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**BOARD CHARACTERISTICS, ASSET QUALITY AND FINANCIAL
PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA**

A M.Sc THESIS SUBMITTED

BY

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JUNE, 2021

DECLARATION

I hereby declare that this dissertation titled: **Board Characteristics, Asset Quality and Financial Performance of Deposit Money Banks in Nigeria** is my own work. Precisely, it has not been previously presented or submitted by me, and to the best of my knowledge, not even by any other person for any course or qualification at this or any other academic or research institution.

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APPROVAL

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DEDICATION

This project is dedicated to Almighty Allah.

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ABSTRACT

The incessant erosion of wealth of the investors and depositors in the Nigerian banking industry inspite of various mitigating policies by the regulators is a major concern. This is not unconnected with the financial performance of the deposit money banks which is an output of the interplay between the quality of the banks' stock-in-trade (loans) and the attributes of boards among other factors. Thus, this study examined the board characteristics, asset quality and financial performance of the deposit money banks in Nigeria. The specific objectives were to: (i) determine the impact of board size on the financial performance of deposit money banks, (ii) evaluate how board credit committee impact on the financial performance of deposit money banks (iii) investigate the relationship between financial expertise and the financial performance of deposit money banks (iv) examine the effect of asset quality on the financial performance of deposit money banks and (v) investigate how loan loss affect the financial performance of the deposit money banks. Ex-post facto research design was used and a sample of twenty (20) deposit money banks out of 33 were used as a sample size. The study used descriptive statistics, pairwise correlation and panel least square regression technique to analyse the secondary data extracted from the audited financial statements of sampled deposit money banks for the period of 2014 to 2019. The study revealed that at 5% level of significance; (i) board size with p-value of 0.001 had positive impact on the financial performance of deposit money banks in Nigeria; (ii) board credit committee with p-value of 0.0042 had positive impact on the deposit money banks in Nigeria; (iii) financial expertise related positively with the financial performance of deposit money banks in Nigeria; (iv) asset quality with p-value of 0.0318 negatively impacted on the financial performance of deposit money banks in Nigeria and (v) loan loss did not significantly impact on the financial performance of deposit money banks in Nigeria. Consequently, the study concluded that board characteristics and asset quality play a significant role in the financial performance of deposit money banks in Nigeria. The study therefore recommended that the board size of deposit money banks should be rationalized in line with the corporate governance code.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The banking industry is central and serves as backbone to the economic growth of any country, since it influences the level of money stocks through the ability to create deposits and liabilities. The industry provides access to payment system, enable financial services for commercial enterprises and general public and serve as an intermediary between those who have surplus funds and those who require funds. Noting all these prime functions, the financial health and performance of banks are important for the economic growth of Nigeria as the efficient and effective performance of the banking industry over time is an index of financial stability in any nation. The extent to which banks extend credit to the public for productive activities accelerates the pace of a nation's economic growth and its long term sustainability (Kolapo, Ayeni & Oke, 2012).

Notably, numerous factors determine economic growth of a nation and one of them according to Osamor, Saka and Olatunji (2019) is the financial health of banks. Financial performance is the subjective measure of how well a bank can use assets from its primary role of banking activities to generate more revenue. It is also a general measure of a bank's overall financial capability over a given period of time. In improving their financial performance, banks mobilize financial resources and allocate them to productive investments. Financial performance synonymously known as profitability according to Usman, Adah, and Sunday (2019) is vital for a bank to maintain its operational activities and for its investors to obtain fair returns, which is the most reason why bank capital will have to comply with the CBN figure. Again, liquidity, loans and advances will have to be in line with the regulatory authority's requirement as a deviation will amount to

violation of operational and prudential guidelines of the CBN. Jallof (2017) states that profitability, measured by earnings, is the bank's first line of defense against unexpected losses as it strengthens its capital position and improves future profitability through investments of retained earnings, adding that an institution that persistently makes losses will ultimately deplete its capital base which in turn will put equity and debt holders at risk.

Emphatically, board characteristics are particularly important in the Nigerian banking industry because a number of financial failures, frauds, and questionable business practices had adversely affected investors' confidence. Effective boards and corporate governance practices are essential ingredients in achieving and maintaining public trust and confidence in the financial system. They are critical to proper functioning as they determine the performance of the banking sector of the economy in any country of the world. Poor corporate governance may lead to ineffective boards, which eventually may contribute to bank failures (Odudu, James & James, 2016). 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). Being the pinnacle of internal control system, the board bears primary responsibility for the smooth functioning of the bank and also in monitoring and guiding management with fiduciary obligation to shareholders and depositors in the complex banking environment.

In addition, the banking environment is rapidly changing and with it attendant need for banks to improve, strengthen and upgrade their operation, in order to survive and thrive in this dynamic and competitive environment. The board of directors, as the organ of administration and management are caught in the web of these changes and are expected to behave, manage and direct the business entity in a manner acceptable and agreeable by all stakeholders. Adherently, the role of board is, therefore, quite daunting as it seeks to discharge diverse and challenging responsibilities. The

board is not only to prevent negative management practices that may lead to corporate failures or scandals but also ensure that deposit money banks act on opportunities that enhance the value to all stakeholders. To understand the role of the board, it should be recognized that boards exhibit some characteristics and consist of a team of individuals, who combine their competencies and capabilities that collectively represent the pool of social capital for their firm that is contributed towards executing the governance function

The asset quality of banks remains a significant concern for the regulators, policymakers, investors and the public. Deposit money banks are laden with a huge pile of non-performing assets over the years. A decline in bank asset quality is an indicator of the risk levels accepted by banks; as a result, credit criteria are tightened, resulting in a drop in future bank lending to lower risk levels. Bank asset quality has a direct and indirect impact on lending behavior. A decline in bank loan assets has the immediate and direct impact of indicating that banks are taking on high risks, and as a result, banks are unable to build up their risk levels, forcing them to tighten credit requirements, reducing the number of loan applicants as well as successful loan applicants. With the indirect effect, losses incurred from non-performing loans demands loan write-offs which depletes the equity capital of banks. This would in-turn affect the bank's ability to write more loan businesses, hence reduction in lending (Cheruiyot, 2016)

Over time, the phenomenal rise in non-performing assets has drawn the attention of regulators, policymakers and researchers around the world. A wide range of studies has sought to understand the underlying reasons for the poor asset quality of banks. However, most of the earlier studies such as Momoh and Ukpong (2013); Abata (2014); Oyerinde (2014) focused only on the external factors ignoring the role of internal control mechanisms that enhance the asset quality of banks. Research on asset quality should necessarily focus on examining the roles of and the need for

putting in place governance and regulatory mechanisms in preventing the deteriorating asset quality of banks. Though the primary reasons for the growth of poor asset quality are ascribed to domestic and global economic factors such as business cycles and global economic slowdown, internal factors of the bank such as inefficient management also contribute to the same (Ujunwa, 2012).

With the asset quality posing a threat to the financial stability of the banking sector, it is necessary and logical to carry out a study on the board characteristics and asset quality in relation to financial performance of deposit money banks in Nigeria. The rationale is not only to provide empirical evidences but also to improve the banking industry by calling the attention of the stakeholders to imminent issues hindering the lending capabilities of deposit money banks. It is against this backdrop that this study examined the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria.

1.2 Statement of the Problem

Financial intermediation in any economy is largely impossible without any sound financial system. Moreover, with the back dialing in the cycle, analyzing and taking an in-depth look into the financial performance of banks have become inevitable (Proshare, 2018). While improving financial performance, deposit money banks engage in granting loan and advances to the deficit unit of the economy. The loan and advances do emanate from the procedures of granting loan usually induced by the board characteristics and ultimately result to assets which its quality depends on whether the loan is performing or non-performing. Banks in Nigeria have attracted a great deal of attention in the past decade because of corporate governance malpractices. This

resulted in accumulation of toxic assets, non-performing loans and distorted credit management, which raised concerns about the performance of these banks and the way they are governed. These prompted the authorities to make significant changes in the regulations and relationship between management, boards and shareholders (Musa, Jerry & Abdurashed, 2020).

Surprisingly, banks and other financial intermediaries are the heart of the world's 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. 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 shareholders' wealth, both in developed and developing economies, particularly, in Nigeria. They are seen as the fore-runner or prime factor for the fraud cases that had resulted in the failure of major corporations (Oyedokun, 2019)

Over time, the scenario concerning board characteristics as a corporate governance mechanism has generated debatable issues and continued to receive considerable attention from academics, market participants, professionals, and regulators. This is because theories regarding financial performance provide conflicting views as to what constitute performance measurement, while at the same time the empirical evidence is inconclusive. Although, the introduction of code of corporate governance in 2003 in Nigeria was expected to mitigate corporate scandals and other associated problems, yet, corporate failures and scandals are still being experienced in the banking sector e.g. the cases of Skye Bank Plc. and Spring Bank Plc. in Nigeria (over of mismanagement of capital) suffered from the poor corporate governance practices. It has been argued that problems

with internal control systems start with the board i.e. in terms of their characteristics such as size, composition, financial knowledge or expertise, credit committee among others. The board is responsible for managerial oversight and, in the case of deposit money banks, supervision of lending policies. If that supervisory unit is deficient in some way, lending policies and guidelines may be absent or disregarded; consequentially affecting the bank's asset quality.

Furthermore, the deterioration of bank asset quality as observed by Abata (2014) may arise from the ignorance of loan quality which is one of the proximate cause of the frail financial system. Banking institutions residing in a country with frail banking systems need more attention to managing asset quality in order to warrant the sound development of the banking industry. Since the Nigerian business environment is not completely immune from this global trend, the Central Bank of Nigeria (CBN) over the years has developed several measures aimed at providing sound banking environment and safeguarding various stakeholders interest in the financial system and asset quality. Despite their efforts, the banking system continues to experience some hitches that erode investors and depositors' funds, hence, the bail-out of some ailing banks. This banking challenge raised a research enquiry on the nature of the relationship between banks asset quality and performance in Nigeria due to the indispensable nature of banking operation in the financial intermediation process and development.

Empirically, the issue of board characteristics, asset quality and banking sector performance has attracted a wide discourse among researchers and analysts. Extant studies have therefore produced a divergent, convergent or indifferent results. For instance, Bathula (2008); Francis, Hasan and Wu (2012); Momoh and Ukpong (2013); Abata (2014); Oyerinde (2014); Shettima and Dzolkarnaini (2015); Oyedokun (2019); Bouteska (2020) among others found positive and

significant association between asset quality and corporate governance variables on firm performance. On the other hand, Ghabayen (2012); Ujunwa (2012); Khalid (2012); Muhmad and Hashim (2015); Adebisi and Matthew (2015); Thiagarajan (2016); Kadioglu, Telceken and Ocal (2017); found negative interaction between corporate governance and asset quality variables on firm performance.

Apart from the conflict in the findings of previous researchers, this study found board characteristics and asset quality to be mostly examined independently on bank's financial performance. Furthermore, most of the studies such as Kutum (2015); Johl, Kaur and Cooper (2015); Muchemwa (2016) and Fuzi, AbdulHalim and Julizaerma (2016) failed to include variables that could reasonably address the interest as well as the influence of the depositors and the owners of the banks respectively. Again, a good number of previous works reviewed used board audit committee index instead of credit committee as one of the independent variables. The board credit committee members are by the provisions of code for corporate governance assigned the responsibility to advise the board on credit related matters. The quality of loans granted measured as the proportion of performing loans over total loans is thus one of the functions they are expected to perform as members of the committee. In the light of the foregoing, this study tried to fill the gap identified by concurrently examining both board characteristics and asset quality on the financial performance of deposit money banks in Nigeria while incorporating bank credit committee which most previous studies reviewed failed to use.

1.3 Research Questions

The following research questions are formulated for the study based on the identified research problems:

- i. To what extent does board size impact on the financial performance of deposit money banks in Nigeria?
- ii. What impact does board credit committee have on the financial performance of deposit money banks in Nigeria?
- iii. What is the relationship between financial expertise of the board and the financial performance of deposit money banks in Nigeria?
- iv. To what extent does asset quality affect the financial performance of deposit money banks in Nigeria?
- v. What is the effect of loan loss on the financial performance of deposit money banks in Nigeria?

1.4 Objectives of the Study

The broad objective of the study is to examine the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria. However, the specific objectives of the study are to:

- i. Determine the impact of board size on the financial performance of deposit money banks in Nigeria;
- ii. Evaluate how board credit committee impact on the financial performance of deposit money banks in Nigeria;
- iii. Investigate the relationship between financial expertise and the financial performance of deposit money banks in Nigeria;

- iv. Examine the effect of asset quality on the financial performance of deposit money banks in Nigeria; and
- v. Investigate the effect of loan loss on the financial performance of deposit money banks in Nigeria.

1.5 Research Hypotheses

To provide answers to the research questions raised, the following null hypotheses were raised and tested in the course of the study:

- H₀₁: Board size has no significant impact on the financial performance of deposit money banks in Nigeria;
- H₀₂: Board credit committee does not significantly impact on the financial performance of deposit money banks in Nigeria;
- H₀₃: There is no significant relationship between financial expertise and financial performance of deposit money banks in Nigeria;
- H₀₄: Asset quality has no significant effect on the financial performance of deposit money banks in Nigeria;
- H₀₅: Loan loss does not significantly affect the financial performance of deposit money banks in Nigeria;

1.6 Justification for the Study

The justification for this study cannot be overemphasized, considering the fact that board characteristics and asset quality independently attract attentions among spectrum of stakeholders in the banking industry such as depositors, government; industry operators, directors, academia

and international organizations owing to its primacy. Previous empirical studies on board characteristics and asset quality in relation to performance had reported conflicting results ranging from positive, negative and indifferent (Bathula, 2008; Masulis, et al, 2012; Francis, et al, 2012; Ghabayen, 2012; Ujunwa, 2012; Khalid, 2012; Liang, et al, 2013; Momoh, et al., 2013; Abata, 2014; Shettima et al., 2015; Muhmad et al., 2015; Adebisi et al., 2015; Thiagarajan, 2016; Kadioglu, et al., 2017; Oyedokun, 2019; Bouteska, 2020).

The Nigerian financial market is classified as an emerging economy; where weak protection rights, unstable economy and the political conditions played a key role in the several financial failures. The collapse of some banks as well as continuous merger and acquisition of some banks after the major bank consolidation in 2005 have shown that management of banks' assets has continuously been a deliberating and recurring issue. Divergent opinions have attributed it to some factors but some variables (loan loss ratio and board credit committee) that could reasonably address the interest as well as the influence of the depositors and the owners of the banks are still left out. Also, there are scanty literature on asset quality in relation to financial performance of banks in Nigeria.

Notably, most of the previous studies on board characteristics have been on firms, this study provides empirical evidence on the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria. This study will be beneficial and lends more support by providing suggestions towards the improvement in the asset quality of deposit money banks in Nigeria. The study will certainly be beneficial to shareholders of deposit money banks in constituting an effective board that will enhance the asset quality of their respective banks,

thereby having positive effects on their financial performance. The regulatory authorities will benefit more as the recommendations of this study will enhance guidance on policy formulations

This work will also be of significance in terms of practice, policy and regulation making and contribute to the body of knowledge as it broadens the prospective researchers' knowledge on board characteristics, asset quality and how these impact on the financial performance of banks. Scholars may also find the work illuminating and may act as a springboard for them to conduct further works in this area as well as make relevant data available for their use.

1.7 Scope of the Study

This study evaluates the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria. It is restricted to all the deposit money banks on the Nigeria Stock Exchange (NSE) market during the period of 2014 to 2019. The period is justified considering the efforts made by the Federal Government through the Central Bank of Nigeria with solid policies in restructuring banking sector by issuing the Corporate Governance code for Banks and Discount Houses in 2014 to replace the 2006 code, while putting in place mechanisms for monitoring, supervising and controlling banks' operations through various regulatory bodies, such as Corporate Affairs Commission (CAC), Securities and Exchange Commission (SEC) and Financial Reporting Council of Nigeria (FRCN). The data set stopped at 2019 as some samples have not released their financial information for 2020 as at the time this study is being conducted.

The study, while limiting its scope to the information provided in the published financial statements of deposit money banks in Nigeria for the period under review, also limited its scope on board characteristics. Various variables could proxy board characteristics such as board size,

board independence/composition, ownership structure, financial expertise, CEO duality, gender diversity, board age, board education, board activity, information asymmetries, among others from literature. This study is however limited to board size, financial expertise while adding board credit committee as they relate with the study.

CHAPTER TWO

LITERATURE REVIEW

The first section of this chapter is the conceptual review that covers the conceptual meaning of board characteristics, board size, credit committee, financial experts, asset quality and bank financial performance. The second section reviews the theories underpinning this study while the third section discusses and reviews literature on board characteristics, asset quality and financial performance from which research gaps in existing literature were identified. This chapter concludes with conceptual and theoretical framework.

2.1 Conceptual Review

This section contains the meaning of board characteristics, board size, credit committee, financial experts, asset quality and bank financial performance.

2.1.1 Board Characteristics

According to Htay (2012) board characteristics is referred to as the dimensions of the board's organization, including the type and the size of the committees, committee membership, and how the information flow from one board member to another and board leadership. Some of the main goals of the board of directors in an organization include controlling and monitoring the organization's management, offering counsel and information to the managers, and ensuring the organization comply with all laws and regulations and ensure the organization is effectively linked to the external environment. Felix and Emmanuel (2019) asserted that board of directors is one of devices through which shareholders can exercise influence on the behaviour of managers to ensure that the company is run in their interest. The monitoring role of the board of directors is compromised in duality functions when a CEO controls the board fully or partly. The result of this

is expected to have a negative effect on a firm's overall corporate governance level. When the board is dominated by members of the management team, the effective monitoring and control is hindered

Odudu, James and James, (2016) simply refer to board characteristics in terms of size, division of labour between the board chair and the CEO, its composition and diversity. Composition of board refers to the distinction between inside and outside directors, and this is traditionally shown as the percentage of outside directors on the board. The concept of the board is derived from the attributes or incentives variable that play a significant role in monitoring and controlling managers and can be described as a bridge between company management and shareholders. The board is one of a number of internal governance mechanisms which seeks to ensure that the interest of shareholders and management are closely aligned, provides information for monitoring and ensure effective decision making. A significant governance issue currently facing many corporations around the world is board diversity and board effectiveness (Lincoln & Adedoyin, 2012).

The main function of the board is to set company's goals and ensure that set objectives are achieved, i.e. to make sure that human and financial resources are properly utilized toward achieving the overall strategic goals of the firm effectively (SEC, 2011). The structure and composition of the board of directors should have diversity of directors. The number of the directors in the board should not be less than five directors and the majority should be non-executive with at least one independent director. Some of the board characteristics considered is board size and board independence. Board attributes can be seen as a dynamic process which involves a strategy that leads to policy making and planning, monitoring and supervising executive performance, providing accountability which forms the basis for reviewing strategy (Tricker, 2015).

Masulis, Wang, and Xie (2012) emphasize that the primary responsibilities of a board of directors among others include advising, monitoring, evaluating, and, if necessary, replacing managers; designing executive compensation, and approving major corporate decisions such as mergers and acquisitions. Oyedokun (2019) opined that the board being the supreme decision-making unit in the company, as the board has the responsibility to safeguard and maximize shareholder's wealth, oversee firm performance, and assess managerial efficiency. Daltoni, Catherine, Alan and Jonathan (1998) cited in Mwaura (2014) pointed out four actions of initiation, ratification, implementation, and monitoring, undertaken by the board in the decision making processes. Therefore, the main role of the board is seen as the ratification and monitoring of decisions, overseeing the actions of managers/ executives. From the above concept, the role of the board is quite daunting as it seeks to discharge diverse and challenging responsibilities. The board should not only prevent negative management practices that may lead to corporate failures or scandals but ensure that firms act on opportunities that enhance the value to all stakeholders.

Sarkar and Sen (2012) argued that a typical board of modern corporations consists of inside or executive directors who are full time employees of the company and are involved in its day to day operations and non-executive or outside directors who do not have any executive responsibilities and play mostly an advisory role Non- executive directors are outside directors who are independent of the company. They are called independent directors because they have neither personal nor business relationships with the company (Ogbechie, et al., 2010). In other words, non-executive is any director who is not a representative or member of the immediate family of a shareholder and who has no business relationship with the company for the past three years or more and who has the ability to control or significantly influence the board or management of the company. Nonexecutive directors are usually chosen because they have appropriate caliber, skills

and personal qualities, and breadth of experience. More so, nonexecutive 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 to improving the financial performance of such industries.

The board of director acts as one of the most important governance mechanisms in aligning the interests of managers and shareholders. According to Jensen (1993) cited in Moses (2019), the board of directors is responsible for a firm's internal control system and has the crucial responsibility for the overall operation of the firm. They define and set the rules for the CEO regarding hiring, firing, and compensation plans and providing strategic advice. These characteristics make for effective monitoring of top management on behalf of stakeholders. The characteristics of the board of directors can be defined in terms of exogenous factors that determine the success of the board of directors in performing their roles. Such factors among others are board size, board independence/composition, ownership structure, financial expertise, CEO Duality, gender diversity, board age, board education and board activity, information asymmetries among others (Htay, 2012).

Ownership structure is the identity of company ownership and an important element of corporate governance which is potentially important. Ownership structure are of two types, dispersed ownership to outside investors and concentrated ownership. Ownership concentration in some families or company groups gives the dominant shareholder a lot of power, which leads to unequal treatment of shareholders, with the minority shareholder being the one who suffers the most (Sarkar, et al., 2012). The ownership structure of a publicly held corporation is one of the internal mechanisms of corporate governance while the ownership and control structure of a firm is the source of agency costs in firms and is at the root of all corporate governance problems, the literature on ownership as a governance mechanism focuses on how the ownership structure *per*

se, i.e., stock ownership by different shareholders, can separately or in conjunction mitigate agency costs in a firm.

Board independence refers to a corporate board with majority of outside directors. It is believed that board dominated by outside or independent directors are more vigilant in monitoring behaviors and decision making of the company. The reason is that shareholders' interest could be well protected by outside directors than the inside directors. They bring in more skills and knowledge to the company which increases expertise necessary for strategy implementation (Kamardin, 2011). For Independent directors to perform their duties well, they must be free from management's influence. The effective monitoring by independent directors reduces agency costs and increase company performance. The presence of independent directors on board gives greater weight to board's deliberations and judgment (Heravia, Saat, Karbhari & Nassir, 2011).

A board is said to be independent, when the number of independent, non-executive directors not associated with top executives of the firm are more. However, in carrying out their duties of monitoring, independent directors face great challenge as they are not directly affiliated with the management. The fact that independent directors are on board does not guarantee good governance control. It may be possible some independent directors are appointed to just fulfill the minimum regulatory requirements. Some of them may not be truly independent from the firm's executives who hire them or they might have developed strong friendship with the top management over the period they have served on the board.

Faisal and Abdul (2015) averred that CEO duality exists when same person is Chief Executive Officer and chairman of a firm. Due to this, financial decision of the firms are affected and results in creating agency problems. Therefore it is suggested that both positions should not be held by the same person. However, mixed results have been provided by various researchers in this regard.

An important board control structure mechanism is CEO duality. It refers to a situation where the firm's CEO also serves as chairman of the board of directors. There are two competing views about CEO duality based on the perception of whether a firm is best served by strong leadership (stewardship theory), or by monitoring effectively (agency theory). The intent of this dichotomy is to serve as a proxy for how much independence the Chairman possesses. A person who holds both the positions of CEO and the chair is expected to provide a centralised focus on achieving the goals, and to provide strong leadership to the firm (Bathula, 2008)

Gender diversity in the boards is also supported by different theoretical perspectives. For example, agency theory is mainly concerned about independence of directors and a balance between executive and non-executive directors on boards. Representation from diverse groups will provide a balanced board so that no individual or small group of individuals can dominate the decision-making of the board (Bathula, 2008). Lastly, gender diversity has become an important theme in the process of reforming governance globally. The business argument on gender diversity claim that when there is board diversity, there is an increase in the effectiveness of board actions which result in improved performance and productivity of the bank (Hassan, 2011).

2.1.2 Board Size

Akpan and Amran (2014) defines board size as the number of directors on board. Bijalwan and Madan (2013) states that board size is the total number of the directors on the board for a particular financial year. There are no specific guidelines on the number of directors a company can have and there is no ideal board size as well. Board size cannot be specific, as there are country-wide differences in legal, social and corporate environment. Board size is crucial in achieving the board effectiveness and improved firm performance. Dozie (2003) defined board size as the number of members that form the board.

Liu and Fong (2010) emphasized that board size refers to the total number of directors on a firm's board. Determining the ideal board size for organizations is very important because the number and quality of directors determines the corporate performance of such firms. The underlying economics of this is that as the board size increases, it will reach a point of diminishing returns at which there will be negative impacts on the functioning of the board, for example when communication and coordination become an arduous and time consuming process for the many directors on a large board.

Abdul Gafoor, Mariappan and Thyagarajan (2018) noted that one of the important issues discussed in the finance and economic literature is about the board size and its role in alleviating agency issues. Yet, the financial press or academic research does not provide any conclusive evidence on the relationship between board size and firm performance. Adams and Mehran (2012) argued that a large board is important for complex banking environment and the board members contribute to bank performance. De Andres and Vallelado (2008) argued that the board size is related to the director's ability to monitor and advice management and having a large board is likely to result in better monitoring and advisory functions, and create more value for the bank.

According to Olayinka (2010), the board of directors of an organization is a key mechanism to monitor managers' behavior and to advise them. The largely shared wisdom regarding the optimal board size is that the higher the number of directors sitting on the board, the less is performance. This leans on the idea that communication, coordination of tasks, and decision –making effectiveness among a large group of people is harder and costlier than it is in smaller groups. Limiting board size to a particular level is widely believed to improve the performance of the firm at all levels. Benefits arising from increased monitoring by larger boards are outweighed by poorer communication and cumbersome decision –making. Empirical studies on board size seem to

provide the same conclusion: A big board is likely to be less effective in substantive discussions of major issues among themselves in monitoring management. Large boards are less effective and are easier for CEO to control. In this case, board size plays a major role on the performance of every prospering organization.

Board size and firm performance are one of the focuses of board composition. Board size suggests that when the size of the group increases, individuals tend to put less effort. Having smaller groups may facilitate group cohesiveness. The board is the supreme decision-making unit in the company. The board of directors, therefore, has responsibility to safeguard and maximize shareholders' wealth, oversee firm performance, and assess managerial efficiency (Adams & Ferreira, 2009). The size of a board is a factor that can influence its effectiveness. However, there comes a point where the size of a board becomes unwieldy and difficult to control. It may be sensible, to begin with, have a relatively small board with perhaps four or five directors.

2.1.3 Credit Committee

This could be regarded as a group of people who are assigned the responsibility of assessing the credit standing of prospective borrowers as well as the ability of the borrowers to repay the amount loaned to them by credit institutions. In the discharge of their mandate, the committee members identify the possible risks the bank assumes for different types of transactions. The credit committee should realize that lending is giving out what belongs to you (deposits held in trust) to somebody else for use over a time frame with the promise that the borrower will repay the money with the agreed interest within the stipulated time. The borrower should not develop cold feet not to pay (unwillingness to pay) and should not divert funds (Egungwu & Egungwu, 2018)

A credit appraisal is an important part of determining the eligibility for a home loan, and the quantum of the loan. A prospective borrower has to go through the various stages of the credit

appraisal process of the bank. Each bank has its own criteria to satisfy itself on the credit worthiness of the borrower. The eligibility for the loan that a person can get depends on his credit worthiness, determined in terms of the norms and standards of the bank. Being a crucial step in the loan process, a borrower needs to be careful in planning his financing modes. The credit worthiness, basically, assures the repayment capacity of the borrower - whether the borrower is capable of repaying the loan and dues on time.

2.1.4 Financial Experts

Francis, Hasan and Wu (2012) noted that financial expertise of directors is another important factor that could affect board efficacy. Financial experts can provide a better understanding of financial information (Kirkpatrick, 2009), provide valuable financial advice to management, and to some extent help firms access external funds. Those functions could be more important during the financial crisis. Fernandes and Fich (2009) found that financial expertise of banks' outside directors is positively related to the stock performance of financial institutions during the current crisis.

The 2007 financial crisis had shed enough light on the importance of having financial experts on the board. Many banks and financial institutions came under the scanner for excessive risk taking without having financial experts on board (Kirkpatrick, 2009). The assumption is that financial expertise of the director can enhance the understanding of complex business environment and financial statements and can lead to better monitoring. Güner, Malmendier and Tate (2008) reported that financial expertise of the director influences corporate performance and external funding of firms but not necessarily benefit the shareholders' interest.

Minton, Taillard and Williamson (2011) found that the directors' financial expertise is associated more with risk taking firms and is rewarded by higher market value before any crisis strikes and

subsequently lower performance during the crisis. Gray and Nowland (2015) argued that shareholders benefit due to the diversity in expertise of the board, especially when the board has members with expertise in accountancy, banking and law. However, Liang et al. (2013) found no significant impact on bank performance and asset quality in China when the board has more financial experts.

2.1.5 Asset Quality

Conceptually, in the banking industry, asset quality refers to the review or an evaluation, which assesses the credit risk associated with any particular assets that normally requires the payments of interest like investment and loans portfolios. Ombaba (2013) defined asset quality also referred to as loan quality as the overall risk attached to the various assets held by an individual or institution. This term is commonly used by banks to determine how many of their assets are at financial risk and how much allowance for potential losses they must make. The term asset quality implies the quality of loans that a bank has given out. A bank is said to have good quality assets if loans given out by it are being repaid on time. Bad quality assets include loans that are not being paid on time. An important measure of the asset quality of banks is the metric Non Performing Assets (NPAs). NPAs are loans in which the interest, instalment or principal have not been repaid for more than 180 days. Thus, a higher proportion of NPA implies worse asset quality of a bank. The most common bank assets requiring a strict determination of asset quality are loans & advances. Increasing loan quality will improve the return of bank loans and reduce the costs of failure, but at the same time it will be attained at a cost that requires banks' attention to manage (Khalid, 2012).

Asset quality refers to loan quality which is the overall risk which is attached to assets held by an institution or an individual (Mwengei, 2013). Assets quality is a strong determinant of financial

institution performance because it influences the interest incomes while and the same time reduces the cost burden of bad debts management as per the law requirements. The banks are required to set aside cash, which is deductible as an expense, to ensure they are able to absorb any losses that it may incur from loan defaults. The high the NPA ratio to the gross / net assets book the low the asset quality and vice versa and therefore it means that the trade-off between assets quality and financial performance is expected to be negative (Ombaba, 2013).

Egungwu and Egungwu (2018) opined that asset quality could be seen as a process of evaluating the risk associated with the credit which banks extend to their customers and is often considered as one of the most critical areas in determining the overall condition of a bank. The two main factors that usually affect overall asset quality are the quality of the loan portfolio and the credit administration process. Thus, asset quality rating is an important factor in loan administration as it involves a review or evaluation of the credit risk a borrower takes by acquiring an asset thus is associated with the credit worthiness of the borrower. Asset quality is one of the parameters that are used to assess the overall performance of a bank via the CAMELs Rating (C = capital adequacy, A = Asset quality, M = Management efficiency, E =Earning capacity, L =- Liquidity and S= Sensitivity). These measures often translate to asset quality ratios which in addition to those mentioned above includes profitability ratio. Asset quality is an evaluation of asset to measure the credit risk associated with it. An asset quality rating evaluates the various risks such as credit, to a pool of assets. Asset quality is the quality of the loan portfolio and the credit administration programme

Vethamuthu (2019) emphasized that quality of assets is of paramount importance and how well the banks manage to remain with high quality of assets (means a lower level of poor quality assets) dictates the standing of the bank. One of the major parameters of measuring banks' performance

is the quality of assets. Quality of banks' assets is both important and also difficult to analyze. It is important because, asset quality has a direct relationship to income, cash flow, solvency and liquidity. It also has an impact on the bank's reputation and investor behaviour reflected in the stock price. The quality of assets is of a major concern not only to the banks concerned, but to the central banking authorities as well. Failure of a bank is most often caused by a major part of its loan portfolio becoming bad contributing to multiple organ failure in the bank. It also creates ripples in the financial system of the country. Therefore, the importance of asset quality cannot be over-emphasized. Good quality of a bank's assets helps them to grow without creating any problems for the stakeholders.

Arrawatia, Dawar, Maitra and Dash (2019) observed that asset quality is considered as one of the main concern for any economy in the way of banking stability and health of financial system. Higher loan losses or defaults can jeopardize a bank's existence, which creates distrust in the banking system. A continuous deterioration in the asset quality also deters banks away from lending fresh loans and advances, resulting in a decline in private investment, which affects growth of the economy. John (2018) advised that it is the incaution of every lender or credit analyst to make only good loans but inevitably, occasional over sight occur. In some cases unexpected incident may happen that will disrupt the good plans already lined-up. Before a loan enters into a default, there are often warning signals, which if perceived early should stimulate the lenders curiosity to take necessary action to safe guard the basic interest. These causes can be grouped into the following: Adverse economic condition or problem, bank-related problem, customer-related problem and political condition/problems

A good credit risk management of the bank is not merely a reflection on the quality of assets, but of the bank management as well. It is said that there is one big difference between selling a credit

product and other products. The sale of credit product is not final as the banks are expected to get it back with interest. A good credit portfolio management with appropriate exposures by choosing the right kind of borrowers and an on-going mechanism of follow-up determines the efficiency of the credit risk management. Poor quality of assets in the books of the bank demonstrates a bad credit risk management leading to loss of reputation among the depositors resulting in liquidity and solvency risk for the bank.

2.1.6 Bank Financial Performance and its Measurement

Financial performance in banking among others can be defined as it is ability to generate profit. A profit can also be defined as what is left from revenue generated by a business after paying all the expenses including producing a product and other expenses incurred when running a business (Gedion, 2014). Narver and Slater (2010) indicated that there exist varying ways of analyzing a business. However, the primary focus of the research is profitability ratios, which is the process of measuring the organizations potential in generating revenue which is higher than expenses incurred. The primary objective of every business is to maximize profits or as a way of reducing exposure to risks. Some of the rations used in measuring profits include Return on Asset and Return on Equity (ROE) (Hassan, 2011).

Bank's performance has to do with the manner and processes adopted by the firm on things of economic value to prudently utilize those things for the achievement of the general business goal and objectives. Banks are firms and such their motive is to make profit just like any other profit making organization. Banks performance could be seen in term of how the management operates or the results of their actions. In view of the latter, performance could be seen in terms of absolute profits, rate of return, earnings per share, the quality of assets portfolio, level of liquidity and net contribution to the economic development of the nation. The level of banks performance is

determined also on how the institution can positively influenced these environmental factors and effectively survive in a driven competitive environment (Akingunola, et al., 2013).

Ifeanyi and Chukwuma (2016) viewed firm performance as the procedures by which the resources of a firm are used effectively, efficiently and economically to fulfill the goals of the firm. And is crucial in evaluating the overall success of the firm. Firm's performance may be looked at from the financial and the non- financial performance criteria. Measures such as Return on Assets (ROA), Return on Equity (ROE) are the financial performance measures commonly used. Momoh, et al., (2013) asserted that profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses. Income is money generated from the activities of the business. Expenses are the cost of resources used up or consumed by the activities of the business. Profitability is measured with an "income statement".

This is essentially a listing of income and expenses during a period of time (usually a year) for the entire business. Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. For the purpose of this study, ROA is used to measure firms' financial performance. Return on Asset (ROA) is an indicator of the financial performance of a firm's relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. It is calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment."

Oyedokun (2019) viewed return on asset as a method for measuring financial performance. Profitability ratios are an indicator of the firm's overall efficiency. It's usually used as a measure of earnings generated by the company during a period of time-based on its level of sales, assets, capital employed, net worth and earnings per share. Profitability ratios measure the earning capacity of the firm, and it is considered as an indicator for its growth, success and control. Return on Asset (ROA) is an indicator of the value of a firm's relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment."

2.2 Theoretical Review

2.2.1 Agency Theory

The agency theory was developed by Jensen and Meckling (1976) and Fama and Jensen (1983). The theory states the relationship between principals such as a shareholders, and agents such as a firm's senior management. The principal delegates work to an agent. The theory attempts to deal with firstly, the agency problem where there is a conflict of interest between a company's management and the company's stockholders, and secondly, that the principal and agent settle for different risk tolerances. There are two main agency relationships in a firm that are normally in conflict; those between the company's management and stockholders and between the stockholders and the debt holders. These agency conflicts have implications on corporate governance and business ethics. Such relationships have expensive agency costs that are incurred so as to sustain an effective agency relationship. Incentive fees paid to agents to encourage behavior consistent with the principal's goals are common examples of agency costs (Bowie & Edward, 1992).

In addition, agency theory is based on the fact that many corporate managers are not owners but agents of owners contracted to manage the company on their behalf (Ujunwa, Okoyeuzu and Nwakoby, 2012). According to Fama and Jensen (1983), the board of directors is one of several important mechanisms that control and monitor managers and has a vital role in the managerial policies of the companies. The board of directors aims to solve agency problems between managers and shareholders (Dang, Nguyen & Vo, 2013). Based on this theory, appropriate board structure and financial knowledge will increase the board's effectiveness and firm performance. Agency theorists also indicate that having women, ethnic minorities, and foreigners as external stakeholders may bring fresh solutions to complex issues (Francoeur, Labelle, & Sinclair-Desgagné, 2007). For instance, female directors might be more active in monitoring and controlling managers by asking more questions and bringing different perspectives to the boardroom (Dang et al., 2013). Furthermore, diversity will increase board independence because people with a different gender, ethnicity, or cultural background might ask questions that would not come from directors with traditional backgrounds (Carter, Simkins and Simpson, 2003). Hence, diverse boards will improve firm performance by increasing board independence.

Critics of agency theory have noticed as well that control mechanisms suggested on the basis of agency theory are not only expensive, but also economically ineffective, because mechanisms protecting shareholders' interests may interfere with realization of strategic decisions, may restrict collective actions, distort investment plans and ignore interests of other stakeholders, which may lead to decreasing their commitment to creation of economic value (Segrestin & Hatchuel, 2011).

2.2.2 Stakeholder Theory

The stakeholder theory is merely an extension of the agency view (Amer, 2016). This theory assumes that the "companies and society are independent and therefore the corporation serves a

broader social purpose than its responsibilities to shareholders” (Keil & Nicholson, 2003). To be more specific, the stakeholder theory is principally based on the premises that a firm’s board of directors should be working in the best interests of all its stakeholders, rather than only the shareholders. “Stakeholder represents any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984). This group includes - investors, managers, employees, customers, business partners, local communities, civil society and the natural environment (Wheeler & Sillanpaa, 1997). Freeman (1984) suggest that corporate managers should try to create as much as value for stakeholders as possible by resolving existing conflicts among them so that the stakeholders do not exit the deal

Heenetiga (2011) said that research into corporate governance also discusses the stakeholder theory in relation to firms’ responsibility to the wider community. A stakeholder is any group of individuals who can affect or is affected by the activities of the firm, in achieving the objectives of the firm (Freeman 1984). A similar view was put forward by the World Business Council for Sustainable Development (1999), which also identified stakeholders as the representatives from labor organizations, academia, church, indigenous peoples, human rights groups, government and nongovernmental organizations and shareholders, employees, customers/consumers, suppliers, communities and legislators. According to Ansoff (1965), a firm’s objective could be achieved through balancing the conflicting interests of these various stakeholders. Therefore, a fundamental aspect of stakeholder theory is to identify the stakeholders an organization is responsible for. Any stakeholder is relevant if their investment is, in some form, subject to risk from the activities of the organization (Clarkson 1995).

Criticisms that focus on stakeholder theory identified the problem of who constitutes genuine stakeholders. One argument is that meeting stakeholders’ interests also opens up a path for

corruption, as it offers agents the opportunity to divert the wealth away from the shareholders to others (Smallman, 2004). But the moral perspective of stakeholder theory is all stakeholders have a right to be treated fairly by an organization, and managers should manage the organization for the benefit of all stakeholders, regardless of whether the stakeholder management leads to better financial performance (Deegan 2004).

2.2.3 Resource Dependence Theory

The resource dependence theory was developed by the American theorists, Jeffrey Pfeffer and Gerald Salancik, in the year 1978, in which the board of directors is considered as a resource that can, not only supplant its need for other resources, but also influence the environment in its favour, and thereby improve firm performance (Bathula, 2008). The underlying proposition of this theory represents the need for environmental linkages between the firm and outside directors (Yusoff & Alhaji, 2012). Accordingly, the board of directors is considered as a link between the firm and the key resources (i.e., information, skills, access to constituents, and legitimacy) that a firm needs from the external environment for better performance and growth.

Resource dependence theory provides a theoretical foundation for the role of board of directors as a resource to the firm. Penrose (1959) stressed the importance of unique bundles of resources a firm controls that are crucial for its growth. Such resources include all assets, capabilities, organizational processes, firm attributes, information, and knowledge controlled by a firm, in order to improve efficiency and effectiveness. From this point of view, firm governance structure and the board composition is viewed as a resource that can add value to the firm. A key argument of the resource dependence theory is that organizations attempt to exert control over their environment by co-opting the resources needed to survive. Accordingly, boards are considered as a link between the firm and the essential resources that a firm needs from the external environment

for superior performance. Appointment of outsiders on the board helps in gaining access to resources critical to firm success. In the resource dependence role, 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.

Board directors also function as boundary spanners, and thereby enhance the prospects of a firm's business. For example, the outside links and networks that board members exercise may positively benefit the development of business and long-term prospects. It was observed that "when an organization appoints an individual to a board, it expects the individual will come to support the organization, will concern himself [or herself] with its problems, will favourably present it to others, and will try to aid it". Appointment of outside directors and board interlocks can be used to manage environment contingency. In an earlier study, it was showed that the board size and background of outside directors are important to managing an organization's needs for capital and the regulatory environment.

Putting things together, this theory perceives "the board members, with their knowledge, skills, talents, and professional experience, may be helpful in providing advice and counselling to management in case of limited or lack of inside knowledge. In addition, they could also provide the firm with access to scarce resources by providing the firm with access to their networks" (Sarens & Merendino, 2016).

2.3 Empirical Review

This section discusses prior empirical evidence related to this study. These include studies that provide divergent views on how and to what extent does board characteristics, asset quality impact on the performance of firms and deposit money banks. This section is divided into studies carried out in developed, developing countries and Nigeria.

2.3.1 Board Characteristics and Performance

2.3.1.1 Empirical Review in Developed countries

Haniffa and Hudaib (2006) investigated the relationship between the structure of corporate governance and performance of 347 companies listed on the Kuala Lumpur Stock Exchange (KLSE) in Malaysia. The study used multivariate regression to test the hypotheses. The study found that board size and top five substantial shareholdings to be significantly associated with both market and accounting performance measures. In addition, the study found a significant relationship between multiple directorships and market performance while role duality and managerial shareholdings are significantly associated with accounting performance. The result is robust with respect to controls for gearing, company size, industry membership and growth opportunities.

Bathula (2008) studied board characteristics and firm performance: evidence from New Zealand. Firm performance was measured by return on assets. Hypotheses were tested on a longitudinal sample of 156 firms over a four year period from 2004 to 2007. The sample includes all firms listed on New Zealand stock exchange as on November 2007. Empirical analysis was undertaken using Generalised Least Squares analyses. The findings of the study show that board characteristics such as board size, CEO duality and gender diversity were positively related with firm performance, where as director ownership, board meetings and the number of board members with PhD level education was found to be negatively related. Board size was found to be moderating some of these relationships, indicating the critical role being played by board size.

In the same vein, Masulis, et al., (2012) examined whether corporate governance mechanisms, especially the market for corporate control, affect the profitability of firm acquisitions. It was found that acquirers with more anti-takeover provisions experience significantly lower announcement-

period stock returns than other acquirers. Also, acquiring firms operating in more competitive industries or separating the positions of CEO and chairman of the board do experience higher abnormal announcement returns. Results support the hypothesis that managers protected by more antitakeover provisions face weaker discipline from the market for corporate control and thus, are more likely to indulge in empire-building acquisitions that destroy shareholder value.

Similarly, Francis, et al., (2012) examined whether corporate boards affect firm performance. The study used the financial crisis as a quasi-experiment to examine whether and to what extent corporate boards affect the performance of firms. Using cumulative stock returns over the crisis to measure of firm performance, it was found that board independence, as traditionally defined, does not significantly affect firm performance. However, there is a positive and significant relationship between this independent directors and firm performance. Second, outside financial experts are important for firm performance. Thirdly, board meeting frequencies, director attendance behaviors, and director age also affect firm performance during the crisis. Overall, the results suggest that firm performance during a crisis is a function of firm-level differences in corporate boards.

Ghabayen (2012) evaluated the relationship between board mechanisms (audit committee size, audit committee composition, board size, and board composition) and firm performance (ROA) based on the annual reports of listed companies in the year 2011 of sample of non-financial firms in the Saudi Market (Tadawul). Data was collected from a sample of 102 non-financial listed companies. Furthermore, an analysis of regression analysis is utilized to examine the relationship between board characteristics and firm performance. The results of the study reveal that audit committee size, audit committee composition and board size have no effect on firm performance

in the selected sample while board composition has a significant negative relationship with firm performance.

Liang, Xu and Jiraporn, (2013) examined board characteristics and Chinese bank performance. Using a sample of 50 largest Chinese banks during the period of 2003–2010, the study explored a comprehensive set of board characteristics (size, composition and functioning of the board) and analyze their impacts on bank performance and bank asset quality in China. It was found that the number of board meetings and the proportion of independent directors have significantly positive impacts on both bank performance and asset quality while board size has a significantly negative impact on bank performance. Additionally the study found new evidence that the degree of bank boards' political connection is negatively correlated with bank performance and asset quality. The findings suggest that the board of directors plays a significant role in bank governance in China.

Furthermore, Liu, Miletkov, Wei and Yang (2014) examined board independence and firm performance in China. Findings indicated that independent directors have an overall positive effect on firm operating performance in China. The findings are robust to a battery of tests, including endogeneity checks using instrumental variables, the dynamic generalized method of moment's estimator, and the difference-in-differences method. The positive relationship between board independence and firm performance is stronger in government controlled firms and in firms with lower information acquisition costs. It was documented that Chinese independent directors play an important role in constraining insider self-dealing and improving investment efficiency.

Muller (2014) investigated the impact of board composition on the financial performance of FTSE100 constituents using econometric regression models the impact of 9 corporate governance characteristics regarding board composition on the contemporaneous and next year's performance (measured as ROA) using a sample comprised of the constituents of FTSE100 between 2010 and

2011. Through the research, they intend to contribute to the academic literature on the unsettled issue concerning the relationship between corporate governance and corporate

Liu, Miletkov, Wei, and Yang (2015) investigated board independence and firm performance in China. Listed firms on the Shanghai and Shenzhen Stock Exchanges for the period of 1999 to 2012 were used as sample. Findings show that independent directors have an overall positive effect on firm operating performance in China. The findings are robust to a battery of tests, including endogeneity checks using instrumental variables, the dynamic generalized method of moments estimator, and the difference-in-differences method. The positive relationship between board independence and firm performance is stronger in government-controlled firms and in firms with lower information acquisition costs. The study concluded that Chinese independent directors play an important role in constraining insider self-dealing and improving investment efficiency.

Bouteska (2020) analyzed the effect of board structure characteristics on bank performance in Eurozone. Over a sample of 50 banks in five Eurozone countries, including the UK, Germany, France, Italy, and Spain, during the period 2000–2019, our empirical evidence has suggested that most board characteristics increase bank performance, while the separation of the roles of CEO and chairman inhibits it. By using fixed effects and random effects regressions, as well as a pooled OLS panel data estimation, we have found that a board size of between 7 and 10 has a significant impact on bank performance. In addition to board size, we have also found that board independence has a positive and significant impact on bank performance. Furthermore, results have shown that the number of board meetings and financial experts plays an important role on bank performance. In contrast, there is no considerable increase in bank performance when the role of CEO and chairman is separated.

2.3.1.2 Empirical Review in Developing countries

Connelly and Limpaphayom (2004) examined the relation between board characteristics and firm performance among life insurance companies in Thailand. Prior research suggests that boards of directors play a critical role in monitoring non-financial companies in Thailand. However, it is possible that board characteristics are not important in the life insurance industry due to the nature of business and the effect of government regulations, both of which limit managerial discretion. Empirical evidence indicates that board composition has a positive relation to overall profitability, as measured by return on assets, and a negative relation with the risk-taking behavior of life insurance firms. Board size does not have any relation with firm performance. The evidence suggests that outside directors can still be beneficial even for firms with limited managerial discretion. The results add insight on the relation between monitoring mechanisms and firm performance of life insurers in an emerging market

Jayati, Subrata, and Kaustav (2012) examined corporate governance index for large listed companies in India. Corporate governance index for 500 large listed firms in the Indian corporate sector was constructed for the period 2003 to 2008 using information on four important corporate governance mechanisms namely, the board of director, ownership structure, audit committee, and the external auditor. The empirical analysis documents an increasing trend in the governance index of Indian companies. An examination of the relation of the corporate governance index with the market performance of companies shows a strong association between the two with companies with better corporate governance structures earning substantially higher rates of return in the market. The empirical analysis shows that that good governance practices are rewarded by the market which provides an added incentive to companies to carry out governance reforms. It provides an impetus to regulators as well as to push for further reforms.

Mandu (2012) examined the relationship between measures of board independence and the profitability of commercial banks in Kenya. The study used data for the period 2004 through 2008 and used a sample of 36 banks where their annual financial reports of the commercial banks in Kenya was used. The study indicated that composition of a board has a negative correlation on the performance of small organizations and for larger firms.

Another study was conducted by Mbugua (2012) to understand the relationship that exists between the board diversity and profitability commercial banks registered and domiciled in Kenya. Some of the data used in the study included Boards' gender, educational qualifications, and board specialization. Also, the companies' profitability was obtained from CBK's supervisory department where a total of 33 banks reports were sampled. The outcomes indicated that there is a small association between financial performance of the commercial banks and board diversity. A number of empirical studies on the effect of board size have been conducted in Kenya and globally with mixed results.

Chepkosgei in 2013 studied the influence of board composition on the profitability of 43 commercial banks in Kenya. Findings of the study revealed that board size, average tenure, the ratio of female directors, the occupational experience of the directors, and the ratio of non-executive could significantly predict only ROE and ROA. Nyamongo and Kebede (2013) conducted a study in the Kenyan context to understand the impact corporate governance has on performance; the study used ROA & ROE of 37 commercial banks in Kenya over the period 2005-2009. A panel econometrics technique was used to understand governance variables and bank performance relationship. The study results indicated that whenever the board of directors had independence, it positively impacts the performance of banks, while large board sizes have negative impact on the organizational performance.

A study done by Opanga (2013) sought to establish how the number of directors, number of resolutions passed in general meetings, number of committees and the frequency of holding meetings affect the insurance firms' profitability in Kenya. An 80% sample of the 45 insurance firms in Kenya during the period of 2010 –2012 was used in the study. The study established that the number of board committees, board meeting frequency, number of resolutions passed in an AGM and number of board of directors all are positively correlated with financial performance.

Javed, Saeed, Lodhi and Malik (2013) empirically investigated the effect of board size and structure on firm financial performance: A case of banking sector in Pakistan for the period 2007-2011 by using annual secondary panel data. The study tested the likely impact of different determinants of board size and structure (Number of Directors, Inclusion of Non-Executive Directors, Presence of Women Directors, CEO Duality and Number of Board Committees) on firm financial performance using linear regression technique. The estimated results revealed positive relationship between number of directors, inclusion of non-executive directors, presence of women directors, CEO duality and firm financial performance. But the number of board committees adversely affected the firm financial performance

Mwaura (2014) evaluated relationship between board characteristics and profitability of commercial banks in Kenya. The population of the study was all commercial banks regulated by CBK. The study was a census survey covering all the 43 commercial banks in existence in Kenya. Data were collected from 2012 –2016 for 43 commercial banks operating in the Kenyan market. The study used secondary data on the study variables include board expertise, board size, board independence, gender diversity and Firm Profitability (ROA) which was obtained from audited financial statements which are available at the CBK. The study findings indicate that there is a significant positive relationship between the factors under study and financial performance of

commercial banks: board expertise, board size, director independence, board diversity and it indicated that they influenced profitability of commercial banks.

Similarly, Malik, Wan, Ahmad, Naseem, and Rehman, (2014) examined the role of board size in corporate governance and firm performance. The relationship was tested in the light of Pareto Approach for Pakistani banking sector. For this purpose a sample of fourteen listed commercial banks of Pakistan were taken for analysis from 2008-2012 on the basis of their performance. Different econometric models are applied to test the relationship between bank performance variables and corporate governance practices in these banks. The results of this study are contradictory with the existing literature of corporate governance variables and firm performance. The most prominent result of this paper is the significant positive relationship between board size and bank performance. It is concluded in the findings that a large board size can enhance the bank performance in Pakistani scenario.

In addition, Faisal and Abdul (2015) evaluated the impact of corporate governance index on firm performance: evidence from Pakistani manufacturing sector. To achieve the purpose, 58 textile sector companies were selected listed in the Karachi stock exchange and data was taken from annual reports of the companies for the period of 2009 to 2013. Descriptive statistics, correlation analysis and regression estimation using pooled, fixed effect, random effect and Housman specification test were carried out after developing a composite index based on 21 proxies. The result entails that corporate governance index (CGI) and firm performance has positive and significant association but the relationship for each specific index is dependent upon the measure of firm performance. The result also shows that companies having strong corporate governance mechanism has greater chances to acquire finance. The implication of study demands that the

reform effort should be directed towards the improvement in internal corporate governance mechanism and regulatory framework for the governance system.

Sandada, Manzanga and Shamhuyenzva (2015) provided insights on how do board characteristics influence business performance of non-life insurance firms in Zimbabwe. A quantitative research approach was adopted and respondents were selected through a stratified random sampling. The results of the study confirm that board characteristics (board composition, diversity, and size) exhibit a statistically significant positive predictive relationship with the performance of non-life insurance firms measured by gross premium written and customer retention. However, CEO/Chairman duality showed a negative relationship with business performance. Non-life insurance companies need to be cognizant of board characteristics in order to improve their performance. Moreover, the findings in this research has practical relevance for the selection process of directors as it highlights the importance of having a sizeable number of board members as well as an appropriate mix of competences and qualifications on the board.

Ongore, K'obonyo, Ogutu and Bosire (2015) investigate the effects of board composition on financial performance. Using multivariate regression analysis on panel data, with Return on Assets, Return on Equity, and Dividend Yield as performance indicators, the study found out that independent board members had an insignificant effect on financial performance, but gender diversity did, in fact, have a significant positive effect on financial performance. Board size, on the other hand, had an inverse relationship with financial performance. These results are largely consistent with the conceptual and empirical literature on corporate governance with respect to small board size (5 to 7) that is sufficiently diverse in terms of gender, skill, experience, industry networks, among other important attributes. Regarding outside directors, however, the study

findings appear to contradict the long-held traditional view that outsiders confer superior performance to the board.

Kutum (2015) assessed the relationship between the return on assets and board characteristics (Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation). After studying the six variables, the researcher found the existence of only one relationship which was between the age of the organization/ year of incorporation and the company's Return on Assets (ROA). The study provides greater insight into understanding corporate governance in Palestine. The approach, taken in this study, will enable companies to assess the true relationship between the Return on Assets to Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation. It will enable them, also, to find ways of ensuring these factors become more relevant to the organization's performance.

Johl, Kaur and Cooper (2015) examined the impact of board characteristics and firm performance: evidence from Malaysian Public Listed Firms. Specifically, the study tested the effects of board meeting, board independence, board size and directors accounting expertise on firm accounting performance. The study used both financial and non-financial data from annual reports of the 700 public listed firms in Malaysia for the year 2009. The result shows that board independence does not affect firm performance, whilst board size and board accounting/financial expertise are positively associated with firm performance. Board diligence in terms of board meetings is found to have an adverse effect on firm performance. These findings provide some implication for future research on the effectiveness of board directors on firm performance.

Nath, Islam and Saha (2015) examine the influence of board structure on firm's financial performance in the pharmaceutical industry of Bangladesh. Four major board attributes (board

composition, board size, board ownership and CEO duality) were selected to identify their influence on firm's financial performance. The findings from the study show that there is a significant negative relation between board size and firm's financial performance. However, the association between other three variables with financial performance is insignificant. Pratheepkanth, Hettihewa and Wright (2015) investigate the correlation between board attributes and firm performance in a sample of 100 Australian and 100 Sri Lankan firms. The analysis and a visual inspection of the raw data suggest that Australian boards are much larger than Sri Lankan boards. The most important finding of the study is that the larger boards of Australia appear to have a significantly stronger influence on firm performance than the relatively smaller boards of Sri Lanka.

Muchemwa (2016) investigated the relationship between board composition and firm performance in South African public companies. Firm performance measures used in the study were Tobin's Q (TOB), return on assets (ROA), and return on equity (ROE) of firms listed on the Johannesburg Securities Exchange (JSE). Annual data, from the period 2006 to 2012 was used while the analysis of data was done using the Multiple Regression Analysis Model. After having analyzed the research results, it was found that no significant relationship exists between the proportion of independent non-executive directors on the board and board size, and firm performance measures. Thus, the study suggests that performance of South African companies listed on the JSE Securities Exchange is not influenced by board composition and board size.

Jadah, Murugiah and Abdul Adzis (2016) evaluate board characteristics and bank performance: evidence from Iraq. The study aims to examine the relationship between board characteristics and bank performance by considering panel data of 24 banks for period 2005-2014 in Iraq. This relationship is estimated by using the panel OLS and regression technique. The findings reveal

there is a significant positive relationship between board composition, board size and bank performance. Additionally, findings show that female board of directors is one of the reasons to make down the bank performance in Iraq. Taken together, the study finding recommended to regulators, in particular for the current financial reform of corporate boards.

Fuzi, AbdulHalim and Julizaerma (2016) examined board independence and firm performance. The board requires the combination of executive and non-executive directors to pursue the shareholders' interest. The non-executive directors on the board will not be able to exercise their duties effectively unless they are independence from management and ensure they provide unbiased business judgment. Independent directors are the person entrusted by shareholders to represent them and will help to reduce agency problems. The results showed a mixed association between the proportions of independent directors and firm performance. Although the companies comprising the highest number of independent directors, it would not assure to enhance firm performance. Thus, the existence of independent directors on board should be monitored in order to bring positive shareholder values.

Hidayat and Utama (2016) examined board characteristics and firm performance in Indonesia. Using fixed-effects data panel regression, this research investigates 293 firms listed on the Indonesian Stock Exchange during 2008-2012. Firm performance is proxied by market measure (Tobin's Q) and accounting measure (ROA). The findings of the research suggest that the proportion of family commissioners and family directors have positive impact only to Tobin's Q value, while the proportion of independent directors can increase both Tobin's Q and ROA. On the other hand, this research finds that the proportion of ex-government officers in the board gives no impact to firm performance. This research also finds that the board size has U-shaped non-linear relationship with firm performance as proxied by Tobin's Q and ROA.

Furthermore, Assenga, Aly and Hussainey (2016) examined the impact of board characteristics on the financial performance of Tanzanian firms. This study used balanced panel data regression analysis on 80 firm-years observations (2006-2013) from annual reports and semi-structured interviews were conducted with 12 key stakeholders. The study used a mixed methods approach and applies a convergent parallel design to integrate quantitative and qualitative data. It was found that in terms of agency theory, while the findings support the separation of CEO/Chairperson roles; they do not support outside directors-financial performance linkage. With regard to resource dependence theory, the findings suggest that gender diversity has a positive impact on financial performance. Furthermore, the findings do not support an association between financial performance and board size, PhD qualification, and foreign directors.

Anis, Chizema, Lui and Fakhreldin (2017) examined the impact of board characteristics on firms financial performance - evidence from the Egyptian listed companies. Board characteristics considered in this study include board size, presence of outside directors, CEO–Chairman duality and gender diversity on the board. Firm performance is measured by return on assets (ROA) and Tobin’s Q. This study includes firm age, firm size and industry type as control variables. Hypotheses on longitudinal sample of 70 firms over six-year period from 2005 until 2010 were tested. The sample includes the most active firms (EGX 100) on the Egyptian stock exchange. Empirical analysis is undertaken using pooled OLS and FGLS regressions after adopting the prerequisite tests and after detecting the absence of endogeneity between the variables. The findings contribute to the understanding of how corporate governance in Arab countries is practised in general and in Egypt in particular.

Kaur and Vij (2017) investigated board characteristics and firm performance: evidence from banking industry in India using panel data for 28 listed banks at National Stock Exchange of India

for the period of 2008-2014. Returns on Asset, Return on Equity, Tobin's Q and Net Interest Income were used as the financial performance indicators. To estimate the relationship among governance and bank performance initially the Study uses Pooled Ordinary Least Square (OLS) Estimation and Generalized Least square (GLS) Estimation. Then a well-developed Generalized Method of Moments (GMM) Estimator is used to investigate the dynamic nature of performance and governance relationship. The result suggests that banks with small board, boards with female members, and boards that meet more frequently tend to be more efficient and subsequently have a positive impact on performance of banks. The study offers insights to policy makers interested in enhancing the quality of governance of banks in India.

Sahu, Maharana, and Chaudhury (2017) emphasized on the growing concern of mounting NPA in Indian banking sector and impact of corporate governance practices on non-performing assets management. Using the statistical tool correlation, this study highlights the correlation between weighted corporate governance score and net NPA ratio of public and private sector banks in India. Further regression analysis is performed to determine the impact of corporate governance practices in Indian public and private sector banks on their NPA management. Findings of the study advocates that, the correlation between average weighted CG score and net NPA ratio in public sector banks is significant and the impact (based on regression value) of average weighted CG score on net NPA ratio is also significant in public sector banks. In case of private sector banks both correlation and impact was found to be insignificant.

Yasser, Al Mamun and Rodrigs (2017) evaluated the impact of board structure on firm performance: evidence from an emerging economy focusing on the association between board demographics and firm financial performance of Pakistani public listed companies on Karachi Stock Exchange and the attributes of these firms and their boards. The study exploits the corporate

performance by accounting-based measures (return on assets), market-based measures (Tobin's Q), and economic profit (economic value added). The study is based on KSE-100 indexed companies from 2009 to 2013. The outcome of the study shows the positive relationship between the board size, minority representation in board, and family director's in-board and firm performance.

Filos (2017) empirically assessed the impact of board structure on bank performance for the case of Greek banks using a variety of econometric methodologies. Exhaustive empirical findings are presented based on a sample of 13 Greek banks and for a period of severe sovereign debt crisis (2008-2014). Empirical findings support an inverted U-shaped relation between board size and bank performance and between the proportion of independent board members and performance of Greek banks. All empirical findings are generated after we control for mergers and acquisitions activity, bank size and capital adequacy of each bank. Overall, our results document the positive contribution of the implemented CG regulatory framework on the Greek bank value

Somathilake (2018) explored the effect of board characteristics on firm financial performance of listed companies in Co-lombo Stock Exchange (CSE) during the period of 2015/2016-2016/2017. The research employed 100 listed high turnover companies for the study. Measures of board characteristics employed in this study are Board size, Education qualification, Director Independence and Female direction proportion. Also this study employed Return on Assets as the measurement of the firm financial performance, and employed firm size as control variables. The data were analyzed and hypotheses were tested through descriptive statistics, correlation analysis and regression analysis by using SPSS. The findings revealed that, board size and women direction proportion have negative significant influence on company performance. Director's independent,

education qualification, and firms size have positively not significant influence on firm performance.

Abdul Gafoor, Mariappan, and Thyagarajan (2018) examined board characteristics and bank performance in India. A sample of 36 scheduled commercial banks in India was taken during the period of 2001–2014. Ordinary least square regression technique was used to run the pooled panel data and results showed that significant relationship exist between board size, board independence and bank performance. However, there was no significant improvement in bank performance when the role of CEO and chairman is separated. The study concluded that that board structure of the bank matters in the performance of the bank. An optimal board size and composition will contribute largely to the good governance of banks.

Sarkar and Sarkar (2018) examined bank ownership, board characteristics and performance: evidence from commercial banks in India covering a ten-year period from 2003 to 2012 that witnessed a large number of governance reforms in India, the results of our empirical analysis provide evidence of strong ownership effects with board independence exhibiting a significant positive correlation with the performance of private banks and a significant but negative correlation with the performance of state-owned banks. The effect of CEO duality is negative in state-owned banks where incidence of CEO duality is high. We find that a longer CEO tenure has significant positive effects on bank outcomes with these effects strengthening in the later years of CEO tenure. Our results have governance implications for strengthening the composition of board of directors and CEO tenure especially in state-owned banks

Hakimi, Rachdi, Mokni and Hssini, (2018) examined whether board characteristics affect bank performance in Bahrain Islamic banks. 13 banks located in Bahrain over the period of 2005-2011 were selected¹. Data was taken from the web site of Islamic banks and financial institutions. The

empirical strategy is based on two approaches, panel data analysis and GMM in system to check the soundness of the results. Findings indicate that only board duality, board size, Shariah board size and leverage exert a positive impact on bank performance.

Filipe (2018) examined the quality of board members' training and bank financial performance in Portuguese. The study employs a sample of 276 board members. Financial ratios such as return on average assets (ROAA) and return on average equity (ROAE) are used as measures for gauging banks' financial performance. Three indexes are used as proxies for board members' educational qualifications. The study findings have important policy implications, specifically a positive and significant impact on the bank's financial performance from having board members holding degrees from prestigious foreign business schools. In particular, the findings suggest that the prudential supervision developed by Banco de Portugal in cooperation with the European Central Bank should include a more rigorous process in the selection of board members.

Mukherjee and Sen (2019) studied the impact of corporate governance on corporate sustainable growth. A sample size of leading 139 non-financial companies listed in NSE for five years has been used in this study. Using longitudinal data analysis, the findings of the study suggest that Board Size (BS) and the Board Independence (B-IND) exercise strong influence in explaining the Corporate Sustainable Growth in India after controlling the effect of Leverage (LEV).

Pervin and Rashid (2019) examined the effect of Board Characteristics and Firm Performance: Evidence from Listed Banking Institutions of Bangladesh. To this end, the study analyzes five years data (2013 to 2017) of 30 banks listed in the Dhaka Stock Exchange. The results of the study demonstrate a significant positive effect of board independence and female directorship on market-based performance of the banks. However, the effect of board size on both return on assets (ROA) and Tobin's Q are not statistically significant. Moreover, the study finds insignificant effect of

board characteristics on accounting-based performance of the banks. Unfortunately, the result demonstrates an inverse association between ROA and Tobin's Q indicating that accounting and market based performance are not going in the same direction. The results of the study may be useful to the top management of those banks who seek to influence their performance by reshaping their boards.

AlQudah, Azzam, Shakhathreh and Mahmoud (2019) evaluated the impact of board of directors characteristics on banks performance in Jordan. Employing an Ordinary Least Square (OLS) regression technique on a sample of 14 Jordanian banks listed at the Amman Stock Exchange between 2013 and 2017 revealed that the only variable that has a significant positive impact on financial performance is board size. Busy directors have not obtained the sufficient knowledge and experience or at least they lacked the required time to enhance performance. Politically connected directors as well as foreign members were a stumbling block in the way to positively improve performance. Board meetings and independence were found to be insignificantly associated with return on assets. In a nutshell, the Jordanian regulators need to devote more efforts to revise the suggested characteristics related to boards of directors; since the current composition of boards has been presented as a weak monitoring tool to fulfil principals' goals through enhancing banks' performance

2.3.1.3 Empirical Review in Nigeria

Ujunwa (2012) investigated the impact of corporate board characteristics on the financial performance of Nigerian quoted firms. The study employed the random-effects and fixed-effects generalized least squares (GLS) regression to test the six hypotheses formulated for the study, while controlling for firm size and firm age. Using panel data from 122 quoted firms in Nigeria between 1991 and 2008, it was found that board size, CEO duality and gender diversity were

negatively linked with firm performance, whereas board nationality, board ethnicity and the number of board members with a PhD qualification were found to impact positively on firm performance. The result of the robustness test using the same board characteristics for 160 small firms showed that board duality was positively linked to firm performance, while a PhD qualification was negatively linked to firm performance.

Chechet, Yancy and Akanet (2013) examined the relationship between the internal corporate governance mechanisms related to the board of directors, the audit committee characteristics and the performance of listed Deposit Money Banks (DMBs) in Nigeria. The study covered a period of seven years (2005-2011), with the population of seventeen (17), a sample of fourteen (14) DMBs. Multiple regression is employed as a tool of analysis on the data which were extracted from the annual reports of the sampled DMBs. The results indicate that board characteristics and audit committee characteristics are essential factors of internal control mechanism sequel to the fact that both board and audit committee characteristics have significantly influenced DMBs performance during the period. Consequently, we recommend, among others, that management/shareholders in the Nigerian DMBs to consider these board and audit committee characteristics (using these variables of the study) as benchmark of embarking on enhancing performance.

Momoh, et al., (2013) studied the relationship between corporate governance and organizational profitability in Nigerian Insurance industry for the period of 2002 to 2011. Data for this study were collected from five insurance companies listed on the Nigerian Stock Exchange. Reliability and statistical inference analytical tools were used. The result revealed that there is significant relationship between corporate governance and insurance industry financial performance. Also recapitalization of insurance industry does not have a significant effect on corporate governance.

The study concludes that dividend yield of insurance industry is dependent on the return on equity and profit margin among other factors. Insurance companies in Nigeria should therefore adopt good corporate governance that will attract investment into the industry.

Hassan and Farouk (2014) investigated the influence of Board of Director Characteristics on the Performance of listed Deposit Money Banks in Nigeria for the period of 2007-2011. The listed Deposit Money Banks are twenty one (21) in numbers out of which a sample of thirteen (13) were used for the study. The study adopted multiple regression technique as a tool of analysis and data were collected from secondary source through the annual reports and accounts of the sampled firms. The findings reveal that Board Composition is positively, strongly and significantly influencing the Performance of listed Deposit Money Banks in Nigeria, while the Board Size have a negative impact on Performance, Inside director was found to have insignificant contribution to Banks Performance. It is however, recommended that the listed Deposit Money Banks should increase the number of outside directors on Board to an average of 60% to 70% as the higher numbers may help in watching over the excess of the Executive directors.

Oyerinde (2014) studied corporate governance and bank performance where he examined the degree to which corporate governance contributed to the Nigerian financial crisis especially in the banking sector between the years 2000-2010. He made use of panel data set to analyze the pre and post consolidation reforms of banks, using return on equity and net interest income as indicators of bank performance being the dependent variables and using variables such as the number of board members and related insider loan as indicators to measure corporate governance. The result of his findings averred that board size has a significant positive relationship to bank performance while insider loan is negatively related to bank performance. He further purported that insider loan

which had a negative relationship to bank performance was the most detrimental consequence of lack of adequate corporate governance in the Nigerian banking industry.

Akpan, et al., (2014) investigated Board characteristics and company performance: Evidence from Nigeria. The study uses multiple regression technique on 90 sampled firms from the main board of Nigerian Stock Exchange from 2010 to 2012. The empirical evidence shows that board size and board education are positively and significantly related to company performance while there is no relationship between board equity, board independence, and board age. Also, the study evidenced a negative significant between board women and turnover. Their appointment is window dressing as the percentage is too small for meaningful positive effect on company performance. The study therefore recommended legislation mandating companies listed on Nigerian Stock Exchange to appoint at least 30 to 35% of women on the board of directors.

Adeolu (2014) examined the effect of bank asset quality and its impact on the performance of commercial banks in Nigeria. Secondary data was obtained from annual reports and accounts of the six largest banks listed in the Nigerian Stock Exchange for a period from 1999 to 2013. Bank performance was measured by ROA while asset quality proxies consisted of loan-loss ratio and total investment to total assets ratio. The research findings concluded that a statistically strong positive significant relationship existed between asset quality variables and bank performance.

Ilaboya and Obaretin (2015) studied board characteristics and firm performance of Nigerian quoted companies. The broad objective of the study was to investigate the relationship between board characteristics and corporate performance. Time series data from 166 firms quoted on the Nigerian Stock Exchange market from 2005 to 2012 in the Food and Beverages sector was used for the study. The study adopted the log of profit after tax as the measure of performance. The study found a positive and significant relationship between independent directors on audit

committee and firm performance in Nigeria. The study suggests the need for a competent and sizeable board and a cut down on the waste of resources on too frequent board meetings as the findings reveals that there is a negative relationship between board diligence and performance. The study also gave emphasis on the need to strengthen the independence of audit committee to continuously achieve the control mechanism and oversight functions

Shettima, et al., (2015) examined the effect of board characteristics and microfinance institutions' performance in Nigeria using panel data. The relationship between board characteristics and microfinance banks performance in Nigeria is tested using a sample of 120 firm-year observations covering 30 MFIs in the periods of 2010 to 2013. The study extracted all microfinance level data from the Microfinance Information exchange (MIX) database. The study founds a positive and significant relationship between board size and MFIs performance; a negative relation between female directors and MFIs performance, but not significant. The results suggest that larger board size indicates good corporate governance practice, which leads to reduced agency cost.

Omar (2015) carried out a study on the relationship between firm size and financial performance of microfinance banks in Kenya. A descriptive research design was used for the study with a target population of 10 banks forming the study subjects. Secondary data was derived from the Association of Microfinance Institutions in Kenya and financial reports of individual microfinance institutions for a period of 5 years from 2010 to 2014. Firm performance was measured by ROA whereas the independent variables consisted of natural logarithm of total assets, customer deposit, operational efficiency and control variables. The research findings established that operational efficiency and natural logarithm of assets had a statistically significant relationship with financial performance of microfinance institutions in Kenya. Bank size, as measured by natural logarithm of total assets, had a weak positive relationship with bank performance.

Odudu, et al., (2016) investigated the influence of board characteristics on the financial performance of listed deposit money banks in Nigeria for the periods 2005-2014. The study adopted multiple regression technique as a tool of analysis and data were collected from secondary source through the annual reports and accounts of the sampled banks. The findings show that foreign director is significantly and positively correlated or influenced the Performance of deposit money bank, while the grey director have negative significant effect on the Performance of deposit money banks in Nigeria. Therefore, the study among others recommended that the management of deposit money banks in Nigeria should increase the number of foreign directors on board to a certain number as they have skills, expertise, experience and would like to protect their integrity, reputation and professional competence with creativity and innovation to manage the relationship between the boards and stakeholders leading to an improvement in the bank financial performance.

Oyerogba, Memba and Riro (2016) studied the impact of board size on the profitability of the listed firm, the study was empirically examined the listed companies in Nigeria for a period of ten years ranging from 2004 to 2013. Specifically, the study investigated the impact of board size, firm size and firm age on return on capital employed of the selected companies. The study relied on the secondary data extracted from the audited financial statement of a sample of 70 companies purposefully selected from the 198 listed companies in Nigeria. Both descriptive and inferential statistics were carried out. The results revealed that a significant positive relationship exists between the board size, firm size and return on capital employed. It was therefore recommended that listed companies should adopt the use of a large board (12 members) to improve profitability. It is also needful for the listed companies to increase the capital-based as this was found to have a positive impact on the profitability of listed companies in Nigeria while the policymakers are encouraged to provide adequate guidelines on the selection of board members.

Osundina, Olayinka and Ucheagwu (2016) empirically investigated the relationship between corporate governance (measured by board structure index, ownership structure index and audit Committee index) and firm's performance (measured by return on asset) of selected Nigerian manufacturing companies. They made use of thirty companies for 2010 to 2014. The study adopted ex-post facto research design. Random sampling was used to select 30 companies out of a total population of 45 manufacturing companies listed on the Nigerian Stock Exchange, for a period of 2010 to 2014. Secondary data (financial and non-financial) were collected from the annual reports and accounts of the selected listed manufacturing companies. Multiple regression analysis and descriptive statistics were used in analyzing the data. The results of the study show that Board structure index had a significant positive relationship with performance (ROA) of the sampled manufacturing companies. It is therefore suggested that reform efforts should be directed towards improving the corporate governance of listed Nigerian manufacturing companies, especially emphasis should be devoted to the variables of Ownership Structure and Audit Committee.

Kajola, Onaolapo and Adelowotan (2017) examined the relationship between board size and financial performance of 35 non-financial firms listed on Nigerian Stock Exchange. The study covers the period 2003-2014. Using panel data regression analysis and Fixed effects model as estimation technique, result reveals a positive and significant relationship between board size (surrogated by the natural log of number of directors on the board) and the two financial performance proxies (Return on assets and Return on equity). The outcome of the study is consistent with some prior empirical studies and provides evidence in support of the argument that companies with larger board members do harness the divergent views of members, thereby coming

up with informed decisions that will improve the financial performance of companies under their watch.

Eluyela, Akintimehin, Okere, Ozordi, Osuma , Ilogho, and Oladipo (2018) examined board meeting frequency and firm performance in Nigerian deposit money banks. Data used for the study were spawned from annual reports of the deposit money banks listed on Nigeria stock exchange (NSE) market. The study employed a panel regression to test the significant association amid variables. Our main empirical result shows a positive association amid board meeting frequency and firm performance. Although, our findings also show that board size was positive and not significant and firm size was negative and significant. The study recommended that management of banks should consider increasing their frequency of board meetings to at least four (4) meetings per year. This will allow the sampled deposit money banks to comply with the good governance code in Nigeria which states that companies must meet at least once per quarter.

Oyedokun (2019) examined the effect of board characteristics on financial Performance of quoted commercial banks in Nigeria for the period 2013-2017. Ex-post Facto research design was adopted. Board characteristics used include size, independence, gender diversity and board meeting. Data were extracted from the annual reports of the quoted commercial banks. Multiple panel regression analysis was used to analyze the data. The result shows that board characteristics have a significant effect on the financial performance of quoted commercial banks in Nigeria. The study, recommends that, the regulators of commercial banks in Nigeria should increase surveillance and supervision to ensure proper overall risk management that could safeguard the interest of all stakeholders and the reputations of the banks.

Usman, et al., (2019) examined the impact of banks' characteristics and earnings of deposits money banks in Nigeria. The study adopts ex-post facto research design and secondary source data

drawn from the financial statements of the selected banks were used. Regression analysis was adopted in analyzing the data. The findings of the study show that bank capital, loan and advance have a significant relationship with earnings but liquidity is not during the period of study. The study recommends that the Nigerian banks' regulatory authorities should focus and continue to regulate banks' capitals as necessary with a view to improving the profitability of deposit money banks in Nigeria, the management of deposit money banks, should develop credits policies that will always be in agreement with the CBN's policies on credits and CBN should review the liquidity requirements with a view to investing idle liquidity to encourage earnings.

Felix, et al., (2019) examined the effect of board attributes on financial performance of quoted insurance companies in Nigeria. The study utilized secondary data obtained from Annual Audited Report, NSE Fact Book and NAICOM Fact Book of fifteen (15) selected quoted insurance companies. The sampled firms have been in existence for the period 2004-2017. The data collected were analyzed using panel data regression technique. The result revealed that board structure, director's equity interest and board activism had positive impact on performance. The study concluded that there is a positive correlation between corporate governance variables and financial performance of Nigerian insurance companies. The study recommended that insurance companies in the country should put in place a monitoring mechanism to identify the most accurate board structure that will help to sustain improved performance at all time and work out modalities to constantly review appropriate proportion of director's equity interest in relation to the total outstanding shares of the company.

Musa, et al., (2020) examined board gender diversity (particularly women representation) affect performance of Nigerian banks from 2011 to 2015. The population and sample is made up of 16 (sixteen) banks listed on Nigerian Stock Exchange within the period. Board gender diversity was

operationalized using 3 variables (that is women on board- WOB; women on board percentage- WBF; and presence of female chief executive- CEO) which formed the independent variables while financial performance has 2 variables (return on asset- ROA and return on equity- ROE). The study revealed that gender diversity has a significant positive effect on ROA and has no any effect on ROE. It therefore, recommend increase in number of women on board of directors, even though that skepticism exist towards policies that aims at increasing or encouraging women to such position in developing countries like Nigeria. Either due to cultural, social or religious alignment.

Aliyu and Hassan (2020) researched on bank attributes and financial performance of listed Deposit money banks in Nigeria and the moderating role of information technology. The study used correlational and expost facto research design in a sample of 15 listed DMBs. Secondary data for a period of 10 years (2009-2018) was used, and multiple panel regression analysis is employed for data analysis. The results obtained from the research indicated that only asset quality and information technology had significant effect on the performance of listed DMBs in Nigeria while the interactive variable did not succeed in improving the association between capital adequacy, asset quality, management efficiency, liquidity and performance of Nigerian listed DMBs. The study concluded that there is a strong relationship between capital adequacy, earning ability and information technology and performance of listed deposit money banks in Nigeria. It is therefore, suggested that the board of information technology strategy committee should establish a balance in overall information technology investment portfolio in terms of risk, return and strategy for better results ahead.

Musa, Abdulrasheed and Umar (2020) explores the effect of board size and ownership structure attributes of corporate governance on financial performance of deposit money banks (DMB)

financial performance in Nigeria. Panel data were collected from the published annual reports of 16 quoted/listed DMB in Nigeria for the period 2011-2015. Operationalizing return on assets (ROA) and return on capital employed (ROCE) as the dependent variables while board size and ownership structure are the independent variables. The study discovered that board size has a negative effect on both ROA and ROCE though not statistically significant and the other dependent variable of ownership structure indicate a positive effect on ROA and a negative effect on ROCE. The study therefore, recommends that regulators to developed, consolidate and review as the need arises, a robust and all-inclusive corporate governance framework.

2.3.2 Asset Quality and Financial Performance

2.3.2.1 Empirical Studies in Developing Countries

Khalid, 2012 studies the effects of asset quality to profitability of private banks found in India using Return on Asset as profitability variable for the period 2006 –2011. The research used various models of regression to analyze correlation between banks asset quality and operating performance. The research found out that a negative relationship exists between banking operating performance after control of impacts on operating scale and bad asset ratio, idle fund ratio and traditional banking business concentration.

Joseph, Edson, Manuere, Clifford and Michael, (2012) investigated the causes of non-performing loans in Zimbabwe. The research revealed that external factors are more prevalent in causing non-performing loans among Zimbabwean banks. The external factors which include natural disasters, government policies and the integrity of the borrowers have been identified as the major or predominant causes of non-performing loans in Zimbabwean banks.

Qin and Pastory (2012) evaluated commercial bank profitability position in Tanzania. Secondary data was obtained from three commercial banks from the year 2000 to 2009 with a descriptive research design adopted for the study. Bank profitability was measured by ROA while the independent variables comprised of asset quality, capital adequacy and liquidity position. Capital structure exhibited a negative relationship on bank profitability, asset quality ratios had a positive relationship with bank profitability except non-performing loans (NPL) that showed a negative relationship with bank profitability. Further, liquidity ratios had a positive relationship with bank profitability. This study concluded that most banks should work towards robust credit policies in a bid to reduce NPL given that lending is the main business of the commercial banks.

Alhassan, Coleman, Andoh (2014) investigated asset quality in a crisis period: An empirical examination of Ghanaian banks. The paper examines the factors that account for the deterioration in the asset quality of Ghanaian banks during a period of financial crises using a unique dataset on 25 banks from 2005 to 2010. Based on system generalized method of moments estimations, we find that the persistence of non-performing loans in addition to loan growth, bank market structure, bank size, inflation, real exchange rate and GDP growth are the significant determinants of banks asset quality in Ghana. The findings have implications for both bank management and regulators in emerging economies.

Adam (2014) investigated the financial performance of Erbil Bank for investment and finance, Kurdistan region of Iraq during the period of 2009-2013. Several financial performance parameters are used such as financial ratios analysis which is used to measure the financial position for the bank and on broader range statistical tools also have been used for analysis. The findings of the study show the positive behaviour of the financial position for Erbil Bank and some of their financial factors variables influence the financial performance for the bank. This study suggests a

set of recommendations regarding the development and enhancing of some banking operations which will boost the bank's profitability and improve the financial performance for the bank

Vighneswara (2015) examining the India's profitability through uses of data panel techniques (1997-2009) and bank asset quality determinants, found out priority sector credit was not enough to have an effect on non-performing. This was the opposite of general opinion and similar is the case with local branches stating aversion of rural credit is a false opinion. Performance of the whole banking sector rather than a specific bank is tied to bad debts. Additionally, capital adequacy and investment activity have a significant effect on profitability of banks, unlike assets size which has no effect.

Muhmad and Hashim (2015) also assessed commercial bank performance in Malaysia using the CAMEL framework. Secondary data was obtained on financial ratios from Malaysian Banks, individual annual reports of banks and bank scope database of Bureau van Dijk. Financial performance was measured by ROA and ROE. The asset quality ratio proxies were NPL to total loans, loan loss provision to total loans and total loans to total assets. The regression analysis showed that capital adequacy, asset quality, earning quality and liquidity had a significant impact on performance. A negative relationship existed between loan loss provisions to total loans with a positive relationship existing between total loans to total assets.

Gatete (2015) investigated the effect of bank size on the profitability of commercial banks in Kenya. The study adopted a descriptive research design with the target population consisting of the 43 commercial banks listed by the CBK as at 31st December 2013. Secondary data was obtained from the CBK website, individual financial statements of commercial banks and the Kenya National Bureau of Statistics reports from 2010 to 2015. The research findings established that firm size is statistically significant and moderately positively correlated to profitability of

commercial banks in Kenya. Liquidity, operating efficiency and capital adequacy were found to be statistically insignificant.

Thiagarajan (2016) evaluate the performance of five major commercial banks in Belize during post-global recession period of 2008-2015 using CAMEL approach. The data for the commercial banks were collected from Central Bank of Belize and the macroeconomic data were collected from the Statistical Institute of Belize. The panel data were analyzed by using SPSS. The results of the study showed that the ratio of Non-Performing loans to total loans (NPL/TL) was increasing gradually from 2008 to 2010 and started to decrease from 2011 to 2015 for all the banks. The correlation analysis showed that there was strong negative relationship between non-interest expense to total loan and ROE and ROA as well as between NPL/TL and ROE and ROA. There was no significant influence of GDP and Inflation on ROE and ROA of the commercial banks.

Kariuki, Muturi, Ngugi, (2016) examines the relationship between the asset quality and intermediation efficiency of Deposit Taking SACCOs (DTSSs). Though the study envisaged a census of all 135 DTSSs licensed by the regulator at the close of 2013, complete data was available for 103 DTSSs. The study covered the transitions period 2011-2014. Data envelopment analysis (DEA) was used to generate efficiency scores in the first stage. To cure the inherent dependency of the efficiency scores, bias corrected efficiency scores were generated and regressed against asset quality. Firm size, profitability and diversification were included as control variables. The results depict a positive relationship between asset quality and financial intermediation efficiency. An existence of “bad luck” or “bad management” hypothesis in the operation of DTSSs was highlighted. It therefore recommends a review of the credit appraisal process in light of recent developments in the subsector where DTSSs are breaking the common bond.

Cheruiyot (2016) investigated the effect of asset quality on profitability of commercial banks in Kenya. The study employed a descriptive research design which enabled the researcher to describe the characteristics of the research variables. The study focused on all the 43 commercial banks in Kenya. Secondary data was collected from audited annual financial reports for individual banks found on the banks website and at the central bank of Kenya website and library. Multiple regressions were also used to measure the quantitative data which was analyzed using the SPSS. The study concluded that there is a great positive relationship between asset quality and profitability of Commercial Banks in Kenya.

Mhanna and Ammar (2017) investigated the impact of bank attributes on the implementation of the budget for the period (2009-2015) of Islamic banks in Syria. Financial performance was the dependent variable measured by the return on assets (ROA) and return on equity (ROE). However, independent variables are adequacy of owned funds, liquidity, deposit, efficiency, size of the Bank and Syrian crisis. The study used the methods of panel data to estimate a fixed effects model. The empirical analysis shows that the size of the bank has a positive and significant impact on ROA and ROE. While efficiency has a negative and significant impact on ROA and ROE. Also, liquidity and the adequacy of own funds have a significant impact on the ROA to the 10% threshold, but have no significant impact on ROE. While the variables (deposits and crisis) have no significant impact on the ROA and ROE

Barus, Muturi, Kibati, Koima (2017) established the effect of asset quality on the financial performance of savings and credit societies in Kenya. The study employed an explanatory research design. The target population and sample was 83 registered deposit taking SACCO's in Kenya between 2011 and 2015. Census methodology was used in the study. Both primary and secondary sources of data were employed. Multiple linear regression models were used to analyze the data.

The study concluded that asset quality influenced the financial performance of savings and credit societies in Kenya. The study recommended that management need to be cautious in setting up a credit policy that will not negatively affects profitability and also they need to know how credit policy affects the operation of their banks to ensure judicious utilization of deposits and maximization of profit.

Kadioglu, Telceken and Ocal (2017) investigates whether non-performing loans effect the bank's profitability in Turkey. The study applies a panel regression method to the quarterly data set including 1809 observation belongs to 55 Banks in Turkey during the period from 1st quarter of 2005 to 3rd quarter of 2016. It is found that there is a significant, negative relationship between non-performing loans and bank profitability which is measured by return on equity and return on asset. The higher non-performing loans, the lower asset quality, leads to the lower return on equity and return on asset, and the lower non-performing loans, the higher asset quality, leads to the higher return on equity and return on asset.

However, the findings differed with that of Nyongesa (2017) which indicated a negative correlation between asset quality and financial performance. Nyongesa (2017) sought to determine the relationship between management efficiency, capital adequacy and asset quality on commercial banks performance in Kenya. A descriptive research design was incorporated with cross sectional data obtained from 1st January 2011 to 31st December 2015 from a target population of 42 commercial banks. The research findings affirmed that a positive significant relationship at 0.01 level existed between ROA and management efficiency. Both capital adequacy and asset quality had a negative correlation with ROA.

Mbekomize and Mapharing (2017) conducted an analysis on the determinants of profitability of commercial banks in Botswana. Secondary data was obtained from Bank of Botswana reports with

the independent variables consisting of bank liquidity, capital adequacy, credit risk, market opportunity, cost efficiency, market diversification, economic growth, inflation and bank interest. The profitability measures were ROA, ROE and net interest margin (NIM). The research findings established that a statistically insignificant relationship existed between bank size and all the three measures of profitability. A positive relationship existed between bank size and profitability as measured by NIM and ROA whereas a negative relationship existed between bank size and ROE.

Arrawatia, et al., (2019) examined asset quality determinants of Indian banks: Empirical evidence and policy issues using a sample of 47 commercial banks over a sample period of 2000 to 2014. The study examines the bank-, industry-, and macroeconomic-specific determinants of asset quality of Indian banks. Empirical analysis also accommodated the impact of different ownership structures (public and private sector) and the impact of financial crisis while analyzing the determinants of poor asset quality of Indian commercial banks. Results reveal that bank-, industry-, and macroeconomic-specific factors are responsible for the burgeoning nonperforming loan assets of Indian commercial banks. The results are qualitatively similar across different ownership structures. The findings suggest that forecasting models for nonperforming assets should also consider macroeconomic- and industry-specific factors along with the bank- specific factors.

Pratama (2019) examined liquidity and asset quality on sustainable growth rate of banking sector. Bank focused how to increase profit. Purposive sampling based on the criteria selected 23 banks in 2010-2017 period with 174 observations. Using panel data regression, the results showed that liquidity and bad asset quality had a significant negative effect on sustainable growth rate. This result showed that sustainable growth rate becomes important related to the bank's strategy to continue and grow in order to expand its business maximally while maintaining funding sources.

Vethamuthu (2019) examined the impact of asset quality on financial performance of banks in India: A comparative study of public and private sector banks. The study spanning a period of ten years from FY 2005 to 2014 analysed the impact of the asset quality on selected financial parameters such as efficiency, liquidity, profitability and solvency of public and private sector banks. Fourteen different ratios have been used under these broad parameter in the study. This study has applied the census method of sampling involving 46 banks of which 26 are public sector banks and 20 private sector banks. The data for the study has been primarily sourced from the Reserve Bank of India. The study has used descriptive statistics, correlation analysis, trend analysis, factor analysis, regression analysis and Anova.

Gameli, Atta, Pobbi, Asiamah(2020) assessed the link between industry concentration and asset quality as key determinants of financial performance through the use of the panel regression model. The sample for the study comprised 24 universal banks for the 2009 to 2018. It was found that, the financial performance of the indigenous banks was influenced by asset quality and moderating variables like capital adequacy, liquidity and bank size while the level of industry concentration does not influence the financial performance of the indigenous universal banks. The results also indicated that, the financial performance of the foreign banks is not influenced by asset quality but rather operational efficiency, liquidity, bank size and industry concentration. It is recommended that, since poor asset quality through non-performing loans adversely affect the financial performance of both indigenous and foreign banks, banks should increase their size through investment in technology to diversify the effect of asset quality on financial performance.

2.3.2.2 Empirical Studies in Nigeria

Abdullahi (2013) investigated the efficiency of credit risk management on banks performance, also to determine if credit risk has effect on the profitability and examining the relationship

between interest income and bad debt (non-performing loans) of Union Bank PLC. The research revealed that credit risk affect the performance of banks and for the banks to maintain high interest income, adequate attention should be given to credit risk management specifically the lending philosophy of banks. The study recommends that bank loans should be adequately reviewed from time to time to assess the level of risk and every loan should be secured with collateral

Abata (2014) examined banks asset quality and performance in Nigeria using secondary data obtained from the annual reports and accounts of the six largest banks listed on the Nigeria Stock Exchange based on market capitalization with a sample interval of fifteen-year period from 1999 to 2013. The study adopted the use of ratios as a measure of bank performance and asset quality since it is a verifiable means for gauging the firms' level of activities while the data were analyzed using the Pearson correlation and regression tool of the SPSS 17.0The findings revealed that asset quality had a statistically relationship and influence on bank performance. Based on the findings the study recommends policies that would encourage revenue diversification, minimize credit risk, and encourage banks to minimize their liquidity holdings. Further research on factors influencing the liquidity of commercials banks in the country could add value to the profitability of banks and academic literature.

Lucky and Nwosi (2015) examined the relationship between asset quality and the profitability of the fifteen (15) quoted commercial banks in Nigeria from 1980 –2013. Secondary data were sourced from annual reports of the quoted commercial banks. Return on Investment (ROI)was modeled as the function of percentage of non-performing loans to Total Loans (NPL/TL), percentage of Non-performing Loans to Total Customers' Deposit (NPL//TCD), percentage of Loan Loss Provision to Total Loans (LLP/TL) and percentage of Loan Loss Provision to Total Asset (LLP/TA). Multiple regressions with econometric view statistical package were used as data

analysis method. The Ordinary Least Square properties of Augmented Dickey Fuller Test, Co-integration and Granger Causality test were employed to determine the short and long –run relationship between the dependent and the independent variables. Findings from the regression result proved that percentage of non-performing loans to Total Loans and percentage of nonperforming Loans to Total Customers’ Deposit have positive relationship with Return on Investment while percentage of Loan Loss Provision to Total Loans and percentage of Loan Loss Provision to Total Asset have negative relationship with Return on Investment of the commercial banks.

Adebisi and Matthew (2015) considered the impact of non-performing loans on firms’ profitability of banks in Nigeria. This study made use of secondary data obtained from the Annual Report and Statement of Accounts of the NDIC for a period of seven (7) years (2006-2012). Data were analyzed using the regression statistical tools. The first result revealed that there is no relationship between the Non-performing Loans (NPL) and Return on Assets (ROA) of Nigerian Banks. This means that the asset values of the firms are not affected by the level of NPL. The shareholders wealth maximization is affected as second result showed that there is a relationship between the Non-performing Loan (NPL) and Return on Equity (ROE) of Nigerian Banks. It is recommended that the banks should ensure that the banks customer has viable means of repaying the loan, which should be monitored to ensure efficiency

James and Onyebueke (2018) examined bank asset quality performance among Nigerian Banks - The role of monetary policy. This research investigated the role of monetary policy in bank asset quality performance of Nigerian banks. There have been mixed results as to the role of monetary policy on many performance indicators in the past by different scholars. Those indicators could be profitability, asset growth and returns on investments. So the research goal was to find out the

impact of monetary policy instruments-money supply, liquidity ratio, monetary policy rate, and cash reserve ratio-on commercial banks asset performance. The literature review extensively looked at the work done by past scholars on the different transmission channels through which monetary policy affects banking and economic activities and these channels of transmissions have been broadly examined under the monetarist and Keynesian schools of thought. In the research methodology used secondary while employing multiple regression method/model as econometric technique in estimating the relationship between monetary policy and bank performance proxy by loans and advances, assets and turnover ratio. The study also used the ordinary least square (OLS) and unit root (Augmented Dickey Fuller) test to determine the stationarity or otherwise of the variables. The empirical results emanating from the analysis indicates that monetary policy had some level of effect on bank performance proxied by Turnover rate (TOR), Bank Assets (BAS) and Loan and Advances (LADV).

John (2018) investigated the Effect of Non-Performing Loans on Bank Performance of Some Selected Commercial Bank in the Nigerian Banking Sector. The study is an explanatory research design that identifies the cause and effect relationships between the NPLs and its determinants. Two commercial banks in Nigeria were sampled judgmentally. The study used secondary sources of data, which is panel data in nature, over the period 2010-2015. These data were collected from annual statement of account and CBN statistical bulletins. The study found that GDP ratio had positive relationship with ROA, whereas exchange rate as well as unemployment rate had negative relationship with ROA. The study, therefore, recommended that the government should maintain political stability and combat corruption at all levels, banks should have a good track of their customers regarding loans repayment and lastly the banks should employ sustainable manpower

In the same way, Ahmed, Mohammed & Joshua, (2018) consider the effect of the firm attributes on the profitability of listed companies of consumer goods in Nigeria. The study population consists of twenty-two 22 listed consumer goods companies in Nigeria to December 31, 2016 eighteen of the listed consumer goods companies are selected to form the sample of the study for the period of six years (2011-2016). The study employed multiple regressions as tool for analysis. A hypothesis was formulated and tested for the study; which states that: Firm attributes have no significant effect on profitability of listed consumer goods companies in Nigeria. Secondary data obtained from the financial statements of the companies were analyzed. Panel data techniques (fixed and random effects models) were utilized to examine the effect of firm attributes on profitability and Housman specification test confirmed that random effects model was more appropriate for the study. The results show that firm size, sales growth and leverage have significant effects on profitability. In contrast, firm age and liquidity are not significantly affecting profitability of listed consumer goods companies in Nigeria.

Ogboru (2019) investigated asset quality and deposit money banks performance in Nigeria over a period of 30 years ranging from 1986 to 2016, utilizing time series data collected from the Nigeria deposit insurance corporation annual reports and accounts, CBN financial stability report and CBN statistically bulletin for various years. The variables of study includes return on asset (ROA) proxy for Deposit Money Bank performance in Nigeria, ratio of non-performing loan to total loan (NPL), ratio of liquid assets to total assets (LAT) and ratio of liquid assets to short term liabilities (LAS) as measures of asset quality. The study utilizes both the descriptive and econometric techniques to analyze the time series data. The result shows that there is a short run relationship between asset quality and deposit money bank performance in Nigeria. Also, the co-integration result reveals the presence of a long run relationship between asset quality and deposit money bank performance in

Nigeria while the granger causality result shows evidence of causality between asset quality and deposit money bank performance in Nigeria.

Osamor, et al., (2019) evaluates the enigma between corporate governance indicators and asset quality of DMBs in Nigeria. Using ex-post facto research design, data of 2012 to 2017 were obtained from the annual reports of twelve (12) listed DMBs and analyzed using statistical tools such as simple average, ordinary least square, fixed effect, random effect techniques and decomposition of the selected DMBs. Findings revealed that UBA has the best asset quality with the average ratio of non-performing loan to total loan (0.0175), while Union bank is the least performing bank in terms of asset quality with the average ratio of non-performing loan to total loan (0.2579). The study recommended that CBN should improve on its supervisory responsibilities of the DMBs in Nigeria, especially the ones that were ranked low in order to engender a robust banking sector and sound financial system.

Abdulazeez, Lawal, and Yabagi (2019) examined the impact of Board structure (Board size and Independence) on the asset quality (NPL and LDR) of listed deposit money banks in Nigeria for a period of 10 years (2008-2017). Data for the study were quantitatively retrieved from the annual reports and accounts of the fifteen (15) studied banks. Various robustness tests were carried out to ascertain; the existence of multi-collinearity or otherwise, fitness of the model and to establish the appropriate regression analysis that befits the study. Descriptive statistics, correlation and OLS Robust regression were used to describe and analyze the data. It was found that board structure proxies showed no significant impact on Asset Quality. The study therefore recommended among others that; board independent directors should be encouraged to take their responsibilities seriously in order to help improve banks' asset quality.

2.4 Summary and Gaps Identified in the Literature

This chapter provides a review on conceptual, theoretical and empirical issues relating to the research area. . Some of the studies reviewed were cross-country while others were country-specific. In summary, most extant literature in board characteristics focused more on companies as there are few on deposit money banks in Nigeria (see Ujunwa, 2012; Momoh et al., 2013; Oyerinde, 2014; Akpan et al., 2014; Ilaboya et al., 2015; Oyerogba et al., 2016; Osundina, et al., 2016; Kajola et al., 2017; Felix et al., 2019) and those that examined deposit money banks focused on audit committee, gender diversity, foreign director, board meeting, board independence (see Chechet, et al., 2013; Shettima et al., 2015; Odudu, 2016; Eluyela et al., 2018; Oyedokun, 2019; Musa et al., 2020). Also, the extant literature reviewed on both board characteristics and asset quality on performance of deposit money banks in Nigeria, shows that both concepts are studied independently and there are scanty literature regarding asset quality and bank's financial performance in Nigeria (see Lucky, et al. 2015; James, et al., 2018; Ogboru, 2019).

This literature review indicated that there are some gaps still left unfilled. Conceptually, it was observed that board credit committee, loan loss and financial expertise are scantily taken care of from deposit money banks perspective. Hence, this study fills the gap by examining these three attributes of the board on the performance of deposit money banks in Nigeria. Theoretically, the extant literature reviewed also indicates that most studies on board characteristics adopted agency theory as their theoretical framework, this fill the gap by combining the assumptions of both resource dependency theory and agency theory as the theories underpinning this study and linked both the dependent and independent variables of the study together.

Lastly, the period of 2017 to 2019 in Nigeria is characterized by recession which had a consequential effect on the economy in which financial sector is not left out. Most operational

activities of companies were affected and some servicing loan could not fulfil their obligations; thus, leading to a rise in non-performing loan of deposit money banks. The literature reviewed showed studies related to this study stopped in 2017. Hence, this study fills the time gap between 2017 and 2019. As regards methodology, panel least square regression method was adopted.

2.5 Theoretical Framework

Following the review of various theories relevant to board characteristics and asset quality on financial performance, the main thrust of this study revolves around board characteristics and asset quality impact on the financial performance of deposit money banks in Nigeria. In view of this, this study uses agency theory and resource dependence theory. This is because both theories explain the rationale of board members contributing towards achieving firms objectives via improved performance.

Linking these theories to this study, firstly, agency theory firstly emphasizes that the board of directors is one of the important mechanisms that monitor and control managers and has a vital role in the managerial policies towards maximizing shareholders' wealth. Hence, bank's activities and achievements risk erosion if appropriate board of directors is not put in place. Appropriate board structure and financial knowledge will increase the board's effectiveness and ultimately, banks' financial performance. Secondly, the theory while resolving agency conflicts ranted for settling for risk tolerance by the board while dealing with management (Bowie, et al., 1992). While bank managers may want to expose banks to unnecessary risk by scrupulous granting loan and advances that will later turn to non-performing loan or loan loss, the board is saddled with that responsibility to mitigate the risk (especially credit risk) and put necessary control in order to improve financial performance of deposit money banks.

On the other hand, based on the resource dependence theory, one of the board of directors itself functions as a resources that cannot only be supplanted for other resources but also influence the environment in its favour. This encompasses a variety of specific activities including but not limited to, providing legitimacy/bolstering the public image of the firm, providing expertise, including the provision of internal firm information by executive directors, administering advice and counsel, linking the firm to important stakeholders or other important entities, facilitating access to resources such as capital, building external relations and diffusing innovation, and aiding in the formulation of strategy or other important firm decisions (Huse, 2007). The theoretical link between these various activities is the fact that they all focus on the board as a provider of resources, rather than as an evaluator of management.

2.6 Conceptual Framework

Independent variables

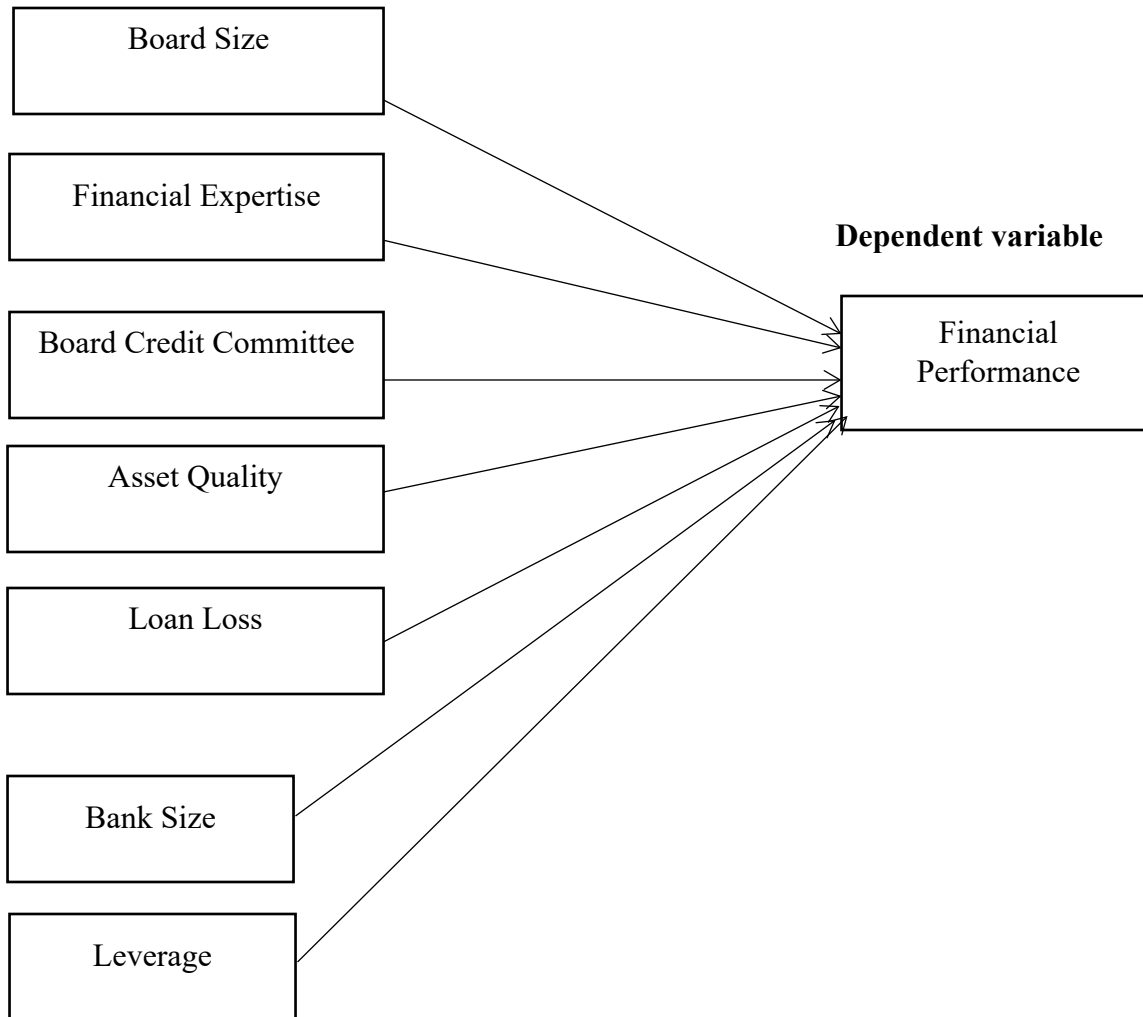


Figure 2.1

Source: Author's Conceptualisation (2020).

The conceptual framework shows the dependent and the independent variables used in the study. The dependent variable is financial performance while the independent variable are the board characteristics and asset quality proxied with board size, financial expertise, bank credit committee, asset quality and loan loss. Bank size and leverage were employed as the control variables.

CHAPTER THREE

METHODOLOGY

This chapter elucidates the research methods employed for this study. This chapter discusses research design, population of the study, sample size and technique, source of data collection, model specification, method of data analysis and variable measurement.

3.1 Research Design

This study adopted the *ex-post facto* research design given that it is targeted at analyzing the impact of some independent variables on a specified dependent variable. It is appropriate to gather snapshot of data analyzed as well as measuring the relationship between one variable and another, in which the variables involved are objectively analyzed and not manipulated by the researcher. This study makes use of econometric procedure in estimating the impact of board characteristics and asset quality on the financial performance of deposit money 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 the thirty-three (33) deposit money banks as at December 2019 for the period of six years from 2014 to 2019. The target population comprises 8 banks with international license, 11 banks with national license, 3 banks with regional license, 1 non-interest bank with national license, 1 non-interest bank with regional license, 5 banks dealing with commercial loan and investment and 4 institutions offering non-banking services. This is because their data can be accessed and their financial statements are prepared in consonance with all the regulatory framework. More so, the population is in conformity with the main objective of

this research work which is to examine the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria.

3.3 Sample Size and Sampling Technique

The target respondents (sample size) is 20 deposit money banks out of the 33 DMBs as at December, 2019. The sample size represent those deposit money banks that have international, national and non-interest banking license. Considering the variables tested, regional factors could influence the result which made the study to focus on banks with international and national license. In order to select the sample size stated above, purposive sampling technique was used to enhance the representativeness of the population as well as achieving the objectives of this study

3.4 Method of Data Collection

The secondary financial data for the study were collected from annual reports of deposit money banks. The dependent variable was financial performance. This was proxied by return on asset. The independent variables were board characteristics and asset quality, which were proxied by board size, financial expertise, board credit committee, non-performing loan and loan loss ratio of deposit money banks listed on the Nigerian Stock Exchange.

3.5 Model Specification

This study examined the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria. The model of Abdul Gafoor, et al., (2018) was adapted, modified and extended. The model of Abdul Gafoor, et al., (2018) is stated as:

$$ROA_{it} = \alpha + \beta_1 BSize_{it} + \beta_2 Bindependence_{it} + \beta_3 CEO Duality_{it} + \beta_4 Fxprt_{it} + \gamma Control variables_{it} + \varepsilon_{it}$$

Where ROA represents Return on Asset, Bsize represents Board Size, Bindependence represent Board independence, CEO Duality, Fxprt represents financial expertise, while the control variables entails bank size, loan size and capital size. Of all the variables used by Abdul Gafoor, et al., (2018), board size and financial expertise is retained while credit size, non-performing loan and loan loss were included to achieve the objectives of the study. This model is modified thus:

$$ROA_{it} = \alpha + \beta_1 BSize_{it} + \beta_2 Bcredit_{it} + \beta_3 Fxpert_{it} + \beta_4 NPL_{it} + \beta_5 Loss_{it} + \beta_6 Size_{it} + \beta_7 LEV_{it} + \mu_{it}$$

Where:

ROA = Return on Assets of bank i at time t;

β_0 = the intercept of the equation

β_{1-7} = Coefficient of the independent variables

$Bsize_{it}$ = Board Size of bank i at time t.

$Bcredit_{it}$ = Board Credit Committee of bank i at time t.

$Fxpert_{it}$ = Financial expertise of bank i at time t.

NPL_{it} = Non-performing loan of bank i at time t

$Loss_{it}$ = Loan loss of bank i at time t

$Size_{it}$ = Size of bank i at time t

LEV_{it} = Leverage of bank i at time t.

μ_{it} = Error Term

A-priori expectation

The a-priori expectation of the model is that positive relationship exists between board size, board credit committee, financial expertise, bank size and the dependent variable while negative relationship exists between the dependent variable and non-performing loan, loan loss and leverage. Numerically, $Bsize > 0$; $Bcredit > 0$; $Fxpert > 0$; $Size > 0$; $NPL < 0$; $Loss < 0$ and $LEV < 0$.

3.6 Data Analysis Techniques

The study used panel least square regression model to examine the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria. Panel least square regression technique was used to analyze the panel data sourced from the financial statement because of its effectiveness and efficiency in estimating the statistical relationship/impact of one variable on another variable. Prior to the main analysis, since panel data is used for this study, pairwise correlation test was conducted to ascertain relationship between the independent variables and dependent variables and also testing for multi-collinearity among the regressors in compliance with the classical assumption of OLS. Housman test was further conducted to select between fixed and random effect.

3.5 Definition and Measurement of Variables

Towards achieving the objectives of this study, dependent, independent and control variables were given due consideration. The dependent variable is the financial performance of deposit money banks; independent variables are the board size, board credit committee, financial expertise, non-performing asset, loan loss while the control variables are bank size and leverage. The definition and measurement are summarized below:

Variables	Construct	Definition and Measurement	Sources
Dependent variable			
Financial Performance	ROA	Ability to plan; improvement of the organization's productivity; assessment of the consistency of results with established objectives and goals; implementation of internal audit recommendations; evaluation and improvement of risk management; evaluation of internal control systems and recommendations for improvement.	Abdul Gafoor, et al., (2018); Akpan, et al., (2014); Ifeanyi, et al., (2016)
Independent variable			
Board Size	Bsize	Board size refers to the number of board of directors in the bank during an accounting year. The size of the board signals the strength of the board in effectively monitoring the asset quality of the banks. The number of board directors can change during a particular year due to end of tenure, death, resignation of existing directors or addition of new directors. Hence, the board size has been determined on the basis of the number of directors who have attended board meetings during the tenure	Liang et al., (2013); Abdul Gafoor, et al., (2018); Javed, et al., (2013); Kutum (2015)
Board Credit Committee	Bcredit	Board Credit committee contains group of people who are assigned the responsibility of assessing the credit standing of prospective borrowers as well as the ability of the borrowers to repay the amount loaned to them by credit institutions	Egungwu, et al., (2018)
Financial Expertise	Fxpert	Financial expertise is the skill required of the director to enhance the understanding of complex business environment and financial statements	Liang et al., (2013); Abdul Gafoor, et al., (2018);

		and which can lead to better monitoring.	
Asset quality	NPL	Asset quality reflects the credit quality with respect to bank's lending practices. Non-performing assets (NPA) is one of the generally accepted measures of bank's asset quality. NPA is measured as the ratio of non-performing loans (bad loans) over the total loans and advances as a measure of asset quality.	Abdul Gafoor, et al., (2018); Abdulazeez et al., (2019)
Loan loss	Loss	Loan loss provision refers to funds set aside by a bank to cover bad loans	
Control Variable			
Bank Size	SIZE	Bank size is measured as total assets that may influence the performance of banks. We used natural log of total assets as a measure of bank size to control its effect on bank performance.	Liang et al., (2013); Javed, et al., (2013); Kutum (2015)
Leverage	LEV	Leverage ratio is used to capture just how much debt the bank has relative to its capital. It is calculated by dividing the debt owed by the bank with its equity	Abdul Gafoor, et al., (2018); Liang et al., (2013)

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

This chapter covers the presentation and analysis of the data collected through secondary source using descriptive and inferential statistics. Hypotheses were restated and findings were discussed. In this chapter, the data collected in the course of conducting this research work are presented using descriptive table and analyzed using panel least square regression analysis.

4.1 Descriptive statistics

Table 4.1 presents the descriptive statistics of dependent variable (Return on assets) and explanatory variables (Board Size, Board Credit Committee, Financial expertise, asset quality, loan loss, bank size and leverage) of sampled deposit money banks in Nigeria.

Table 4.1: Descriptive Statistics of the Variables

	ROA	Bcredit	Bsize	Fxpert	LEV	LOSS	NPL	SIZE
Mean	0.200603	0.631272	0.017804	0.274637	0.157511	0.024351	0.020841	0.151938
Median	0.184884	0.598039	0.015162	0.185134	0.095194	0.013992	0.011092	0.134607
Maximum	1.406169	0.967756	0.155460	1.406169	1.380923	0.103418	0.103418	0.824114
Minimum	0.000000	0.121342	-0.006346	0.000000	0.000000	-0.024242	-0.024242	0.030437
Std. Dev.	0.144541	0.201748	0.021434	0.307389	0.225172	0.025081	0.027076	0.091239
Skewness	5.450881	-0.058050	4.376248	1.663099	3.147126	0.816108	1.497519	3.556351
Kurtosis	44.17694	2.281495	28.99845	5.821190	13.80397	2.910094	4.982631	25.89905
Sum	24.07236	75.75268	2.136526	32.95643	18.90130	2.922125	2.500935	18.23258
Sum Sq. Dev.	2.486170	4.843589	0.054672	11.24411	6.033588	0.074856	0.087238	0.990611
Observations	120	120	120	120	120	120	120	120

Source: Author's Computation, 2021.

From Table 4.1, return on asset has a minimum and maximum values of 0.0000 and 1.4062 respectively while the mean value is 0.2006 as well as the standard deviation value of 0.1445. The standard deviation signifies that the data deviate from the mean value by 0.1445 implying that there is a wide dispersion of the data from the mean because the standard deviation is higher than the mean value. The table also shows that the mean of the board credit committee of the sampled deposit money banks is 0.6313 with standard deviation of 0.2017, and minimum and maximum values of 0.1213 and 0.9678 respectively. This implies that the performance of the deposit money banks in terms of board credit committee is on average 0.6313, and the standard deviation value indicates that board credit committee of the sampled DMBs deviates from the mean value from both sides by 0.2017, implying that there is significant dispersion of the data from the mean because the standard deviation is lower. Board size of the sampled DMBs has mean of 0.0178 with standard deviation of 0.0214. The minimum and maximum values are -0.0064 and 0.1555 respectively. This implies that average payment period of the sampled firms is on average of 0.0178, and the standard deviation value indicates that the value deviates from the mean from both sides by 0.0214, implying that there is wide dispersion of the data from the mean because the standard deviation is larger than the mean.

Furthermore, the table showed that the mean of financial expertise of the sampled DMBs is 0.2746 with standard deviation of 0.3074, and minimum and maximum values of 0.0000 and 1.4062 respectively. This implies that the performance of the deposit money banks in terms of financial expertise is on average 0.2746, and the standard deviation value indicates that financial expertise of the sampled deposit money banks deviates from the mean value from both sides by 0.3074, implying that there is significant dispersion of the data from the mean because the standard deviation is higher. Leverage of the sampled deposit money banks has mean of 0.1575 with standard deviation of 0.2252. The minimum and maximum values are 0.0000 and 1.2809 respectively. This implies that leverage of the sampled deposit money banks is on average of

0.1575, and the standard deviation value indicates that the value deviates from the mean from both sides by 0.2252, implying that there is wide dispersion of the data from the mean because the standard deviation is larger than the mean.

Loan loss of the sampled deposit money banks recorded a mean value of 0.0244 with standard deviation of 0.0251. The minimum and maximum values are -0.0242 and 1.034 respectively. This implies that loan loss of the sampled deposit money banks is on average of 0.024, and the standard deviation value indicates that the value deviates from the mean from both sides by 0.0251, implying that there is little dispersion of the data from the mean because the standard deviation is slightly larger than the mean. The table also shows that the asset quality has an average value of 0.0208 with standard deviation of 0.0271. The minimum and maximum values are -0.0242 and 0.1034 respectively. This implies that asset of the sampled deposit money banks is on average of 0.024, and the standard deviation value indicates that the value deviates from the mean from both sides by 0.0271, implying that there is little dispersion of the data from the mean because the standard deviation is slightly larger than the mean. Lastly, bank size of the sampled deposit money banks recorded a mean value of 0.1519 with standard deviation of 0.0912. The minimum and maximum values are 0.0304 and 0.8241 respectively. This implies that loan loss of the sampled deposit money banks is on average of 0.1519, and the standard deviation value indicates that the value deviates from the mean from both sides by 0.0912, implying that there is little dispersion of the data from the mean because the standard deviation is slightly lower than the mean.

4.2 Preliminary Analysis of Data

This section presents the results of the diagnostic tests concerning the distribution of the scores of the study's variable and their relationship. The preliminary test is conducted to ensure non-violation of the assumptions (non-existence multicollinearity of independents variables, and

normality and linearity of the distribution of scores on the variables) of the multiple regressions techniques used for the testing of hypotheses on the research questions raised in chapter one.

4.2.1 Normality test

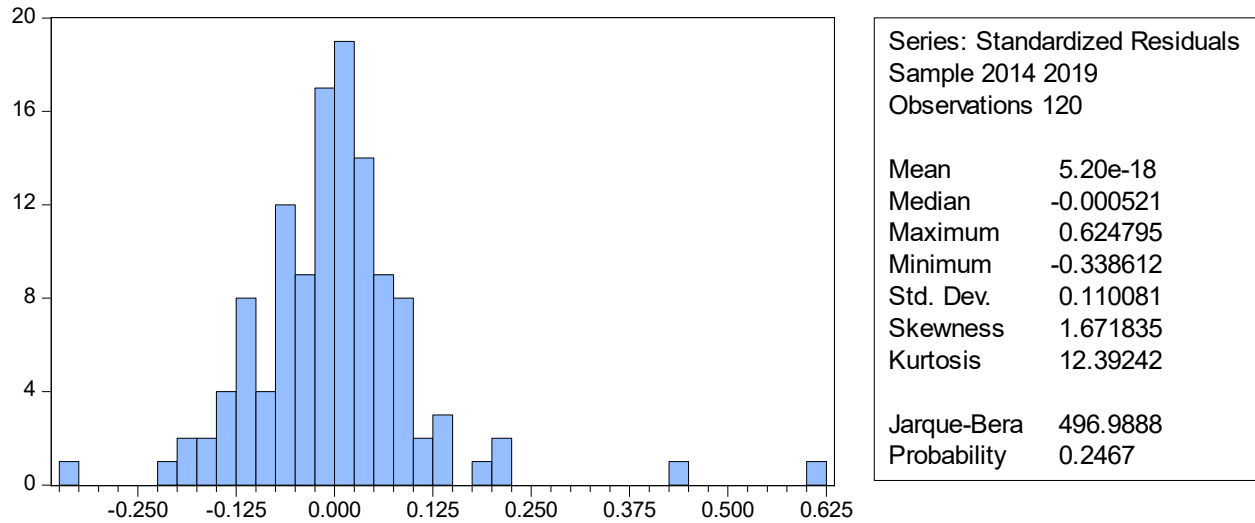


Figure 4.1: Histogram and normal probability plots

Source: Author's computation, 2021.

The primary preliminary test for the data analysis is normality test. Figure 4.1 indicated that the data relating to the research variables were normally distributed as the p-value are not significant at 0.05. As a result of this, the study found parametric statistical analysis very appropriate in the study.

4.2.2 Pairwise Correlation

Table 4.2 presents the results of correlation analyses among the variables. This exercise serves two important purposes. First is to determine whether there are bivariate relationships between each pair of the dependent and independent variables. The second is to portray that the correlations among the explanatory variables are not so high to the extent of posing multi-collinearity problems.

Table 4.2: Pairwise Correlation

	ROA	Bcredit	Bsize	Fxpert	Npl	Loss	Size	Lev
ROA	1.000000							
Bcredit	0.209925	1.000000						
Bsize	0.433825	-0.072232	1.000000					
Fxpert	0.158134	-0.131141	0.019843	1.000000				
NPL	-0.085688	-0.196612	-0.241308	0.064534	1.000000			
Loss	-0.109937	0.078557	-0.337600	-0.031499	-0.170312	1.000000		
Size	0.016845	-0.451463	0.076572	0.318701	0.099039	-0.029626	1.000000	
Lev.	-0.105509	-0.031066	-0.004951	-0.061625	0.000496	-0.092488	-0.293017	1.000000

Source: Author’s computation, 2021.

From Table 4.2, board credit committee has positive correlation coefficient with return on assets of 0.209925. This implies moderate positive relationship exists between board credit committee and return on asset. Board size also positively correlate with return on asset with a coefficient of 0.433825. This also indicates moderate relationship between return on asset and board size. Financial expertise and bank size also have positive correlation with the return on asset with coefficient of 0.158134 and 0.016845 respectively. On the contrary, asset quality, loan loss and leverage are negatively correlated with the return on asset. This established the fact that negative relationship exist between the variables and the return on asset.

To detect multicollinearity, pairwise correlation was embraced in this study to examine the latent constructs through correlation matrix. According to Hair, *et al.* (2010), a correlation coefficient of

0.90 and above indicates multicollinearity between exogenous latent constructs. The result shows that there is no multicollinearity among the variables.

4.3 Regression Result

The main objective of this research work is to examine the impact of board characteristics, asset quality on the financial performance of deposit money banks in Nigeria. To achieve this, a panel data regression analysis was conducted. Both random and fixed effect model were analyzed and Hausman specification test was conducted to decide on the best estimates from the both model results.

4.3.1 Hausman Test

Table 4.3: Hausman Test

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		7.945486	7	0.3374
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
BCREDIT	0.229470	0.205724	0.001283	0.5073
BSIZE	2.863055	2.891225	0.059302	0.9079
FXPERT	0.045145	0.093992	0.000391	0.0135
LEV	0.059837	0.028885	0.003166	0.5823
LOSS	-0.025417	0.477543	0.077547	0.0709
NPL	0.566834	-0.098868	0.132305	0.0672
SIZE	-0.516384	-0.367311	0.010907	0.1535

Source: Author's computation, 2021.

Table 4.3 presents the result for Hausman specification test which was used to test the endogenous regressors. This is to ascertain the values of the endogenous regressors determined by other variables in the system to ensure that there is no correlation between a predictor variable and error term. From Table 4.3, the result reveals χ^2 value of 7.9454 with 0.3374 probability which is above the 0.0500 significant margin. The null hypothesis is therefore accepted stating that the difference in coefficients is not systematic. From the result the random effect was accepted and interpreted as the appropriate model.

4.3.2 Panel Least Squares Regression Result

Table 4.4: Panel Least Square Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.339927	0.078649	4.322085	0.0000
BCREDIT	0.229470	0.078170	2.935546	0.0042
BSIZE	2.863055	0.684794	4.180899	0.0001
FXPERT	0.045145	0.045961	0.982242	0.3287
LEV	-0.059837	0.079647	-0.751279	0.4545
LOSS	-0.025417	0.601476	-0.042257	0.9664
NPL	-0.566834	0.605568	-0.936038	0.0318
SIZE	0.516384	0.194702	2.652182	0.0095
Effects Specification				
R-squared	0.419988	Mean dependent var	0.200603	
Adjusted R-squared	0.215666	S.D. dependent var	0.144541	
S.E. of regression	0.128010	Akaike info criterion	-1.050244	
Sum squared resid	1.442009	Schwarz criterion	-0.306913	
Log likelihood	95.01466	Hannan-Quinn criter.	-0.748374	
F-statistic	2.055516	Durbin-Watson stat	2.045079	
Prob(F-statistic)	0.004683			

Source: Author's computation, 2021.

It can be deduced from the panel data (random effect) output in Table 4.4 that the coefficient of determination (R-squared) has a value of 0.4199 which implies that explanatory variables (board credit committee, board size, financial expertise, asset quality, loan loss, bank size and leverage) were able to explain 42% of the total variation in return on asset (ROA). The remaining 58% represent other explanatory variables (stochastic/unobserved) that also predict the dependent variable (ROA). In general, the result showcased a strong goodness of fit of the model. The F-statistics was significant at 5% evidenced by its probability of 0.0046 which implies that all independent variables were jointly significant in explaining return on asset. Also, the Durbin-Watson of the model indicates 2.05 which also indicate that there is no autocorrelation in the residuals.

With respect to the coefficients, the constant (C) has a value 0.3399, whose implication is that if all the explanatory variables are held constant or pegged at zero (0), the explained variable-return on assets will surge by 0.3399 units. This shows that regardless of change on the explanatory variable, firm's profitability will be elevated. Also, board credit committee has a coefficient of 0.2295 on return on asset. This implies that where other predictors are held constant, a unit change in the board credit will precipitate 0.23 increase in return on asset. Board size has a coefficient of 2.8631 on return on asset and this implies that where other variables are held constant, a unit change in board size will result to 2.86 increase in return on asset. Furthermore, financial expertise has a coefficient of 0.0451 which also indicate that holding other predictors constant, a unit change in financial expertise will necessitate 0.04 increase on return on assets. Board size has a coefficient of 0.5164 which implies that a unity change in board size will lead to 0.5164 units in return on asset holding other variables constant.

Contrarily, leverage has coefficient of -0.0598 implying that a unit change in firm's size holding other variables constant will lead to a decrease 0.06 in return on asset. Also, loss shows a coefficient of -0.0254 on return on asset which implies that a unit change in loan loss leads to 0.02 decrease in return on asset. Lastly, asset quality (non-performing loan) has a coefficient -0.5668 implying that holding other variables constant, a unit change in asset quality will precipitate 0.57 decrease in return on assts.

4.4 Restatement and Testing of Hypotheses

4.4.1 Board size and Financial Performance

H₀₁: Board size has no significant impact on the financial performance of deposit money banks in Nigeria. The regression analysis conducted in Table 4.4 above shows that the coefficient of board size is positive. This implies that increase in board size leads to increase in financial performance of deposit money banks. In addition, the p-value of board size is 0.0001 which is lower than 0.05 i.e. it is statistically significant. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted which states that board size has significant impact on the financial performance of deposit money banks in Nigeria.

4.4.2 Board Credit Committee and Financial Performance

H₀₂: Board Credit Committee do not significantly impact on the financial performance of deposit money banks in Nigeria. The regression analysis conducted in Table 4.4 above shows that the coefficient of board credit committee is positive implying that increase in board credit committee leads to increase in financial performance of deposit money banks. In addition, the p-values of board credit committee is 0.004 which is lower than 0.05 i.e. it is statistically significant. Hence, the null hypothesis is rejected while the alternative hypothesis is accepted which states that board

credit committee has significant impact on the financial performance of deposit money banks in Nigeria.

4.4.3 Financial Expertise and Financial Performance

H₀₃: there is no significant relationship between financial expertise and financial performance of deposit money banks in Nigeria. Though, the correlation conducted in Table 4.2 shows that positive relationship exist between financial expertise and financial performance of deposit money banks in Nigeria but the regression analysis conducted in Table 4.4 above shows that the coefficient of financial expertise is positive implying that increase in financial expertise leads to increase in financial performance of deposit money banks. In addition, the p-values of financial expertise is 0.3287 which is higher than 0.05 i.e. it is statistically insignificant. Hence, the alternative hypothesis is rejected while the null hypothesis is accepted which states that there is no significant relationship between financial expertise and financial performance of deposit money banks in Nigeria.

4.4.4 Asset Quality and Financial Performance

H₀₄: Asset quality has no significant effect on the financial performance of deposit money banks in Nigeria. The regression analysis conducted in Table 4.4 above shows that the coefficient of non-performing asset is negative implying that increase in non-performing assets precipitates decrease in financial performance of deposit money banks. In addition, the p-values of financial expertise is 0.0318 which is lower than 0.05 i.e. it is statistically significant. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted which states that asset quality has significant effect on the financial expertise and financial performance of deposit money banks in Nigeria.

4.4.5 Loan Loss and Financial Performance

H₀₅: Loan loss does not significantly affect the financial performance of deposit money banks in Nigeria. The regression analysis conducted in Table 4.4 above shows that the coefficient of non-performing asset is negative implying that increase in non-performing assets precipitates decrease in financial performance of deposit money banks. In addition, the p-values of financial expertise is 0.9665 which is higher than 0.05 i.e. it is statistically insignificant. Therefore, the alternative hypothesis is rejected while the null hypothesis is accepted which states that loan loss does not significantly affect the financial expertise and financial performance of deposit money banks in Nigeria.

4.5 Discussion of Findings

After the analysis of data gathered through the financial statements of the sampled deposit money banks in Nigeria, the empirical findings of the research showed that to a very large extent, board characteristics and asset quality has impact of the financial performance of deposit money banks in Nigeria. The study revealed that board size has positive impact and it is significant. The implication is that the larger the board, the more diverse it seems to be in terms of composition, qualification and experience which they are to put to fore in making strategic decision that may positively or negatively impact on the deposit money banks especially performance. Experience has shown that in the past, a feature of many large public companies that have collapsed dramatically has been a domination of the board's decision making by an individual or a small group of individuals. This finding conforms with Abdul Gafoor, et al., (2018); Anis, et al., (2013); Javed, et al., (2013); Nyamongo, et al., (2013); Johl, et al., (2015); Odudu, et al., (2016); Hassan (2011); Jadah, et al., (2016) who asserted that the bigger the board size, the better for the performance of the firms. This finding is however contrary to Chechet, et al., (2013); Hassan, et

al., (2013); Ghabayen (2012); Musa, et al., (2020) who opined that larger board size negatively affect the performance of firms.

Furthermore, the study revealed that board credit committee has positive impact on the financial performance of deposit money banks in Nigeria and the result shows that it is statistically significant. This implies that board credit committee plays a supervision role to the banks' loan officers who directly relates to banks' customers and evaluate their loan proposal. The board credit committee having exercised their objective analysis in appraising the loan proposal submitted by banks customers, the credit risk of the banks that may constitute loss to the banks will be reduced to a barest minimum thereby improving the financial performance of deposit money banks in Nigeria. Risk is germane in determining the profitability of deposit money banks as ineffectiveness in its management will make financial performance unstable, affects banks' liquidity and ultimately lead to banks' distress. This findings is in consonance with the study of Chechet, et al., (2013); Egungwu, et al., (2018) and contrary to the study of Chechet, et al., (2013); Hassan, et al., (2013); Ghabayen (2012);

The study also revealed that financial expertise relate positively to return on asset but statistically insignificant. Despite its insignificance, financial knowledge of the board members play a key role as their knowledge will be useful when it comes to making crucial financial decisions that will ultimately have consequential effect on the financial performance of deposit money banks. This findings align with Johl, et al., (2015). Also, loan loss is statistically insignificant and negatively relate to the financial performance of deposit money banks. However, some bank crises have been reported due to severe loan loss which hade over time reduced the profitability of banks.

In addition, this study found that asset quality negatively impact on the financial performance of deposit money banks and the result indicates that asset quality statistically significant. The larger

the non-performing assets of the deposit money banks, the greater the effect on the financial performance of deposit banks in Nigeria and ultimately affect shareholders' wealth maximization. The huge asset quality of deposit banks in Nigeria may be attributed to huge and backlog of debts owed by the public enterprises and efforts to recover have been proved abortive because of government backing. This findings is in consonance with Francis, et al., (2012); Liang, et al., (2013); Momoh et al., (2013); Abata (2014); Adam (2014); Oyerinde (2014); Shettima et al., (2015); Oyedokun (2019); Bouteska (2020); Barus (2017); but contrary with the study of Adebisi, et al., (2015); Kariuki, et al., (2016); Ujunwa (2012); Khalid (2012); Muhmad, et al.,(2015); Thiagarajan (2016); Kadioglu, et al., (2017);

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Bank regulators have continuously placed huge responsibility and higher standards of accountability on board of directors but bank failures are still recorded due to inability to recover loan losses as a result of poor economic performance. The effectiveness of banks board have become an important question especially with the newly adopted governance rules. The long-term banking stability and prosperity is considered unanimously as a prerequisite in order for national economies to achieve and maintain positive growth rates. Thus, this study examined the impact of board characteristics and asset quality on the financial performance of deposit money banks in Nigeria. Five specific objectives were developed to proffer answers to the research questions and research hypotheses were formulated in line with the objectives of the study.

The study reviewed literature on asset quality, board characteristics and financial performance. The reviews were divided into three: conceptual, theoretical and empirical. The study vividly examined the concepts of board characteristics, board size, board credit committee, financial expertise, asset quality, loan loss and financial performance. The study also reviewed resource dependence theory, agency theory, and stakeholders' theory while agency and resource dependence theory were adopted as theoretical framework. The results of previous studies were empirically reviewed and were divided into developed, developing and Nigeria for easy understanding and to bring out the lacuna on previous studies on board characteristics, asset quality on financial performance of deposit money banks.

The study adopted ex-post facto research design. The population of the study was thirty-three (33) of which sample size of 20 was drawn based on the nature of their license i.e. international and national. The secondary data was sourced for the audited financial statement of the listed deposit money banks. Variables were clearly defined and measured in line with the previous studies while the model of Abdul Gafoor, et al., (2018) was adapted. Panel least squares regression was used to analyze the data after descriptive and preliminary statistics.

The study revealed that board size has a positive impact on the financial performance of deposit money banks in Nigeria. This is because the larger the board, the more diverse it seems to be in terms of composition, qualification and experience which are used towards improving financial performance of deposit money banks. Also, the study found that board credit committee has positive impact on the financial performance of deposit money banks in Nigeria simply because board credit committee plays a supervision role to the banks' loan officers who directly relates to banks customers and evaluate their loan proposal. The study further revealed that financial knowledge of board members play a key role while making decision that will improve financial performance of deposit money bank. Lastly, the study found that asset quality negatively impacts on the financial performance of deposit money banks indicating that huge non-performing loans has greater effect on the financial performance of deposit banks in Nigeria and ultimately affect shareholders' wealth maximization.

5.2 Conclusion

Based on the findings of this study, it is evident that board characteristics and asset quality plays significant role in the financial performance of deposit money banks in Nigeria. This is explained by the linear relationship that exist between the dependent and independent variables and the regression results showed the magnitude by which board characteristics and asset quality

influenced the financial performance of deposit money banks in Nigeria. Among the board characteristics variables used for this study, board credit committee is prime when it comes to granting loans and advances as whatever decisions taken at the committee have consequential effect on asset quality, loan loss and ultimately financial performance of deposit money banks.

Deposit money banks are prone to credit risk; and loans and advances are usually among the riskiest of all asset that may threaten bank liquidity's position leading to distress. Therefore, the significance of asset quality and loan loss on financial performance requires much attention as the bank management ought to effectively manage its credit risk else, its financial performance will be unstable. This indicates that profit before tax is responsive to the credit policy. Thus, it is of crucial importance for banks to practice prudent credit risk management to safeguard their assets and protect the investors' interests.

5.3 Recommendations

In view of the findings of this research work, the following recommendations are made in order to improve the financial performance of the deposit money banks:

- i. Since board size impacts the financial performance of the deposit money banks, this study recommends that the board size of deposit money banks should be rationalized in line with the corporate governance code and its composition should be diverse enough to accommodate qualification and experience that will add value towards improving financial performance of deposit money banks
- ii. The Central Bank of Nigeria should mandate the board credit committee to supervise the roles of loan officers in order to minimize the risk exposure of the deposit money banks as this role is being performed by audit committee in some banks

- iii. All credit risk managers and lending officers should adhere strictly to good lending practice; they should know the purpose of the loan and ensure the feasibility of every loan proposed as this would in turn, help inform policy decisions in improving credit appraisal mechanisms to improve the quality of bank loan portfolios.
- iv. In choosing board members, members with financial knowledge are enjoined to be appointed as they will contribute their skills towards improving financial performance of deposit money banks
- v. Finally, to reduce the non-performing loan, much effort should be placed on credit appraisal process and credit risk among other risks, should be effectively managed to avoid illiquidity of banks and reduce bank distress.

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Fixed

Dependent Variable: ROA
Method: Panel Least Squares
Date: 01/29/21 Time: 12:02
Sample: 2014 2019
Periods included: 6
Cross-sections included: 20
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BCREDIT	-0.229470	0.078170	-2.935546	0.0042
BFSIZE	2.863055	0.684794	4.180899	0.0001
FXPERT	0.045145	0.045961	0.982242	0.3287
LEV	0.059837	0.079647	0.751279	0.4545
LOSS	-0.025417	0.601476	-0.042257	0.9664
NPL	0.566834	0.605568	0.936038	0.3518
SIZE	-0.516384	0.194702	-2.652182	0.0095
C	0.339927	0.078649	4.322085	0.0000

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.419988	Mean dependent var	0.200603
Adjusted R-squared	0.215666	S.D. dependent var	0.144541
S.E. of regression	0.128010	Akaike info criterion	-1.050244
Sum squared resid	1.442009	Schwarz criterion	-0.306913
Log likelihood	95.01466	Hannan-Quinn criter.	-0.748374
F-statistic	2.055516	Durbin-Watson stat	2.745079
Prob(F-statistic)	0.004683		

Random

Dependent Variable: ROA
 Method: Panel EGLS (Cross-section random effects)
 Date: 01/29/21 Time: 12:04
 Sample: 2014 2019
 Periods included: 6
 Cross-sections included: 20
 Total panel (balanced) observations: 120
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BCREDIT	-0.205724	0.069482	-2.960834	0.0038
BSIZE	2.891225	0.640032	4.517312	0.0000
FXPERT	0.093992	0.041490	2.265377	0.0255
LEV	0.028885	0.056368	0.512437	0.6094
LOSS	0.477543	0.533128	0.895737	0.3724
NPL	-0.098868	0.484156	-0.204207	0.8386
SIZE	-0.367311	0.164323	-2.235296	0.0275
C	0.294871	0.070194	4.200780	0.0001

Effects Specification

	S.D.	Rho
Cross-section random	0.000000	0.0000
Period fixed (dummy variables)		
Idiosyncratic random	0.128010	1.0000

Weighted Statistics

R-squared	0.303410	Mean dependent var	0.200603
Adjusted R-squared	0.225287	S.D. dependent var	0.144541
S.E. of regression	0.127222	Sum squared resid	1.731842
F-statistic	3.883780	Durbin-Watson stat	2.426681
Prob(F-statistic)	0.000061		

Unweighted Statistics

R-squared	0.303410	Mean dependent var	0.200603
Sum squared resid	1.731842	Durbin-Watson stat	2.426681

Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.945486	7	0.3374

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BCREDIT	-0.229470	-0.205724	0.001283	0.5073
BSIZE	2.863055	2.891225	0.059302	0.9079
FXPERT	0.045145	0.093992	0.000391	0.0135
LEV	0.059837	0.028885	0.003166	0.5823
LOSS	-0.025417	0.477543	0.077547	0.0709
NPL	0.566834	-0.098868	0.132305	0.0672
SIZE	-0.516384	-0.367311	0.010907	0.1535

Cross-section random effects test equation:

Dependent Variable: ROA

Method: Panel Least Squares

Sample: 2014 2019

Periods included: 6

Cross-sections included: 20

Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.339927	0.078649	4.322085	0.0000
BCREDIT	0.229470	0.078170	2.935546	0.0042
BSIZE	2.863055	0.684794	4.180899	0.0001
FXPERT	0.045145	0.045961	0.982242	0.3287
LEV	-0.059837	0.079647	-0.751279	0.4545
LOSS	-0.025417	0.601476	-0.042257	0.9664
NPL	-0.566834	0.605568	-0.936038	0.0318
SIZE	0.516384	0.194702	2.652182	0.0095

Effects Specification

Cross-section fixed (dummy variables)

Period fixed (dummy variables)

R-squared	0.419988	Mean dependent var	0.200603
Adjusted R-squared	0.215666	S.D. dependent var	0.144541
S.E. of regression	0.128010	Akaike info criterion	-1.050244
Sum squared resid	1.442009	Schwarz criterion	-0.306913
Log likelihood	95.01466	Hannan-Quinn criter.	-0.748374
F-statistic	2.055516	Durbin-Watson stat	2.045079
Prob(F-statistic)	0.004683		

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