British Journal of Interdisciplinary Research **April 2025, Volume 2, Number 5, pp. 148- 168**
ISSN 3049-8899

INFLUENCE OF BOARD COMPOSITION ON THE FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

Augustine Olorunfemi OBALEMO,

PhD, Department of Accounting, Mewar International University Abuja, Nigeria

femiobalemo@miu.edu.ng

Abstract

Board composition is of great importance in the stability of banks and in the operation of an economy to the financial system, as such, an understanding of the issues that promote their profitability is vital and fundamental to the firmness of deposit money banks in Nigeria. In the course of the study, the primary objectives of the study were to determine the extent to which board size influence financial performance of deposit money banks in Nigeria, evaluate the impact of Non-executive directors on the financial performance of deposit money banks in Nigeria, and to investigate the effect of board diversity on the financial performance of deposit money banks in Nigeria. Based on sample of five banks, secondary data were extracted from the annual financial reports of the selected banks. The study adopted the ex-post facto design. The method of data analysis was the linear regression with the application of the ordinary least squares (OLS) techniques using E-view version. Findings revealed that board size had significant positive effect on the financial performance of selected money deposit banks in Nigeria, Non-Executive directors has no significant positive effect on the financial performance of selected money deposit banks in Nigeria, and Board Diversity has significant association on the financial performance of deposit money bank in Nigeria. Based on the findings, the study recommended, amongst others, that deposit money banks should increase the size of the board especially by electing more foreign directors and female who could bring diverse experience and expertise which the domestic directors may not possess.

Keywords: Deposit Money Banks, Financial Performance, Board Diversity.

DOI: 10.31039/bjir.v2i5.38

1. INTRODUCTION

1.1 Background to the Study

In recent times, there has been increasing attention on corporate management hence the recent upsurge of interest in researches on corporate governance. Corporate governance is the oversight mechanisms which include the processes, structures and information for directing and overseeing the management of a company (Ofiafoh and Imoisili, 2010). It encompasses the means by which members of the board of directors and senior managers are held accountable for their actions, and the establishment and implementation of oversight functions and processes. Corporate governance is holding the balance between economic and social goals and between individuals and communal goals (Cadbury, 2012).

Nwachukwu (2017) opined that investor confidence is strengthened through good corporate governance practice in organizations. However, Management of organizations in recent times is more concerned about their own interest at the expense of that of shareholders (Berle & Means 2013). The emergence of corporate frauds and financial crisis globally propelled regulatory authorities and agencies to establish legislations and guidelines known as corporate governance codes for publicly listed companies to ensure shareholders rights are protected, disclosure and transparency enhanced, facilitate effective functioning of the board and encourage stakeholder participation.

Kajola (2018) concurred that corporate governance is making sure the business is well managed and shareholders interest is protected at all times. Organization for Economic Cooperation and Development (OECD) (2011) claimed corporate governance is broad in practice. It defines corporate governance as the system by which business corporations are directed and controlled.

The banking sector is central to the economic growth of any country's economy, since it influences the level of money stocks through the ability to create deposits and liabilities. The financial systems have been recognizing to play an important role in economic development. According to King and Levine (2003 cited in Ogbechie and Koufopoulos (2010), banks play three crucial roles to the development of any nation. Firstly, banks have an overwhelmingly dominant position in the financial systems of developing economies, and are extremely important engines of economic growth. Secondly, banks in these developing economies are typically one of the most important sources of finance for the majority of firms.

Also, poor boards could in turn lead to a run on the bank unemployment, fraudulent activities, questionable dealings that may result to negative impact on the economy (Ogbechie & Koufopoulos, 2010). The scenario concerning board leadership as a corporate governance mechanism has generated debatable issues and continued to receive considerable attention in recent times from academics, market participants, professionals, and regulators. This is because theories regarding financial performance providing a conflict views as what constitute performance measurement, while at the same time the empirical evidence is inconclusive. However, the relationship between board composition and banking industry performance has been the most studied aspect among all board investigations (Bhagat & Black, 2019). This study is set to investigate the influence of board composition on the financial performance of deposit money banks in Nigeria.

1.2 Statement of the Problem

Banks and other financial intermediaries are the heart of the world's recent financial crises. The deterioration of their asset portfolios, coupled with fraudulent acts of presenting fictitious financial statements and lack of adherence to corporate governance principles largely due to distorted credit management, were some of the main structural sources of the crises (Sanusi, 2010; Kashif, 2018; Fries, Neven & Seabright, 2012).

This draws the attention of the public and investors to see the board of directors as the major actor responsible for the failure of corporations, both in developed and developing nations. In fact, board of directors are criticized for being responsible for the dwindling in shareholders' wealth , both in developed and developing economies, particularly, in Nigeria where this study is based. They are seen as the fore-runner or prime factor for the fraud cases that had resulted in the failure of major banks, such as Oceanic bank plc, Wema bank plc, Fin bank, Spring bank, Afribank, Intercontinental bank, and Bank PHB in Nigeria (Adeyemi & Fagbemi, 2011; Ogbonna & Ebimobowei, 2011; Ajibolade, 2018).

Therefore, it is in the light of the above, that this research work investigates the relationship between board composition represented by board size, non-executive directors and board diversity as proxies on the financial performance of deposit money banks in Nigeria represented by efficiency, valuation and profitability.

1.3 Objectives of the Study

The main objective of this study is to examine the influence of Board Composition on the financial performance of deposit money banks in Nigeria. However, it is set to achieve the following specific objectives:

i. To determine the extent to which board size influence profitability of deposit money banks in Nigeria

ii. To evaluate the impact of Non-executive directors on the valuation of deposit money banks in Nigeria.
iii. To investigate the effect of board diversity on the efficiency deposit money banks in Nigeria.

1.4 Research Hypotheses

To achieve the above objectives and provide answers to the research questions, the following null hypotheses were investigated;

Ho1 Board size has no significant influence on profitability of deposit money banks in Nigeria.

Ho2 Non-Executive directors has no significant impact on the valuation of deposit money banks in Nigeria.

Ho3 Board diversity has no significant effect on the efficiency of deposit money banks in Nigeria.

2. LITERATURE REVIEW

2.1 Concept of Board Composition

The board should therefore be structured and composed of in such a way that it will act to monitor itself. Rashid (2011) states that "corporate governance literature debated within two extreme streams of board practices examining whether the board composition in the form of representation of outside independent directors and structural dependence of the board influence the firm financial performance. The available literature on the relationship between the board composition and firm financial performance reflects mixed results. The idea of endogenous relationship between board composition and corporate performance was advanced by Hermalin

& Weisbach (2000), that is, board composition and corporate performance jointly influence each other rather the board composition influencing corporate performance or corporate performance influencing board composition. Davidson & Rowe (2004) note that board composition and financial performance influence each other but the effect is not immediate. Board composition is a broad term that encompasses issues such as who is on the board and the skills mix of the board. It involves both structural and cultural issues and board effectiveness depends on obtaining the right mix of skills and experience. Board composition varies significantly between firms and is influenced by legal requirements including the organization's constitution and purpose.

Universally acceptable to all corporate performance measures are hard to come by. Davidson & Rowe (2004) noted that, "There are several measurement issues such as differences in accounting and reporting across different industries that may make finding a relation between board composition and financial performance difficult at best." While Sahin, Basfirinci & Ozsalin (2011) measure corporate performance in terms of financial performance and social responsibility performance, commonly used measures of financial performance are profitability, valuation and efficiency (Rashid, De Zoysa, Lodh & Rudkin, 2010).

Board size is the total number of directors that a firm has in its board structure (Enobakhane, 2010), and it is assumed that the number and quality of directors in a firm has an effect on how the board functions, hence its performance. Studies have indicated that best board size influencing the firm performance is inconclusive, which is because of the possibility of a large board size, has the likelihood of having more knowledge and skills at their disposal, which will enhance performance (Williams, 2002). In contrast, Ramano et al. (2012) argued that when boards grow, they become less likely to function effectively; large size may create a diminished sense of individual responsibility and might be more involved in bureaucratic problems.

Similarly, Kajola, (2012) believed that small board size to a particular level will improve the performance of a firm because the benefits by larger boards of increased monitoring are outweighed by the poorer communication and decision making of larger groups. The composition of outside/independent directors in boards is generally considered crucial because outside directors are considered as true monitors' and can discipline the management and improve firm performance (Duchin et al., 2010). Additionally, Rhodes et al., (2010) laments that outside directors being financially independent of management, free from potentially conflicting situations are able to alleviate agency problems and curb managerial self-interest. They can protect the shareholder interest, perform monitoring and control function in a better way to align firm resources for better performance (Naveen and Singh, 2012).

Diversity according to Coffey and Wang (2018) refers to the variation among board members in terms of expertise and managerial background, personalities, learning styles, education, age and values. In the words of Carson et al., (2014) diversity is any attribute that humans are likely to tell themselves that another person is different from them. Milliken and Martins (2016) argue that diverse groups may make higher quality decisions, while Cox, Lobel and Mclead, (2011) maintain diversity of top management have the potential to result in strategic decision making, greater creativity, more innovation and the ability to reach more and different types of customers, which is important in the banking sector. They further lamented that different opinions provided by diverse groups lead to quality decisions as diverse teams are able to produce a wider range of solutions and decision criteria for strategic decisions, which in return improve performances.

Bantel and Jackson (2019) concluded that when solving complex, non-routine problems, groups are more effective when they comprise individuals with diverse skills, knowledge, abilities and perspectives. Cecilia and Zachary (2013) board diversity is the extent to which the executive team is heterogeneous with respect to gender, age, academic qualifications, tenure, professional qualifications and functional backgrounds.

Johansen, (2018) Board of directors as a corporate governance concept has recently caught the attention of policymakers, managers, directors, shareholders, and academia. Following this interest, various studies have been undertaken to establish the effect of board diversity on firm performance. For instance, Carter et al. (2013) explain the relationship between board gender diversity and firm performance based on the agency theory and they posit that board gender diversity enhances the board's ability to monitor top management. In addition to this, they argue that increasing the number of female directors may increase board's independence since women tend to ask questions that male directors may not ask.

2.2 Concept of Financial Performance

There are various measures of financial performance. For example, return on assets (ROA) determines an organization's efficiency in ability to make use of its assets and return on equity (ROE) reveals the return investors expect to earn for their investments and return on sales (ROS) reveals how much a company earns in relation to its sales. The advantages of financial measures are the simplicity of calculation and also that their definitions are agreed worldwide.

Yasser et al. (2011) used return on equity (ROE) and profit margin (PM) for the measurement of firm performance. Market based measures of companies' performance were done by Shah et al. (2011) by Market value of equity divided by book value of equity and Tobin's Q (market value of equity + book value of debt/total of assets - in book value -), whereas financial reporting perspective was measured by ROE and Return on investment (net result + interest) / (equity +total debt).

2.3 Theoretical Framework

The theoretical framework upon which this study was based on is the agency theory, which posits that in the presence of information asymmetry the agent (in this case, the directors and managers) is likely to pursue interests that may hurt the principal, or shareholder (Fama, 2000). At first the theory was applied to the relationship between managers and equity holders with no explicit recognition of other parties interested in the well-being of the firm. Subsequent research efforts widened the scope to include not just the equity holders but all other stakeholders, including employees, creditors, government, etc. This approach, which attempts to align the interests of managers and all stakeholders, has come to be regarded as the stakeholder theory.

The stakeholder theory has been a subject of some investigation. Jensen (2001) provides a comprehensive review of corporate governance, with a particular focus on the stakeholder theory. The authors note the presence of many parties interested in the well-being of the firm and that these parties often have competing interests. While equity holders might welcome investments in high yielding but risky projects, for example, such investments might jeopardize the interests of debt holders especially when the firm is teetering on the edge of bankruptcy. The review also emphasizes the role of non-market mechanisms, citing as an example the need to determine an optimal size of the board of directors especially in view of the tendency for board size to exhibit a negative correlation with firm performance. Other non-market mechanisms reviewed by Young (2003) include the need to design a committee structure in a way that allows the setting up of specialized committees with different membership on separate critical areas of operations of the firm. Such a structure would allow, for example, productivity-oriented committees and monitoring-oriented ones.

2.4 Empirical Review

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

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

Babatunde, Michael, and Fred (2017), evaluated the relationship between board composition, bank performance and bank crisis in Nigeria. Board composition is the manner and ways in which the activities of an organization are managed and controlled. Despite the implementation of board composition in Nigeria, monitoring and the much talk about consolidation exercise, weak board composition is still a big challenge in Nigerian banking system hence, the need to investigate the basic reasons for weak governance and ways of curbing them for a better financial system. The proxy for board composition employed in this study is the board of directors. Two vectors are selected for this study, as independent variables are Board size and Board composition. Whilst the dependent variable employed was Profit after Tax. This study made use of secondary data obtained from the financial reports of five banks for a period of eleven (11) years (2005-2015) and primary data. Secondary data were analyzed using Regression analysis while Chi-square was used for secondary data. From the study based on the result of the analysis, it showed that board composition variables such as board directors have positive relationship on the performance of banks. However, the study established a negative relationship between profit after tax and board composition. The study supported the hypothesis that board composition positively affects performance of banks and recommended that awareness creation among banks operators should be conducted to ensure they have good knowledge of board composition and its implication on banks profit.

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

Adeyeni (2016) examined the dynamic interactions among ownership structure, corporate governance, risk management and performance of Nigerian banks. Secondary data were sourced from 20 out of 22 post-consolidation Deposit Money Banks listed on the Nigerian Stock Exchange for a period of seven years from 2005-2011. The data were on Return on Equity (Bank Performance); Capital Adequacy Ratio (Corporate governance); proportion of the board members' share capital to total bank capital (Ownership structure) and Bank Risk Behaviour (Risk Management Practices). The data were regressed firstly without interaction with ownership structure and later with ownership structure. The results of the analysis showed that without interacting ownership structure with corporate governance and bank risk behaviour, corporate governance has positive and significant effect on bank performance ($p < 0.05$), but bank risk behaviour has negative but insignificant effect on bank performance ($p > 0.05$). Ownership structure has positive and significant effect like corporate governance ($p < 0.05$). However, when the ownership structure was interacted with corporate governance and risk behaviour, the results and significance of the variable changed remarkably. The study concluded that good risk management policies and proper ownership structure enhance improved corporate performance.

3. METHODOLOGY

3.1 Research Design

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

3.2 Population of the Study

The population of interest for this study comprised of the five deposit money banks listed on the Nigerian Stock Exchange (NSE) as at December (2019) for the period of five years from 2010 to 2019. The total populations are: Access Bank, Ecobank Nigeria, First Bank of Nigeria, United Bank for Africa, and Zenith Bank. The choice of these five listed banks is because they have complete data for the period under review.The choice of listed banks is informed by two reasons: first, listed banks are required by law to adhere to corporate governance requirements and secondly, availability of data considering the fact that all publicly listed banks are statutorily required to submit periodical data to the NSE and as well as publish audited annual reports and accounts.

3.3 Sample Size and Sampling Technique

This study uses judgmental sampling rather than probabilistic sampling technique. Also, time constraints and data accessibility were a key consideration for the researcher when adopting the Judgmental/purposive sampling technique for this study.The sample size of this study are the selected five (5) money deposit banks with complete data and whose data will also be available for the period under study.

3.4 Method of Data Collection

The data for the study were collected from annual reports and account of deposit money banks quoted on the Nigerian Stock Exchange (NSE) from the year 2010 - 2019. Secondary financial data sources were used for the study. The dependent variable was financial performance; this was proxied by profitability, valuation and efficiency. The independent variable was board composition, which was proxied by board size, Independent Non-Executive Directors, and Board diversity. Board composition data were obtained from corporate governance disclosure of individual deposit money banks listed in the Nigerian Stock Exchange.

3.5 Model Specification

In this research, board composition served as the independent variable which was proxied by board size, Independent Non-Executive Directors, and Board diversity while financial performance served as the dependent variable; proxied by profitability, Efficiency and valuation. The models were specified according to the specific objectives of the study are given as:

For Objective One: To determine the extent to which board size influence financial performance of deposit money banks in Nigeria.

$PRO = \beta_0 + \beta 1BDS + \beta_1 INED + \beta_1 BDD\ u$ ………………………………………………………… 3.1

For Objective Two: To evaluate the impact of Non-executive directors on the financial performance of deposit money banks in Nigeria.

$VAL = \beta_0 + \beta 1BDSit + \beta 2\ INEDit + \beta 3\ BDDit + \Sigma it$ ……………………………………….……… 3.2

For Objective Three: To investigate the effect of board diversity on the financial performance of deposit money banks in Nigeria.

$$EFF = \beta_0 + \beta 1BDSit + \beta 2\ INEDit + \beta 3\ BDDit + \Sigma it \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 3.3$$

Where:

β_0 =Intercept/ Constant term

BDS=Board Size

INED=Independent Non- Executive Director

BDD=Board Diversity

PRO=Profitability

VAL=Valuation

EFF= Efficiency

Σ=Error term

i=ith Bank

t=tth Period

4 ANALYSIS

In this research, the method of data analysis is the linear regression with the application of Ordinary least squares (OLS) technique. The primary justification for adopting the linear regression is based on the fact that it gives possesses the optimal properties of linearity, un-biasedness and minimum variance. Furthermore, Normality check of the data was also carried out and some of the measures were transformed into logarithm to control for skewed nature of data. Therefore, the multivariate regression will be used to analyze the data and the test of multi linearity, homoscedasticity and linearity will also be carried out.

Three independent variables and three dependent variables are employed for the purpose of explaining and predicting the influence of Board Composition on the financial performance of deposit money banks in Nigeria. Table 4.1 and 4.2 below shows the descriptive statistics and inferential results obtained from the data generated and analysed.

Table 4.1: Descriptive Statistics Table For the Variables

Variable	Mean	Median	Minimum	Maximum	Std.Dev	Skewness	Kurtosis
BDSIZE	6.2067	6.0000	2.0000	10.0000	1.7505	-0.3482	-0.3932
PRO	5.3667	5.0000	2.0000	9.0000	1.5903	0.1291	-0.2607
INED	1.3960	2.0000	0.0000	3.0000	0.9573	-0.4434	-1.1647
EFF	0.2042	0.0193	-0.3106	8.8565	1.1055	6.3942	41.0369
VAL	1.4471	0.1152	-3.9432	45.7334	5.6431	6.1611	38.8862
BDD	1.7200	1.0000	0.0000	6.0000	1.4615	0.7132	0.0002

Source: Author's Computation using Eviews Statistical Software

Table 4.1 above shows the result of descriptive statistics test utilizing the data mean, median, standard deviation, skewness and kurtosis. The population or sample of the study is assumed to be normally distributed when the mean of variables are similar to the value of median, skewness value is zero and kurtosis value is greater than or equal to or less than 3. A kurtosis with distribution greater than 3 is a leptokurtic distribution whereas 3 is the kurtosis of a normal distribution.

A leptokurtic distribution (greater than 3) has a sharper peak with lower probability than a normal distribution of kurtosis whose value is equal to 3. A kurtosis with less than 3 is a platykartic distribution which has a lower and wider peak with higher probability than leptokurtic and normal distribution. However, the diagnostic test indicated that no variables have the value of mean equal to value of median. Similarly, the skewness value and kurtosis value of the variables are both mix positively and negatively showing that their distributions are skewed

to the right side as well as to left side of the table with the kurtosis value of variables range from 0.000195646 to 41.0369. The negative skewed distribution is an indication that there is greater risk than what the standard deviation measures, while the positive skewed distribution is also showing that there is lower risk than what the standard deviation measures. The standard deviation overstates the risk for a positively skewed distribution while underestimating the risk for a negatively skewed distribution.

Consequently, the mean value for profitability is 0.2042. This means the total assets turn over yield 20.42% profits during the period under review. Similarly, the mean value for efficiency is 1.05%. This is also an indication that the shareholders fund yield 105%, implying that there is an addition of 5% increase return on shareholders' fund. It means that the shareholder investment has appreciated by 5% profits during the year under review. Board size, Independent non-executive director and Board Diversity have an average value of 6.20, 1.40 and 1.72 respectively within the period of the study. The minimum value for profitability is -0.310640 and the maximum value is 8.85650, while the minimum of that of efficiency is -3. 94318 and maximum value is 45.7334.

The result of the descriptive statistics test shows that the Board Size, independent executive director, and Board Diversity with minimum number of 20%, 00%, 00% and a maximum number of 100%, 30% and 60% respectively. The 00% in this result is a reflection of some banks which do not have independent non-executive directors and Board Diversity in their boards. The result shows that the Board size has the highest standard deviation among the independent variables but it appear as the third contribution to dependent variable (EFF, VAL, PRO). Independent non-executive director has the least value for standard deviation and it therefore represents its highest contribution to other variables of the study.

Table 4.2: Descriptive Statistics Table for the Variables

Variable	Mean	Median	Minimum	Maximum	Std.Dev	Skewness	Kurtosis
BDS	5.3667	5.0000	2.0000	9.0000	1.5903	0.1291	-0.2607
BDD	1.3960	2.0000	0.0000	3.0000	0.9573	-0.4434	-1.1647
INED	6.2067	6.0000	2.0000	10.0000	1.7505	-0.3482	-0.3932
PRO	0.2042	0.0193	-0.3106	8.8565	1.1055	6.3942	41.0369
EFF	1.0471	0.1152	-3.9432	45.734	5.6431	6.1611	38.8862
VAL	1.7200	1.0000	0.0000	6.0000	1.4615	0.7132	0.0002

Source: Author's Computation using Eviews Statistical Software

From the above table, considering the independent variables, the mean and standard deviation of Board size (BDS) are 5.3667 and 1.5903 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. Indepedent non-executive directors (INED) mean and standard deviation are 6.2067 and 1.7505 respectively which revealed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. Board diversity (BDD) mean and standard deviation are 1.396 and 0.9573 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. On the other hand, considering the dependent variables, the mean and standard deviation of

Profitability (PRO) are 0.2042 and 1.1055 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean. On other hand, the mean and standard deviation of EFF are 1.0471 and 5.6431 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean and the mean and standard deviation of VAL are 1.7200 and 1.4615 respectively which showed that the standard deviation is concentrated around the mean because the standard deviation is lower than the mean

4.1 Test of Hypotheses

In chapter one, three testable hypotheses were formulated to test the relationship between Board Composition and financial performance of selected deposit money banks in Nigeria. In this section, gives the results on the determinants of bank performance in Nigeria. For all regressions examined, the hausman test was carried out in order to choose between random and fixed effects model. This assists us to reject the random effect and opted for fixed effect estimator. Table 4.3 below presents the regression result of the dependent variable (PRO), (EFF), (VAL) and the independent variables of the study (BDS, INED, and BDD). The presentation cut across in line with the analysis of the relationship and impact between the independent variables and the dependent variable of the study and the cumulative analysis.

Table 4.3: Board Composition and Financial Performance from OLS Regression Results

Variables	Coefficient	Std. Error	t-ratio
Constant	0.61319	1.04653	0.5859
BDS	0.137696*	0.0521317	2.6413
BDD	0.114496**	0.0496205	2.3074
INED	0.0224281	0.0462727	0.4847
PRO		0.0508711	-0.2084
EFF		0.0828999	0.3678
VAL		0.0671023	5.3877
Adj R^2	0.29		
S.E of regression	0.814694		

F stat	8.32127
DW	1.82

Source: Author's Computation using Eviews Statistical Software

The results in Table 4.3 above show that when PRO, EFF and VAL was utilized as dependent variable to measure the Financial' performance, Board Size has a t-ratio of 2.6413 and a beta value of 0.137696 which is significant at 1%. This implies that a Board size has positive significant influence on the financial performance of Deposit Money Bank in Nigeria. This means that for every increase in the number of Board size, it has a significant impact on the financial performance of Deposit Money Bank in Nigeria.

This provides evidence supporting us to reject the null hypothesis one of the study which states that Board size has no significant influence on financial performance of deposit money banks in Nigeria. From the table above, it also provides us with the result in respect of Board Diversity using PRO, EFF and VAL as measure of financial performance.

The board Diversity has a t-ratio of 2.3074 and a beta value of 0.114496 which is significant at 2%. This signifies that Board Diversity has positive, but strong and significant impact on the financial performance of listed Deposit Money Bank in Nigeria. This provides us an evidence to reject the null hypothesis three of the study which states that Board diversity has no significant effect on the financial performance of deposit money banks in Nigeria. This shows that for every increase in the number of board diversity on the boards, the performance of deposit money bank in Nigeria will increase.

The results on the table also shows that the previous profitability (PRO) has positive significant impact on the independent variables which has a t-ratio of 5.3877 and a beta value of 0.36153 at 1% significant level. This is an indication that the asset turnover is appreciated and the increase is consistent with the previous asset turn over. Other variables, such as Independent non-executive director do not have significant impact on the performance of Deposit Money Bank as measured by Profitability (PRO). The model shows that R2 is about 36% implying that the variable used account for 36% variation in the dependent variable. The model also satisfied the test of auto correlation as the DW statistics is 1.82

The three hypotheses are tested as follows:

H_{O1}: Board size has no significant influence on profitability of deposit money banks in Nigeria. The regression result of the study shows that the beta coefficient in respect of board size is (0.137696) and the t-ratio is (2.6413). Board size influence on Profitability is significant at 1% level of significance, which means that board size has a positive significant impact on the profitability of selected deposit money banks in Nigeria. The implication of this is that, the higher the board size, the more the financial performance of the deposit money banks in Nigeria. This provides an evidence of rejecting hypothesis one stating that Board size has significant influence on profitability of deposit money banks in Nigeria.

H_{O2}: Non-Executive directors has no significant impact on the valuation of deposit money banks in Nigeria. Again, in the case of non-executive directors, the beta coefficient of Non-executive directors is (0.0224281) while the t-value is (0.4847) and Non-executive directors on Valuation is significant at 0% level of significance, which means that institutional ownership has no positive significant effect on the Valuation of deposit money banks in Nigeria. The implication of this is that the more non-exucutive directors in deposit money banks in Nigerian, the more shareholders interest are not protected from managers' misappropriation. Hence, the result provides us with sufficient evidence of accepting null hypothesis two of the study, which stated that; Non-Executive directors has no significant impact on the valuation of deposit money banks in Nigeria.

H_{O3}: Board diversity has no significant effect on efficiency of deposit money banks in Nigeria. For Board diversity, the beta coefficient is (0.114496) and t-value is (2.6413). Board diversity effect on efficiency is significant at 2% level of significance, which means that Board diversity has a positive significant effect on the efficiency of selected deposit money banks in Nigeria. The implication of this is that, the higher the Board diversity, the more thre is efficiency of the deposit money banks in Nigeria. This provides an evidence of the null rejecting hypothesis stating that Board diversity has significant effect on the efficiency of deposit money banks in Nigeria.

The total impact of the independent variables put together is able to explain the dependent variable up to (67%) this shows a strong relationship as indicated by the R value and the remaining (33%) are controlled by other factors. The coefficient of determination R^2 (36%) means that only 36 percent of the variation in financial performance (EFF, VAL, PRO) is explained by the various forms of Board composition of the deposit money banks. Adjusted R^2 is (29%).

Similarly, the result of the F- statistic shows the overall fitness of the model. The F- statistic has a value of (8.32127) and is significant at 1% which implies that the model is fit because it is significant at all levels of significance. Durbin Watson of (1.82) shows that there is no problem of autocorrelation in the data set. On the other hand, Tolerance value of board size, non-executive directors, board diversity are 0.5859, 0.4847 and 2.3074 respectively which are not less than 0.10 this shows absence of harmful multicolinearity.

4.2 Discussion of Findings

Board size has significant influence on financial performance of deposit money banks in Nigeria. With a computed result ($r = 0.290$; $F= 8.32127$; $t= 2.6413$; $p < 0.05$). This result shows that the increased number of directors in a corporate board have the tendency of improving the profitability of deposit money banks and the funds of the banks are properly monitored and protected. This finding is in line with Nnneka (2016) and Fatimoh (2012).

The result also revealed that Hypothesis two was tested with regression analysis in order to examine the relationship between Non-executive directors and financial performance of deposit money banks in Nigeria, with a computed result ($r = 0.290$; $F=8.32127$; $t=0.4847$ $p < 0.05$), the null hypothesis was accepted resulting in the conclusion that Non-Executive directors has no significant impact on the valuation of deposit money banks in Nigeria. This finding is in line with Abu et al (2016) and Ujunwa et al (2012).

The result also revealed that Hypothesis three was tested with regression analysis in order to investigate the effect of board diversity on the financial performance of deposit money banks in Nigeria, with a computed result ($r = 0.290$; $F=8.32127$; $t=2.3074$ $p < 0.05$), the null hypothesis was rejected resulting in the conclusion that Board diversity has significant effect on the financial performance of deposit money banks in Nigeria. This finding is in line with Osuagwu (2013).

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The findings of the study discussed shows that there is a positive significant impact between the independent variables and dependent variables. Efficiency, Valuation and profitability were the proxies used to measure financial performance because they measures how shareholders and board directors earn from their investment in a bank and it also indicates how profitable a bank is if manged well. This study therefore conclude that there is a positve influence od board composition on the financail performance of deposit money banks in nigeria.

Based on the findings, the study concludes that on the average, board composition has significant effect on financial performance of selected money deposit banks in Nigeria. This is because majority of the board composition variables reveals statistical significance over their respective dependent variables (financial performance proxies).

5.2 Recommendations

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

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

2. Secondly, the finding of this study is that non-Executive directors has no significant positive effect on the financial performance of selected money deposit banks in Nigeria. Anchored on this finding, it is recommended that there should be less or no Non-executive directors on the board in oredr to increas financial performance and profitability.

3. Lastly, finding of this study is that Board Diversity (Woman director) has significant association on the financial performance of deposit money bank in Nigeria. Based on this finding, it is recommended that there should be more board diversity or female directors in boards in order for efficient decision making concerning the affairs of the bank for improved fiancial performance.

REFERENCES

Adeyeni, A. & Fabemi, G (2016). Corporate Governance, Risk Management and Performance Nexus: Integration analysis. *European Journal of Humanities and Social Science, 36 (1), 1 - 18.*

Babatunde, R.T, Michael, T.O & Fred, T. (2017). The Impact of Directors' Equity Ownership on Bank Profitability in Nigeria: The Triumph of Quality over Quantity. Advanced Business Management and Entrepreneurship. Vol. 2(001): 001-010.

Bhagat, S., & Black, B. (2019). *Do independent directors matter? Unpublished working paper. New York: Columbia University.*

Cadbury, M. (2012). Succession as a socio-political process: Internal impediments to outsider selection. *Academy of Management Journal*

Fatimoh, V. (2012). "Large Shareholders and Corporate Control" *Journal of Political Economy 94, 461-488.*

Jensen, M. (2001). Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers', *American Economic Review, 76, 323-329*.

Kajola, S. O. (2018). Corporate Governance and Firm Performance: The Case of Nigerian Listed Firms. *European Journal of Economics, Finance and Administrative Sciences, 14, 16*

Kuwata, U., Dalton, C., & Kajola, S. O. (2017). Corporate Governance and Firm Performance: The Case of Nigerian Listed Firms. *European Journal of Economics, Finance and Administrative Sciences, 14(14), 16-28.*

Osuagwu, U.T (2013). "Valuation Effect of Foreign Company Listings on U.S. Exchanges" *Journal of International Business Studies 27 (1): 67-88.*

Sahin, C A. Basfirinci, B. A. Ozsalih, O. U. & Elsayed, K. K. (2011). Does Chief Executive Duality Really Affects Corporate Performance? Corporate Governance: *An International Review, 15(6), 1203–1214.*

Tian, J. J., & Lau, C., (2011). Board Composition, Leadership Structure, and Performance of Chinese Shareholding Companies, *Asia Pacific Journal of Management, 18, 245-263.*

Ujunwa, A., Okoyeuzu, C., & Nwakoby, I. (2012). Corporate Board Diversity and Firm Performance: Evidence from Nigeria. *Review of International Comparative Management, 13(4), 605-620.*