A STUDY ON

Corporate Board Gender Composition and Performance of Deposit-Money Banks in Nigeria

By

ADEDOYIN JOHN BOLAJI

SU/PG/MSC/16/101006

Department of Management Sciences, College of Management and Social Sciences

Salem University Lokoja, Kogi State.

July, 2018.

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A Project Submitted in Partial Fulfillment of the Requirements for the Award of Master of Science (M.Sc.) Degree in Accounting, the Department of Management Sciences, College of Management and Social Sciences, Salem University Lokoja.

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Declaration

I declare that this project is based on a study conducted by me, ADEDOYIN JOHN BOLAJI in the Department of Management Sciences, Salem University under the Supervision of Dr.S. A Adediran. This project Report has not been submitted elsewhere for the award of a degree. The ideas and views of the research project are products of research undertaken by me. Where the ideas and views of other authors/researchers have been expressed, they have been duly acknowledged.

Name……………………… Sign……………… Date……………

Certification

The project; Corporate board composition and performance of Deposit Money banks in Nigeria meets the regulations governing the award of Masters of Science degree in Accounting, Department of Management Sciences of Salem University, Lokoja.

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Project Supervisor	Signature	Date
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Project Coordinator	Signature	Date
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Head of Department	Signature	Date

DEDICATION

I dedicate this study to the memories of my sisters and father.

ACKNOWLEDGEMENTS

I owe my indebtedness to the almighty God, the Alpha and Omega and also my helper in times of trouble. He in his infinite mercy granted me the grace and financial provisions to assiduously pursue the program to a conclusion.

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My appreciation also goes to my wife and children for their support all through the years; thank you and I love you all.

ABSTRACT

This project examined the impact of corporate board composition on the financial performances of Nigerian deposit money banks.

The financial statements of Tendeposit money banks post-consolidation were used as a sample for the period of ten years (2008-2017) and the data collected were analysed using the generalized least square and correlation methods. The research found that non-executive directors and women directors in board composition has no significant impact on the financial performance of Deposit-money banks in Nigeria.

This signifies that an increase in non-executive directors and women directors would lead to a decrease in ROA. On the other hand, board composition of executive directors has a significant positive effect on the performance of deposit money banks in Nigeria. This signifies that an increase in Board composition of non-executive directors and women executive would lead to a decrease in ROA. It is therefore recommended that deposit money banks should have adequate Corporate board size commensurate to the scale and complexity of the organisation's operations and be composed in such a way as to ensure diversity of experience without compromising independence and competence.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The pivotal and multifaceted roles of banks in the economic system have attracted much regulatory attention in an attempt to encourage solid corporate governance standards and address the risks faced by credit organisations. The composition and size of the board of directors are major constituents of the corporate governance themes and have attracted the attention of regulators and scholars alike (Agoraki, Delis &Staikouras, 2009). In many finance and management studies, the directors of corporate boards have been the focus for several decades and have continued to provide a wide base to governance-performance discourse. Unlike in industrial firms, studies on the elements of corporate governance and performance have received less attention in the banking industry (Belkhir, 2008).

Corporate governance is generally described as the sum total of organisational mechanisms geared towards limiting the influence and powers of managers in decision making process; notably these related to funding and investment (Pichet, 2013).An understanding of board composition as an element of these mechanisms in the banks is important in determining the ability of these board to deliver on different parameters that can improve performance.Effective boards and, indeed, a good corporate governance practice are crucial ingredients in achieving and maintaining public confidence and trust the in the financial sector (Odudu, James & James, 2016). They are also the springboard upon which proposed reforms in board selection can, as well, be determined.

Banking is anchored on confidence and trust. If there is no trust or confidence, attempts to improve the performance of the organisation becomes impossible to achieve.As a result, it is important to examine the effect of board composition on the performance of deposit money banks in Nigeria.The separation of ownership and control, according to agency theory, leads to a divergence in the pursuit ofthe interest of the owner versus managerial interests (Jensen &Meckling, 1976), and thus monitoring managerialdecisions becomes essential for the board of directors in order to protect the interest of shareholders (Fama& Jensen,1983).

The review of literature on governance as its affects the performance of institutions covers two major issues; first, the composition of the Board of directors of the firm and second, the size of the board. Board composition is a debated corporate governance issue as 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. Whether it is stakeholder- or shareholder-focused, all the major governance theories are pointers to the fact that a company's boards of directors are the pillars of organisational performance (Matanda, Luke &Lisiolo, 2015).

Ineffective boards have been linked withpoor performance of banking institutions.This especially holds true as the role of the board in the governance of financial institutions has continued to come under scrutiny from both researchers and policy makers since the experiences of the 2008 global financial crisis. The spate of corporate failure across the globe has continued to draw attention to the need to improve on or review our already existing corporate governance beyond the mere regulatory and monitoring that could not save the lives of the already dead blue chip companies both home and abroad.An aspect of the series of factors that had occurred to heighten the crisis was the weak governance of banking institutions, particularly as it relates to how the board of directors conduct their fiduciary tasks. The Basel Committee in October 2010 issued some principles, following the financial crisis, for improving corporate governance in banking institutions and mentioned the composition of the board, the benefits of the board of directors, their understanding of the risks and operation structure of the bank, their qualifications, the importance of monitoring risks at the level of the firm and board oversight on executive compensation. Through the Walker Review (Walker, 2009) and the OECD (OECD, 2010), other efforts at promoting better governance of banking institutions by the board of directors came at the international levels.

The ways a firm invests shareholders' funds are determinants to how the firm will perform and goes along way in determining its ability to achieve its objectives. Board composition denotes the percentage of board members who are employees of organisations (internal board members) and those who are outsiders. Clifford & Evans (1997) defined board composition to be the number of independent non-executive directors on the board relative to the total number of executive directors. At times, outsidedirectors are referred to as non-executive orindependent directors. Unlike internal board members, they do not participate in theday to day running of the company, and they usually do not have affiliations with the firm except for their directorship. This category of directors holdsa unique status as leadingprotagonists in firms' boards (Pichet, 2013).

Most of the studies on boards in Nigeria have focused on the characteristics of the board and firm performance. Yet there is an apparent presumption that boards with significant outside directors will make different, and perhaps,more important decisions than boards dominated by insiders (Bebeji, Mohammed& Tanko, 2015). Although it has been opined that there is no optimal formula as to the composition of the board, some studies believe that independent and non-executive directors are the most important mechanisms for ensuring corporate accountability (Dalton, Dally, Ellstrand& Johnson, 1998; Daily, Dalton & Canella, 2003). It is also believed that independent directors play an important part in resolving agency problems (Fama& Jensen, 1983). Following these presumptions, this current hypothesizes that banks with more independent directors have made more effective decision-making making and, consequently, better performance.

Meanwhile, indications from some studiessuggest that there might be a link between women directors and financial performance as it is believed that women have some unique innate traits and abilities (Odudu et al, 2016). Findings from these studies however have been inconsistent. While some have found a positive relationship between women directors and performance, most have found no association or even a negative relationship suggesting that having women may not necessarily enhance corporate performance. By controlling for age of the firm and industry, Watson (2002) found no significant differences between female- and male-controlled firms. Likewise, findings from Rose (2007) indicate that there is no relationship between women on board representation and financial performance of firms. In this study, attempts would be made to investigate the representation of women non-executive directors, and whether having these women on board have any effect on the financial performance of banks.

Different variables have been used to measure bank performance. Corporate performance generally can be measured using long-term market performance measures and other performance measures that are non-market-oriented measures or short-term measures. Some examples of these measures include economic value added (EVA), market value added (MVA), cash flow growth, sales growth, earnings per share (EPS) growth, dividend growth and asset growth. This study considers return on asset (ROA) as pivotal variables in the measurements of financial performance as many of the studies investigating financial performance and board composition in Nigeria did not consider the elements.

1.2 Statement of the research problem

Banks and other financial intermediaries are the heart of recent financial crises around the world. Fraudulent acts of presenting fictitious financial statements, deterioration of their asset portfolios, and lack of adherence to corporate governance guidelines largely due to distorted credit management, were some of the main structural factors that contributedto the crises. In Nigeria to be specific, series of widely publicised incidences of accounting improprieties recorded in some Nigerian banks (e.g. Fin Bank, Union Bank, Oceanic Bank, Intercontinental Bank, Spring Bank and Afribank) in 2009 were related to the lack of vigilant oversight functions by the boards of directors,the board being remiss in its accountability to stakeholders, and the board relinquishing control to corporate managers who seek after their own interests (Uadiale, 2010). This attracts the attention of investors and the public to see the board of directors as a major contributor to the failure of corporate institutions, both in the developing and developed nations.

Much of the criticisms on the board of directors are that they are responsible for the dwindling in shareholders' wealth, both in developed and developing economies, especially, in Nigeria where this current study focuses on. The predominance of sharp practices by management and insider trading for the purpose of defrauding such companies as a result of the need to satisfy some personal interest may also be a contributory factor to poor firm performance. Therefore, an understanding of the various components of boards in the banks is critical in knowing how muchinfluences the boards exert on the banks' performance. It is also a basis upon which proposed reforms in board selection can be evaluated too. All the main theories of governance, whether shareholder or stakeholder-focused, point to the fact that boards of directors of a company are the cornerstones of good governance. Nevertheless, despite the broad interests and voluminous empirical investigations into the relationship between boards of directors and firm performance, empirical results display a remarkable lack of consensus (Zajac &Westphal, 1996).

Several studies have examined the impact of CEO duality, board composition, board size, board independence on firm performance. In Nigeria, studies like Sanda, Mukailu, and Garba (2005), Ehikioya (2009), Babatunde and Olaniran (2009), Kajola (2010), and Akhalumeh, Ohiokho, Ohiokha (2011) have studied corporate governance and firm performance, but none considered the elements of independent executive directors and women directors. Therefore, this study aims to examine the influence of Corporate board composition on banks performances in Nigeria. The reason for the choice of Corporate board composition is that, it is an important tool or mechanism for monitoring and advising, management of corporations to managing the affairs of the business for the benefit of shareholders (Fama& Jensen, 1983).

This study contributes to existing literature by providing empirical evidence on the relationship between board composition and financial performance of banks in Nigeria. Secondly, it adds to the framework by using return on assets and also return on equity as a measurement of financial performance of banks. In relation to this, the current study seeks to further explore the effect of board composition on banks performance in Nigeria. By taking it a step further, the influence of women directorson banks' performance are considered given the common beliefs that women have certain special and innate traits to influence their organizations positively. Unlike many previous findings, the current study also considered a hybrid approach to the analysis for a more in-depth finding.

In relation to this, the current study seeks to explore the effect of board composition on bank performance. By taking it a step further, the influence of women directorson banks' performance are considered given the common beliefs that women have certain special and innate traits to influence their organizations positively. Unlike many previous findings, the current study also considered a hybrid approach to the analysis for a more in-depth finding.

1.3Objectives of the study

Following the background, this study seeks to establish the effect board composition on the financial performance of Nigeria's money deposit banks. To achieve this broad aim, the study will demystify the following specific objectives;

1) To determine the effect of executive directors on deposit money banks' Return on Asset performance in Nigeria.
2) To examine the effect of independent or non-executive directors on deposit money banks' return on assets.
3) To investigate whether women independent or non-executive directors on board has any effect on the Return on Asset performances of deposit money banks in Nigeria.

1.4 Research questions

In line with the above objectives, attempts would be made to answer the following questions;

1) What is the effect of executive directors on deposit money banks' Return on Asset performance in Nigeria?
2) What is the effect of independent or non-executive directors on deposit money bank's return on assets?

3) What impact does women independent or non-executive directors on board has on the Return on Asset performances of deposit money banks in Nigeria?

1.5 Statement of hypotheses

The following hypotheses have been developed in their null form with the achieving the research aim and objectives;

1) Executive directors have no significant impact on the financial performance of deposit money banks in Nigeria.
2) Independent or non-executive directorshave no significant influence on deposit money banks'return on assets.
3) Women independent or non-executive directors on board have no significant influence on the financial performance of deposit money banks in Nigeria.

1.6 Significance of the study

As in most developing countries, good corporate and public governance structures are critical to economic growth and survival. It is therefore necessary to examine the roles boards play in ensuring good governance practices. Current and recent developments in the financial services sector industry in Nigeria have focused on discussions on the composition of the board and good corporate governance. A number of questionable corporate practices, failures and financial frauds had adversely impacted on trust and confidence of customers in the industry. Therefore, the problem areas that spurred the interest in examining this area of study are specifically the loss of confidence by the investors on the capital market, persistent agency problems, and the insolvency of some money deposit banks as a result of financial improprieties. Findings from this study would provide immense value to bank regulators, investors, academics and other stakeholders. The main challenges for boards are to see that the organisations they govern succeed, to prevent crisis, and also ensure that their future is secured. Findings from this study will also provide insights into the extent to which boards of banks in Nigeria are influencing corporate success and performance. The implication of this is that the board will be more involved in the development of strategy and also have access to quality information to enable it carry out oversight functions in most effective manners.

1.7 Scope of the study

This study proposes to investigate board composition and financial performance of deposit money banks in Nigeria.The study will anchor on only Ten (10) of the listed Nigeria's deposit money banks and will also cover a period of ten(10) years (2008 – 2017). The scope covers banks that met the N25 billion capitalization policy deadline of 2005 of Nigerian banks. Within this period, these banks must have reviewed and implemented the recommendations in the CBN post-consolidation code, and put in place mechanism to controlling, supervising and monitoring the operations of banks via various regulatory bodies such as the former Nigerian Accounting Standard Board (NASB) now known as Financial Reporting Council(FRC), Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), Banks and Other Financial Institutions Act (BOFIA), and the Financial Reporting Council of Nigeria (FRCN) (Odudu et al, 2016).

1.8Operational Definition of terms

Board composition: it is mix of director skills, independence, diversity, and tenure, each of which has its own complexities. Individual personalities and how the directors interact with each other and with management are also critical components of board composition.

Financial performance: it is generally defined as the firm's ability to make earnings by the efficient and effective utilization of available resources over a given period. It reflects the financial condition and achievement of a firm for a certain period of time (Haryono&Iskandar, 2015).

Money deposit banks:are resident depository corporations and quasi-corporations which have any liabilities in the form of deposits payable on demand, transferable by cheque or otherwise usable for making payments.

Executive directors: they are the most influential board members due to their valuable firm specific knowledge. More so, some studies have indicated that executive directors are valuable in enhancing the monitoring and advisory roles of the board, resulting in an effective performance of the organisation (Ferreira, 2007). They are those directors that are also managers and/or current officers in the firm (Ogbeche&Koufopoulos, 2010).

Non-executive directors:they are otherwise known as independent directors who are outside of the firm. They are called outsider directors because they have neither business nor personal relationships with the firm (Ogbechie&Koufopoulos, 2010). This category of directors are thosewho have no business relationship with the company for the past three years or more, who are not members or representatives of the immediate family of a shareholder and who has the ability to significantly influence or control the management or board of the organisation.

Women directors: Women directors implies directors who are either executive or non-executive female directors. It is used as construct in this study given the belief that women are specialised in different activities as a result of some of innate qualities and characteristics. These qualities informed the need to study the effects that female executives and directors may potentially have on the financial performance of a firm.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

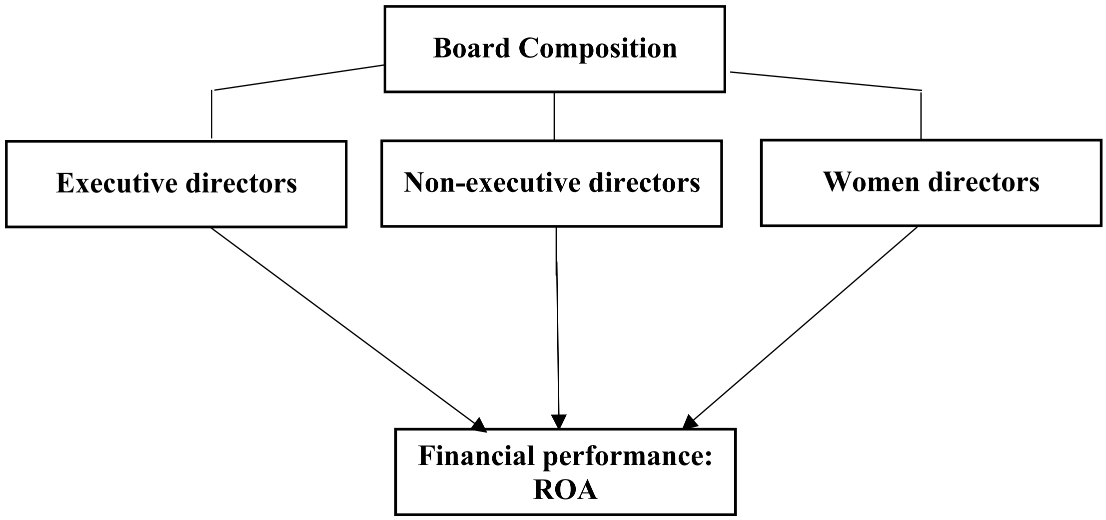
2.1 Introduction

This section is committed to the review of related literature on board composition and financial performance, and the purpose is to provide both the theoretical and the empirical background to the study. Since a board is expected to play an important role in synchronizing the interest of shareholders and those of the managers without compromising on financial performance of the firm, the theoretical background of the study will be grounded in relevant theories such as stakeholder theory, stewardship theory, resource dependence theory and the agency theory. One of the arguments in this study is that the presence of directors who are not employees of the firm may improve the monitoring and supervision role of the board, and thus enhance bank performance. Since the study dwells largely on characteristics of the board as relate with financial performance of Nigerian banks, the literature review began by examining the regulatory structure of the banking industry in Nigeria.

2.2Conceptual framework

Based on the available reviews from the literature on the effect of board composition on deposit money banks' financial performance, this study proposed the following framework that is expected to explain a considerable amount of the variance in the firm performance (in terms of ROA).

Figure 2.1: Conceptual framework of the study



2.3 Theoretical framework

Banks in Nigeria have become dominant institutions and powerful in the business world, influencing not only the economy of the country, but also diverse other parts of the social landscape. With the advent of globalisation, some of these banks are far more geographically dispersed with little control from governments, thereby emphasising the need to ensure they remain ethical and are held accountable for their actions, and therefore, increasing the need for effective monitoring, which can ensure the maintenance of high standard and good quality. Hence, board is present in all kinds of business entities or non-profit (Clark, 2004). Over the years, different frameworks on organisations' governance have been developed by scholars. For the purpose of this study, the theoretical framework anchors on some corporate governance theories such as stakeholder theory, stewardship theory, resource dependency theory, and lastly, the agency theory.

2.3.1 Stakeholder theory

Stakeholders are regarded as a mix of individuals or groups that influence an organisation and those that are being influenced by the organisation. Customers, employees, creditors, suppliers, community, competitors and shareholders make up the stakeholders. The stakeholder theory therefore states that a firm has a social responsibility that demands it to consider the interests of all parties affected by their actions. This confers more responsibility on the managers in terms of ensuring that no stakeholder is dissatisfied either in the short run or on the long run. Put simply, stakeholder theory is the doctrine that businesses should be run not for the financial benefit of their owners, but for the benefit of all stakeholders.

Rusconi (2009) posits that the fundamental basis of the stakeholder theory is normative and requires the acceptance of ideas that stakeholders are groups or persons with legitimate interests in procedural and/or substantive areas of corporate activities and that the interest of all stakeholders are of intrinsic value.

Conflict between shareholders and stakeholders may have implications for banks' (internal and external) systems of corporate governance. The existing body of literature suggests several differing techniques that can be used by shareholders to reduce the agency problem and enhance shareholder value creation, one being compliance with corporate governance best practice codes like for example: limiting the number of external boards on which a director can serve, so that s/he is able to exercise effective control over the day-to-day operations of a given firm; separation of the roles of chairman of the board and CEO, in order to ensure that board preserves the interest of shareholders not managers; establishing independent board auditing committees to increase transparency; active exercise of voting rights by minority shareholders, in order to ensure diversity of opinions and interests; gender equity among board members, in order to ensure a wider spectrum of approaches and values. On the other hand, different stakeholders may influence corporate governance mechanisms through, for example: increased employee demands for improved transparency, management, rights and representation in decision-bodies; the shaping of the legal environment by regulatory authorities; customers' change of financial service providers. The study of Kostyuk, Braendle&Apreda (2007) indicated that the stakeholder theory focuses on the relative differences of a stakeholder-oriented corporate governance system compared to a shareholder-focused one. This theory therefore broadens the horizon of interests attached to board's decision with respect to bank's financial performance.

2.3.2 Stewardship theory

The stewardship theory emphasises the principal-steward relationship which is deeply rooted in the fields of sociology and psychology. It grew out of the seminar work of Donaldson & Davis (1991) and was developed as a model where senior executives act as stewards for the organisation and in the best interests of the principals (Olson, 2008). The principal-steward relationship is a relationship of trust and was developed as an alternative to the agency theory.

“A steward protects and maximizes the wealth of shareholder through firm performance, because by doing so, the steward’s utility functions are maximized” (Davis et al., 1997). Essentially, stewards are managers delegated by shareholders to conduct business on their behalf, ensuring that they protect and maximize the profit. They are considered successful if they work diligently to ensure the organisation’s performance is satisfactory and generates returns for shareholders (Donaldson & Davis, 1991). Hence, Stewardship Theory focuses on the duties of stewards (higher management) and their objectives, arguing that the steward’s motivation is proportional to the firm’s success. Stewardship theory distinguishes structures that offer autonomy to the steward to facilitate his/her efforts to increase shareholder returns, and simultaneously reduce the costs of controlling and monitoring (Donaldson & Davis, 1991). Daily et al. (2003) make the observation that directors try to increase the financial returns for the shareholders in order to create their own reputation as effective business decision makers.

Stewardship Theory also highlights the benefits of combining the role of chairperson and CEO (Hendry, 2002), and other scholars comment on the board composition, and indeed question the necessity for a board. Donaldson & Davis (1991) noted that a board comprised of non-executive directors is unable to operate efficiently, and exercise control; and Hawley & Williams (1996) suggested that it would be logical to function without a board of directors and to work instead with a board dominated by executives. In the same vein, Mehran (1995) commented on a Canadian enterprise with a reputation as a staunch business leader, which had removed the board and replaced it with a body of advisors, a practice advocated for all organisations as a means of avoiding and eliminating chances for corporate scandals.

In the light of the foregoing, Tricker (1996) suggested that the central ideology of directors being entrusted with a fiduciary role requires such individuals to be trustworthy and act in the best interests of the firm. Such expectations are enshrined in Anglo-Saxon Law, which grounds the responsibilities and obligations of the director in Stewardship Theory. This responsibility is much greater than that associated with a mere agent, since the steward is considered to act as the company itself rather than simply representing it (Hawley & Williams, 1996). Scholars comparing stewardship theory with agency theory argue that although being instrumental in their own respect, these theories tend to contradict each other, implying that companies must decide to adopt one method over another. However, this opinion is criticised by Donaldson & Davis (1991). Indeed, the argument of incompatibility fails to consider the effect of operating within a regulated industry (Pfeffer, 1972), or of having a strong, dictating shareholder with enough power and influence over the management, board and company in general, to be able to function in a supervisor-like capacity in terms of matters of the board or even as a 'relationship investor'. Certainly, this is quite common practice in some cultures, and in some regions it is actually expected due to the enforcement of law (Analytica, 1992).

Ghoshal & Moran (1996) argue that the opportunistic behaviour identified in agency theory is unavoidable, and Tricker (1994) notes that the imposition of tougher and relatively elaborated incentives and sanctions further fuels such behaviour. Likewise, within stewardship theory, there is also the potential for opportunism, especially as regards corporations with no independent directors (Turnbull, 1995). Furthermore, as Turnbull (1995) observes, the inclination to act as a steward or agent is more likely to depend upon the type of institution, and other relevant factors, thereby suggesting that neither theory can be seen as contradictory in nature, and that both may be deemed to be ingrained in other wider structures for corporate governance. Wearing (1973) has argued that individual differences are extremely relevant in determining the felt need for monetary benefits and acceptance, and that individuals may oscillate between collaborative and competitive behaviour, typically being seen as assuming both strategies simultaneously.

One relevant reason for the adoption of the stakeholder theory in this study is its unique consideration of ethical principles (Phillips, 2003). It is evident in the corporate management models originating from this theory that unethical behaviour benefits the management rather than stakeholders, and this is a factor that challenges the very basis of the theory. However, corporate management as a whole largely depends on practices that are desirable and acceptable by all parties in a firm and thus it is in the interests of all stakeholders that a corporation follows ethical codes with regard to how the company is run in order to realize the corporate goals. It is, therefore, quite clear that the main purpose served by the stakeholder theory is to help boards of directors to understand the environments within which their stakeholders operate, and manage more effectively considering the relationships existing in their companies. The stakeholder theory also assists directors to improve the value of the consequences of their actions, and also minimize the risks to stakeholders. In essence, both the independent and the executive directors are expected to act as stewards for the organisation, seeking the interests of the organisation and that of the principals. The directors appointed by the members at a general meeting exercise the power of the firm and are accountable to the shareholders for their actions. The independent and external checks the authenticity of the accounts and financial statements and certifies them as representing a consistent and correct assessment of the financial status of the firm (Padilla, 2002). In fact, the stewardship theory is considered as the forerunner to many regulations and legislations; and this assumption is corroborated in this current study.

2.3.3 Resource dependency theory

The theory of resource dependency explains that organisations depend on resources from external sources which affect their corporate governance structures in terms of the strategic management of external relations alongside enforcing control over such organisations. Chin, Widing& Paladino (2004) assert that the theory of resource dependency has its origins in open system theory hence organisations have varying degrees of dependence on the external environment, particularly for the resources they require to operate. They express the same view as proponents of the theory who suggest that company should seek proactively to control resources in order to improve organisational performance.

The hallmark of resource dependence theory that distinguishes it from transaction cost economics is the emphasis on power and a careful articulation of the explicit repertoires of tactics available to organisations (Davis & Cobb, 2009). This follows that independent directors or non-executive directors are greatly appreciated in the organisation because of their ability to provide the organisation with resources that would enhance firm performance as put by proponents in terms of board capital and board motivation. Gkliatis (2009) describes board motivation activities related to providing resources as: providing expertise, making available the required tenets for legitimacy/bolstering the public image of the company, linking the company to important stakeholders and other entities, administering counsel and advice, aiding in the formulation of strategy or other important corporate decisions, and enhancing access to resources such as diffusion innovation, capital, and building external relations.

A fundamental argument of this theory is that organisations attempt to exert control over their environment by bringing on board resources required to survive. Important resources are often added to the board as a way of managing dependence and therefore benefitting the firms. Outside directors "bring resources to the firm, such as information, skills, access to key constituents (e.g. suppliers, buyers, public policy decision makers, social groups) and legitimacy" (Hillman et al., 2000). A case in point is that following the financial meltdown of 2008, various financial institutions included directors with risk management knowledge to their boards. Once on the boards, these directors work to assist the firm (Hillman &Dalzie, 2003).

Resource dependency theory also adopts a broad view that the skills and knowledge of directors are resources that could be used to help the firm perform better. The resource envelope also entails providing advice to management on strategic actions. In this case, organisations that are struggling with solvency issues are likely to appoint a representative of financial institutions to their board. This theory therefore portends that the skills and knowledge of directors are resources that can help the organisation perform better.

2.3.4 Agency theory

Business alliances are usually built upon a principal-agent relationship. This relationship is deeply rooted in several fields namely economics, law, strategic management and accounting. Agency theory stems from the agency relationship where an agent (e.g. independent director, executive director) is hired as a representative or business developer by a principal (shareholders, owners). This contract with an agent is based on trust and interest in achieving corporate objectives and goals. This suggests that though the principal may have personal goals, loyalty and dedication lies in the tendency to put corporate objectives ahead of personal goals. If both parties to the relationship believe in utility maximization, there is good reason to believe that the agent will not always act in the best interests of the principal (Jensen &Meckling, 1976). Agents (managers) are expected to manage the affairs of the business in the best interest of the shareholders or principal. Rather, by exploiting information asymmetries and conflicts of interests on the board, the agents were able to act against the interests of the principals and to do so with an expected hope of avoiding punishments.

Given the importance of monitoring managerial actions, and mitigating any losses that might emanate from poor monitoring, the agency problem is largely connected with costs. In this perspective, bonding costs are those representing the value of the reduction in welfare experienced by the principal due to discrepancies between the agent's decisions and those decisions which would maximize the principal's revenues. Hence, the costs are linked with the different interests of the two parties (agent and principal) (Jensen &Meckling, 1976), and essentially relate to the structures which need to be introduced to diminish the risk of managerial misbehaviour.

Reductions in agency costs can be attained through diverse approaches. For instance, in the specific case of the banking scenario which forms the focus of this study, where managers are seen to be liable for contravening banking regulations by either disclosing inaccurate information or engaging in very risky practices that put shareholders, depositors, creditors and other stakeholders at risk, they can be sanctioned by financial regulators (Sign, 2012). In all types of enterprise, however, top management activities might be monitored by the board of directors, which is considered the most important internal mechanism (Gomez & Russell, 2005). The board not only controls the decisions of the top managers, and their compliance with shareholder interests (Pige, 2002), but also motivates managers to create and maximize profits for those shareholders (Ellul &Yerramilli, 2013). That said, the high-risk appetite of shareholders may in turn be in conflict with the interest of stakeholders such as depositors, creditors, and deposit insurance agencies (Mehran et al., 2011), and the board would be a forum where such issues would demand a debate.

In corporate governance debates, the agency theory appears to be the foremost and the most emphasized because it borders on the cost of agency. Agency costs include monitoring expenditures by the principal such as auditing, budgeting, control and compensation systems, bonding expenditures by the agent and residual loss due to divergence of interests between the principal and the agent (Kyereboah-Coleman, 2007). The agent has largely been described as an opportunistic individual whose desire is for personal aggrandizement whereas both principal and agent weigh the costs and benefits of engaging in a contractual relationship. The unscrupulous behaviour of the agent in a bid to optimize benefit and minimize cost results in agency cost which is described as a reduction in company value. Therefore, individuals have an interest in minimizing agency costs because if one or the other party expects that the burden of costs compared with the benefits resulting from contracting will be too important for her, she does not contract (Padilla, 2002).

In addressing the main agency issues, the following ways of addressing the opportunistic behaviours of the agents. Independent directors; Agency theory presume board of directors to incorporate a large percentage of independent directors for effective control. This meant to limit or mitigate the conflict of interest between agents and principals and thereby ensures a board's independence in monitoring and passing fair and unbiased judgment on management. Since the board comprises of two major forms of directors; independent and executive director, it is expected that a firm with more independent directors will make rational decisions and create value for the shareholders. The role of the independent director is necessary to improve a firm's value as they can monitor the firm and can force the managers to make unbiased decisions. The independent directors can also act as referees by implementing the principles of corporate governance that protect shareholders' rights. Likewise, the role of the internal directors cannot be overemphasized in safeguarding the interests of shareholders since they provide the shareholders with important financial information, which ultimately will decrease the information asymmetry between managers and shareholders as argued in Bhagat &Jefferis (2002).

2.4 Financial performance

While there are no general agreements as to the best way of evaluating financial performance, the meaning of the financial performance concept is not contested in the literature (Cochran & Wood, 1984). Financial performance is generally termed as the firm's ability to make earnings by the efficient and effective utilization of available resources over a given period. It reflects the financial condition and achievement of a firm for a certain period of time (Haryono& Iskandar, 2015). Therefore, financial performance is a composite of the financial health of the firm and a process of measuring the results and achievements of a firm's operations in monetary values. The measurement for financial performance usually takes these three forms: the accounting measurement which expresses an idea of the organisation's internal efficiency; market measurement which reveals the degree of shareholders' satisfaction; and survey measurements which reflects a kind of subjective estimation of the organisation's financial performance. There are two categories of financial performance measures: the first being the measures of market-based measure while the second category is the accounting-based measure.

2.4.1 Market-based measures

Market-based measures of financial performance use market valuations as the basis in measuring performance and captures the expectations and reactions of markets for future performance. Market-based measures signify investors' assessment of a firm's ability to make future economic earnings rather than past performance (Hillman &Keim, 2001; McGuire et al., 1988). These measures do not rely on past performance rather they reflect future performance. They are less subjective and susceptible to managerial bias and differential accounting procedures. They also incorporate all important information without being limited to a single aspect of firm performance (Gentry & Shen, 2010). The market-based measurement is characterised by its forward-looking aspect and its reflection of shareholders' expectations regarding the firm's future performance, which has its basis on previous or current performance.

It is important to note that the market-based measure suggests that it is unfair to consider financial performance without reference to shareholders (Orlitzky, Schmidt &Rynes, 2003). Examples of this measure includes price per share which reveals the worth of each share ownership of a firm, Tobin's q and market value-added which is also a means of assessing the value created for shareholders and it represents the successful maximization of shareholders' wealth through efficient allocation and management of available scare resources. One of the advantages of market-based measures as pointed out by Goukasian& Whitney (2008) is that they can estimate the cost or the value of firms adopting certain strategies to be socially responsible conditional on the existing information. Market-based measures of performance are said to cause less endogeneity problems (Bechetti,Ciciretti& Hasan, 2009). These two measures; which represents the different perspectives of evaluating the financial performance of firms have different theoretical implications (Hillman &Keim, 2001).

2.4.2 Accounting-based Measures

Accounting-based measures are there to research the past financial performance and profitability, use accounting data from the balance sheet and income statement (book values) to measure financial performance, and are used to mostly provide information on a company's economics and internal efficiency (Cochran & Wood, 1985; Bechetti et al, 2009). They are subject to managerial decision in the allocation of resources; hence they reflect managerial performance and internal decision-making rather than the external market reactions (Beurder&Gossling, 2008; Orlitzky et al, 2003). This measure is known for its backward-looking element and its partial estimation of future events in terms of depreciation and amortization. Prior studies have revealed some flaws associated with accounting based measure. Firstly, this measure is said to be influenced by managers' discretion which leads to managerial bias and distortions due to choice of accounting procedures and accounting policies. Secondly, these measures mainly provide information about historical performance and do not reflect investors' expectations (Bechetti et al, 2009). Also, accounting performance mostly captures internal efficiency and managerial performance and does not capture all external market reactions as a result of investors' perceptions (Beurder&Gossling, 2008). Nevertheless, there are traces that boards show preference for accounting measures to market measures in evaluating managerial performance. This current study considers accounting based measures as performance measures because they provide the most readily available data.

Examples of accounting based measures include Return on Assets, Return on Capital Employed, Return on Total Assets, Return on Equity (Lyon, 2007). The commonly used measures of financial performance are Return on Assets (ROA) and Return on Equity (ROE) (Griffin & Mahon, 1997). Return on assets gives an idea as to how efficient management is at using its assets to generate earnings. It is often computed by dividing profit after tax by total assets alternatively, it can be calculated by dividing Earnings before Interest and Tax (EBIT) by total assets. Return on equity on the other hand measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. It is often viewed as a hybrid measure of firm performance because it incorporates profit which is accounting based and equity which is market based. The measure is determined by dividing profit by equity. Some literature examples where ROA has been used include Daily & Dalton (1992) and Pearce & Zahra (1992). In the same way, ROE has been adopted in some studies such as Baysinger& Butler (1985) and Zahra & Stanton (1988).

2.5 Board composition and financial performance

The concepts of the board is derived from the incentives or attribute variable that play a key role in controlling and monitoring managers, and can be qualified as a bridge between company shareholders and management (Dalton et al, 1998). When it comes making decisions in the firm, the board has the supreme role and the board of directors are usually charged with the responsibility of overseeing performance, safeguarding and maximizing wealth of shareholders, and assessing managerial efficiency. The four actions undertaken by the board in the decision making process include; initiation, ratification, implementation and monitory (Fama& Jensen, 1983). Thus the major board role is seen as; ratify and monitor decisions, and oversee the actions of executives/managers. The role of the board following the aforementioned description is, to some extent, daunting since it seeks to carry out a highly challenging and diverse responsibility. Besides preventing negative management practices that may cause corporate scandals or failures, the board is also expected to utilize opportunities that improves the stakeholder value.

Understanding the role of the board begins by realising that boards is a combination of individual members to form a team. These members combine their capabilities and competencies that together represent the pool of social capital for their firm (Westphal, 2001). Therefore, it is necessary to pinpoint the board characteristics that make one board more effective from the other. Therefore, this review sets out to pinpoint and investigate the board compositions that make it effective and contribute towards financial performance of banking institutions.

Several empirical studies conducted to examine the effect of the composition of the board on firm performance have investigated the direct relationship between board variables and firm performance. Only a few of these related studies have only recently considered the effect of moderating variables on firm performance (Odudu et al, 2016). Hence, some calls have been made in this regard to investigate the role of moderating effects in studies linking board composition to firm performance (Finkelstein & Mooney, 2003; Pye&Pettigre, 2005).

In studying the effect of Corporate board composition on the financial performance of deposit money banks in Nigeria, the moderating effects to be adopted include; Executives directors, Non-executive directors and women independent directors. Meanwhile, the relationship between board composition and financial performance is affected through other noteworthy variables such as: return on asset (ROA) and return on equity (ROE). These are both dependent and independent variables linked to the board composition and bank performance. Evidences from the literature are reviewed in the following section as relate to the three moderating effects.

2.5.1 Executive directors and financial performance

According to the postulation of Fama& Jensen (1983), executive or internal directors are the most influential board members due to their valuable firm specific knowledge. More so, some studies have indicated that executive directors are valuable in enhancing the monitoring and advisory roles of the board, resulting in an effective performance of the organisation (Ferreira, 2007). Executive directors are those directors that are also managers and/or current officers in the firm (Ogbeche&Koufopoulos, 2010). The role of inside directors from the perspectives of contracting literature assumed that boards choose directors to maximise shareholder wealth by improving board expertise and monitoring senior management oversight.

In the study of Fama& Jensen (1983), they found that executive directors improve board functionality by enhancing the quality of board's decision-making role. Therefore, they expect well-functioning boards to include several of the organisation top managers. Inside directors can contribute firm-specific expertise and insight into firm activities to board discussions, which improves a board's ability to supervise firm performance and to set its strategic objectives (Masulis& Mobbs, 2010). Horváth&Spirollari (2012) in their studies looked into the relationship of selected board of directors characteristics and the financial performance of firms, using a large database comprising U.S based firms from 2005 to 2009. Their study revealed that the degree of executive director improves positively the performance of the firm. This signifies that having insider directors in the firm enhances their firm's financial performance. Hence, with the presence of insider directors in Nigeria's deposits money banks, this study expects a better financial performance.

2.5.2 Non-executive/Independent directors and financial performance

Non-executive directors are independent directors who are outside of the firm. They are called outsider directors because they have neither business nor personal relationships with the firm (Ogbechie&Koufopoulos, 2010). This category of directors in order words are directors who has no business relationship with the company for the past three years or more, who are not members or representatives of the immediate family of a shareholder and who has the ability to significantly influence or control the management or board of the organisation. Independent directors are usually selected because they have appropriate skills, calibre, breadth of experience and personal qualities. More so, independent directors may have some specialist knowledge that will help in providing the board with valuable insights or, key contacts in related industries that may contribute in improving the firm's financial performance. To add to that, one of the most important benefit of independent directors is that they are independence of the management of the company and any of its interested parties. Which means they can bring a degree of objectivity to the board's deliberations, and play a valuable role in monitoring executive management. Furthermore, the presence of independent directors is generally thought to have provided better governance, effective monitoring, and quality performance. However, the empirical results of the previous studies regarding the relationship between independent directors and firm performance are still inconclusive.

Rosenberg (2003) claim that independent directors can be highly valuable to the firms they serve when they are provided with all useful and timely information. Low representation of outside directors in boards can lead to an ineffectual oversight over firm's decision, and failure to monitor management's activities objectively. Boards today tend to be more independent, because companies aim for improved corporate governance mechanisms, higher accountability and transparency. Presumably, companies also work on elimination of information concealment issue. The role of board of directors is to monitor and provide resources, which in theory has a direct influence on firm performance.

In Dehaene, Naccache, Cohen, Bihan& Margin (2001) for example, the authors found that the percentage of independent directors is positively related to the financial performance of firms in Belgium. Further findings in their study revealed a significant positive association between the number of external directors and return on equity. The results of their study shows evidence backed up the argument that independent directors offer more benefits to the firm owing to their independence from the firm's management. This act of independence can attract investors in investing more into the firm as it helps them in making better investment decisions. Similarly, Rosenstein & Wyatt (1990) found a positive stock price reaction at the announcement of the appointment of an independent director, showing that the proportion of outside directors influences shareholder's wealth. In a summary of 402 UK quoted firms, O'Sullivan (2000) found that non-executive directors encourage more intensive audits as a compliment to their own monitoring role.

Contrary to the above findings, independent directors are also believed to reduce firm performance and this negative effect was even more important during the recent financial crisis (Priya&Nimalathasan, 2013), as the non-executive independent directors prefer conservative business strategies in order to protect shareholders, but this behaviour add more cost and lower firms. Nevertheless, numerous studies have provided that the proportion of non-executive independent directors is correlated to firm performance (Agrawal &Knoeber, 1996). This shows that companies with more non-executive independent directors tend to be more profitable than those with fewer non-executive independent directors. This also suggests that increasing the level of the proportion of non-executive independent directors should simultaneously increase firm performance as they are more effective monitors of managers (Adams & Mehran, 2003). Thus, this study expects a positive financial performance of Nigerian banks with the presence of independent directors.

2.5.3 Women independent directors and financial performance

There are indications from evolutionary biology that women are specialised in different activities as a result of some of innate qualities and characteristics. Therefore, there have been contestations and arguments about women showing important qualities required for good governance. For instance, Azmi & Barrett (2013) recently stated that women are risk averse, good decision makers, meticulous, and skilled in finance and accounting. These qualities and many more make some scholars to have focused on the effects that female executives and directors may potentially have on the financial performance of a firm. For example; Campbell &Mingues-Vera (2008) and Adams & Ferreira (2009) found that female directors may have positive influence on firm performance and market value. In the same perspective, Nielsen &Huse (2010) revealed that female directors reduce the level of conflict in corporate boards, and they use board development activities, such as development programs, evaluations and work instructions to influence board effectiveness.

More investigations on the relationship between women directors and financial performance of firm are not consistent. While some authors have found a positive relationship between women directors and financial performance, others have found no association or even a negative relationship, implying that that having women in the board does not necessarily influence firm performance. Rose (2007) use Danish data and found that there is no significant relationship between firm performance and female on board representation. Adams & Ferreira (2009) in their investigation found that the average effect of women directors on firm performance is negative.

Nevertheless, Watson (2002) found some evidence to suggest that female-controlled firms may outperform male-controlled firms. Similarly, Krishnan & Park (2005) investigated the association between female directors and return on total assets for 679 companies from the Fortune 1,000 data base where they found a positive relationship between having women in management teams and financial performance. Likewise, Carter, Simkins & Simpson (2003) examined the association between Tobin's Q and the involvement of women in the boards of the Fortune 1,000 companies and unveiled a significant positive association. The findings of these studies indicate that the presence of women in the boards or involvement of women in the management teams might improve a team performance, as this may bring in different ideas or opinion that will yield to greater range of perspectives, which may eventually reach good decisions and better performance. These good decisions could translate into higher business value and financial performance of organisations (Burgess &Tharenou, 2002). Thus, this study hypothesizes further that by having women, not just as directors but independent directors in the boards of Nigeria's deposits money banks, there will be significant benefits to their financial performance.

2.6 The business of banks

The roles banks play in the global economy is critical and important. Hence, it is appropriate to consider at this point, the precise business in which banks engage. In this regard, it can be seen that banks have different functions, the main one being to attract savers and lend the money deposited by them to borrowers. Easy as this might sound, the business of banks, according to Greenham et al (2012) is actually both complex and critical, and as described by Omankhanlen (2012), banks represent the linchpin and the cornerstone of the economy, with many economic activities hinging on their efficient operation. Indeed, the manner at which their operations are conducted and the services provided influence the performance of the economy (Allen &Carletti, 2010).

Banks operate as a result of their vision or core objectives, and these can be seen to vary from bank to bank, and even from branch to branch. For instance, there are banks whose sole function revolves around investments, whereas others direct their activities towards corporates, community development and businesses (Buckova, 2008). Nevertheless, irrespective of these variations in mission or visions, banks are in being to aspire for profits, and the term 'bank' is usually used to refer to a commercial enterprise.

When credits are provided by these banks in the form of loans, they increase demand deposits, hence resulting to an increase in money supply. Essentially, banks hold almost all deposits for government, businesses and individuals, and via these deposits, they are able to issue credit and obtain interests or invest in diverse business portfolios in capital markets or real estate. Therefore, they create money, and this tendency is important to the economy, because without their provisions of credit to businesses or producers in need of these money to secure capital for operations, activities in the economy would be impossible or become stifled, hence limiting the economic growth of a nation (Iannotta, 2006; Buckova, 2008).

Adding to this primary role, banks engage in other transactions that are classified as secondary. Examples include the currency exchange, payments processing, transfer of funds and payment (telegraphic transfers, internet banking etc.), safekeeping of documents in safety deposit boxes, issuing of bank drafts, cheques and banknotes (Buckova, 2008).

The business of banks extends beyond the mobilization and allocation of financial resources to include capital markets. Banks' involvement in capital markets takes two main forms. Firstly, banks directly participate in the capital markets by issuing shares and bonds as a means of obtaining funds. And some of the securities issued are listed for trading on a regulated capital market (Matei&Geambasu, 2010). Secondly, banks act as investors in the capital markets, many of them investing by buying bonds and shares in order to hedge risks, diversify their portfolios, and make profit. Some banks prefer to invest in fixed income instruments with a lower degree of risk such as government bonds, whereas others show preference for other high risk instruments such as options, swaps and shares.

Going further, banks engage in the capital markets as market markers, engaging in the simultaneous purchase and sale of different assets with the aim of enhancing liquidity and making profit (Jizi et.al, 2014, Avogouleas& Cullen, 2014). In this case, they provide the market with a specific quantity of particular assets and they initiate reverse operations to correct different asymmetries that are likely to occur in the market. This subsequently averts market volatility (Matei&Geambasu, 2010). Additionally, Matei&Geambasu (2010) note that the banking business in the capital markets entails the provision of financial investment services and carrying out financial operations on clients' behalf.

Although banks' operations in the capital markets help banks to make profit, diversify their portfolios, spread risks and enhance their liquidity, the manner in which these operations are undertaken can adversely affect the economy. Risks in the capital market such as changes in foreign exchange rates, equity prices, and interest rates can result in significant losses, and in extreme cases, can negatively affect the ability of banking institutions to allocate financial resources to key sectors of the economy (Andries 2009;

Kaminsky & Reinhart, 1999; Matei&Geambasu, 2010). Kaminsky & Reinhart (1999), for instance, discovered that in most cases, crises in banks are preceded by excessive exposures of banks in the stock market and real estate. And according to Bollard et al. (2011), the interconnections between banks and the rest of the economy, the effects of banks' failures have the potential to spill over to the wider economic or financial systems, particularly in instances where the credit intermediation process is disrupted, or when financial saving cannot be accessed or the transactional role of banks (via its settlements and payments systems) is undermined. The failure in the bank might lead to a slowdown in business cycles as business owners become unable to access credit to facilitate run their businesses. In instances where relatively large banks with linkages to other banks are involved, the effect of bank crises can become contagious crossing national and regional borders.

In the arguments of Sergeant (2001), banks are described to play an important role in enhancing economic development and growth. In the same vein, Mukherjee (2002) indicated that the economic development of a country largely relies on banking facilities. One key way in which banks improve economic growth is through the provision of credit to small, medium, and large scale enterprises, therefor allowing them to purchase the needed infrastructure and raw materials, expand and hire more workers, or/and invest in various entities. Meanwhile, in the event that banks improve their credit interest rates or are not able to efficiently conduct their growth-supporting role either owing to policy implications, or poor corporate governance, the economy is likely to slow down, consequently limiting available employment and job opportunities (Sergeant, 2001).

Banks' lending activities make them susceptible to credit risks which happen when borrowers are unable to meet their loan repayment obligations. Besides, bank lending can contribute to liquidity risk in a case where the bank has to make unexpected payments owing to non-performing loans. Maturity transformation brought about by the conversion of short-term deposits into long-term loans further heightens banks' liquidity risks (Apatachioae, 2014). As a result of these risks, banks' ability to provide credit at reasonable interest rates is affected, leading to a slowdown in business cycles as business ventures find it difficult to access credit to carryout investments, operations and expansion objectives (Apatachioae, 2014).

Andries (2009) has observed that, as financial intermediaries, banks can play a major role in contributing to financial crises as their activities in the financial markets, such as the granting of loans, significantly influence interest rates, the price of assets, and the level of uncertainty in the market. Likewise, many other studies have been conducted that have established the role played by banks in different forms of financial crisis.

In recent decades, the business of banks has become not only more complex and opaque, but has also been undermined by non-banks in the 'shadow-banking' sector, which operates in an unregulated and uninsured environment (Avogouleas& Cullen, 2014; Haan&Vlahu, 2016). This phenomenon has made the job of bank managers and supervisors even more complex, as there are greater numbers of activities to manage, control, and implement, all requiring increased knowledge and the use of sophisticated techniques, as for instance in the evaluation of risk in the case of risk management, and the calculation of credit ratings for capital requirements (Mehran et al., 2011).

The business of banks directly shapes the model of corporate governance adopted and its relevant performance measures. Hence, the nature of corporate governance is characterized differently, depending on the bank's systems and its degree of market orientation (Baran, 2008). In the continental approach, the board of directors is the main executive body, while the supervisory council has controlling obligations. The representation of banks, and employees is very strong (Jizi et.al, 2014). This continental corporate governance system is characterized by indirect presence in the political sphere. Managers directly monitor banking activities, the ownership of stocks is concentrated, with banks possessing big shares, and banking managers rarely owning banking stocks. In this approach the link between industrial capital and banks is rather weak, rendering the most important source of capital as bank credits. Only a very small number of European banks are publicly listed, a fact which enhance low-liquidity and low control of capital markets (Haan&Vlahu, 2016, Avogouleas& Cullen, 2014).

In contrast, the Anglo-Saxon market-oriented system of corporate governance is proliferated. In this system, the main executive body is composed of executive directors, while the controlling body is comprised of non-executive directors. There is weak representation of banks, and employee involvement is undesirable (and therefore, limited). Connections between banks and politicians are unwelcome but nonetheless, much in existence. Managers do not directly control the banking activities. In respect of the proprietary structure, ownership of stocks is dispersed, and neither banks nor managers possess a substantial chunk of shares. The link between banks and capital industries is strong, hence the issuance of shares is the main source of capital. This situation results in high-liquidity of the capital market, a large number of publicly-listed banks, and high control of the capital market over banks (Faleye& Krishnan, 2015).

2.7 The Nigerian banking industry and its regulatory structure

Evidences from many studies about Nigeria's banking industry have shown that one of the problems confronting the sector has been that of poor corporate governance. The banking industry in the last one decade in Nigeria has undergone huge transformations. About 89 deposit banks were in operation in 2005 in a highly concentrated market with the top ten banks accounting for around 80% of total liabilities/assets. With a statutory requirement of ₦2 billion as of that period it implied that relative to global banks, Nigerian banks were small in size. This had an adverse impact on the banks' cost structure hence making resulting in high cost of intermediation. No Nigerian bank then can finance major transactions in the growing telecom and oil and gas sectors in the country, and none made the top 1000 banks in the globe. Total capitalization of all Nigerian banks then was roughly $2.44 billion, which was just the size of South Africa's fourth largest bank (Ogbeche&Koufopoulos, 2010).

The industry was faced with systemic crisis prior to 2004. Also the industry was characterised with low banking credit to the domestic economy, low capital base, poor corporate governance, gross insider abuses and overdependence on public sector deposit, and payment system that encouraged cash-based transactions (CBN Annual Report, 2006). Many bank owners and directors abused their positions and breached their fiduciary duties by engaging in self-serving activities. The abuses included granting of unsecured credit facilities to owners, directors and related companies which in some cases were in excess of their banks' statutory lending limits in violation of the provisions of the law (Osota, 1999).

Reports of some banks in operation showed that some banks had continued to engage in unprofessional and unethical conducts such as the non-implementation of examiner's recommendations as contained in successive examination reports; continual and wilful violation of banking regulations and rules; rendition of inaccurate returns and failure to disclose all transactions thereby hindering timely detection of emerging problems by regulatory authorities (Oluyemi, 2006). Other issues bordering on weak corporate governance had been the prevalence of poor quality of risk assets. Apart from those of other debtors, large non-performing insider-related loans and advances in some banks had persisted due to the inability of the respective boards and management to take necessary actions against such acts.

From the various reports reviewed, internal audit functions were, in some banks not given appropriate backing of the board. As a result, there had been the prevalence of frauds and forgeries in some banks in the system. Lack of transparency in financial reporting had equally been noted in some banks' examination reports. The boards of some banks were also noted to be ineffective in their oversight functions as they readily ratified management actions even when such actions could be seen to violate the culture of good corporate governance. Many board committees were equally noted to have failed to hold regular meetings to perform their duties.

Based on the foregoing issues, it becomes apparent that corporate governance in the system had faced enormous challenges which if not properly addressed could show negative impacts on the overall success of the bank consolidation exercise (Craig, 2005). If operators in the banking sector will keep to the rules, as specified by the regulatory agencies and in individual banks' transaction and policy procedures, financial sector stability could be guaranteed. However, when there is the tendency of flagrant abuse of the ethical and professional demands on operators as evidenced in some failed banks' closing reports and on-site examination reports of some of the banks in operation, chances that public confidence in the Nigerian banking system would be restored becomes more challenging. According to Ogbeche&Koufopoulos (2010), these factors led to the massive transformation of the industry in Nigeria which was aimed at making Nigeria the financial hub of Africa by driving the economic growth of the country. The various corporate misconducts in the affected banks caused pain and suffering to some stakeholders particularly, depositors and some shareholders for no fault of theirs

As a first path to achieving the CBN goal of massive transformation, the CBN on July 6, 2004 announced that banks that are operational in Nigeria should have at least a capitalization of N25 billion on or before December 31, 2005. This recapitalisation exercise led different mergers by some of the banks even as some met the CBN target. For those banks that failed to meet the requirement, they were liquidated. The number of banks which initially stood at 89 at the beginning of the exercise had reduced to 25 at the completion of the consolidation exercise in January 2006. In March of the same year, a directive from the CBN stipulated the need to strengthen corporate governance across the industry, and to improve the soundness and stability of the banking sector (Ogbeche&Koufopoulos, 2010).

According to Ogbeche&Koufopoulos (2010), "the outcomes of the transformation have been impressive with asset base of banks in Nigeria between 2003 and 2007 growing by about 277%. In less than 3 years after the exercise, 11 banks had recorded over $1 billion in tier 1 capital. Not only that, several other banks were operating in 16 African countries and in 7 other countries outside Africa. The total branch network which initially stood at 2600 in 2005 rose to about 3,900 (CBN Annual Report, 2007) many of which are universal banks with product and service offers ranging from individual to corporate customers. To a large extent, all the banks are now relatively big and thus require vibrant and strong boards to sustain and improve performance.

Some of the most important corporate governance rules and regulations in place to promote good corporate governance include: the Nigeria Deposit Insurance Corporation (NDIC) Act of 1988, the Company and Allied Matters Act (CAMA) of 1990, the Prudential Guidelines, the National code of Corporate governance 2016, the Banks and Other Financial Institutions (BOFI) Act of 1991, Central Bank of Nigeria (CBN) Act of 1991, CBN circulars and guidelines, among others (Adenikinju&Ayorinde, 2001). Likewise, some agencies of the Nigerian government agencies and non-governmental associations are now in the vanguard of promoting good corporate governance practices in the Nigerian banking sector. Some of these agencies include among others the Corporate Affairs Commission, the Nigerian Stock Exchange (NSE), Financial Institutions Training Centre (FITC), the Securities and Exchange Commission (SEC), the Institute of Chartered Accountants of Nigeria (ICAN), Chartered Institute of Bankers of Nigeria (CIBN), and among others.

In essence, corporate governance in Nigeria's banking system provides the structure and processes within which the business of bank is conducted and it has the ultimate aim of realising long-term shareholders' value whilst taking into account the interests of all other legitimate stakeholders. According to Umoh (2002), some of the statutory and other regulations in the system impose the responsibilities with sanctions for breaches on bank directors to:

(i) Effectively supervise a bank's affairs by exercising reasonable business competence and judgement

(ii) Critically examine the policies and objectives of a bank concerning investments, loan asset and liability management, etc.

(iii) Monitor bank's observance of all applicable laws

(iv) Avoid self-serving dealings and any other malpractices

(v) Ensure strict accountability

2.8 Role and effectiveness of the board

A firm's performance is generally a reflection of the quality of its directors and theeffectiveness of its board. As put by Nicholson & Kiel (2004), an effective management team and a board should produce positive performance. In a similar fashion, poormanagement effectiveness and effectiveness and poor board effectiveness will result to poor corporatesuccess. Therefore, insights into the complex web of criteria which enables boards ofdirectors to be productive in discharging their duties and in turn creating shareholder wealthis still lacking. In this respect, Zahra & Pearce (1989) posit that there is "a growingawareness of the need to understand better how boards can improve their effectiveness".Reviews from the literature have revealed that there are multiple approaches to determining the concept of boardeffectiveness (Van den Berghe&Levrau, 2004). Board effectiveness is mainly concernedwith "tasks" outcomes and occurs by fulfilling a role set (Nicholas & Kiel, 2004). According to Zahra & Pearce (1989), the rolesof boards of directors are commonly classified as: control, service and strategic roles.

Regarding the control role, the board of directors have been legally mandated to oversee the company'soperations and monitor top management performance in order to protect shareholders'interests. The service role of the board of directors is explained from a resource dependence perspective,and within this context Mintzberg (1983) distinguishes at least four service roles of the board ofdirectors: (i) co-opting external influencers, (ii) establishing contacts and raising funds for theorganisation, (iii) improving the reputation of the organisation, and lastly (4) providing advice and counsel tothe organisation. The effectiveness of these support and service roles of the board depends onthe cumulative human capital of the board which is often related to various board demographycharacteristics, such as tenure, professional diversity, etc. Boards that are composed of directorswith different backgrounds may be more effective in terms of bringing important expertise,experience and skills to facilitate advice and counsel.

A part of the board's strategic role is involvement in developing corporate strategy and increating corporate vision and propelling strategic changes.Levrau& Van den Berghe (2007) argue that the board's effectiveness willalso be propelled by certain process variables such as conflict and debate norms and cohesiveness. Much of the work that boards of directors will do in order to produce effectiveoutcomes entails joint efforts and cooperative decision-making. This signifies that effectiveboards must be good team players with a good degree of cohesiveness. A board as a decision-makinggroup must be involved in objective debates and, of course, with some accompanying conflict in the course of thedebates.

Meanwhile, the quality of the debates is dependent on the role of the Chairperson, web of group and interpersonal relationshipsbetween independent and executive directors (Roberts et al. 2005), characteristics of individual directors and those of the board, coalition formation, interactionsamong directors and with top management, information flows outside and inside the organisation, among others (Ingley& Van der Walt, 2002; Golden & Zajac2002).

2.9 Summary of Empirical review

Table 2.3: Empirical review

Name of author	Area of study	Method	Result/Recommendation
Ogbechie and Koufopoulo (2010)	Board effectiveness Nigeria in the Nigerian banking industry	A combination of questionnaires and one-on-one interviews	Competence of directors is seen as the most important determinant of effective boards
Bebeji, et al (2015)	Effect of board size and composition on the ROE and ROA of banks in Nigeria	Ordinary Least Squares (OLS) regression	Board size has significant negative impact on performance of banks; board composition has a significant positive effect on ROE and ROA
Matanda, et al (2015)	Relationship between board composition and performance in Kenya	Hierarchical regression model; measured performance by ROA, ROE and Tobin's Q ratio	Board composition was not significant in the relationship with performance of commercial banks in Kenya.
Chemweno (2016)	Board characteristics (board independence, gender, diligence, size, etc.) and firm performance: evidence from Kenya	Fixed Effects Model (FEM)	Board independence show a significant positive effect on financial performance;
Sarkar and Sarkar (2018)	Bank ownership, board characteristics and performance: Evidence from commercial banks in India	Regression analysis was conducted on a ten-year period from 2003-2012	Board independence exhibited a significant positive correlation with performance of banks
Agoraki, et al (2009)	The effect of board size and composition on bank performance (proxied by cost and	Cost and profit efficiency was estimated using stochastic frontier analysis (SFA)	The impact of board composition on profit efficiency is non-linear

	profit efficiency)		
Odudu, et al (2016)	Effect of board characteristics (grey directors, women directors, independent directors, and executive directors) on financial performance (ROA and ROE) of deposit money banks in Nigeria	Generalized least square (GLS) method of estimation was deployed	Executive director and independent non-executive director have no significant influence on performance of listed banks in Nigeria. Foreign director shows a positive and significant influence on performance. Meanwhile, women director has no significant association on the performance of banks

2.9 Summary of the Review

The theories reviewed above give primacy to a particular view on how boards of directors should deal with decisions that affect the organisation. In Table 2.2 below, a summary of the major theories reviewed from 2.5.1 to 2.54 are provided.

Table 2.1: Summary of theories and implications for the board

Theory	Role of Board	Implication for board
Stakeholder theory	Uphold interests of all stakeholders	Maximising the shareholder returns is not sole objective; interests of all stakeholders should be equally honoured
Stewardship theory	Managerial empowerment	The board controlled by management manages corporate assets responsibly

Resource dependency theory	Co-optation	Board with strong external links is a co-optation mechanism for firms to access external resources
Agency theory	Managerial control	Independent boards are a mechanism for shareholders to retain ownership control rights and monitor performance

CHAPTER THREE

Research Methodology

3.1 Introduction

The primary aim of the study is to establish the effect of board composition on the financial performance of money deposit banks in Nigeria for the period spanning 2008 to 2017. To achieve this aim, it is important to enumerate the methods and procedures employed in carrying out the study. Therefore, this chapter describes the research procedures covering the research design, nature of data required and sampling procedure, method of investigation as well as, the model specifications.

3.2 Research design

Central to the goal of this study is the need to enumerate the step-by-step approach to which the author intends to address the research aims. Research design includes the procedures adopted for the assessments of subjects in a study or the guideline that binds various elements of a research. It entails a broad plan on how a study addresses the research questions (Saunders, Lewis & Thornhill, 2007). Certain underlying paradigms are related to the research design even as research designs are related to data collection.

The literature on research methods identified two approaches to a research study: qualitative and quantitative perspectives. The latter (quantitative approach) is considered for this study ahead of the former owing to a number of factors. First, the crux of the study requires that emphasis be placed on the use of theories and concepts to study relationships between board composition and financial performance. Given that the quantitative perspective is often based on the positivist paradigm, the study seeks to use existing theories on corporate governance to build an explanation on the study. Second, the quantitative approach, unlike the qualitative perspective where the subjective experience is stressed, deals with variables which are measured using a range of statistical tools.

Following the selection of the research approach as an appropriate research design is the need to demonstrate what aspect of the quantitative approach is best suited for the study. This study employs the technique of multivariate regression as the study is co relational in nature and links board characteristics proxies and financial performance. This method involves the combination of time series and cross sectional data. It is an important method of longitudinal data analysis because it allows for a number of regression analyses in both spatial (units) and temporal (time) dimensions. This method entails an empirical analysis of the annual financial reports and accounts of selected banks which would be reported using both the descriptive and inferential statistics.

3.3 Study Population and Sources of Data

Data required for analysis in any study usually takes either or both of these two forms which are the primary and secondary data sources. Data is referred to as secondary if they have been collected from a pool of existing or previously published data rather than raw information. Many related studies on board composition and financial performance rely on this type of data through the collection of annual reports from companies' official offices and websites. Although some studies (e.g. Ogbechie&Koufopoulos, 2010) rely on primary data through questionnaires, others (e.g. Matanda, Luke &Lisiolo, 2015) rely on a combination of both.

For the purpose of this study, the author relied on a combination of secondary and primary data while focusing only on deposit money banks quoted on the Nigerian Stock Exchange. A total of ten (10) banks was selected to make 100 banks' year observations using a judgmental sampling approach. Judgment sampling, also known as purposive or authoritative sampling, is used in cases where the specialty of an authority can select a more representative sample that can bring more accurate results than by using other probability sampling techniques. This procedure was applied because of the need to select a sample based on the availability of the required information to achieve the goal of the study. Selected banks used for the study are: Unity bank, Diamond bank, Ecobank, Firstbank, UBA, Zenith bank, GTBank, Access bank, Fidelity bank and Sterling bank. However, for the collection of primary data, only four (5) of the ten (10) formed the sample for the study: UBA, Access bank, Zenith bank, GTBank and Sterling bank.

3.4 Sample Size and Sampling Technique

Consistent with prior studies (e.g. Gujarati, 2003 as cited in Jusoh et al., 2013), a generalized least square (GLS) and correlation method will be used to analyse the data. This is because when data distribution is not evenly distributed, the estimation method of ordinary least square (OLS) to analyse the sample data would produce inefficient and bias results. As such, generalized least square method of estimation would be more appropriate (Odudu et al., 2016).Furthermore, the test of multicollinearity and heteroscedasticity were conducted. Findings from these checks show that for multicollinearity, the values of VIF lie between 1 and 10 indicating that there is no multicollinearity; while for heteroscedasticity, the values Sig. > 0.05, meaning that there is no problem of heteroscedasticity (see Appendices).The tool for data analysis in this study is the E-views5 and SPSS version 20 software.

3.4 Instrument for Data Collection

3.4.1 Primary data

Investigation of primary data began by mailing copies of the structured questionnaire (see Appendix) to two (3) bank directors and two (3) bank managers to each of the selected banks. They were asked to list the extent to which some of the determinants of board's effectiveness (such as diversity, independence, etc.) affect banks' financial performance. Also, they were asked rate other items on board's composition and financial performance. Ideally, this information could have been obtained by focus group discussions or interviews, but it is difficult to get directors and managers of banks in Nigeria to participate in such procedures. Of the total 30 questionnaires sent out, only 28 responded within the time stipulated for the study. Responses that were obtained were therefore collated and analysed using the descriptive statistics.

3.4.2 Secondary data

Consistent with prior studies (e.g. Gujarati, 2003 as cited in Jusoh et al., 2013), a generalized least square (GLS) and correlation method was chosen for the analysis of banks' secondary (annual report) data. GLS was chosen because when data distribution is not evenly distributed, the estimation method of ordinary least square (OLS) produces inefficient and bias results. As such, generalized least square method of estimation would be more appropriate (Odudu et al., 2016). Furthermore, the test of multicollinearity and heteroskedasticity were conducted. Findings from these checks show that for multicollinearity, the values of VIF lie between 1 and 10 indicating that there is no multicollinearity; while for heteroskedasticity, the values Sig. > 0.05, meaning that there is no problem of heteroscedasticity (see Appendices). The tool for data analysis in this study is the E-views5 and SPSS version 20 software.

3.4.2 Reliability of Instrument

The instrument was reliable, data generated via questionnaire which was subjected to a reliability test using the descriptive statistics.

3.5 Method of Data Analysis

The econometric model developed for this study comprises two equations. The first model utilizes ROA as performance indicator and second model utilizes ROE as performance indicator. As explained in the literature review, the ROA is measured as a ratio of Profit after Tax to Total Asset and ROE is measured as a ratio of Profit after Tax to total shareholder funds. The board composition variables which comprise executive directors, non-executive directors and women directors are expressed in proportion to the total number of directors on board. These equations are tested in this study as shown below:

Model 1: Board composition and ROA of selected banks

$$ROA = \alpha o + ß1EXDit + ß2\ INEDit + ß3\ WMDit + \Sigma it \text{...}(1)$$

Where;

ROA = Return on Assets

αo =Intercept/ Constant term

EXD = Executive Director

INED = Independent/Non- Executive Director

WMD = Women Director (Executive and Independent)

Σ = Error term

i = i^{th} Bank

t = t^{th} Period

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

Given the need to establish the effect of board composition on financial performance of money deposit banks in Nigeria for the period spanning 2008 to 2017. Analysis conducted were done to address the four objectives raised in the study;determine the effect of executive directors on banks' financial performance;examine the effect of independent or non-executive directors on banks' return on assets; determine the effect of independent or non-executive directors on banks' return on equity and; lastly, investigate whether women independent or non-executive directors on board has any effect on the financial performance of banks in Nigeria. First, a descriptive statistical test was conducted using the independent and dependent variables of the study. Thereafter, covariance and regression analysis were deployed of explain the result findings.

4.2 Presentation and Analysis of Data

TABLE 4.1: Summary of Annual Reports of the Ten (10) Selected Banks

In this section, the author presents a breakdown of banks' Return on Asset (ROA) for the period under study [see Table 4.1(a)], as well as, the descriptive results obtain from the study and findings;

ROA (%)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Unity					2	6	4	4	4	
Diamond	9	6	6	24	21.50	21.51	21.51	1.84	0.93	1.54
Ecobank	0.7	1.5	1.4	1.5	1.4	1.7	1.7	0.4	0.9	11.6
Firstbank	8.97	0.4	1.77	6.11	6.12	3.68	3.68	0.79	2.89	0.97
UBA	2.9	11.8	8	6.8	2.4	1.8	1.8	2.2	1.9	2.3
Zenith	2.3	1	2.3	2.6	2.7	2.9	2.9	2.72	2.59	2.63
GTBank	0.27	33.06	2.34	3.42	3.34	5.22	5.22	4.43	4.14	22.59
Access	3	3.3	2.2	2.5	2.6	2.9	2.9	3.6	2.8	2.8
Fidelity		0.6	0.9	0.8	0.7	0.8	0.8	1.2	0.8	1.3
Sterling	4.1	-3.3	1.4	1.5	1.4	1.5	1.5	1.4	0.7	0.94

Table 4.1(a): Descriptive statistics

Source: Annual Reports of the relevant companies

	Table 4.2		Non-executive Directors							
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Unity	0.6923	0.6923	0.6923	0.5294	0.5	0.375	0.4545	0.5714	0.5714	0.5714
Diamond	0.6428	0.5454	0.6	0.6667	0.6153	0.6153	0.5714	0.4445	0.6	0.7
Ecobank	0.8	0.6153	0.6923	0.7142	0.7333	0.5454	0.71429	0.8333	0.923	0.8571
Firstbank	0.6923	0.6923	0.6923	0.7692	0.4545	0.4545	0.5	0.5	0.5	0.5
UBA	0.5555	0.5555	0.4444	0.5	0.625	0.625	0.6154	0.6154	0.5263	0.6667
Zenith	0.5833	0.5833	0.5833	0.5454	0.6363	0.6	0.6363	0.6667	0.6	0.6
GTBank	0.5833	0.6363	0.6667	0.6667	0.6363	0.6363	0.5833	0.6154	0.6154	0.6154
Access	0.6363	0.6363	0.6363	0.5833	0.5833	0.47058	0.6363	0.5454	0.5454	0.6154
Fidelity	0.5714	0.5625	0.5625	0.5333	0.5333	0.5625	0.5625	0.5333	0.5714	0.5714
Sterling	0.7272	0.7272	0.4	0.7142	0.6923	0.6	0.75	0.6667	0.6154	0.6154
		Table 4.3	Executive Directors							
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Unity	0.3077	0.3077	0.3077	0.4705	0.5	0.625	0.5454	0.4286	0.4286	0.4286
Diamond	0.3571	0.4545	0.4	0.3333	0.3846	0.3846	0.4286	0.5555	0.4	0.3
Ecobank	0.2	0.3846	0.3077	0.2857	0.2667	0.4545	0.2857	0.1667	0.0769	0.1428
Firstbank	0.3077	0.3077	0.3077	0.2307	0.5454	0.5454	0.5	0.5	0.5	0.5
UBA	0.4444	0.4444	0.5555	0.5	0.375	0.375	0.3846	0.3846	0.4737	0.3333
Zenith	0.4166	0.4166	0.4166	0.4545	0.3636	0.4	0.3636	0.3333	0.4	0.4
GTBank	0.4167	0.3636	0.3334	0.3333	0.3636	0.3636	0.4167	0.3846	0.3846	0.3846
Access	0.3636	0.3636	0.3636	0.4167	0.4167	0.5294	0.3636	0.4545	0.4545	0.3846
Fidelity	0.4285	0.4375	0.4375	0.4667	0.4667	0.4375	0.4375	0.4667	0.4286	0.4286
Sterling	0.2727	0.2727	0.6	0.2857	0.3077	0.4	0.25	0.3333	0.38462	0.3846
	Table 4.4		Women Directors							
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Unity	0.0769	0.0769	0.0769	0.0588	0.0625	0.1875	0.2727	0.2143	0.2857	0.2857
Diamond	0	0	0	0.2	0.2307	0.2307	0.1428	0.2222	0.3	0.3
Ecobank	0.1	0.3846	0.0769	0.1428	0.1333	0.1818	0.1428	0.0833	0.1538	0.1428
Firstbank	0.2307	0.3077	0.3077	0.3077	0.3636	0.2727	0.25	0.4	0.4	0.3333
UBA	0.2778	0.2778	0.2223	0.2	0.1875	0.3125	0.3078	0.3077	0.1579	0.2
Zenith	0.4167	0.4167	0.4167	0.1818	0.1818	0.2	0.0909	0.1111	0.1	0.1
GTBank	0.1667	0.1818	0.1667	0.8333	0.1818	0.1818	0.1667	0.2307	0.1538	0.2307
Access	0.09	0.09	0.09	0.1667	0.1667	0.2941	0.2727	0.3636	0.3636	0.3846
Fidelity	0.0714	0.125	0.125	0.1333	0.2	0.1875	0.1875	0.2	0.2143	0.2143
Sterling	0	0	0	0.071	0.077	0.1	0.25	0.2667	0.3077	0.3077

In this section, the author presents the descriptive results obtain from the study and findings;

Table 4.5: Descriptive statistics

Variable	Mean	Min.	Max.	Std. Dev.	Skewness		Kurtosis	
					Stats.	Std. Error	Stats	Std. Error
ROA	6.0828	1.02	19.25	6.07830	1.406	0.717	1.792	1.400
INED	7.5800	6.22	9.44	1.15759	0.598	0.687	-0.506	1.334
EXD	4.9970	3.12	7.33	1.28929	0.625	0.687	0.026	1.334
WMD	2.7120	1.67	4.12	0.82311	0.416	0.687	-0.708	1.334

Source: Author's computations

Using SPSS, Table 4.5 above shows the result of descriptive statistics test utilizing the data mean, median, standard deviation, skewness and kurtosis. In Tabachnick&Fidell (2001) (as cited in Jusoh et al., 2013), it was found that the sample or population of the study is assumed to be normally distributed when the mean or 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 platy artic distribution which has a lower and wider peak with higher probability than leptokurtic and normal distribution.However, descriptive result shows 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 0.026 to 1.792. 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.

Consequently, the mean value for return on asset is 6.0828%. This implies that the total assets turn over yield 608.28% profits during the period under review. Similarly, mean value for return on equity is 13.4956. This is also an indication that the shareholders fund yield 1349% for the banks under study. Executive director, independent non-executive director and women director have an average value of 4.9970, 7.5800 and 2.7120 respectively within the 10-year period under review. The minimum value for return on asset is 1.02 and the maximum value is 19.25, while the minimum value of that of return on equity is 6.76 and maximum value is 21.38.

Meanwhile, the result of the descriptive statistics further shows that the executive director has a minimum number of 31.2% and a maximum number of 73.3%. Other variables such as independent executive director and women directors have minimum numbers of 62.2% and 16.7% and a maximum number of 94.4% and 41.2% respectively.

4.3 Test of Hypotheses

The covariance analysis is used to obtain different measures of association (covariances and correlations) and associated test statistics for the series in a group. In this study, it was deployed to determine the direction of a linear relationship between two variables. Covariance is expressed in units that vary with the data and is not converted to a standardized scale of -1 to 1. Covariancewas therefore deployed to find the relationship between ROA and the dependable.

Table 4.6: Correlation result: executive directors and ROA

Correlation	ROA	EXECUTIVE_ DIRECTORS
ROA	1.000000	
EXECUTIVE_DIRECTORS	0.058578	1.000000

Source: Author’s computations, using EViews

In covariance analysis, if both variables tend to increase or decrease together, the coefficient is positive; however, if one variable tends to increase as the other decreases, the coefficient is negative. From the table above, there is a strong positive correlation between return on asset and executive directors. We therefore reject the null hypothesis and accept the alternate hypothesis which states that there is a relationship between return on assets and executive directors, where the return on assets is used in measuring the performance of the bank.

Table 4.7: Correlation result: non-executive directors and ROA

Correlation	NON_EXECUTIVE_ INDEPENDENT	ROA
NON_EXECUTIVE _INDEPENDEN	1.000000	
ROA	-0.326363	1.000000

Source: Author's computations, using EViews

This table above shows that there is no correlation between women directors and financial performance of deposit money banks in Nigeria. The study therefore accepts the null hypothesis which states that there is no real relationship which shows that non-executive or independent directors has significant influence on financial performance of deposit money banks.

Table 4.8: Correlation result: women executive and non-executive directors and ROA

Correlation	WOMEN_DIRECTORS	ROA
WOMEN_DIRECTORS	1.000000	
ROA	0.158997	1.000000

Source: Author's computations, using EViews

This table above shows that there is a moderate positive correlation between non-executive directors and return on assets. We therefore reject our null hypothesis which states that there is real relationship which shows that non-executive or independent directors has significant influence on financial performance of deposit money banks.

4.5 Discussion of Findings

4.5.1 Key determinants of effective boards and banks' financial performance

Board effectiveness is defined as the degree the board is able to carry out its strategic andmonitoring functions. How each of the constituents of an effective board affects the financial performance of banks was examined through the survey questionnaire approach. Respondents were asked to rate the extent to which determinants of board's effectiveness affect the banks' financial performance. Of the total 28 respondents, 8 represents the female population while the remainder represents the male population. Analysis of their findings are presented below in Table 4.7 and Table 4.8 using the descriptive statistical methods of mean and standard deviation on SPSS v. 20 Software.

Table 4.7: Key determinants of effective boards and financial performance of deposit money banks

Items	N	Min.	Max.	Mean	SD
Competence (knowledge & skills of directors	28	3.00	4.00	3.8133	1.18490
Diversity of the board	28	2.00	4.00	3.4667	1.06379
Adherence to code/laws/regulations	28	3.00	4.00	3.1933	0.83086
Board independence	28	3.00	4.00	3.7867	1.20150
Board transparency and openness	28	2.00	4.00	3.6600	0.83449
Level of preparation for board meetings	28	2.00	4.00	2.9640	0.92443
Board control functions	28	2.00	4.00	3.0400	1.13080
Chairman's leadership style	28	3.00	4.00	3.3913	0.93540
Role of board in strategy	28	2.00	4.00	3.0307	0.82147
Commitment of individual directors	28	3.00	4.00	3.7450	1.27501

Source: Author's computations, using SPSS

When asked to rate the extent to which determinants of an effective board affects financial performance, majority of the respondents (mean = 3.8133) rated competence (knowledge and skills) higher than other attributes. The table also show other important clusters and most effective determinants on banks' financial performance: board independence (3.7867), commitment of individual directors (3.7450), board transparency and openness (3.6600), diversity of the board (3.4667) and chairman's leadership style (3.3913). The results here show that of the major determinants of an effective board, competency and other factors, including board independence and diversity have major effects on banks' financial performance.

4.5.2 Gender Board composition and banks' financial performance

Table: 4.8: Board composition and banks' financial performance

Items	N	Min.	Max.	Mean	SD
Banks with smaller number of executive directors perform better financially than banks with large number of executive directors	28	1.00	5.00	3.9467	0.79247
Banks with smaller number of independent directors perform better financially than banks with large number of independent directors	28	1.00	5.00	1.9067	1.06018
Large number of executive directors have a negative impact on the financial performance of banks	28	1.00	5.00	3.7654	0.91002
It is better to do away with the services of non-executive or outside directors because it is an additional cost to the bank and their services are not reflected in the firm performance	28	1.00	5.00	1.2095	0.83495
The extent of the board's independence reflects on the banks' financial performance	28	2.00	5.00	4.8530	1.05739
Gender composition of board members does not necessarily affect board's performance	28	1.00	5.00	3.2064	1.30436
A board with more female directors	28	1.00	5.00	2.9609	0.92236

might record better performance than one with fewer female directors because women are risk-averse, better decision-makers and more meticulous					
A small size board is better and more effective in terms of costs savings than large board size	28	1.00	5.00	2.9300	1.00456

Source: Author's computations, using SPSS

As part of the objectives of the study to examine the distribution of board composition (executive directors, independent directors and women directors) and financial performance, respondents were asked to rate a list of items based on their industry experience. As shown in Table 4.7, majority of the respondents, at a mean value of 4.853, agreed that "the extent of the board's independence reflects on the banks' financial performance". At mean value of 3.9467, they also agree that "banks with smaller number of executive directors perform better financially than banks with large number of executive directors." Similarly, at a mean value of 1.2095, respondents do not agree that it is better to do away with the services of non-executive or outside directors. On gender composition, there seems to be a moderate level of agreement that gender composition of board members does not necessarily affect board's performance. These findings therefore justify some of the outcomes of investigations on secondary analysis using the individual bank's annual reports. Further discussions on these findings are presented in the following section.

4.5.2Discussion of Findings

The study examines the influence of Corporate board composition on banks' performance in Nigeria. Women directors, independent directors and executive directors constitutes the board composition of the sampled deposit money banks, while the ratio of profit after tax to total asset and profit after tax to shareholder total fund represents banks' performance. The study used a hybrid approach, composing of the correlation and regression analysis, to examine the influence each of the variables have on performance. On the correlation analysis, the study found that executive director has a strong positive correlation with return on assets where the return on assets is used to measure the performance of the bank; the study also found that non-executive director has a moderate positive correlation with return on assets; while on the women independent and executive directors, no correlation was found with return on assets. Meanwhile, following the regression results, the study found that non-executive director has no significant impact on return on assets and return on equity; results also showed a consistent finding with the correlation result regarding the influence of women executive/independent directors on bank performance. The findings is contrary to the findings of Dehane, De-Vuyst&Ooghe (2001) whose study showed a significant positive association between the number of independent external directors and return on equity as well as return on asset; however the findings is consistent with Odudu et al (2016) on 'board characteristics and financial performance of deposit money banks in Nigeria'. It is also consistent with those of Priya&Nimalathasan (2013) who see the non-executive or independent director to be responsible for a reduced firm performance and this may affect firm performance negatively. Findings on the women independent/executive directors is equally consistent with some previous findings. For instance, the study conducted by Rose (2007) and Adams & Ferreira (2009) found that there is no significant relationship between firm performance and female director on board. This finding however contradicts those of Krishnan & Park (2005), Carter, Simkins & Simpson (2003) where it was demonstrated that women directors perform better than men directors do. Therefore, having women on the board contributes positively to the financial performance of a firm. This finding also contradicts the views of some previous studies (e.g. Campbell &Mingues-Vera, 2008; Farrell & Hersch, 2005) where it was demonstrated that having women on board improves the effectiveness of the board, and ultimately performance.

Regarding the influence of executive directors on bank performance, the study found that for every increase in the number of executive director, there is a significant impact on the performance of deposit money banks in Nigeria, which is consistent to Horvath &Spirollari (2012) who found that the degree of executive directors on the board of directors influences positively on the firm performance. The finding is contrary to the study carried out by Odudu et al (2016) where the authors found that executive directors on the board has no significant influence on performance of listed deposit money banks in Nigeria.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Board composition is a topic under a continuous discussion. Countries have different institutional mechanisms and corporate governance standards, as well as companies themselves have their own structures influenced by management and institutions. There is no consensus regarding what is the exact corporate governance structure that works best. Board of directors is one of the many elements that is crucial for the good performance and survival of a company. It is responsible for the major important decisions on organization's management, direction and future development. The quality of decisions made by the board of directors must in theory influence performance of the organization and its profit generating capabilities.

The aspects of board characteristics studied in this research are executive directors, independent directors and women directors. Executive directors are also referred to as inside directors are valuable in enhancing a board's advisory and monitoring functions leading to effective performance of an organization. Executive directors simply refer to as insider directors. They are those directors that are also managers and/or current officers in the firm. The role of executive directors from the perspectives of contracting literature assumed that boards choose directors to maximize shareholder wealth by improving board expertise and monitoring oversight of senior management.Non-executive directors on the other hand are the outside directors who are independent of the organization. They are called independentdirectors because they have neither personal nor business relationships with the organization. This means they can bring a degree of objectivity to the board's deliberations, and play a valuable role in monitoring executive management. Furthermore, the presence of non-executive directors is generally believed to have provided better governance, effective monitoring, and quality performance.Meanwhile, the presence of women directors, owing to evolutionary biology concept, is believed to bring important skills necessary for good governance.

In this study, attempts were made to understand, the above components of the boards of bank knowing how much impacts the boards exert on banks' performance. Using Return on Assets and Return on Equity as performance measures, four objectives were raised and examined throughout the study: determine the effect of executive directors on banks' financial performance in Nigeria; examine the effect of independent or non-executive directors on banks' return on assets; determine the effect of independent or non-executive directors on banks' return on equity; and investigate whether women independent or non-executive directors on board has any effect on the financial performance of banks in Nigeria.

To achieve the above objectives, the study relied on secondary data consisting of 10 sampled deposit money banks quoted on the Nigerian Stock Exchange, specifically those that made the consolidation deadline of 2005. Therefore, 10 banks were selected to make 100 banks year observations (covering the period 2008 – 2017) using a judgmental sampling approach. Selected banks used for the study are: Unity bank, Diamond bank, Ecobank, Firstbank, UBA, Zenith bank, GTBank, Access bank, Fidelity bank and Sterling bank.Consistent with prior studies, a generalized least square (GLS) and correlation method was used to analyse the data.

Following the analysis of data, the study found that executive director has a strong positive correlation with return on assets where the return on assets is used to measure the performance of the bank; the study also found that non-executive director has a moderate positive correlation with return on assets; while on the women independent and executive directors, no correlation was found with return on assets. On the regression results, it was found that non-executive director has no significant impact on return on assets and return on equity; results also showed a consistent finding with the correlation result regarding the influence of women executive/independent directors on bank performance. Regarding the influence of executive directors on bank performance, the study found that for every increase in the number of executive director, there is a significant impact on the performance (ROA) of deposit money banks in Nigeria.

5.2 Conclusion of the study

In conclusion, theproponents of board independence should note with caution that the presence of a high proportion of theindependent directors on the banks board does not necessary show significant impacts on their performance. In the same vein, the proponents of women directors should note with caution that the presence of more women (either as executive or nonexecutive directors) on the banks board does not necessary show significant impacts on their performance. If the purpose ofthe board independence or more women on the board is to improve performance, then such may not have any significant impact. Hence, policy makers andindividual banks should consider other governance variables that can help improve banks performance. Theabove findings may explain why within a short period, the Central Bank of Nigeria hasreleased several guidelines on corporate governance in the banking sector that stress on differentvariables from time to time. The results further indicate that the relationship between board composition as agovernance variable and financial performance of deposit money banks in Nigeria in terms of return on assets and return on equity can only becorrectly ascertained when the data used in its tabulation is drawn from reliable sources and when data analysis tools are based on multiple approaches.

5.3 Recommendations

Based on the study findings, the following recommendations were put forward;

i) While research and arguments on the corporate governance structures and components continue, the final outcome of the raging debate will be a compromise between competing schools of thought. The researchers found it important for further research to embrace a multidisciplinary approach that incorporates not only the quantitative approach as applied in this study but also the qualitative research tools. This would help to explore further about the influence of board structure on deposit money banks, if the samples size chosen is large enough. There is also need to research about other aspect of corporate governance structures (such as board size, ownership structure, etc.) on banks in Nigeria.

ii) There is a need for directors to address issues of board compositionin order to avoid a large chunk of independent directors in the banks. The board structure as shown in this study should not necessarily have too many non-executive directors unless there are other reasons aside financial performance. Although this move may affect other motivesas having more non-executive directors tend to attract more potential investors since investors favour a bank with more independent non-executive directors than executive directors.

iii) In as much as no significant influence was found regarding the impact of women directors on financial performance, there is still need to have a board that considers not only men but women as far as they are qualified for such positions. The aspect of professional qualification therefore raises another point for further studies and investigations.

iv) Overall, there is a need to increase the board composition and overall board diversity so as to enhanceinvestor's confidence with deposit money banks.

5.3 Contribution to Knowledge

While research and arguments on board composition continue, the outcome of the raging debate will be a compromise between competing schools of thought. This study have shown the need to embrace a multidisciplinary approach that cuts across different methodologies. By incorporating both primary and secondary data, it has shown that a consensus on the effect of a board's composition on financial performance of deposit-money banks can actually be achieved. The application of both the correlation and regression method also raised divergent findings which scholars can further delve into in their investigations on board composition.

5.3 **Suggestions for Further Research**

This study empirically investigated the effect of corporate board composition on Financial performance of deposit money banks in Nigeria. Literature review indicates that a lot of studies have been carried out on very big firms or banks in Nigeria. Further research should however be devoted to small and medium scale enterprises in Nigeria and Africa as a whole. This is because SMEs account for over 80% of the total number of enterprises found in Nigeria and other parts of Africa.

Further research is also required on non-financial aspects of firms and banks. A study comparing financial and non-financial aspects of firms or banks may most likely elicit variation in the relationship between corporate board composition and the value of a firm.

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Appendices

Questionnaire

SALEM University,

Lokoja, Kogi State.

Questionnaire on

A Study on Gender Board Composition and Performance of Deposit-Money Banks in Nigeria

Dear Sir/Ma,

I am a postgraduate student of the above named University, and the enclosed survey is sent to you in the hope that you will assist me in obtaining relevant information for my research work.

As per the research purpose, I am interested in determining the effect of gender board composition on the financial performance of banks in Nigeria.

It is my pleasure to inform you that the successful completion of this survey would go a long way in the advancement of my study and ultimately my career.

The survey would take approximately 10-15 minutes to complete. Your personal information in Section A, including those relating to the firm you represent would be completely anonymous in the study. I should appreciate your early response since I am attempting to complete the research as soon as possible.

Thank you,

ADEDOYIN JOHN

Section A: Personal Information

(***Please tick "X" in the box of the option that best describes your response to the questions***)

1. Age Group: Below 30 Years [ ] 30 - 40 Years [ ] 41 - 50 Years [ ] Above 50 Years [ ]
2. Gender: Male [ ] Female [ ]
3. How long have you been working in the banking industry? Less than 5 Years [ ] 5 – 10 Years [ ] 11 – 15 Years [ ] 16 - 20 Years [ ] Above 20 Years [ ]
4. Your educational qualification: Diploma/Bachelors[ ]Master's Degree [ ] Postgraduate-Degree [ ] Others (*Please state*): ....

Section B: Key Determinants of Board Effectiveness and Bank's Financial Performance

5. The following items are some of the major determinants of a board's effectiveness. To what extent would each of these determinants affect banks' financial performance?

Items	**Major**	**Moderate**	**Minor**	**Insignificant**
Competence (knowledge & skills of directors				
Diversity of the board				
Adherence to code/laws/regulations				
Board independence				
Board transparency and openness				
Level of preparation for board meetings				
Board control functions				
Chairman's leadership style				
Role of board in strategy				
Commitment of individual directors				

Section C: Gender Board Composition and Banks' Financial Performance

Based on your experiences in the banking industry, please rate the following items on bank composition and financial performance, using the agreement scale of 'strongly agree' to 'strongly disagree.'

Items	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Banks with smaller number of executive directors perform better financially than banks with large number of executive directors					
Banks with smaller number of independent directors perform better financially than banks with large number of independent directors					
Large number of executive directors have a negative impact on the financial performance of banks					
It is better to do away with the services of non-executive or outside directors because it is an additional cost to the bank and their services are not reflected in the firm performance					
The extent of the board's independence reflects on the banks' financial performance					
Gender composition of board members does not necessarily affect board's performance					
A board with more female directors might record better performance than one with fewer female directors because women are risk-averse, better decision-makers and more meticulous					
A small size board is better and more effective in terms of costs savings than large board size					

Multicollinearity Test

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-11.023	11.522		-.957	.376		
	INED	1.234	1.045	.439	1.180	.283	.832	1.202
	EXD	1.213	1.132	.374	1.072	.325	.946	1.057
	WMD	-.338	.892	-.139	-.379	.718	.851	1.176

a. Dependent Variable: ROA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	23.984	26.946		.890	.408		
	INED	-3.591	2.445	-.469	-1.469	.192	.832	1.202
	EXD	4.235	2.646	.479	1.600	.161	.946	1.057
	WMD	-1.033	2.086	-.156	-.495	.638	.851	1.176

a. Dependent Variable: ROE

Source: Author's computations, using SPSS

Heteroskedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-11.028	11.523		-.957	.375
	INED	1.234	1.045	.439	1.180	.283
	EXD	1.214	1.132	.374	1.073	.325
	WMD	-.338	.892	-.139	-.379	.718

a. Dependent Variable: ROA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.984	26.946		.890	.408
	INED	-3.591	2.445	-.469	-1.469	.192
	EXD	4.235	2.646	.479	1.600	.161
	WMD	-1.033	2.086	-.156	-.495	.638

a. Dependent Variable: ROE

Source: Author's computations, using SPSS

Heteroskedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-11.028	11.523		-.957	.375
	INED	1.234	1.045	.439	1.180	.283
	EXD	1.214	1.132	.374	1.073	.325
	WMD	-.338	.892	-.139	-.379	.718

a. Dependent Variable: ROA