BOARD DYNAMICS AND FINANCIAL PERFORMANCE OF QUOTED COMMERCIAL BANKS IN NIGERIA

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Abstract

Propelled by the attendant agency issues, which has led to the collapse of various organizational, the study investigated the impact of board dynamics on the financial performance of deposit money banks in Nigeria over the period of 2008 to 2017. Secondary data was gathered from the annual financial reports of quoted deposit money banks in Nigeria. It was discovered that board composition contributes significantly to financial performance measured as return on assets and market to book ratio. The data gathered on non-executive directors serving on the boards of banks revealed that nonexecutive directors on the average are more than the executive directors (and this is in compliance with the requirements of corporate governance issued by the Security and Exchange Commission code which requires that the number of non-executive directors should be higher than the executive directors) confirming why performance is positively impacted by board composition. However, based on the estimated results other dimensions of board dynamics did not show a significant effect on financial performance, nonetheless, they show both positive and negative effects. In view of these findings, the study recommended that; the size of the board (membership) should be increased but not exceed the maximum number specified by the code of corporate governance for banks because the results of the analysis in this study did not show any significant effect of board size on performance, and that the number of non-executive directors should be increased on the board because they are significantly responsible for promoting banks' performance.

Keywords: Board Dynamics, Financial Performance, Board Attributes, Commercial Banks.

Introduction

The modern academic literature on corporate governance arose from the influential work of Berle and Means (1932) cited in Lawal (2012) where they argued that, in practice, managers of firms pursued their own interest rather than the interest of shareholders. Berle and Means highlighted the need to put in place a set of effective mechanisms to help in resolving the conflict of interests between firm owners and managers. In this light, key players in corporate governance are the board of directors (Ayuso & Argandoña, 2007). The importance of the board of directors in the performance of a firm is widely recognized because they are responsible for approving and overseeing the implementation of strategic goals, the system of governance, and creating a company culture. They are the most important decision-making body in a corporation. They are responsible for approving major strategic and financial decisions, such as mergers and acquisitions (M&As) and changes in capital structure, and also for the most important task of all, which

is to hire and fire top executives. Not surprisingly, substantial research focuses on the workings of corporate boards. But researchers focus on varying aspects of boards. Some view boards as groups of diverse individuals who have different biases and prejudices and whose behavior is affected by social constraints and power relations. This perspective suggests that director heterogeneity plays a key role in how boards function. A key sector that contributes solely to the Nigerian economy and is in need of the best corporate governance (i.e. board of directors is the banking industry).

In Nigeria, before the 2005 consolidation exercise, the banking industry had about 89 active players whose overall performance led to the sagging of customers' confidence. There was lingering distress in the industry, the supervisory structures were inadequate and there were cases of official recklessness amongst the managers and directors, while the industry was notorious for ethical abuses (Akpan, 2007). Poor corporate governance was identified as one of the major factors in virtually all known instances of bank distress in the country (Uwuigbe, 2011). Weak corporate governance was seen manifesting in form of weak internal control systems, excessive risk-taking, override of internal control measures, absence of or non-adherence to limits of authority, disregard for cannons of prudent lending, absence of risk management processes, insider abuses, and fraudulent practices remain a worrisome feature of the banking system (Soludo, 2004). This view is supported by the Nigeria Security and Exchange Commission (SEC) survey in April 2004, which shows that corporate governance was at a rudimentary stage, as only about 40% of quoted companies including banks had recognized codes of corporate governance. This, as suggested by the study by SEC (as cited in Uwuigbe, 2011) may hinder public trust, particularly in the Nigerian banks if proper measures are not put in place by regulatory bodies.

Studies have attempted to investigate the effect of board characteristics or dynamics on firm financial performance both internationally and locally and their findings are not conclusive in nature. For example, Dalton, Daily, Ellstrand, and Johnson (1998), Weir and Laing (1999), and Weir, Laing, and McKnight (2002) find little evidence to suggest that board characteristics affect firm performance. However, other studies have found a positive relationship between certain characteristics of board and firm performance (Bhagat & Black, 1999; Kiel & Nicholson, 2003; Bonn, 2004; Hassan & Farouk, 2014, Abu, Okpeh, & Okpe, 2016; Oyedokun, 2019). It is in view of the above snags, that this study considered the effects of corporate board dynamics on the financial performance of quoted commercial banks in Nigeria. To do this, the study observed how board dynamics as measures using board composition and board size affects the financial performance of quoted commercial banks as measured using the return on assets and market to book ratio of quoted commercial banks in Nigeria. The study covers the 2009 to 2018 period. The choice of this period is for the analysis to cover the International Financial Reporting Standards (IFRS) adoption period in Nigeria. The variables considered in this study include board composition, the board size, and board diversity as proxies for board dynamics, whilst returns on assets and market to book ratio as proxies for financial performance.

The outcome of the study is expected to provide a framework that will give further insight into the effect of board dynamics on the financial performance of quoted commercial banks in Nigeria. Researchers who perhaps are concerned with a similar area of study would find it a useful reference material for literature review, even their background to their studies. The limitations of this study are expected to provide ground for additional study.

Having provided in this section a cursory overview of the underlying study, the second section provides a review of key propelling theories and literature. The third section presents the methodology of the study, while section four deals with the results obtained and analysis of the same, while section 5 offers the discussions, conclusions, and policy recommendations.

Literature Review

Theoretical Perspectives

Two main theoretical perspectives in the management and corporate governance literature underlie the rationale for board diversity. The first is agency theory, which can be briefly summarized as the board's monitoring role (in its stewardship capacity) in protecting shareholder interests from the self-interests (the agency costs) of management. The second perspective relating to arguments in favor of diversity is the resource dependence view, which regards the board as an essential link between the organization and the key resources necessary to maximize its performance.

Agency Theory

Agency theory originated as an economic theory propounded by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976) and has undoubtedly dominated other theories as to the most preferred approach to corporate governance studies (Johnson, 2008; Aguilera et al., 2008; Zahra & Pearce, 1983; Daily et al. 2003; O'Sullivan, 2000; Davis et al., 1997; Dwivedi & Jain, 2005). According to the agency model, the separation of ownership and control creates an inherent conflict of interest between the shareholders (Principal) and the management [Agent] (Aguilera et al., 2008). Sanda et al. (2005) explained further that the presence of information asymmetry can make agents pursue interests that may be detrimental to the interest of the principal. Although managers are said to be rational, but cannot be trusted to remain faithful by always acting in the best interest of the principal since they are also presumed to be self-interested (Williamson, 1974; Padilla, 2002). Therefore, managers must be controlled to avoid "moral hazard" using some risk-bearing and monitoring mechanisms that checkmate their deviant behaviors (Jensen, 1983; Filatachev et al. 2007). In order to effectively address the agency problem, the theorists acknowledged the crucial role of the board as an instrument of owners in subduing the opportunistic behavior of managers (Stiles & Taylor, 2001).

Resource Dependence Theory

The resource dependence theory focuses on the role of the board in engaging with the external environment to access critical resources. The key role of the board is its ability to link to significant resources (Korac, Kakabadse, & Kouzmin, 2001). It maintains that the board is an important link between the firm and the essential resources that it needs to maximize performance (Pfeffer, 1973; Pfeffer & Salancik, 1978). Hence, the board is a potentially important resource for the firm, because of its links with the external

environment (Palmer & Barber, 2001). According to resource dependence theory, the board composition may be seen as a response to the external challenges that a firm may face (Hillman, Canella, & Paetzold, 2000). In the resource dependence role, as directors link the organization with its external environment, a board may act to reduce uncertainty. Directors also bring resources to the firm, such as information, skills, and access to key constituents (e.g., suppliers, buyers, public policy decision-makers, social groups). The extent to which board directors benefit the firm depends on whether their inclusion in the board provides access to valuable resources and information reduces environmental dependency, or aids in establishing the legitimacy of the organization (Daily & Dalton, 1994a; Gales & Kesner, 1994; Certo et al., 2003). Key resource dependence attributes of the board include enhancing the legitimacy and public image of the firm; providing expertise; providing advice and counsel; linking the firm to important stakeholders; facilitating access to resources; building external relations; and aiding in the formulation of strategy and other important firm decisions (Hillman & Dalziel, 2003).

Empirical Review

The findings on the relationships between board dynamics and financial performance are inconclusive. Prior Nigerian studies (Olayinka, 2010); (Ironkwe & Adee, 2014; Shehu & Musa, 2014) and Non-Nigerian studies (El Mehdi, 2007; Jacking & Johl, 2009; Al-Matari, 2013) have reported a positive relationship between board composition and firm performance. In particular, El Mehdi (2007) in a sample of 24 listed companies in Tunisia from 2000 – 2005 found that the ratio of outside directors is positively associated with firm performance measured by Marginal Q. Similarly, Al-Matari (2013) also found that the ratio of non-executive directors is positively related to ROA. In Nigeria, some studies also support this empirical evidence.

For example, Olayinka (2010) found a positive relationship between board composition and corporate financial performance (ROE and ROCE) in a sample of 30 companies for the year 2007. Also, using a sample of 13 listed deposit money banks for the period 2007 to 2011, Shehu and Musa (2014) found that board composition positively, strongly, and significantly influence firm performance measured by ROA. These similar findings suggest that boards with a higher ratio of outside directors offer higher performance. In contrast, other Nigerian Studies (Uwuigbe, 2011; Ogbulu & Emeni, 2012; Garba & Abubakar, 2014) and non-Nigerian study (Guest, 2009) have reported that the ratio of independent non-executive directors representation on the board is negatively related to firm performance. Using a sample of 157 Zimbabwean listed firms from 2000 to 2005, Mangena et al.(2012) found that the ratio of non-executive directors is significant and negatively related to firm performance measured by Tobin‟s Q. Similarly, Mahrous (2014) reported a statistically negative relationship between non-executive board members and ROE, in a sample of 50 Egyptian listed non-financial companies from 2006 – 2010. This evidence is also the same as those found in Nigeria.

For instance, Ogbulu and Emeni (2012) found a negative association between board composition and firm performance in a sample of 14 Nigerian listed banks as of December 2008. Also, Garba and Abubakar (2014), using 12 listed insurance companies for the period 2004 to 2009 found a negative and significant relationship between board

composition and firm performance measured by Tobin's Q and ROE. This indicates that the benefit of board independence, objectivity, and experience expected from the representation of outside directors to influence board strategic decisions appears to hold back managerial initiative through too much monitoring. The third group of studies suggests that board composition has no effect on firm performance (Ghosh, 2006; Rashid et al., 2010). For example, Ghosh (2006) found out that the ratio of outside directors has no significant impact on firm performance measured by ROA and adjusted Tobin's Q in 127 Indian listed manufacturing firms. Similarly, Using a sample of 274 Bangladeshi firm-years from 2005 – 2009, Rashid et al. (2010) found that outside (independent) directors cannot add value to the firm's economic performance measured by ROA and Tobin's Q in Bangladesh.

Conflicting empirical evidence has evolved with respect to board composition in the recent past. There exist mixed results from empirical studies on the effects of board composition and performance. Kajola (2008) examined corporate governance and firm performance on some Nigerian listed banks between 2000 and 2006 and found no significant relationship between board composition and firm performance. This outcome has also, the support of (Bawa & Lubabah, 2013; Adeusi, Akeke, Aribaba, and Adebisi (2013) who further added that the performance of banks tends to be worse when there are more external board members.

However, the findings of Prakash and Martin (n.d.) on twenty-nine (29) Nepalese banks for a period of six (6) via the use of regression analysis, shows that outside directors have a positive and significant effect on the bank performance. This is also the position taken by Bawa and Lubabah (2013) and Ezzamel and Watson (1993). The code of corporate governance emphasizes board composition that has qualitative, qualified, experienced members and people of proven integrity (Bawa & Lubabah, 2013). Benerd et al. (2014) argued that the board of directors' ability to monitor and advise a firm depends on their influence, competence, and experience. This will reduce fraud and increase performance.

On the other hand, Ogbulu and Emeni (2012) found a negative association between board composition and firm performance in a sample of 14 Nigerian listed banks as of December 2008. Also, Garba and Abubakar (2014), using 12 listed insurance companies for the period 2004 to 2009 found a negative and significant relationship between board composition and firm performance measured by Tobin's Q and ROE. This indicates that the benefit of board independence, objectivity, and experience expected from the representation of outside directors to influence board strategic decisions appears to hold back managerial initiative through too much monitoring.

Board diversity has become a major issue within corporate governance were a number of studies seek to explore the impact of diversity on firm performance. The debate focuses on questions such as whether a corporation's board should reflect the firm's stakeholders or be more in line with society in general; hence, Rose (2007) investigated the relationship between female on board representation and firm performance, using a sample of listed Danish firms during the period of 1998–2001 in a cross-sectional analysis. Despite the fact that Denmark has gone very far in the liberalization of women, Danish board rooms are still to a large extent dominated by men.

Contrary to a number of other studies, her study did not find any significant link between female board representation and firm performance.

Williams (2000), Adams and Ferreira (2004) using panel data analysis, Farrell and Hersch (2005), Nishii et al. (2007), find a significant positive relationship between gender diversity and firms' performance. In contrast, Dutta and Bose (2006) as well as Eklund et al. (2009), reported a significant negative relationship between gender diversity and firms' performance. However, the findings of Adams and Ferreira (2009), provide a complex result, in the sense that, though diversity has a significant negative influence on firms' performance in firms with strong governance, such relationship turns to be positive in firms with weak governance. On the contrary, (Swartz & Firer, 2005), (Francoeur et al., 2008) and Marimuthu and Koladaisamy (2009a), find no significant relationship between gender diversity and firms' performance.

Bawa and Lubabah (2013) examined corporate governance and financial performance of twelve banks in Nigeria covering a period of five years (2006-2010) and found a negative relationship between board size and profitability of banks.

The study carried out by Akpan and Rima (2012) on eleven (11) selected banks in Nigeria using linear regression analysis arrived at a conclusion which also tallies with the finding of Asuagwu (2013), that smaller board size positively and significantly enhance performance and Anderson, Mansi, and Reeb (2004) argued that larger board is better than smaller board size in that larger board size have the ability to push the managers to track lower cost of debt because creditors believe that such firms are more effective monitors of the accounting process. This position is in agreement with the findings of Adeusi et al. (2013) who also examined the effect of board size on the performance of ten selected banks fora period of six years (2005-2010) using an econometric model of linear regression and found that increasing number of board size increases the performance of banks. The findings of Prakash and Martin (n.d.) on a study of corporate governance and efficiency in Nepalese commercial banks revealed that a bigger board size leads to efficiency in commercial banks.

From reviewed literature, it can be identified that **p**rior empirical studies of board dynamics or characteristics and financial performance rely primarily on small samples or short time horizons. While these studies provide helpful insights, this approach has limitations for testing within-firm predictions (Graham, Kim, & Leary, 2017). For one, studies relying on cross-sectional or short panel data often have an insufficient within-firm variation to control for fixed firm effects. This limitation makes it difficult to distinguish the effects of board dynamics on financial performance from the effects of other time-invariant firm characteristics that may be related to both ROA and market-to-book ratio. Indeed, this study will show that the inclusion of firm size and cash and its equivalents substantially affects these estimated relationships.

Methodology

Data and Operationalization of variables

The target population for this study will include all the thirteen (13) quoted commercial banks in Nigeria as obtainable from the Nigerian Stock Exchange (NSE) website as of 19th November 2019, however, due to the dearth of data, the study accessible population will include all the quoted commercial banks who have a complete data for the year 2008 to 2017

period. The study's panel data were gotten from the annual accounts (financial reports) of quoted commercial banks.

The study conceived Board Composition (BCOM) as the ratio of non-executive directors on the board as to their executive counterparts. Board Size (BOS) is measured by the headcount of the total number of persons on the board of a bank as reported in the banks' published annual financial report. Board Diversity (BOD) is measured as the total number of women board members. While the financial performance of sampled companies is measured using the return on asset (ROA) and the Market to Book (MB) as the market to book value ratio in line with Seifert et al., (2003). To avoid biased results, two control variables were included, whose effect on Financial Performance (FP) in the banking industry is well established by previous studies. These variables are the firm size as measured as the log of total assets and cash which is captured as the cash balance and short-term investments (i.e. cash equivalent) deflated by lagged total assets.

Model Specification

The functional relationship of the study is specified below:

ROA= *f* (BCOM, BOD, BOS)

1

MBR = *f* (BCOM, BOD, BOS)

2

Enlarging the board dynamics and financial performance functional model above to include firm characteristics as control variables

We have:

ROA = *f* (BCOM, BOD, BOS, FSIZE, CASH)

3

MBR = *f* (BCOM, BOD, BOS, FSIZE, CASH)

4

From the above functional relationship, the econometric models are specified with the control variables incorporated thus:

$ROA= \beta_0 + \beta_1 BCOM_{it} + \beta_2 BOD_{it} + \beta_3 BOS_{it} + \beta_4 FSIZE_{it} + \beta_5 CASH_{it} + \varepsilon_{it}$

5

$MBR = \alpha_0 + \alpha_1 BCOM_{it} + \alpha_2 BOD_{it} + \alpha_3 BOS_{it} + \alpha_4 FSIZE_{it} + \alpha_5 CASH_{it} + \varepsilon_{it}$

6

Where:

ROA = Return on Assets
MBR = market to book ratio
BCOM = Board composition
BOD = Board diversity
BOS = Board size
FSIZE = Firm size
CASH = Cash balance and cash equivalent

While:

ε_{it}= Error term
β_0= intercepts
β_1–β_5 = slope coefficients

Apriori Expectation

Drawing from equation v and vi, it is expected that β_1, β_2, $\beta_3$and α_1, α_2, $\alpha_3 > 0$. Furthermore, it is expected that a unit increase of the predictor variables increase ROA and MBR respectively.

The above indicates an expectation of positive relationship and movement of exogenous variables such as board composition, board size, and board diversity.

Data Analysis Technique and Statistical Test

Due to the nature of employed data, the study employs the following data analytical techniques and tools.

Stationarity Test

Panel unit root test was performed on each of the relevant time series in order to determine if they are stationary or not. The method of testing for unit root was the

Levine, Lin & Chu panel unit root test. This test adjusts appropriately for the occurrence of serial correlation, thus the variables in the model were tested for stationarity because most data on financial variables (time series) that show signs of strong relationship are sometimes non-stationary yet they are being analysed erroneously as though they were stationary. According to Yule (1926), when non-stationary time series are estimated at levels in stochastic equations, the problem of "spurious relationship" or nonsense correlation" usually arises. This often produces high coefficients of multiple determinants (R^2) that tend to unity and also indicate a misleading t-statistic that corroborate the significance of the coefficients. Therefore, a clue that such regression is not adequate is almost always provided by the Durbin-Watson statistic which generally assumes a value nearer to zero.

Hausman Model Specification Test

To decide between fixed or random effect models a Hausman test was carried out where the null hypothesis is that the random effects model is more appropriate (Green, 2008). It basically tested whether the unique errors (u_i) are correlated with the independent variables, the null hypothesis is that they are not.

Decision Rule:

The null hypothesis shall be rejected if the calculated p-value in the result is less than 0.05 levels.

Results and Discussion

Stationarity Analysis

In this section commonly used tests are chosen to formally test whether or not the variables are stationary.

Table 1: Panel unit root test results

Unit Root Test Results	Levin, Lin & Chu t*	Order of integration
Market to book ratio (MBR)	0.0044**	1(0)
Return on assets (ROA)	0.0000**	1(0)
Board Composition (BCOM)	0.0000**	1(0)
Board Size (BOS)	0.0007**	1(0)
Board Diversity (BOD)	0.0382**	1(0)
Firm Size (FSIZE)	0.0000**	1(0)
Cash	0.0000**	1(0)

The tests result suggest that all the variables in our models are stationary at level and therefore nothing more is required to adjust it in order to transform it to become stationary.

Results of Panel Model 1 & 2

Table 2 below specifies the estimation results for the Fixed Effect method used for data analysis. Model 1 expresses market to book ratio as a function of board composition (BCOM), board size (BOS), board diversity (BOD), firm size (FSIZE), and (CASH) respectively.

Table 2: Outcome of the estimation of model 1

Dependent Variable: ROA

Method: Panel EGLS (Cross-section random effects)

Sample: 2008 2017
Periods included: 10
Cross-sections included: 12
Total panel (balanced) observations: 120
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.016378	0.048771	0.335820	0.7376
BCOM	0.006469	0.002722	2.376371	0.0192
BOD	0.003028	0.003687	0.821288	0.4132
BOS	-0.000761	0.002015	-0.377411	0.7066
SIZE	-0.000565	0.002019	-0.279633	0.7803
CASH	0.002916	0.012785	0.228123	0.8200
	Effects Specification			
			S.D.	Rho
Cross-section random			0.017360	0.1080
Idiosyncratic random			0.049884	0.8920
	Weighted Statistics			
R-squared	0.070744		Mean dependent var	0.013338
Adjusted R-squared	0.029988		S.D. dependent var	0.050323
S.E. of regression	0.049563		Sum squared resid	0.280040
F-statistic	1.735767		Durbin-Watson stat	2.344988
Prob(F-statistic)	0.132015			
	Unweighted Statistics			
R-squared	0.106679		Mean dependent var	0.019833
Sum squared resid	0.307121		Durbin-Watson stat	2.138220

The Hausman Test results show that random effect model is more appropriate than the fixed effect method in the analysis and interpretation of the study's first model, this is confirmed by the p-value of 0.0.0000. Drawing from this result, this study's Hypothesis one, three, and five are tested using random effect model. Having performed this analysis, we proceeded to test the hypotheses formulated in chapter one above to enable us discuss our findings.

Table 3: Outcome of the estimation of model 2

Dependent Variable: MBR
Method: Panel Least Squares
Sample: 2008 2017
Periods included: 10

Cross-sections included: 12
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	297.7851	41.75222	7.132196	0.0000
BCOM	2.929589	1.392658	-2.103595	0.0378
BOD	3.547014	1.852243	1.914984	0.0483
BOS	0.184406	0.998155	0.184747	0.8538
SIZE	-18.07390	2.296202	-7.871218	0.0000
CASH	-9.436579	5.895775	-1.600566	0.1125

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.452370	Mean dependent var	3.641750
Adjusted R-squared	0.367301	S.D. dependent var	27.51296
S.E. of regression	21.88445	Akaike info criterion	9.140001
Sum squared resid	49329.72	Schwarz criterion	9.534895
Log likelihood	-531.4000	Hannan-Quinn criter.	9.300369
F-statistic	5.317703	Durbin-Watson stat	1.378412
Prob(F-statistic)	0.000000		

The Hausman test results show that the fixed effect model is more reliable than the random effect method in the analysis and interpretation of the study's second model; this is validated by the p-value of 0.0.0000. These results showed that firm size significantly and adversely contributes to the market to book ratio of banks, meaning a unit increase of firm size would lead to an increase in discrepancy between market value and the book value of a bank. Based on the results in table 3, this study employs the fixed effect model.

Having performed this analysis, we proceeded to test hypotheses four, five, and six formulated in chapter one above to enable us to discuss our findings.

Discussion of Findings

The examination of the effect of board dynamics on financial performance in this study has shown that board dynamics dimensions have a mixed effect on financial performance, and so to some extent corresponds with a few previous findings and also inconsistent with several others. For example, this study found a positive relationship between board composition and financial performance and this is consistent with Prakash and Martin (n.d.), Bawa and Lubabah (2013), Olayinka (2010), Ironkwe and Adee (2014), Shehu and Musa (2014), El Mehdi (2007), Jacking and Johl (2009), Al-Matari (2013) and Ezzamel and Watson (1993) whom all found a positive association.

In contrast, these findings are inconsistent with Uwuigbe (2011) Ogbulu and Emeni (2012), Garba and Abubakar (2014), Guest (2009), Mangena et al. (2012), Mahrous (2014), who found that board composition is negatively related to firm performance. This indicates that the benefit

of board independence, objectivity, and experience expected from the representation of outside directors to influence board strategic decisions appears to hold back managerial initiative through too much monitoring.

The third group of studies suggests that board composition has no effect on firm performance (Ghosh, 2006; Rashid et al., 2010, Kajola, 2008; Sanda et al., 2010; Paul, Friday & Godwin, 2011; Mansur & Ahmad, 2013; Sanda et al. (2010)) this is also inconsistent with our findings. This study also found no significant relationship between board diversity (i.e., females on the board of directors) and financial performance, and this is consistent with the findings of Rose (2007) who reported that there is no significant relationship between firm performance and female on board representation.

However, this finding is not consistent with Adams and Ferreira (2009), who in their study found that the average effect of women directors on firm performance is negative. This does not mean that there is no positive impact of having women on the board of directors; they may not improve financial performance in companies, but with weak corporate governance they can do little or nothing where you have a board dominated by unscrupulous men.

On the other hand, Williams (2000), Adams and Ferreira (2004), Farrell and Hersch (2005), Nishii et al. (2007), Krishnan and Park (2005) investigated the association between female directors and return on total assets and their findings showed a positive relationship between having women in management teams and financial performance showing that the expectation of positive impact on financial performance by having a diversified board is not out of place. Similarly, Carter, Simkins, and Simpson (2003) revealed 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 team performance, as this may bring in different ideas or opinion that will result in a greater range of perspectives, which may eventually help to reach good decisions and better performance.

This study found no significant relationship between board size and financial performance and this corresponds with Ujunwa (2012), Adebayo et al. (2013), Dabor, Isiavive, Ajagbe, and Oke (2015), but does not correspond with the findings of Akpan and Rima (2012) which tallies with the findings of Asuagwu (2013) that smaller board size positively and significantly enhance performance.

Conclusions and Recommendations

Conclusion

The relationship between board dynamics and the financial performance of quoted commercial banks in Nigeria from 2008 to 2017 has been examined using data collected from the financial reports of twelve (12) banks on the Nigerian stock exchange and it was discovered that board composition contributes significantly to financial performance measured as return on assets and market to book ratio. The data gathered on non-executive directors serving on the boards of banks revealed that nonexecutive directors on average are more than the executive directors (and this is in compliance with the requirements of corporate governance issued by the Security and Exchange Commission [SEC] code which requires that the number of non-executive directors should be higher than the executive directors) confirming why

performance is positively impacted by board composition. However, based on the estimated results other dimensions of board dynamics did not show a significant effect on financial performance, nonetheless, they show both positive and negative effects.

Recommendations

It is recommended that based on the study findings that the following should be considered in practice:

1. The size of the board (membership) should be increased but not exceed the maximum number specified by the code of corporate governance for banks because the results of the analysis in this study did not show any significant effect of board size on performance.
2. Though the results of the study did not show a significant effect of board diversity on financial performance, it is nevertheless positive in terms of its relationship with performance, hence a reasonable increase in the percentage of female directors on the board will bring about positive change in the performance of banks in Nigeria.
3. The number of non-executive directors should be increased on the board because they are significantly responsible for promoting banks' performance.

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Appendix 1

S/N	BANK	Year	MBR	ROA	BCOM	BOS	BOD	Size	Cash
1	ACCESS	2008	0.66	0.09	1.33	14	1	18.96	3.41
		2009	0.81	0.04	1.33	14	1	20.29	0.22
		2010	0.93	0.02	1.33	14	1	20.40	0.13
		2011	0.46	0.01	1.33	14	2	20.67	0.11
		2012	0.87	0.02	1.14	15	3	21.14	0.12
		2013	0.92	0.02	1.43	17	5	21.26	0.04
		2014	0.55	0.02	1.29	16	5	21.41	-0.06

		2015	0.39	0.02	1.29	16	5	21.60	0.03
		2016	0.40	0.02	1.14	15	5	21.85	0.00
		2017	0.64	0.02	1.14	15	6	21.98	0.06
2	ECOBANK	2008	6.36	0.00	2.67	11	2	19.89	0.00
		2009	1.10	-0.01	1.5	15	6	12.78	0.27
		2010	0.67	0.00	1.33	14	6	13.03	0.31
		2011	4.30	0.00	1.67	16	4	13.91	0.15
		2012	1.36	0.01	1.5	15	3	14.10	0.11
		2013	1.91	0.01	1.5	15	3	14.19	0.10
		2014	1.89	0.02	1.5	15	3	14.39	0.07
		2015	1.49	0.01	1.5	10	5	14.40	0.09
		2016	0.94	0.00	2	12	5	14.41	0.07
		2017	1.28	0.01	1.75	11	3	14.42	0.07
3	FCMB PLC	2008	0.77	0.03	2	12	0	19.96	0.49
		2009	0.89	0.00	1.6	13	0	19.95	0.29
		2010	0.91	0.01	1.5	15	0	20.09	0.16
		2011	0.58	-0.02	2	15	0	20.20	0.09
		2012	0.55	0.01	2	15	0	20.61	0.14
		2013	0.56	0.05	10	11	0	18.69	0.02
		2014	0.38	0.04	9	10	0	18.70	0.03
		2015	0.26	0.02	9	10	0	18.68	0.06
		2016	0.16	0.03	9	10	0	18.69	0.04
		2017	0.23	0.01	5	12	1	18.70	0.00
4	FIDELITY	2008	0.98	0.02	1.6	13	1	13.19	0.50
		2009	0.53	0.00	1.6	13	2	13.13	0.46
		2010	0.58	0.01	4	15	3	13.08	0.43
		2011	0.31	0.01	1.43	17	3	13.51	0.45
		2012	0.45	0.02	1.25	18	3	13.51	0.29
		2013	0.48	0.01	1.43	17	3	13.89	0.27
		2014	0.27	0.01	1.14	15	3	13.99	0.11
		2015	0.24	0.01	2	15	3	14.02	0.09
		2016	0.13	0.01	1.33	14	3	14.08	0.07
		2017	0.35	0.01	1.4	12	3	14.14	0.10
5	FIRST BANK PLC	2008	0.33	0.03	1.5	15	1	13.97	0.25
		2009	1.28	0.00	0.88	15	3	14.39	0.19
		2010	1.31	0.01	2.2	16	3	14.49	0.23
		2011	0.39	0.02	1	22	6	14.72	0.19
		2012	1.90	0.00	5	6	0	12.51	2.37
		2013	1.73	0.23	6	7	0	12.65	0.00
		2014	1.03	0.02	4	10	1	12.57	0.02
		2015	0.66	0.01	5	12	1	12.55	0.02

		2016	0.48	0.03	10	11	2	12.49	0.00
		2017	1.21	0.03	4	10	3	12.50	0.03
6	GTB	2008	1.11	0.03	2	14	1	20.64	0.25
		2009	1.49	0.02	2	14	2	20.74	0.16
		2010	2.02	0.03	1.33	14	3	20.79	0.16
		2011	1.78	0.03	1.33	14	3	21.15	0.15
		2012	2.35	0.05	1.33	14	3	21.21	0.16
		2013	2.41	0.04	1.33	14	3	21.37	0.12
		2014	2.25	0.02	1.33	14	4	21.43	0.14
		2015	1.41	0.02	1.33	14	3	21.56	0.07
		2016	1.53	0.05	1.14	15	4	21.68	0.08
		2017	2.05	0.06	1.33	14	4	21.76	0.15
7	STANBIC IBTC PLC	2008	1.17	0.03	1.8	14	2	12.75	0.39
		2009	1.77	0.08	2.6	18	3	11.24	0.13
		2010	9.20	0.02	3	12	3	12.86	0.28
		2011	2.09	0.01	3	12	3	13.20	0.28
		2012	1.54	0.01	11	14	3	11.19	0.04
		2013	2.97	0.11	1.6	13	3	11.23	0.04
		2014	3.70	0.17	6	7	3	11.23	0.01
		2015	3.75	0.13	9	10	3	11.24	0.00
		2016	0.07	0.01	9	10	2	11.44	0.02
		2017	4.50	0.26	9	10	3	11.49	0.08
8	STERLING BANK	2008	0.96	0.03	2	12	0	19.28	0.41
		2009	0.67	-0.03	1.75	11	0	19.14	0.68
		2010	1.10	0.02	1.75	11	0	19.37	0.13
		2011	0.39	0.01	2	12	1	20.04	0.16
		2012	0.58	0.01	1.5	10	1	20.18	0.08
		2013	0.85	0.01	1.6	13	1	20.38	0.14
		2014	0.86	0.01	1.67	16	3	20.53	0.13
		2015	0.55	0.01	1.33	15	3	20.50	0.13
		2016	0.27	0.01	1.33	15	3	20.54	0.05
		2017	302.19	0.01	1.33	15	4	13.88	0.09
9	UBA PLC	2008	1.15	0.03	1.22	20	5	14.23	0.46
		2009	1.23	0.01	1.22	20	5	14.15	0.35
		2010	1.26	0.00	1.22	20	4	14.18	0.24
		2011	0.49	-0.01	1.11	19	3	14.32	0.17
		2012	0.68	0.02	1.63	21	4	14.47	0.27
		2013	1.13	0.02	1	16	5	14.61	0.10
		2014	0.50	0.02	1.29	16	4	14.67	0.14
		2015	0.36	0.02	1.43	17	4	14.61	0.13

		2016	0.42	0.02	1.22	20	3	14.75	0.09
		2017	0.88	0.01	1.56	23	3	14.89	0.09
10	UBN PLC	2008	4.05	-0.06	2	12	1	13.92	0.16
		2009	-0.29	-0.31	1.8	14	2	13.73	0.31
		2010	-0.42	0.14	1.8	14	2	13.65	0.08
		2011	1.07	-0.10	1	10	2	13.65	0.31
		2012	0.73	0.01	1.83	18	2	13.70	0.16
		2013	0.87	0.01	1.83	18	2	13.69	0.06
		2014	0.70	0.02	2	18	2	13.73	0.06
		2015	0.51	0.02	2	18	4	13.81	0.05
		2016	0.36	0.01	1.57	18	4	13.93	0.03
		2017	0.71	0.01	1.5	15	6	14.10	0.10
11	WEMA BANK PLC	2008	-3.22	-0.11	1.33	7	0	18.52	0.14
		2009	-0.19	-0.01	1.33	7	0	18.78	0.48
		2010	1.11	0.08	2	9	0	19.13	0.30
		2011	1.07	-0.03	2.25	13	0	19.22	0.15
		2012	1.06	-0.02	2	12	1	19.32	0.08
		2013	1.14	0.00	1.75	11	2	19.62	0.09
		2014	0.85	0.01	1.5	15	2	19.76	0.14
		2015	0.84	0.01	1.33	14	4	19.80	0.14
		2016	0.51	0.01	1.2	11	4	19.86	0.07
		2017	0.40	0.01	1.4	12	4	19.77	0.06
12	ZENITH BANK PLC	2008	1.13	0.03	1	14	0	14.33	0.66
		2009	1.02	0.01	1.14	15	0	14.27	0.36
		2010	1.34	0.02	1.17	13	1	14.40	0.44
		2011	1.06	0.02	1.17	12	1	14.58	0.24
		2012	1.40	0.04	1.17	13	0	14.71	0.25
		2013	1.82	0.03	1.4	11	2	14.87	0.29
		2014	1.13	0.03	2	12	2	15.05	0.25
		2015	0.81	0.03	1.5	10	1	15.14	0.18
		2016	0.76	0.03	1.2	11	1	15.27	0.13
		2017	1.14	0.03	1.17	13	1	15.39	0.11