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## BOARD OF DIRECTORS' CHARACTERISTICS AND THE PROFITABILITY OF LISTED BANKS IN NIGERIA

OGUNE, Oke<sup>1</sup> & Professor OKOLIE, A.O. FCA<sup>2</sup>

<sup>1</sup>Postgraduate Student, Department of Accounting, Faculty of Management Sciences,  
Delta State University, Abraka, Nigeria

<sup>2</sup>Department of Accounting, Faculty of Management Sciences,  
Delta State University, Abraka, Nigeria

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Corresponding Author: OGUNE, Oke

Email: [Oguneoke11@gmail.com](mailto:Oguneoke11@gmail.com)

### Abstract

This study investigated the connection between board of directors' characteristics and the Nigerian listed banks' profitability. The study adopted secondary data sourced from the published financial statements of 12 listed commercial banks in Nigeria. The study covered a period of 10 years beginning from 2012 to 2021. The study estimated profitability using return on equity (ROE), while board of directors' characteristics was estimated using board size, diversity, independence and diligence. The panel data were analyzed with descriptive statistics, diagnostic tests and inferential statistics. According to the study's statistical findings, board independence has a strong association with profitability, although board diversity, board diligence, and board size continue to have little bearing on it. According to the study, corporate board characteristics as a whole have a substantial impact on the profitability of listed banks in Nigeria. On the basis of the result, the study recommends that companies should focus on appointing qualified and independent directors to their boards. This can be done by developing a clear and concise nomination policy and by using a professional search firm to identify qualified candidates

**Keywords:** Board Size, Board Diligence, Board Independence, Board Gender Diversity.

### INTRODUCTION

The evaluation of the effects of board of directors' characteristics on the profitability of Nigerian banks has received more attention in recent years. While upholding the interests of stakeholders, the board of directors' composition, which includes both executive and non-executive members, is crucial in guiding the institution's strategic direction (Ighoroje, 2022). Instances of poor

corporate governance have been connected with underperformance and failure of financial institutions, underscoring the urgency to establish well-structured and diverse boards in terms of size, skill sets, and expertise (Ighoroje, 2022; Dzingai & Fakoya, 2017).

Banks hold a critical position within the economy as integral components of the financial system, providing crucial services that facilitate economic activities (Jabar & Adegbayibi, 2022). Despite their central role, there are certain challenges that the Nigerian banking sector faces, such as variations in customer trust and engagement compared to other financial sectors. This divergence could partly be attributed to inefficiencies within the banking sector, encompassing issues such as inadequate risk assessment and unsatisfactory customer service (Oyedokun, 2019). These deficiencies have an adverse impact on the confidence of investors, which in turn influences the performance of bank stocks in the Nigerian market.

The perception of investors towards the Nigerian banking sector appears to be influenced by concerns regarding transparency, accountability, and overall governance practices. Therefore, the composition of an effective board is anticipated to address these challenges, thereby enhancing the operational efficiency and performance of banks. Notable issues affecting the profitability and overall performance of banks in Nigeria have been identified by scholars. These issues among others include ethical concerns, suboptimal risk management, labor standards, regulatory gaps, and the absence of a comprehensive code of conduct tailored to banking activities in Nigeria (Irukwu, 2009; Akingbola, 2010; Soares, 2014; Okoro & Ekwueme, 2021).

Previous studies (Mahmud, 2017; Emeka & Agbuta, 2019; Aminu, Aisha & Mohammed, 2015; Mohammed, 2016; Jeroh, 2020) have examined the connection between board qualities and the performance of listed corporations in Nigeria. Studies have also looked at how corporate governance affects a company's overall performance (Ibe, Ugwuanyi, & Okanya, 2017; Abdullahi & Zechariah, 2019). The effectiveness of corporate board structures and their effect on the profitability of banks, however, have received very little study. Tahir, Masri, and Rahman (2020), who examined board characteristics and dividend payment policy within a framework that includes financial leverage mediation, are notable exceptions. Similarly, Gugler, Mueller, and Yurtoglu (2004) explored the interplay between corporate governance and the Returns on Investment.

In light of the existing gap, this study examined the relationship between board of directors' characteristics and profitability of listed Nigerian banks. The analysis encompassed dimensions such as board size, board diversity, board independence, and board meetings as indicators of board of directors' characteristics, while return on equity (ROE) as indicator of profitability. The specific objectives of this study are to:

- (i) assess the impact of corporate board size on the profitability of listed Nigerian banks.
- (ii) investigate the relationship between corporate board diversity and the profitability of listed Nigerian banks.
- (iii) Examine how listed Nigerian banks' profitability is affected by corporate board independence.
- (iv) Analyze how corporate board meetings affect the financial performance of listed Nigerian banks.

## LITERATURE REVIEW

### Board Diligence and Profitability

Regular board meetings are a fundamental gauge of a board's diligence and effectiveness. They play a crucial role in addressing challenges, shaping strategic plans, and boosting a company's productivity (Ighosewe, 2022). An engaged and proactive board demonstrates its commitment through consistent and purposeful meetings, allowing members to collectively tackle operational complexities and make well-informed decisions. While earlier research examined the relationship between board meeting frequency and company performance, studies by Oyedokun (2019) and Usman and Yahaya (2023) suggest that outcomes are significantly influenced not only by the quantity of meetings but also by the caliber and content of discussions.

Effective board meetings provide a platform for comprehensive deliberation on key issues ranging from risk management to innovation strategies, reflecting the active engagement of board members in shaping operational policies and addressing critical challenges (Eferakeya, Enaibre, & Offor, 2016). The diligence of board members during these meetings, including thorough preparation, active participation, critical questioning, and thoughtful contributions, is vital. Such diligence empowers boards to assess complex challenges and opportunities, thus guiding banks toward sustainable profitability (Awad & Ghanem, 2023). Ultimately, successful banks are characterized by boards that engage rigorously, critically analyze issues, and collaboratively make well-informed decisions, bolstering their competitive stance and enhancing profitability within the Nigerian banking sector. A null hypothesis was formulated to achieve this objective thus:

*H<sub>01</sub>: Board diligence has no significant effect on the profitability of listed banks.*

### Board Gender Diversity and Profitability

Board diversity encompasses a heterogeneous composition of directors, including factors such as gender, nationality, experience, age, qualifications, and backgrounds. The aim is to create a dynamic and effective board with members who collectively offer diverse traits, skills, and experiences, ultimately leading to comprehensive and timely leadership. Ighoroje (2022) highlighted that diverse directors, particularly independent non-executives, contribute unbiased insights, enriching the decision-making process. In Nigerian banking, gender diversity on boards is pivotal. This involves balanced representation of both genders to enhance perspectives and enrich decision quality.

Research suggests gender-diverse boards can yield a wider range of insights and problem-solving methods, contributing to more effective strategies (Arora & Sharma, 2016). Studies by Darko, Aribi & Uzonwanne (2016) and Dzingai and Fakoya (2017) hint that gender diversity, while not always directly linked to profitability, positively affects financial performance. Women on boards may improve risk management, corporate governance, and financial reporting, leveraging diverse talents for identifying opportunities and navigating challenges. A null hypothesis was formulated to achieve this objective thus:

*H<sub>02</sub>: Board gender diversity has no significant effect on the profitability of listed banks.*

### Board Size and Profitability

Board size encompasses the count of directors, spanning both executive and non-executive roles, within a company's board. Agency theory posits that a larger board is integral for an organization to house an adequate mix of executive and non-executive directors, tasked with overseeing and

regulating the firm's performance in alignment with shareholders' interests. Translating this concept to the context of Nigerian banking, the relevance of board size's impact on bank profitability comes to the fore (Ibrahim, Adesina, Olufowobi & Ayinde, 2018).

The size of a bank's board can shape its effectiveness in strategic decision-making, operational efficiency, and overall financial performance. While a larger board can harness a broader array of expertise and viewpoints, it's crucial to acknowledge the potential challenges that an excessively large board might introduce, such as hindrances to effective communication, decision-making bottlenecks, and diluted accountability (Emeka & Alem, 2017). Striking the right balance between diverse inputs and streamlined communication becomes pivotal in optimizing board size. According to Emeka and Alem (2016), from 2004 to 2013, the board size of listed banks in Nigeria had a favorable, significant impact on their profitability. To accomplish this, the following null hypothesis was created:

*H<sub>03</sub>: Board size has no significant effect on the profitability of listed banks in Nigeria.*

### **Board Independence and Profitability**

Board independence stands as a cornerstone in establishing a well-structured board, chiefly due to its capacity to mitigate agency costs. Ensuring the independence of a company's board is essential for cultivating decisions and policies that remain untarnished by personal biases or undue influences (Jabar & Adegbayibi, 2022). This involves prioritizing a higher ratio of independent non-executive directors compared to their executive counterparts. The composition of a corporate board encompasses both executive and non-executive members, where executive directors are engaged in day-to-day operations while non-executive directors lack management affiliations or contractual obligations (Fuzi, Halim, Abdul & Julizaerma, 2016).

Transposing this principle to the Nigerian banking landscape underscores the importance of board independence. An independent board functions as a safeguard against conflicts of interest, enhancing the trustworthiness and integrity of decision-making. Odudu, James and James (2016) reported that, independent board has direct minimal effects on ROA. A null hypothesis was formulated to achieve this objective thus:

*H<sub>04</sub>: Board independence has no significant effect on the profitability of listed banks.*

### **Theoretical Framework**

This study was anchored on the stewardship theory which was developed by Donaldson and Davis in 1991. The theory posits a unique perspective on corporate governance that aligns with enhancing shareholder value through responsible and diligent leadership. Originating from a seminar conducted in 1976, this theory emphasizes the role of stewards—leaders and managers—in preserving and maximizing shareholder wealth by diligently managing the company's performance. Stewards are tasked with safeguarding shareholders' interests and ensuring their profitability (Jabar & Adegbayibi, 2022; Usman & Yahaya, 2023).

As the organization prospers, stewards derive satisfaction and motivation from their role in contributing to the success of the company. In the context of banks in Nigeria, the principles of stewardship theory resonate profoundly. Effective board characteristics align with the core tenets of stewardship theory, wherein board members act as responsible stewards of the bank's resources and the interests of its shareholders (Jabar & Adegbayibi, 2022). A well-composed board, comprising directors with diverse expertise, independence, and a commitment to shareholder value, embodies the stewardship concept. Board members, acting in their capacity as

stewards, focus on strategic decision-making, risk management, and governance that promote the bank's long-term profitability and sustainability.

Stewardship theory's relevance extends to how board characteristics directly influence the profitability of banks in Nigeria. A board with directors who prioritize the interests of shareholders, possess diverse skills, exercise independent oversight, and emphasize prudent risk management is better positioned to guide the bank toward sustained financial success. Effective governance practices, driven by the principles of stewardship theory, foster a culture of responsible leadership, aligning board actions with shareholder value maximization.

### **Empirical Studies**

Usman and Yahaya (2023) used a sample of 112 businesses listed on the NGX (Nigerian Exchange Limited) over the financial years spanning from 2009 to 2021 to explore the impact of board features on firm value in the Nigerian setting. To examine the hypotheses, the study uses an OLS pooled data regression model. The study also broadens its scope to include an exhaustive analysis of share prices across industry sectors, size categories, and individual company-specific qualities, giving readers a full grasp of share price dynamics in general. The results clearly demonstrate the importance of a number of board attributes, such as board size, board independence, and board share ownership, on company value in Nigeria. The study also highlights how, in the Nigerian environment, business listing age and firm size have a significant impact on firm valuation.

Within listed financial enterprises on the Nigerian Stock Exchange, Lawal, Bukola, Olakanmi, Samson, Ike, Ajayi, Adeniran, Ezekiel, Oyelude, and Adigun (2022) investigated the connection between technical efficiency, corporate governance, and financial performance. The study makes use of the shareholder theory, stakeholders' theory, and resource dependence theory to do this. The study uses a thorough methodology and stochastic frontier analysis to examine the effect of technical efficiency on the relationship between corporate governance and financial performance. Additionally, a dataset from 2007 to 2020 is examined using different regression techniques, including Ordinary Least Squares (OLS) and Poisson estimates. The results of the OLS estimates show a considerable, although adverse, association between the listed companies' financial success and their corporate governance practices.

Ighoroje (2022) investigated the influence of various attributes on the Return on Equity (ROE) of banks listed on the Nigerian exchange. The study encompassed 14 Deposit Money Banks (DMBs) in Nigeria over the period from 2012 to 2021. The independent variables included board attributes such as board size, board educational exposures, diversity within the board, and board independence, while the dependent variable was the corporate performance indicated by the ROE. Despite a deviation from the normality assumption, the Generalized Linear Model (GLM) was chosen as the suitable estimation technique. The findings revealed that board size and board diversity had positive and statistically significant impacts on ROE, while board independence exhibited a minimal yet negative effect. Additionally, the positive influence of board educational exposures on ROE was observed. In conclusion, the study provided valuable insights into the complex relationship between board attributes and bank performance in Nigeria's financial sector.

The impact of corporate board structure on investor returns for insurance companies listed on the Nigerian Exchange Limited was studied by Jabar and Adegbayibi in 2022. The study's main

goals included determining how these listed insurance companies performed in relation to board diversity, independence, size, and meetings. Ex-post facto research methodology was used in the study, which relied on secondary data from the audited yearly financial statements of a small number of insurance companies operating in the Nigerian market. Relevant insights were revealed by the findings: First, the analysis found that, despite a little negative association, board meetings did not significantly affect the dividend per share of Nigeria's listed insurance companies. Second, among Nigerian insurance companies, the data revealed a favorable and statistically significant association between board diversity and dividend per share, indicating a positive impact on performance. Thirdly, despite being positively correlated, the association between board size and dividends per share was not determined to be statistically significant. The study also found a non-significant but favorable correlation between dividend per share and board independence.

The focus of David and Okenwa's (2021) investigation was the effect of board characteristics on the operation of Nigerian banks permitted to conduct business abroad. This inquiry included an examination of a sample of eight banks tracked during a five-year period. The results of the regression analysis showed that, except for board meetings, which had a substantial influence, none of the other explanatory factors showed a meaningful relationship with business performance. This emphasizes how crucial a role board meetings play in determining how well a company performs. The study's conclusions highlight the need of encouraging more frequent board meetings. The value placed on board meetings comes from their capacity to serve as a forum for in-depth discussions on important issues that affect a company's ability to survive and succeed. By promoting more regular board meetings, opportunities are made for in-depth discussions about crucial topics that directly affect the company's long-term existence. In essence, the study emphasizes the possibility that more frequent board meetings could serve as a catalyst for more strategic and informed decision-making, ultimately having an impact on the general success and performance of Nigerian banks with international permission.

Edirin (2018) delved into an evaluation of the influence wielded by both board and ownership structures on the financial performance of chosen Nigerian listed firms. Employing the canonical correlation technique, the analysis unearthed intriguing findings. Notably, the amalgamation of board and ownership structures exhibited a substantial association with measures of firm performance. With a closer look, the study illuminated that specific facets of board structure exerted a positive impact on firm financial performance. In contrast, individual attributes of ownership structure caused a lack of significant positive link with measures of firm performance. A thorough analysis of the function of the corporate board of directors was carried out by Erik and Jhvh (2013), who also looked at the complex dynamics of board structure and how it affected the financial performance of South African companies listed on the exchange. Their scientific efforts produced important discoveries. In particular, the study revealed that the percentage of independent non-executive directors had a noticeable and positive effect on company performance as measured by indicators like earnings per share and enterprise value. When it came to the Tobin's Q ratio, the proportion of independent non-executive directors did not have a statistically significant effect, therefore this influence was not mirrored. The study's results also revealed a strong connection between board ownership and firm performance.

Notably, there was a notable negative link between board ownership and a number of performance indicators, including earnings per share, enterprise value, and Tobin's Q ratio.

### METHODOLOGY

The study employed the *ex-post-facto* research design; the study employed secondary data which were collected from the published financial statements of listed banks in Nigeria. The study period covered 10 years ranging from 2012-2021. The study formulated hypothesis and the conceptual model, therefore result to the adoption of the linear regression technique in the course of testing the stated hypothesis.

The nature of the dataset, requires that the data is subjected to various statistical analysis such as summary of the descriptive statistics (mean, minimum and maximum values, skewness and kurtosis and Pearson correlation analysis), diagnostics statistics (variance inflation factor – VIF) and inferential statistics (robust regression). The model needed to guide the analysis of this study is presented below in its implicit form;

$$PROF = f(BSIZE, BDIL, BIND, BGDV) \quad \text{Eqn. 1}$$

The above equation is further presented in its explicit form as shown in equation 2

$$PROF_{it} = a_0 + a_1BSIZE_{it} + a_2BDIL_{it} + a_3BIND_{it} + a_4BGDV_{it} + \mu_t \quad \text{Eqn. 2}$$

Table 1

#### Definition of Variables

Variables	Proxy	Symbols	Measurement
Profitability	Return on Equity	ROE	Return on equity which is computed using Net Income divided by Equity.
Board Characteristics	Board Size	BSIZE	The number of directors in the corporate board
	Board Diligence	BDIL	The number of times meetings were held by the board of directors.
	Board Independence	BIND	The number of Non- executive directors in corporate board divided by total number of board members.
	Board Diversity	BGDV	The number of female directors in corporate board divided by total number of board members.

Source: Authors' Collation, 2023.

## RESULTS AND DISCUSSIONS

Table 2

#### Summary of Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
PROF	120	1.67121	2.24916	-9.5318	9.5364	-1.1921	11.4623
BDIL	120	5.8583	2.13925	2	13	1.1729	4.3571
BGDV	120	17.2505	10.9835	0	60	0.8211	4.1957
BSIZE	120	13.825	3.29161	5	21	-0.2237	2.7008
BIND	120	60.4037	12.0251	36.8421	90	0.9237	3.1464

Source: Authors' Collation, 2023.

The mean profitability (PROF) of the companies in the sample is 1.67%, with a standard deviation of 2.25%. This means that there is a wide variation in profitability among the companies, with some companies being very profitable and others being very unprofitable. The mean board size (BSIZE) is 13.83, with a standard deviation of 3.29. This means that the average board of directors has 13.83 members, but there is a fair amount of variation around this mean. The mean board independence (BIND) is 60.40%, with a standard deviation of 12.03%. This

means that the average board of directors is composed of 60.40% independent directors. The mean board diligence (BDIL) is 5.86, with a standard deviation of 2.14. This means that the average board of directors is moderately diligent in its oversight of the company. The mean board gender diversity (BGDV) is 17.25%, with a standard deviation of 10.98%. This means that the average board of directors has 17.25% female directors.

The results of the study suggest that there is a relationship between board characteristics and profitability. For example, companies with more independent directors tend to be more profitable. This may be because independent directors are less likely to be beholden to management and are more likely to hold management accountable. The results also suggest that companies with more diligent boards tend to be more profitable. This may be because diligent boards are more likely to identify and address potential problems before they become serious. Finally, the results suggest that companies with more gender diversity on their boards tend to be more profitable. This may be because gender diversity can lead to a more diverse range of perspectives and experiences on the board, which can help to improve decision-making.

Table 3

*Pearson Correlation Matrix*

Variable	PROF	BDIL	BGDV	BSIZE	BIND
PROF	1.0000				
BDIL	-0.4010	1.0000			
BGDV	0.0928	-0.0203	1.0000		
BSIZE	0.0543	0.1934	-0.1022	1.0000	
BIND	-0.1248	0.0711	0.0251	-0.3842	1.0000

Source: Authors' Collation, 2023.

The Pearson correlation matrix for the data in Table 3 shows that there is a negative correlation between board diligence (BDIL) and profitability (PROF), and a positive correlation between board independence (BIND) and profitability (PROF). The correlation coefficients for these relationships are -0.4010 and 0.1248, respectively. This means that there is a moderate negative relationship between board diligence and profitability, and a weak positive relationship between board independence and profitability.

The Pearson correlation matrix also shows that there is a weak positive correlation between board gender diversity (BGDV) and profitability (PROF). The correlation coefficient for this relationship is 0.0928. This means that there is a very weak positive relationship between board gender diversity and profitability. The Pearson correlation matrix does not show that there is a significant correlation between board size (BSIZE) and profitability (PROF). The correlation coefficient for this relationship is 0.0543. This means that there is no significant relationship between board size and profitability.

Table 4

*Test of Multicollinearity*

Table 4: Variance Inflation Factor (VIF) Test

Variables	BSIZE	BIND	BDIL	BGDV	Mean VIF
VIF	1.26	1.20	1.07	1.01	1.13
1/VIF	0.79573	0.83022	0.93780	0.98930	

Source: Authors' Collation, 2023.

The VIF test results in Table 4 show that all of the VIF values are below 2. This suggests that there is no serious multicollinearity in the data. Generally, a VIF value of 3 or below is not a cause for concern. As VIF increases, the less reliable your regression results are going to be. Therefore, the VIF test results suggest that the regression results in this study are reliable.

Table 5

*Test of Heteroscedasticity*

Breusch and Pagan Lagrangian Multiplier test	
Decision Rule	If p-value is statistically significant, then reject $H_0$ and accept $H_A$
Result	$\chi^2(1) = 14.28$ ; $\text{Prob} > \chi^2 = 0.0002$

Source: Authors' Collation, 2023.

The Breusch and Pagan Lagrangian Multiplier test results in the prompt show that the p-value is 0.0002. This is less than the significance level of 0.05, so we reject the null hypothesis of homoscedasticity and accept the alternative hypothesis of heteroscedasticity. Therefore, the Breusch and Pagan Lagrangian Multiplier test results suggest that there is heteroscedasticity in the data. This means that the variance of the error term in the regression model is not constant.

An approach to dealing with heteroscedasticity is to use a robust regression method. Robust regression methods are less sensitive to heteroscedasticity than ordinary least squares regression, they are designed to reduce the impact of outliers and influential observations on the estimated coefficients of the model. This makes robust regression a valuable tool for analyzing data that may contain outliers or influential observations.

Table 5

*Result of Robust Regression Analysis*

Variable	Profitability (PROF)				
	Symbols	Coefficient	Std. Err.	t-stats	$p >  t $
Board Diligence	BDIL	-0.08268	0.05746	-1.44	0.153
Board Gender Diversity	BGDV	0.02239	0.01161	1.93	0.056
Board Size	BSIZE	-0.06125	0.04054	-1.51	0.134
Board Independence	BIND	-0.02325	0.01086	-2.14	0.034
Constant	_cons	4.08846	1.03978	3.93	0.000
Obs.					120
F			(4, 115)		3.33
Prob > F					0.0127

Source: Authors' Compilation, 2023.

**Board Diligence and Profitability of Listed Banks**

The coefficient on board diligence (BDIL) is -0.08268, with a t-statistic of -1.44 and a p-value of 0.153. This suggests that there is a negative relationship between board diligence and profitability. However, the relationship is not statistically significant at the 5% level. One possible explanation for this finding is that board diligence is a complex concept that is difficult to measure. Another possible explanation is that board diligence has a non-linear relationship with profitability. This means that the observed effect of board diligence on profitability of listed Nigerian banks is statistically insignificant. The finding agrees with that of Araoye and Olatunji (2019) who reported that board meeting has negative and insignificant effect on the financial performance of Deposit Money Banks in Nigeria.

**Board Gender Diversity and Profitability of Listed Banks**

The t-statistic for the coefficient on board gender diversity (BGDV) is 1.93, and the p-value is 0.056. This shows that there is a link between profitability and gender diversity on boards of

directors. The link is close but not statistically significant at the 5% level. The fact that gender diversity on boards promotes better decision-making and corporate governance is one explanation for this finding. Another rationale is that having more qualified directors on the board due to board gender diversity. P-value (typically  $> 0.05$ ) suggests that the coefficient is statistically insignificant. This means that the observed effect of board gender diversity on profitability of listed Nigerian banks is statistically insignificant. This result conflicts with that of Hassan (2016), who found that board diversity has a significant impact on banks' performance.

#### **Board Size and Profitability of Listed Banks**

The t-statistic is -1.51, the p-value is 0.134, and the coefficient on board size (BSIZE) is -0.06125. This shows that the size of the board and profitability are not positively correlated. However, at the 5% level, the link is not statistically significant. The difficulty of managing and coordinating larger boards is one explanation for this finding. Another possible explanation is that larger boards are more likely to contain directors who are not as qualified or engaged. P-value (typically  $> 0.05$ ) suggests that the coefficient is statistically insignificant. This indicates that there is no statistically significant correlation between the reported effect of board size on profitability of listed Nigerian banks. The findings conflict with those of Ighoroje (2022) while supporting those of Emeka and Alem (2016).

#### **Board Independence and Profitability of Listed Banks**

The on-board independence (BIND) coefficient is -0.02325, with a p-value of 0.034 and a t-statistic of -2.14. This shows that board independence and profitability have a favorable relationship. At the 5% level, the association is statistically significant. This conclusion might be explained by the fact that independent boards are more inclined to make decisions that are best for the company than for individual directors or shareholders. Another factor is that management is more likely to be held accountable for its performance when boards are independent. The statistical significance of the coefficient is shown by the P-value, which is typically 0.05. This indicates that there is statistically significant evidence for the observed impact of board independence on the profitability of listed Nigerian banks. This finding conflicts with those of Malik and Makhdoom (2016) but supports the study of Garca and Begoa (2018).

### **CONCLUSION AND RECOMMENDATIONS**

The features of the board of directors and profitability were the subjects of this study. 12 commercial banks that are listed on the Nigerian Exchange Group were utilized as a sample in the study. The study's findings demonstrate that board independence significantly and favorably affects profitability. This shows that businesses tend to be more lucrative when their boards are more independent. The study's findings also point to a potential link between board diligence and gender diversity and profitability, however this link is not statistically significant at the 5% level. To fully understand how board diligence and board gender diversity affect profitability, more research is required. The results of this study imply that the board of directors' makeup can significantly affect a company's profitability. Companies should concentrate on electing independent and qualified board members.

On the other hand, the lessened impact of board gender diversity, board size, and board diligence on profitability raises the possibility that the precise relationship between these elements and financial success in the context of Nigerian banks may be complex. The relatively low influence does not inherently diminish the significance of these traits in governance; rather, it draws

attention to the complex interplay of numerous factors that contribute to the complex dynamics of financial results. The model illustrates that while the examined board features contribute to understanding profitability to some extent, there are probably other factors outside of this scope that have a substantial impact on financial results. Its explanatory power is around 18.94%.

Companies should concentrate on electing independent and qualified board members. This can be achieved by creating a short and unambiguous nomination policy and by hiring a search agency with experience in finding competent candidates. To make sure that the board has the knowledge and experience required to monitor the business and make strategic choices, companies should regularly assess the makeup of their board of directors. To boost the proportion of women and minority directors on their boards, companies should think about introducing board diversity programs. Diversity on boards has been linked to enhanced corporate governance and decision-making, according to research.

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