performance.

A number of recent papers (Larker 2011 and Guest, 2008) showed that board size is determined by firm specific variables, such as Tobin's Q, profitability and firm size. In places with diverse institutional backgrounds, the functions of boards are special, and as a result of the anticipated board size performance, the relation may be expected to differ. The Board of Directors of a firm is a key mechanism to monitor manager's behavior and to advise them (Bear, Rahman and Post, 2010). In this case, Board size play a major role in the performance of every prospering organization. There is a convergence of agreement on the argument that board size is associated with bank financial performance. However, conflicting results emerge on whether it is a large, rather than a small board, that is more effective.

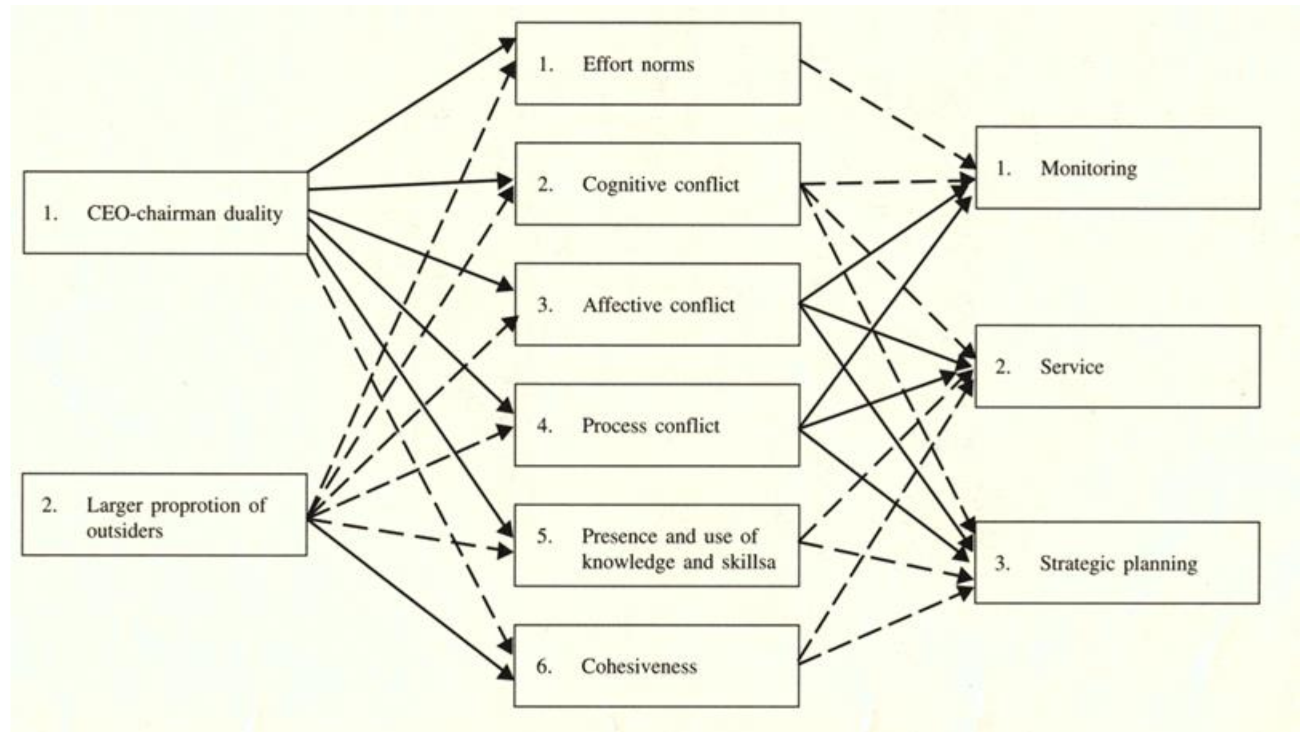
2.6 Board Duality

Board Duality is defined as when the chief executive officer of the corporation is as well holding the function of the chairman of the board of directors. As regards with the Executive duality, the central bank of Nigeria evidently outlaws the amalgamation of the responsibility of the head of the board and that of the chief managerial officer to be one person because it will create individuals with loose powers of decision-making not to be responsible for delegation of power. It even goes further to recommend that "no two members of the same extended family should occupy the position of the chairman and that of chief executive officer or managerial role of a bank at the same time. This is usually considered as improper as the board is expected to monitor the operations of the chief executive officer and his management team. It is always argued that this role cannot be effectively performed by the board if the CEO is also the chairman of the board (Sahin, Basfirinci & Ozsalih, 2011). Some studies favor CEO duality, suggesting that it may improve corporate performance. Some were of the opinion that chief executive officer duality has an unhelpful result on managerial performance.

Duality role in a company means a person who has a dual role as Chairman of the board (COB) and Chief Executive Officer (CEO) at the same time. Many companies in this era implement the policies that provide the opportunity for the COB to also take part in a company as CEO. Duality

role in a company rises to some debate / disagreement about the negative effects of the duality role in a company. There are two theories that support and reject the duality role in a company which is agency theory and stewardship theory. Agency theory which denies the duality role can be defined as " the relationship between the principals, such as shareholders and agents such as the company executives and managers" Jensen and Meckling (1976), while the Stewardship theory that supports the duality role can be defined as " a steward protects and maximizes shareholder wealth through firm performance, because by so doing, the steward's utility functions are maximized " Donaldson (1990).

Figure 2.2.3 Model for CEO – Chairman Duality



Abdullah, S. N. (2004). Board Composition, CEO duality, and performance

Beneath the agency theory, it is said that CEO-chairman duality is unfavorable to firms as the same person will be marking his "own examination papers". There should be a separation of duties between the top man of a company and the top man of the board so that each could monitor one another. As argued by Tian and Lau (2001), the lack of board process within boards is because the majority of boards have chairs who also serve as the CEOs. This makes it difficult for boards to

perform their functions. Therefore, it is predictable that CEO-chairman duality will lead to the following:

a. the subordinate level of effort norms;
b. lesser level of cognitive conflicts;
c. minor level of effective conflict;
d. the substandard level of process conflict;
e. of inferior quality presence and practice of information and skills and
f. A superior level of cohesiveness inside the board.

Darmadi, (2013), state that strengthening of effort norms will make directors more aware and willing to monitor the performance of the board/company in the same way, a superior level of cognitive conflicts, which are task-oriented, will be expected to make directors to carry out the three factions of monitoring, service, and strategy better. According to Callaghan (2005), Executive duality refers to the organizational structure wherein the chief executive officer (CEO) also serves as the chairman of the same firm's board of directors. However, this position has been contested to be unhealthy as far as governance of corporation is concerned. For example, some studies posit among several other reasons that, it promotes poor communication between the CEO and the board (Yammeesri, & Lodh, 2004). It is important to note that, developments in governance mechanisms saw the need to split the Chief Executive Officer duality as a possible solution to poor corporate governance. Under such circumstances, setting up a lead director role among outside directors can effectively balance the power of a CEO and other insiders.

Ehikioya (2009), found to have insignificant influence between CEO duality and firm performance, whereas positive association among ownership structure and performance. Regarding the link between board composition and firm performance, the study was unsuccessful to present evidence related to this relationship. However, the study recommended that whenever the board consists of more than one of family members, performance will be affected negatively.

2.7 Separation of Office of Board Chair and Chief Executive Officer

Separation of office of board chair from that of CEO generally seeks to reduce agency costs for a firm. Kajola (2008), established an optimistic and significant connection between performance and separation of the office of board chair and CEO. Yermack (1996), similarly commented that firms

are more significant when different personnel take up the offices of board chair and CEO. Kyereboah-Coleman (2007), confirmed that big and autonomous boards add to firm's value, and the synthesis of the two offices unenthusiastically affects firm's performance, as the firm has a lesser amount of access to debt finance. The consequences of the study of Mallin (2001) put forward that boards that are pre-arranged to be more independent of the CEO are more effectual in monitoring the corporate financial accounting procedure and as a result more important. Fosberg (2004), found that firms that separated the functions of board chair and CEO had smaller debt ratios (financial debt/equity capital).

2.8 Board Skill

Competence comes from experience, knowledge, skills, attitudes, values, and beliefs. In the case of boards, which are the ultimate decision makers for most organizations, the competencies of directors are particularly important. Without a doubt, the Corporations Act 2001 necessitates every director to work out sensible care, diligence, and be capable in fulfilling their duties

The figure 2.2.4 below illustrates the four levels of skill required on a board.

Source: Kiel G. & Nicholson G. (2007) Retrieved February 2017

It is often seen as advantageous to have one or more directors who have been or are CEOs in other organization, as these individuals bring with them their own unique understanding and knowledge as chief executive officers (Luan, & Tang, 2007). In some organizations, the technical expertise a board member brings may not be regularly available to the management team and can be invaluable. However, boards that are beset with outside directors may potentially suffer from lack of firm-specific knowledge and skills, so their ability to apply knowledge and skills to firm-specific situations may be limited. In accordance, board composition is expected to have a quadratic nonlinear effect on the use of knowledge and skills (Ararat, Aksu, Tansel & Cetin, 2010).

2.2 Theoretical Framework

A number of theoretical perspectives have been put forward to explain corporate governance. The theories are: agency theory, stewardship theory, stakeholder theory and resource dependence theory. (Rashid, 2011), This study anchored on agency theory

2.2.1 Agency Theory

As noted by Rashid, Lodh and Rudkin (2010), a ‘’number of theoretical perspectives are used in explaining corporate governance practices and problems’’ Among these perspectives are agency theory, stewardship theory and resource dependence theory. The agency theory is built on the separation of ownership and control. It holds the view that an individual is self-interested and self-opportunist and not altruistic. The managers (the agents) who have control of the organization may not always act in the best interest of the owners (the principals) and may be driven by self-interest to pursue their self-activities to the detriment of the welfare of those they represent. The thrust of this theory is that the interest of the principals (the shareholders) is best protected when the board composition is such as is dominated by outside independent directors who will be able to monitor any self-interest activities of managers and so enhance board performance (Rashid, 2010; Kaymak & Bektas, 2008 and Luan & Tang, 2007). The theory suggests that CEO duality diminishes the monitoring role of the board of directors over the executive manager, and this may in turn have a negative effect on corporate performance, also that CEO duality reduces firm performance because of CEO entrenchment and a decline in board independence (Elsayed, 2007; Kang and Zardkoohi, 2005). The tenet of this theory is based on the premise that there is an inherent conflict between the interest of the firm’s owners and its management (Kiel & Nicholson, 2003).

Agency theory is concerned with analyzing and resolving two problems that occur in relationships between principals and their agents. (Ujunwa, Okoyeuzu, & Nwakoby, 2012). According to agency theory, the likelihood that these problems will occur increases when stock is wildly held, no one shareholder owns more than a small percentage of the total common stock, when the board of directors is composed of people who know little of the company or who are personal friends of top management, and when a high percentage of board members are inside directors (Elsayed, 2007).

Agency theory suggests that top management has a significant degree of ownership in the firm and or has a strong financial stake in its long term performance (Rashid, Kaymak, Kang & Garba 2011). In support of this arguments, research does indicate a positive relationship between corporate performance and the amount of stock owned by directors. Based on the fact that many corporate managers are not owners but agents of owners contracted to manage the company on their behalf (Bektas, Luan, & Tang, 2008).

Jensen and Meckling (1976), 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.

2.2.2 Stewardship Theory

In contrast, the stewardship theory adopts a more optimistic view of humans. The theory believes that the agent may not be self-opportunist, motivated by individual goals but may actually be motivated to work in the interest of the principal. The implication of this theory is that insiders are better than outsider directors since outside independent directors ''are not as agents be the best stewards to their corporations and are not motivated by individual goals,'' The theory also argues for CEO duality (Ongole 2011, Luan & Tang, 2007 and Rashid, 2008).

The Stewardship theory suggests that executives tend to be more motivated to act in the best interest of the corporation than their own self-interests. (Ongle & Lee, 2000; Luan, Tang, 2007 and Rashid, 2011). Whereas agency theory focuses on extrinsic rewards that serve the lower level needs, such as pay and security, stewardship theory focuses on the higher order needs, such as achievement and self-actualization (Jensen & Meckling 1976). Stewardship theory argues that senior executives over time tend to view the corporation as an extension of them rather than using the firm for their own ends (Darmadi, 2011). These executive are most interested in guaranteeing the continued life and success of the corporation. Managers are assumed to be good stewards of the corporations and industriously work to accomplish high levels of corporate turnover and shareholders returns (Davis, Schoorman, & Donaldson 1997). Their point of view maintains 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. The theory believes that the agent may not be self-opportunist, motivated by individual goals but may actually be motivated to work in the interest of the principal (Ang, Cole, & Lin 2007). In their opinion and evaluation of agency theory, draw two streams of agency theory that have developed over time.

Lastly, stewardship theory places interest on the need for boards to partake in tactical actions given their broader awareness, skills and happening, and moreover, the need to authorize firm insiders to participate in board activities given their first-hand access to information and their insight knowledge of the firm's operations (Donaldson & Davis 1991).

2.3 Empirical Review

Fatimoh (2012), examined the effect of board composition on the performance of banks in Nigeria. The increased incidence of bank failure in the recent period generated the current debate on transparency and disclosure of financial information to the various users, as a means of appraising good governance in banks. This study made use of both primary and secondary data in ensuring that data obtained are sufficient for a reasonable conclusion. The secondary data obtained from the annual financial statement of the banks for a period of five accounting year was used in analyzing the financial ratios for the study. 158 questionnaires were retrieved from respondents out of the 200 questionnaires distributed. The primary data was analyzed through the chi-square analysis method. The study concludes that board composition significantly contributes to positive performance in the banking sector. It therefore recommends that board composition codes should be adapted to meet the need of Nigerian business environment.

Al-Matari, Nuel, and Jude (2012), investigated the ways and manners in which the affairs of banking sector in Nigeria are managed by those charged with the responsibility. It showed the relationship between board composition and the performance of banks in Nigeria. The population of the study consisted of all the twenty-four consolidated banks in Nigeria that met the requirement of 25 billion capital base as at today. A sample of five of them was considered adequate for generalization. One hundred and thirty questionnaires were administered on the management staff of those selected banks out of which 120 were returned and10 were not properly filled. Statistical

Package for Social Scientist (SPSS) was used to analyze the data collected and interpretation of data was done through simple percentages. Pearson Product Moment Correlation was used to test the relationship that exists between efficient Board composition in the banking sector and the roles of external auditor and the composition of the board of directors.

Osuagwu (2013), ascertained the implications of board composition on the performance of Deposit Money Banks in Nigeria in order to look inwardly the extent application of board composition code has enhanced the efficiency and effectiveness of the Nigerian banking industry. Also, the lingering problem of bank failure in Nigeria generated another concern with the existence of bunch of rules and regulations governing the operations of banking business. Descriptive study design was adopted reviewing board composition principles and theory to ascertain the problem at hand and to achieve the stated objectives. The study found among other things that non- compliance to board composition code in the Nigerian banking industry hampers banks performance. The position of the paper is that good board composition culture is non-negotiable since it has effect on the performance of existing banks in Nigeria. It is recommended that the Deposit Money Banks should enforce full disclosure practices and transparency practices of board composition thereby enhancing trust in order to survive in the competitive financial environment in Nigeria.

Abor (2013), carried out a study on the effect of board composition on the performance of banks in Nigeria. The increased incidence of bank failure in the recent period generated the current literature on quality of bank assets and also emphasized good governance as means of achieving banks objectives. This study made use of secondary data obtained from the financial reports of nine (9) banks for a period of ten (10) years (2001- 2010). Data were analyzed using multiple regression analysis. The study supported the hypothesis that board composition positively affects performance of banks. In conclusion, the study shows that poor asset quality (defined as the ratio of non-performing loan to credit) and loan deposit ratios negatively affect financial performance and vice visa. The study recommends that the Central Bank of Nigeria should galvanize the banks to adopt board composition best practices especially those enshrined in the Code of Board composition for Directors of Banks in Nigeria.

Arulogunet, Oghojafor, Olayemi, Okonji, and Okolie, (2013), analyzed the effects of board composition on the performance of Nigerian banking sector with the aim of assessing the effect of board composition on firm's performance. The secondary source of data was sought from published annual reports of the quoted banks. In examining the level of board composition disclosure of the sampled banks, a disclosure index was developed and guided by the Central Bank of Nigeria code of governance. The Pearson Correlation and the regression analysis were used to find out whether there is a relationship between the board composition variables and firms performance. The study revealed that a negative but significant relationship exists between board size and the financial performance of these banks while a positive and significant relationship was also observed between directors' equity interest, level of board composition disclosure index and performance of the sampled banks. Their study recommended that efforts to improve board composition should focus on the value of the stock ownership of board members and that steps should be taken for mandatory compliance with the code of board composition.

Jegede, Akinyabi and Soyebo (2013), evaluated the board composition implication for banks performance in Nigeria. Secondary source was used in gathering the data required for the study work. A regression analysis of the latent variables was adopted to evaluate the effect of board composition on bank performance. The results of the study show that board size is statistically significant to bank performance while bank age and board committee have negative effect on bank performance with regression coefficients of 0.279, -0.138 and -4.055 respectively. The study therefore recommended that board of directors of Nigerian banks should meet regularly to ensure that necessary problems of the banks are discussed and addressed, and that the number of boards should not be too many in order not to override its benefits.

Ashbaugh-Skaife, and Fred (2013), in their work board composition and firm financial performance used a sample of 10 selected banks' annual reports covering 2005-2010 to evaluate the relationship between board composition and performance in Nigeria banking sector. The main objective of the study was to determine if ownership and board size matter in financial performance. They used return on asset, board size, board composition that is, number of executive director and number of non-executive director. The result indicates that improved performance of the banking sector is not dependent on increasing the number of executive directors and board

composition. It showed further that when there are more external board members; performance of banks tends to be worse. The study concluded that there is a need for increase in board size and decrease in board composition as measured by the ratio of outside directors to the total number of directors in order to increase the bank performance.

Ijeh, Adesanmi and Njogo (2014), sought to: (i) evaluate the effect of board composition on return on assets of some selected commercial banks in Nigeria. (ii) determine the effect of board composition on return on equity of some selected commercial banks in Nigeria. The study made use of cross sectional data for 10-years which were collated from Central Bank of Nigeria – Statistical bulletin for the period, 2003-2012. Two major objectives were formed and tested and results revealed that in the first objective the adjusted R-squared estimate is 86% and statistically significant at 5% significant level, which implies that the estimated model has high goodness of fit. For the second objective, the adjusted R-squared estimate is 58% and statistically significant at 5% significant level, which implies that the estimated model has high goodness of fit The study recommends, among others that central Bank should issue efficient monetary policies that would intensify transparency, integrity and curtail insider abuses on customers account in the Banking institutions. Above all, this study has contributed to knowledge by providing vital information on board composition on five of the commercial Banks in Nigeria.

Odili, Johnson, and Mohammed (2015), evaluated the effect of board composition on the performance of commercial banks in Nigeria from 2006-2014. The study selected 10 out of the population of 21 consolidated commercial banks in Nigeria using stratified and proportional sampling technique and the data were analyzed using the ordinary least square estimation method. Return on Equity (ROE) was used as proxy for banking sector performance, while Board Independence (BI), Board Size (BS), Director Shareholding (DSH) and Audit Committee Meetings (ACM) are the proxies for board composition. The findings of the study revealed that Board Independence, Directors' Shareholding and Audit Committee Meetings had positive and significant effects on banking sector's performance while Board Size showed negative and also significant effect on the performance of the banking sector in Nigeria.

Alchian and Demsetz (2016), assessed the effect of board composition on the financial performance of all listed deposit money banks in Nigeria for a period of seven (7) years (after consolidation). Data for the study were quantitatively retrieved from the annual reports and accounts of the studied banks. Multico linearity test was conducted via Pearson correlation and further confirmed through VIF test. Regression was used to analyze the data and it was found that larger board size contributes positively and significantly to the financial performance of deposit money banks in Nigeria. The study however, recommended among others that banks should increase their board size but within the maximum limit set by the code of board composition.

Nneka (2016), evaluated the extent to which the banking sector in Nigeria adhere to board composition principles and how the practice of board composition attracts investors to the sector. The survey study method was adopted and four commercial banks were selected for the study, namely: First Bank of Nigeria Plc, Eco Bank International, United Bank for Africa Plc and Diamond Bank Plc. Data for the study were obtained through a structured questionnaire. The Z-test and Chi-square statistical techniques were used to test the hypotheses. Findings from the study showed that adherence to board composition significantly attracts investors to the banking industry and an improvement in the sector's performance in terms of improved profitability and return on investment. Based on these findings, the study recommends that banks should continue to explore various areas that would entrench board composition in the industry namely; the recruitment of qualified corporate managers, decentralization of strategic decisions making centers, separation of the office of Chairman of the Board and that of Chief Executive Officer to enable the Board exercise their oversight function.

Babatunde, Michael, and Fred (2017), evaluated the relationship between board composition, bank performance and bank crisis in Nigeria. Board composition is the manner and ways in which the activities of an organization are managed and controlled. Despite the implementation of board composition in Nigeria, monitoring and the much talk about consolidation exercise, weak board composition is still a big challenge in Nigerian banking system hence, the need to investigate the basic reasons for weak governance and ways of curbing them for a better financial system. The proxy for board composition employed in this study is the board of directors. Two vectors are selected for this study, as independent variables are Board size and Board composition. Whilst the

dependent variable employed was Profit after Tax. This study made use of secondary data obtained from the financial reports of five banks for a period of eleven (11) years (2005-2015) and primary data. Secondary data were analyzed using Regression analysis while Chi-square was used for secondary data. From the study based on the result of the analysis, it showed that board composition variables such as board directors have positive relationship on the performance of banks. However, the study established a negative relationship between profit after tax and board composition. The study supported the hypothesis that board composition positively affects performance of banks and recommended that awareness creation among banks operators should be conducted to ensure they have good knowledge of board composition and its implication on banks profit.

Kuwata, Dalton, and Kajola (2017), investigated the relationship between the board composition mechanisms (Board size and audit committee size) and financial performance. Moreover, this study used firm size and management change as control variables. Furthermore, the study made use of secondary data obtained from the annual reports of twenty-one (21) banks listed in the Nigeria Stock Exchange for the period 2006 to 2009. The model of this study was theoretically founded on the agency theory. In analyzing the data, this study utilized the panel data methodology on 21 banks with 68 observations. Based on the panel data results, the random effect model was used to evaluate the effect of the predictors on the financial performance measured by ROA. The result indicates that the relationship between board size and ROA is positively insignificant. In addition to that, this study found that the relationship between audit committee size and ROA is negatively insignificant. Also, this study found that the relationship between firm size and ROA is negatively significant while the relationship between management change and ROA is positively insignificant. Besides providing suggestions for future study work, this study provides several recommendations for regulators and the Nigerian banking industry.

Adeyeni (2016) examined the dynamic interactions among ownership structure, corporate governance, risk management and performance of Nigerian banks. Secondary data were sourced from 20 out of 22 post-consolidation Deposit Money Banks listed on the Nigerian Stock Exchange for a period of seven years from 2005-2011. The data were on Return on Equity (Bank Performance); Capital Adequacy Ratio (Corporate governance); proportion of the board members'

share capital to total bank capital (Ownership structure) and Bank Risk Behaviour (Risk Management Practices). The data were regressed firstly without interaction with ownership structure and later with ownership structure. The results of the analysis showed that without interacting ownership structure with corporate governance and bank risk behaviour, corporate governance has positive and significant effect on bank performance ($p < 0.05$), but bank risk behaviour has negative but insignificant effect on bank performance ($p > 0.05$). Ownership structure has positive and significant effect like corporate governance ($p < 0.05$). However, when the ownership structure was interacted with corporate governance and risk behaviour, the results and significance of the variable changed remarkably. The study concluded that good risk management policies and proper ownership structure enhance improved corporate performance.

METHODOLOGY

3.1 Introduction

This chapter discussed the various methods and techniques adopted in this study. It encompasses the overall research plan and design, that guided the process of data collection and the range of approaches used to collect the data. These steps include research design, the population of interest, sample and sampling techniques, data collection instruments, procedures and data analysis.

3.2 Research Design

This study adopted the *ex-post facto* design given that it is targeted at analyzing the impact of some independent variables on a specified dependent variable. It is appropriate because it aims at measuring the relationship between one variable and another, in which the variables involved are not manipulated by the researcher. This study makes use of econometric procedure in estimating the effect of board composition on financial performance of selected money deposit banks in Nigeria. It is also pertinent to note that the research design adopted the quantitative approach based on the fact that it gives room for statistical and econometric estimations for the actualization of the research objectives.

3.3 Population of the Study

The population of interest for this study comprised the twenty-two deposit money banks listed on the Nigerian Stock Exchange (NSE) as at March (2018) for the period of sixteen years from 2000 to 2018. The total population are:

Access Bank – acquired Intercontinental Bank, Citibank, Diamond Bank, Dynamic Standard Bank, Ecobank Nigeria – acquired Oceanic Bank, Fidelity Bank Nigeria, First Bank of Nigeria, First City Monument Bank – acquired FinBank, Guaranty Trust Bank Heritage Bank Plc acquired Enterprise Bank (formerly Spring Bank), Keystone Bank Limited – formerly Bank PHB, Provides Bank Plc, Skye Bank – acquired Mainstreet Bank Limited, Stanbic IBTC Bank Nigeria Limited, Standard Chartered Bank, Sterling Bank – acquired Equatorial Trust Bank , Suntrust Bank Nigeria Limited, Union Bank of Nigeria, United Bank for Africa, Unity Bank Plc, Wema Bank, and Zenith Bank

3.4 Method of Data Collection

The data for the study were collected from annual reports and account of deposit money banks quoted on the Nigerian Stock Exchange (NSE). Secondary financial data sources were used for the study. The dependent variable was financial performance. This was proxied by capital adequacy, profitability, bad debt, return on assets and return on equity The independent variable was board composition, which was proxied by board size, CEO duality. Ownership Structure**,** Independent Non-Executive Directors, and CEO Internalization**.** Board composition data were obtained from corporate governance disclosure of individual deposit money banks listed in the Nigerian Stock Exchange.

3.5 Method of Data Analysis

In this research, the method of data analysis is the Linear regression with the application of Ordinary least squares (OLS) technique. The primary justification for adopting the linear regression is based on the fact that it gives possesses the optimal properties of linearity, un-biasedness and minimum variance.

3.6 Model Specification

In this research, board composition served as the independent variable while financial performance served as the dependent variable. The models were specified according to the specific objectives of the study are given as:

For Objective One: To determine the effect of board size on the capital adequacy of money deposit banks

$$CADE = \beta_0 + \beta_1 BDS + u \text{..(3.1)}$$

For Objective Two: examine the effect of CEO duality on the profitability of money deposit banks

$$PRO = \beta_0 + \beta_1 CEOD + u \text{..(3.2)}$$

For Objective Three: To ascertain the impact of ownership structure on the incidence bad debt of money deposit banks.

$$BDEBT = \beta_0 + \beta_1 OWS + u \text{..(3.3)}$$

3.7 Method of Data Evaluation

Economic Criterion Test (A priori Test)

The a priori test of the analysis were based on the regression coefficient of the algebraic signs of the parameters. It is a test that is based on evaluating the conformity of the relationship between the variables on economic theory.

Decision Rule (T-Test)

If $t_{0.025} < t^*$ Ho were rejected and the H_1 accepted. Otherwise, the alternative hypothesis H_1 will be rejected and the null hypothesis Ho be accepted.

Econometric Software adopted for the Analysis

All the estimations were analyzed using Eview Statistical Package.

PRESENTATION AND ANALYSIS OF RESULTS

4.1 Introduction

In this part of the research, the generated data was analyzed with various statistical instruments like regression and descriptive statistics and the specified hypotheses were tested and analytical

conclusions drawn. The Software that was used in the analysis is the Econometric Views (E-views).

4.2 Descriptive Statistics

This section presents the descriptive and inferential results obtained from the data generated and analyzed from the pooled and selected money deposit banks from their respective annual statements.

Table 4.1:

Variable	Mean	Median	Minimum	Maximum	Std.Dev	Skewness	Kurtosis
CAPADE	5.3667	5.0000	2.0000	9.0000	1.5903	0.1291	-0.2607
PRO	1.3960	2.0000	0.0000	3.0000	0.9573	-0.4434	-1.1647
BADBT	6.2067	6.0000	2.0000	10.0000	1.7505	-0.3482	-0.3932
ROA	0.2042	0.0193	-0.3106	8.8565	1.1055	6.3942	41.0369
ROE	1.0471	0.1152	-3.9432	45.7334	5.6431	6.1611	38.8862
BDSIZE	1.7200	1.0000	0.0000	6.0000	1.4615	0.7132	0.0002
CEOD	1.6267	1.0000	0.0000	8.0000	1.9440	1.2103	0.7042
OWS	19.4033	19.8093	12.8413	21.9540	1.8476	-1.6184	2.6761
INED	5.5000	5.5000	1.0000	10.0000	2.8826	0.0000	-1.2242
CEOINT	4.4300	6.8700	2.000	10.000	1.8476	-1.6184	2.6761

Source: *Author's Computation using Eviews Statistical Software*

Note: *CAPADE = Capital Adequacy, *PRO = Profitability, *BADBT = Bad Debt, *ROA = Return on Assets, *ROE = Return on Equity, *BDSIZE = Board Size, *CEOD = CEO Duality, OWS = Ownership Structure, INED = Independent Non-Executive Directors Size, *CEOINT = CEO Internalization

Table 4.1 reveals the result of descriptive statistics test using statistical instruments like the mean, median, standard deviation, skewness and kurtosis. Fidelia and Tabachnick (2013), found that the population or sample of the study is assumed to be normally distributed when the mean of variables are similar to the value of median, skewness value is zero and kurtosis value is greater than or equal to or less than 3. A kurtosis with distribution greater than 3 is a leptokurtic distribution whereas 3 is the kurtosis of a normal distribution. A leptokurtic distribution (greater than 3) has a sharper peak with lower probability than a normal distribution of kurtosis whose value is equal to 3. A kurtosis with less than 3 is a platykartic distribution which has a lower and wider peak with higher probability than leptokurtic and normal distribution. However, the diagnostic test indicated that no variables have the value of mean equal to value of median. Similarly, the skewness value and kurtosis value of the variables are both mix positively and negatively showing that their distributions are skewed to the right side as well as to left side of the table with the kurtosis value of variables range from 0.000195646 to 41.0369. The negative skewed distribution is an indication that there is greater risk than what the standard deviation measures, while the positive skewed distribution is also showing that there is lower risk than what the standard deviation measures. The standard deviation overstates the risk for a positively skewed distribution while underestimating the risk for a negatively skewed distribution.

Interpretation

The regression line above clearly shows that the numerical coefficient of Board Size (BDSIZE) yielded a positive value at the magnitude of 0.001883. This entails that there exists a positive relationship between board size and capital adequacy (CAPADE). It further entails that board size contributes positively to the capital adequacy of the selected money deposit banks in Nigeria. The coefficient of determination which measures the control power of the independent variable over the dependent variable was calculated with the instrument of adjusted R-Squared and it yielded 0.591596. This entails that the variations in capital adequacy of the selected deposit money banks is significantly influenced by the board size. This is in the magnitude of 59.156%. This is significant given that it is beyond average.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The research has been able to carry out an empirical analysis of the effect of board composition on financial performance of selected money deposit banks in Nigeria covering the period 2000-2016. The findings at the end of the study include the following:

1. Board size has significant positive effect on the capital adequacy of selected money deposit banks in Nigeria ($t^*_{calculated} = 3.903657 > t^*_{critical} = 2.131$).

2. CEO duality has no significant positive effect on the profitability of selected money deposit banks in Nigeria ($t^*_{calculated} = -0.949677 < t^*_{critical} = 2.131$).

3. Ownership structure has no significant positive effect on the incidence of bad debt of selected money deposit banks in Nigeria ($t^*_{calculated} = -0.348073 < t^*_{critical} = 2.131$).

5.2 Conclusion of the Study

This research has been able to carry out an empirical analysis of the effect of board composition on financial performance of selected money deposit banks in Nigeria covering the period 2000-2016. Based on the findings, the study concludes that on the average, board composition has significant effect on financial performance of selected money deposit banks in Nigeria. This is because majority of the board composition variables reveals statistical significance over their respective dependent variables (financial performance proxies).

5.3. Recommendations

In the light of the findings of this study, the following recommendations are proffered:

1. The first finding of this study is that board size has significant positive effect on the capital adequacy of selected money deposit banks in Nigeria. Anchored on this finding, it is recommended that there should be optimal sustenance of the existing board size and should only be altered when objectively necessary.

2. The study also found out that CEO duality has no significant positive effect on the profitability of selected money deposit banks in Nigeria. This finding reveals that dual role has no positive and significant influence and contribution towards profitability in money deposit banks. This should be thoroughly ascertained for it to be either suspended or significantly minimized.

3. It was also discovered in the study that ownership structure has no significant positive effect on the incidence of bad debt of selected money deposit banks in Nigeria. Hence, the recommendation to back up this finding is that the ownership structure and central controllers of the selected money deposit banks should be reviewed and readjusted if possible.

5.4 Contributions to Knowledge

On a general framework, the contribution of this study is that it has been able to reveal the effect and contribution of board composition variables on the financial performance variables of selected deposit money banks in Nigeria. Anchored on this, the specific contribution of this study is that it was able to reveal that board size, independent non-executive director size and CEO internalization has positive and significant effect on the financial performance of money deposit banks in Nigeria while Ownership structure and CEO duality has a contrary effect on financial performance of selected deposit money banks in Nigeria.

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