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The Effect of Board Composition and Financial Performance of Financial Services Firms in the Nigerian Stock Exchange Market

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Abstract:

Association between board composition and financial recital of Financial Service Firms listed in the Nigeria Stock Exchange (NSE) (2014-2018) is the main purpose of this paper. Based on annual reports of firms have been used as data source. Tobin's Q technique has been adapted to examine the data. Regression has been applied on Return on Asset (ROA), and Return on Equity (ROE) as recital indicators. Significant negative influence has been found by board size on Tobin Q. significant positive association has been noticed between positive relationship exists amid board size and Return on Asset. CEO duality and ROA are positively associated with each other.

Significant association present between CEO duality and Tobin Q, and between CEO duality and ROE. This study recommends that properly structured board has a positive impression on financial recital of all listed companies in Nigeria. Independent directors on the board with detach positions between the chief executive officer and the chairman of the board is mandatory for enhancing recital.

Keywords: *Corporate governance, board composition, financial performance, board of directors, board size, CEO duality, Tobin Q*

1. Introduction

Influence of board opus on recital of companies is a decisive research cram. There are many researches have been operated in developed countries but very number have been done on developing countries.

Very a smaller number of researches have been undertaken in major African countries such as Nigeria, Ghana, and Economic Community of West African Countries (ECWAC). Particularly in the financial service sector. Studies that examined the board compositions and financial performance showed that there is some doubt as to whether there is a

positive or negative causality amidst the variables. Therefore, a further examination is necessary from the developing countries using Nigeria as a case study. Corporate scandals have prompted severe public interest in the role of the board, and the awareness of making corporate boards effective and efficient. Several countries introduced corporate governance code in response to the scandal. (Nwanji et al., 2019).

The Securities and Exchange Commission in Nigeria (SECN), in line with best practices standard, encourage good corporate governance practice in Nigeria. The SECN developed the Code of Corporate Governance for quoted firms in Nigeria in 2003 which was updated in 2015. The code recommends that one person should not undertake the positions of the Chief Executive Officer (CEO) and the Chairman of the Board. The Chairman of the board should be a Non-executive Director, (NED) for all listed companies on the NSE. The motivation for focusing on the financial service sector is that the sector represents the largest firms on the exchange with 170 firms (36%) of the 170 companies listed on the Nigerian Stock Exchange (Abdulla, 2004; Müller, 2014; Okike, 2007; David & Ehele 2019).

According to Zahra & Pearce (1989), the core roles of the board of directors are to provide overall control, directions, strategy, and leadership. From an optimistic point of view, and there has been a growing acknowledgement that enhanced corporate governance essential for the growth and development of the economy of a country. (Nwanji & Howell, 2007a; Nwanji et al., 2019). The management structure of the board of directors and their performance assessment are some of the issues in the framework of corporate governance. The performance measures of corporate performance could be by qualitative or quantitative or mixed methods. Studies. Thus, this study contributes to further our understanding of the field of corporate governance, and the role of the board of directors moreover, the financial performance of a corporation. (Raheja, 2005; Singh, Tabassum, Darwish, & Batsakis, 2017). The secondary data collected for this study is analysed and tested using the Tobin Q method of analysis and to test if there is a relationship between Board Composition and Financial Performance. This observation made that the inadequate corporate framework does not only lead to poor financial performance and risky financing strategy but has also led to various macroeconomic crises such as the East Asia crisis of 1997, the global financial meltdown of 2008 -2009 and Nigerian Financial Services Sector in 2010 – 2011.

1.1. The Purpose of the Study

Purpose of this study is to check the bonding between Board Composition and Corporate Financial Recital for enlisted companies in Nigeria. Objectives are being enlisted below:

- To establish the scope to which the quantity of non-executive directors occupying a seat on the board affects the corporate financial performance of Nigeria's listed Financial service firms.
- To find out the degree to which CEO duality influence the recital of Nigeria's listed Financial service firms.
- To check the degree to which size of board influences the corporate financial recital of Nigeria's listed Financial service firms.

1.2. Hypotheses of the Study

Following are the hypothesis:

- H_a : significant association exists between the number of non-executive directors occupying a seat on the board and corporate financial performance of listed Financial Service Firms' in Nigeria
- H_a : significant association exists between CEO duality and corporate financial recital of listed Financial service firms' in Nigeria.
- H_a : significant association exists between board size and corporate financial recital of listed Financial service firms' in Nigeria.

2. Literature Review

The literature review provides evidence of the relationship that exists between board composition and financial performance. In other to achieve this, we use concepts such as Board Size, Board Independence, CEO Duality, and Financial Performance Indicators. Moreover, research methods such as Tobin Q, Return on Equity (ROE), and Return on Asset (ROA) were employed for data analysis. The review looks at empirical studies coexisting between board composition attributes and the financial performance of a firm. Various concepts essential to this study of the effect on board composition and the financial performance of Financial Services firms on the Nigerian Stock Exchange were considered. Some of these concepts are corporate governance and firm's performance. These concepts are defined and explained to understand their importance in the context of this study. Here we focused on understanding the fundamental relation between the independent and dependent. Variables in this study, by looking at how the dependent variable depends solely on the other variable in this study.

Corporate governance guarantees that the strategic managers, shareholders, tactical managers, and other core stakeholders in an organisation discharge their responsibilities within the framework of transparency, accountability, and ethics. Studies in this area include (Daily, et al., 2003; Dalton et al., 2008; Nwanji et al., 2019; Reddy et al., 2010). Corporate governance is the sole responsibility of the board of directors. Good governance practices and procedures are essential for both national and global economies. (Ongore, et al., 2015; Mohsin, 2018).

2.1. Theoretical Framework

The four major competing models of corporate governance are outlined below to illustrate the effects of each model about the shareholder ship and stakeholder ship models of corporate governance. This theoretical framework can and due affect corporate performance, and the board of director considers them when making a decision that affects the

company and its shareholders and stakeholders, groups the empirical evidence of four competitive models (Sun et al. 2001; Sun 2002; Letza et al. 2004). These are

- The Principal-Agent or Finance Model, (Jensen and Meckling, 1976; Manne, 1965), it states that the principle of the company is the maximisation of shareholders profits, because they are the owner and takes the highest amount of risks.
- The Myopic Market Model, (Charkham, 1989; Sykes, 1994), with the objective to maximize the profits of shareholders in short term market value.
- The Executive Power Model, (Hutton, 1995; Kay and Silberston, 1995), with the purpose of the maximisation of corporate wealth as a whole but creating the problem of abuse of executive power for their self-interest.
- The Stakeholder Model (Freeman, 1984; Blair, 1985), which leads to the maximisation of stakeholders' wealth, but it also creates an absence of stakeholders' involvement.

The first two can be grouped into the shareholder model, and the other two make up the stakeholder model. (Nwanji, & Howell, 2007a).

Definition of Corporate Governance: on the basis of the "Cadbury Report" (1992), corporate governance can be defined as:

"The system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business, and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting' (1972: 2.5)".

Corporate Governance generally refers to the process or mechanism by which the affairs of businesses and institutions are directed and managed, to improve long term value of shareholders while considering the interests of other stakeholders interested in the well-being of an entity. (Ibrahim et al., 2018). "Nwanji et al. stated that;

'Corporate governance aims to ensure that the boards of directors do their jobs properly. It also protects shareholders' right, enhances disclosure and transparency, facilitates the effective functioning of the board, and provides an adequate legal and regulatory enforcement framework. It addresses the agency problem through a mix of the company law, stock exchange listing rules, and self-regulatory Codes' (2019:149)".

Corporate governance is also about guiding management through managing the affairs of the company which leads to the achievement of the companies' objectives whether those objectives are Shareholder ship or Stakeholdership ones as far as management kept within the rule of the games. (Berle & Means, 1932; Friedman,1970; Nwanji & Howell, 2007a).

2.2. Board Composition

Board composition is a well discussed corporate governance issue as many researchers recognise board composition as an issue that could influence the board's deliberations and determine the competence of the board to control top management decisions and outcomes of deliberations. (Dalton, et al., 2003). According to Zahra & Pearce (1989), the primary roles of the board of directors are control, service, and strategy. The board of directors' role includes collective responsibility for the board decisions, monitoring and controlling management actions, providing leadership, risk management, and looking ahead for the company's future activities. Other studies in this area include (Cadbury, 2002; Reddy et al., 2008).

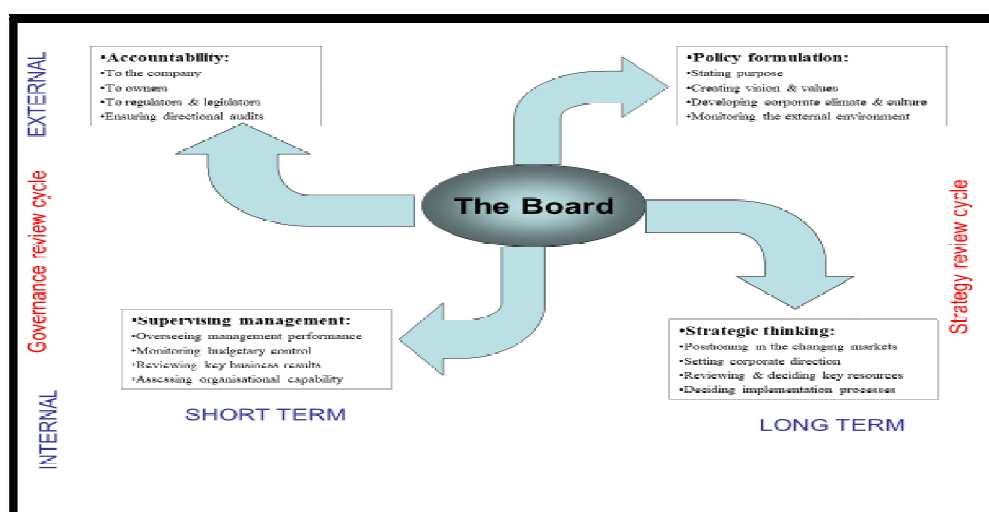


Figure 1: Scours the DTI (2004), The Department of Trade and Industry in the UK), Building Better Boards

The realisation of these roles mainly depends on the characteristics of the boards and their responsibilities shown in (Figure a) above, which affect the financial performance of organisations. (Pearce & Zahra, 1992; Zahra & Pearce, 1989). Daily et al. (2003) identified more than 20 definitions of board structure, which researchers encountered in the literature.

However, most researchers concentrated on the three most important characteristics of the board of directors, which are leadership structure, the board size, and board composition (Sener et al., 2011). The view that board characteristics are important determinants of organisational performance is widely accepted (Dalton et al., 1999; Nicholson & Kiel, 2007). A firm's board of directors is an essential mechanism for limiting the manager's self-serving behaviour when the company's managers and owners have conflicting goals (Ongore & K'obonyo, 2011; Ongore et al., 2015; Onwuka, & Udeh, 2015). Board composition plays a vital role in the success or failure of any corporate body (Dalton et al., 1999). Board composition denotes the fraction of non-executive directors (NED), on the board as compared to their executive counterparts. (Daily et al., 2003; Dalton et al., 2017; Mizruchi, 2004). There has been a constant argument as regards the composition of boards.

In the Nigerian corporate environment, the code of conduct of corporate governance by the Security and Exchange Commission (SEC, 2009), suggested that the composition of any board in Nigeria should be made up of several at least two non-executive directors or more that constitute 20% of the total board members. Onwuka & Udeh (2015) examined the issue of independence as an essential factor in ensuring board effectiveness through the monitoring and strategic parts of the directors. As per authors opinion

"Board independence is the independence of members of a board to the management of an organisation. The independent director is not an employee of the organisation and does not have anything material relationship with the organisation. An independent board is a corporate board that has external directors has their mainstream, who are not associated with the strategic management of the organisation and have a trifling or no business transactions with the company to avoid probable conflicts of interests' (2015: 69)".

2.3. Empirical Review of Corporate Governance

Empirically testing whether board composition matters, several researchers have examined the connection that presents between board opus and firms' financial recital but noticed mixed and inconclusive results. "Some of these studies were from (Mburu & Kagiri 2015; Onwuka & Udeh, 2015)". Findings from previous studies showed an assorted association between board sonata and financial recital. Chiang & Lin (2011) found association between critical factors of board opus and financial recital. Based on a study on Nairobi Securities Exchange, Ngulumbu & Aduda found the connection between board opus and financial recital;

Corporate governance practice dictated the financial performance of listed organisations, uncovered that there was an expanding pattern inboard size, independent directors, number of board advisory groups, number of founder directors, gender-mix, level of training of executives and age of the executives over the three years. They finally concluded that the independent directors did an excellent job of predicting profitability' (2016:72)"

Kalsie & Shrivastav (2016), in their study, examined the relationship between board composition and firm performance and stated that while stakeholder theory and agency theory suggest that board composition positively affects performance, other factors contribute to corporate performance and not only board composition. While Jensen, (1993:831) claims that; "good corporate structure provides firms with greater access to finance, lower cost of capital, improved performance and adequate treatment of all stakeholders likewise the shareholders." Kalsie & Shrivastav (2016) suggested that larger boards tend to be less efficient and effective than smaller boards as they believed that a large board will always drive towards symbolism, rather than them performing their function as a management group (AlQudah, et al., 2019; Ayorinde et al., 2012;

Yermack (1996). Orozco et al., an empirical study of 117 non-financial listed manufacturing firms claimed that; 'There is no significant relationship between board size and corporate performance irrespective of accounting-based measurements and economy-based measures, and therefore resolved that larger board size tends to have diminishing influence on the overall performance of a firm. Given the framework of family-controlled firms, boards always tend to be small in other to have full control of the board and the company as well. Nevertheless, large companies need a large board, with various people from different backgrounds and experiences to make decisions for the company (2018:184)".

Financial performance has been perceived only through its capacity to yield a profit; this view perceived for a long time. The concept of financial performance is dependent on the users' perspective. Therefore, financial performance is not only perceived through its ability to yield returns but as its user defines it. Bebeji et al. (2015) conducted a research to find the recital of Nigerian banks, based on financial statements for nine years duration. Multivariate technique has been applied and found that board size has a significant impact on the recital of banks in Nigeria. It denotes that if size of board increases ROE and ROA decreases. Opus of boards affect positively on recital of banks in Nigeria (Ehikioya, 2009; Fauzi & Locke, 2012; Foo & Zain, 2010; Ndirangu et al., 2019; Puni, Osei1, & Ofei, 2014; Rashid, 2010; Yang 2014)".

3. Research Methodology

3.1. (Tobin Q)

Market value of a company divided by assets and replacement cost equates Tobin's Q. James Tobin (1968) invented this. Market value based on stock market is equal to its replacement costs. Mre than one Tobin's Q' indicates more growth of the company: cost is less than assets. Here as the returns incurred would cross the cost of a firm's assets, it creates the projected capital of the company. On the other hand, 'Tobin's Q' less value indicates that more cost is being required to reinstate a company's assets than the company's capital. Tobin's Q ratio analyze the collected data for firms. Tobin's Q ratio is also a recital indicator for measuring resourceful (Singh et al., 2017). Comared to the value of the firm's assets it evaluates market value of the company.

$$\begin{aligned} \text{Tobin's Q} &= \frac{\text{Market Value}}{\text{Total Asset Value}} \\ &= \frac{\text{Equity Market Value} + \text{Liability Market Value}}{\text{Equity Book Value} + \text{Liability Book Value}} \end{aligned}$$

It is a crucial step to assume the equivalence of the liabilities market and book value, yielding, therefore,

$$\text{Tobin's Q} = \frac{\text{Equity Market Value} + \text{Liability Market Value}}{\text{Equity Book Value} + \text{Liability Book Value}} \approx \frac{\text{Equity Market Value}}{\text{Equity Book Value}}$$

Where,

- Market Value of Equity = Market price per Share × Number of Share Outstanding.
- Book Value of Equity = Total Assets – Total Liabilities.

Ratio analysis is regarded as one of the most common systematic techniques used in the analysis of financial statements, in which the performance of a company can be measured. Ratio analysis is a method of calculation and interpretation of financial ratios to assess the performance and status of a company. (Purnamasari, 2015).

3.2. Return on Assets (ROA)

It is a ratio to evaluate the efficacy of the firm for generating profits originated by its assets (Purnamasari, 2015). To examine financial status of a firm, ratio analysis is very useful. It enhances the growth of the company. It can be also used as a projection tool. Better health of the firm is being reflected by the higher ROA. It also attracts many investments with leads to more profits

3.3. Return on Equity (ROE)

Return on Equity ROE is a frequently used tool for analysis by investors and commercial leaders to determine the profitability of the company on the owner's capital. In general, the higher the return or income earned, the better the position of the owner of the company. Purnamasari (2015) states that ROI indicates the profitability of shareholders' capital some time call business profitability. Kabajeh, Shanti, Dahmash & Hardan, (2012), in their study, discovered that there is a positive effect between Returns on Equity (ROE) and significant growth in profit.

$$\begin{aligned} \text{Return on owner's equity (ROE) ratio:} &= \frac{\text{Net Profit After Tax}}{\text{Total Shareholders Equity}} \\ \text{Shareholders' equity} &= \frac{\text{Opening Equity} + \text{Closing Equity}}{2} \end{aligned}$$

4. Data Analysis and Model Specification

In this study, we adopted the multiple regression analysis to study the co-linearity among the variables. The analysis is performed on the dependent variable (corporate financial performance) to test the relationship between the independent variables (board composition variables). The regression analysis is used to determine the effect of board composition on the corporation's financial performance. The independent variables were regressed on the dependent variables on a multivariate regression analysis. Sporta, et al., (2017).

The model that we employed is:

$$Y_j = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_0 \dots \dots \dots (1)$$

Where: Y = Financial performance and j = (ROE, ROA, TOBIN Q)

X₁ = Independent Board Membership (IND DIR)

X₂ = Board Size (B. SIZE)

X₃ = CEO Duality (CDUALITY)

X₄ = Firm Age

ε₀ = error term associated with a regression model

β₀ = constant associated with the regression model

β₁ = slope of X₁

β₂ = slope of X₂

β₃ = slope of X₃

β₄ = slope of X₄

The detailed model specification we used for the study is;

$$Y_j = \beta_0 + \beta_1 (\text{IND DIR}) + \beta_2 (\text{B. SIZE}) + \beta_3 (\text{CDUALITY}) + \beta_4 (\text{Firm Age}) + \epsilon_3$$

Data analysis consists of the presentation of the data (secondary) as well as analysing and interpreting the result. However, extensive research work conducted by many researchers has shown that there is a relationship between board composition and corporate financial performance in Nigeria. Hence the implication based on such studies is to compare with the result of this study on the relationship between board composition and corporate financial performance of the listed financial service firms in the Nigerian Stock Exchange (NSE). The descriptive analysis from this study is to test for normality for variance and test the relationship between board composition and corporate financial performance. (Dalton, & Dalton, 2011; Huhtala, 2017). The regression result from the analysis of data collected for this study from the period of 2014-2018, (5 years), is the variables. Multiple linear regression method and E-VIEWS computer software were used for statistical examination of data for the inference method for this research. Board Size, Proportion of Non-executive Directors, and CEO Duality frame set of independent variables. Return is being treated as dependent variables.

SN	Variables	Estimation	Formula
1	Return on Assets (ROA)	The ratio of net income to total assets	$\frac{\text{Net income}}{\text{Total asset}}$
2	Return on Equity (ROE)	The ratio of profit after tax to shareholders equity	$\frac{\text{Profit after tax}}{\text{Shareholders equity}}$
3	Tobin Q	Tobin's Q represents the ratio of the market value of a firm's share capital to the replacement cost of the firm's share capital.	$\frac{\text{Market value}}{\text{Total asset value}}$
4	Board Size	This is referred to as the total number of directors on the board.	Total number of directors
5	Board Composition	This was described as the ratio of outside to inside directors on the board	$\frac{\text{Non – executive director}}{\text{Total number of directors}}$
6	CEO Duality	This was described as a situation where the CEO is simultaneously the chairman of the Board of Directors	The CEO is the same as the Chairman of BOD's

Table 1: Estimation of Variables
Source: authors' computation (2019)

4.1. Data Analysis and Presentation

The yearly financial statements used in this study were obtained from the financial service firms (61) listed on the Nigerian Stock Exchange for the period 2013-2017. The variables that measure financial performance are ROA, ROE, and Tobin Q. While Board size, the proportion of NED and CEO duality measures board composition. The EViews9 was used to analyse the data collected from the financial statements, annual reports, and interim reports of the financial firms on the Nigerian Stock Exchange.

	ROA	C	ROE	TQ	BS	PN	CD	FA
Mean	17.61385	1.000000	19.33942	2.329346	9.742308	0.699577	0.042308	1.471308
Median	10.55000	1.000000	8.500000	0.440000	9.000000	0.710000	0.000000	1.410000
Maximum	155.6000	1.000000	1204.460	22.61000	20.00000	0.910000	1.000000	2.090000
Minimum	-30.97000	1.000000	-195.0500	0.010000	4.000000	0.440000	0.000000	0.480000
Std. Dev.	22.24357	0.000000	89.93483	4.243048	3.238126	0.125871	0.201678	0.270295
Skewness	2.387318	NA	9.444503	2.337305	0.619681	-0.091806	4.547586	-0.338360
Kurtosis	11.84890	NA	119.7291	8.075866	2.793609	1.986009	21.68054	3.873734
Jarque-Bera	1095.252	NA	151476.7	515.8442	17.10169	11.50381	4676.585	13.23141
Probability	0.000000	NA	0.000000	0.000000	0.000193	0.003177	0.000000	0.001339
Sum	4579.600	260.0000	5028.250	605.6300	2533.000	181.8900	11.00000	382.5400
Sum Sq. Dev.	128147.1	0.000000	2094863.	4662.894	2715.735	4.103453	10.53462	18.92236
Observations	260	260	260	260	260	260	260	260

Table 2: E views Result in the Computation of Descriptive Statistics
Source: Computed by the Authors Using Data Extracted from the Annual Reports of Selected Firms (2014-2018)

The summary statistics of variables in the empirical model is presented in Table 2 above, ROE is (return on equity), ROA is (return on asset), and Tobin Q was used to measure financial performance. The positive result shows that the variables skewed to the right positively means the value of BS is 9.742308, while the standard deviation of BS, is 3.238126, which implies high across the time, as shown by the standard deviation. The minimum value is 4.000000, and the maximum value 20.00000. The mean value of PN is 0.699577, and the standard deviation of NED being 0.710000 implies low across time, as shown by the standard deviation. The minimum value is 0.440000, while the maximum value is 0.910000. The mean value of CD is 0.042308 while the standard deviation of (CEO Duality) CEO is 0.201678, which implies low across the time, as shown by the standard deviation. The minimum value is 0.000000, while the maximum value is 1.000000.

	ROA	C	ROE	TQ	BS	PN	CD	FA
ROA	1.000000	NA						-
C	NA	NA						
ROE	-0.031915	NA	1.000000					
TQ	-0.277175	NA	-0.026638	1.000000				
BS	-0.260366	NA	-0.058579	0.380773	1.000000			
PN	0.007454	NA	-0.213387	-0.234307	-0.262478	1.000000		
CD	0.032127	NA	0.089841	-0.097877	-0.018714	-0.029711	1.000000	
FA	-0.017205	NA	-0.024765	0.145187	0.259375	-0.049145	-0.097344	1.000000

Table 3: Computation of Correlation Analysis using EViews

Table 3 above shows the correlation statistics on both constructs simultaneously. It is a means of knowing if the data analysed portrayed any form of multicollinearity and to explore any possible relationship amongst the variables. However, the summary of this Table 3 proves that the correlation between construct does not exceed the 80% threshold. Hence, the absence of multicollinearity.

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	14.985396	6	0.0204

*Table 4: Computation of Random Effects- Hausman Test using E-Views
Source: authors' estimation from the Electronic-views output result 2019*

Table 4 above signifies the likelihood test on the suitability of what panel regression model to be employed. We accept the alternate hypothesis (Fixed Effect Model) if the P-value is statistically significant. It is therefore evident in Table 4 above that the P-value (0.0204) < 5% which validates the use of a fixed-effect model as the ideal yardstick for making a statistical decision. In this section, regression analysis was used to study the relationship between board composition and financial performance of listed financial service firms from 2014 to 2018.

Dependent Variable: ROA				
Total Panel (Balanced) Observations: 260				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	94.11499	32.38599	2.906040	0.0041
ROE	-0.011929	0.010534	-1.132462	0.2588
TQ	-1.744226	1.088685	-1.602140	0.1107
BS	0.015133	0.905686	0.016081	0.0477
PN	0.001220	15.63119	0.007806	0.0238
CD	0.047898	4.464405	0.029470	0.0477
FA	-49.81726	20.69671	-2.407014	0.0170
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.752615	Mean dependent var	17.61385	
Adjusted R-squared	0.682808	S.D. dependent var	22.24357	
S.E. of regression	12.52754	Akaike info criterion	8.087476	
Sum squared resid	31701.74	Schwarz criterion	8.881782	
Log-likelihood	-993.3719	Hannan-Quinn criteria.	8.406798	
F-statistic	10.78139	Durbin-Watson stat	1.719885	
Prob(F-statistic)	0.000000			

Table 5: E-View Result Showing the Effect of Board Size, CEO Duality, and Proportion NED, on ROA

Source: Authors' Estimation from the Electronic-Views Output Result in 2019

BS= board size, PN= proportion of non-executive directors, CD= CEO duality,

FA= Firm Age, ROE= Return on Equity and TQ= Tobin Q

Table 5 above portray the complete summary of the fixed-effect model already confirmed to be the best and appropriate model required to explore the relationships amongst variables. Nevertheless, the R-squared stands as at 75%, indicating the degree of functionality amongst the dependent construct on the independent construct. Furthermore, evidence by the Fisher ratio p-value of (0.000000) shows it is significant.

Dependent Variable: TQ				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.078079	2.063667	3.429855	0.0007
ROE	-0.000967	0.000675	-1.432590	0.1535
ROA	-0.007194	0.004490	-1.602140	0.1107
BS	-0.016892	0.058154	-0.290469	0.0371
PN	0.042963	1.003403	0.042817	0.0690
CD	0.257265	0.287130	0.199440	0.0321
FA	-3.222799	1.328892	-2.425177	0.0162
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.971959	Mean dependent var	2.329346	
Adjusted R-squared	0.964047	S.D. dependent var	4.243048	
S.E. of regression	0.804537	Akaike info criterion	2.596641	
Sum squared resid	130.7506	Schwarz criterion	3.390947	
Log-likelihood	-279.5633	Hannan-Quinn criteria.	2.915962	
F-statistic	122.8391	Durbin-Watson stat	0.962263	
Prob (F-statistic)	0.000000			

Table 6: E-View Result Showing the Effect of Board Size, CEO Duality and the Proportion of Non-Executive Director on Tobin-Q

Source: Authors' Estimation from the Electronic-Views Output Result in 2019

BS= board size, PN= proportion of non-executive directors, CD= CEO duality, FA= firm age, ROE= return on equity and TQ= Tobin q. Evidence from the Table 6 above showed the coefficient of multiple determination of 0.97195, which is about 97%. This is indicated that 97% of the total variation observed in the dependent variable (Tobin-Q) is determined by the predictor variables in this study. With only about 3% of the changes attributable to other factors other than the ones in this study. The probability value of 0.000000 is significant at 5% level. We, therefore, reject the null hypothesis and conclude that Board composition is a significant determinant of Tobin-Q on listed Financial Service firms in Nigeria.

Dependent Variable: ROE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	288.3046	219.1651	1.315468	0.1898
ROA	-0.528867	0.467006	-1.132462	0.2588
TQ	-10.39785	7.258079	-1.432590	0.1535
BS	0.050379	5.997690	0.020304	0.3172
PN	0.023634	99.91937	0.023704	0.0001
CD	0.002585	29.75721	0.004540	0.1499
FA	95.72827	139.6078	0.685694	0.4937
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.329077	Mean dependent var	19.33942	
Adjusted R-squared	0.139757	S.D. dependent var	89.93483	
S.E. of regression	83.41392	Akaike info criterion	11.87925	
Sum squared reside	1405492.	Schwarz criterion	12.67355	
Log-likelihood	-1486.302	Hannan-Quinn criteria.	12.19857	
F-statistic	1.738205	Durbin-Watson stat	1.574387	
Prob(F-statistic)	0.002823			

Table 7: Below Is the E-View Result Showing the Effect of Board Size and Proportion of Non-Executive Director on Return of Equity

Source: Authors' Estimation from the Electronic-Views Output Result in 2019

BS= board size, PN= proportion of non-executive directors, CD= CEO duality, FA= firm age, ROE= return on equity and TQ= Tobin Q. Tables (7), above attested that R-squared stands as at 0.329077 or 33% is indicating the degree of functionality amongst the dependent construct on the independent construct. While the remaining 67% changes are attributable to other factors other than the ones in this study Furthermore, evidence by the Fisher ratio p-value of (0.002823) shows it is significant and concludes that Board composition is a significant determinant of Return of Equity on listed Financial Service firms in Nigeria.

4.2. Hypothesis Testing

Hypothesis testing is used to examine the relationship between Board composition and Corporate financial performance of listed financial service firms in Nigeria. These hypotheses were subjected to empirical testing drawn from the results of our regression analysis. Using the regression analysis, we observe the values of the coefficient and t-statistics value to check the hypothesis. The basis for decision rule is the significances of the t-statistics and the p-values in this study (using E-views).

4.2.1. Hypothesis One

However, the first hypothesis states (There is no significant relationship between the number of non-executive directors occupying a seat on the board and corporate financial performance). Focusing on ROE, the proportion of non-executive directors has a positive and significant relationship as evident by the t-statistics and p values of (0.024 and 0.00) respectively in the Table 7 above. In the Table 6 above, the result of the proportion of non-executive occupying a seat on the board is shown to have an at-statistic value of (0.04) and a p-value of (0.06). This value implies that a positive and significant relationship exists between the proportion of non-executive directors and Tobin Q of listed financial service firms in Nigeria. The proportion of non-executive directors has a favourable and significant relationship as evident by the t-statistics and p values of (0.07 and 0.02) respectively in the Table 5, i.e., comparing the proportion of non-executive occupying a seat on the board and ROA. In context with that also found a positive relationship between the proportion of non-executive directors and ROA. Hence, the alternative hypothesis has been accepted. (Fauzi & Locke, 2012).

4.2.2. Hypothesis Two

Alternative hypothesis indicates that significant association is present between CEO duality and corporate financial recital of listed Financial service firms' in Nigeria. From Table 5 above, the result of CEO duality is shown to have an at-statistic value of (0.02) and a p-value of (0.04). This value implies that a positive and significant relationship exists between CEO duality and ROA of the listed financial service firms in Nigeria. Hence, we reject the null hypothesis in terms of ROA. In the Table 6 above, the result of CEO duality is shown to have an at-statistic value of (0.19) and a p-value of (0.03). This value implies that an antagonistic but significant relationship is existing between CEO duality and Tobin Q of listed financial service firms in Nigeria. CEO duality has a favourable but insignificant relationship as evident by the t-statistics and p values of (0.004 and 0.14) respectively in the Table 7.

4.2.3. Hypothesis Three

The alternative hypothesis indicates that significant association is present between board size and corporate financial recital of listed financial services firms of Nigeria. From Table 5, value of t-statistics and significance value is .01 and .04 respectively. This denotes a positive relationship present between board size and financial recital. Outcome from table 6 shows that negative but significant association is there between board size and Tobin's Q. Finally, connection between board size and financial recital has been captured in table 7. The result contained in the Table 7 above reveals t-statistics and p values of (0.02) and (0.31), respectively. This suggests a positive but insignificant association existing amidst board size and return on equity (ROE) of listed financial service firms in Nigeria. The outcome collaborates with the work of Yermack (1996), who undertook an empirical study of 117 non-financial listed manufacturing firms for the year 1995 found that there is no significant relationship between board size and corporate performance irrespective of accounting-based measurements and economy-based measures? Therefore, resolved that a larger board size tends to have diminishing influence on the overall performance of a firm. (Yong & Floros, 2014).

S/N	Sectors	Firms	%	Remarks
1	Basic Material	12	7%	This sector will develop with support from FG
2	Consumer Services	13	8%	More investment of SME
3	Consumer Goods	28	16%	A big market and increasing
4	Financial Services	61	36%	The most significant sector, banking, and Insurance
5	Health Care	11	6%	More investment /PPP
6	Industrial	25	15%	Developing more on SMEs
7	Oil and Gas	13	8%	Through 8% but contributes to 70% of GDP
8	Technology	7		need more investment in this sector
9	Total No. of Firms	170	100%	

Table 8: Companies Listed In the Nigerian Stock Exchange by Sectors
Source: Authors' Computation

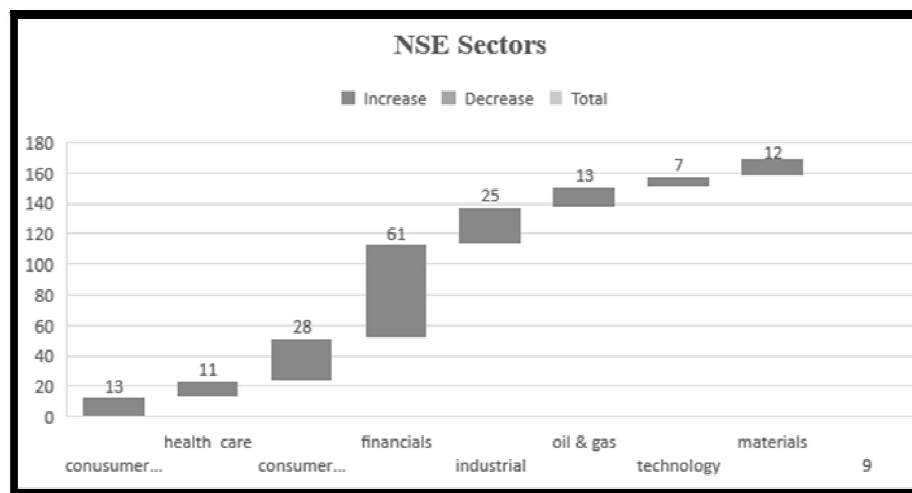


Figure 2: Source: Authors' Computation from the Nigerian Stock Exchange Market, Listed Financial Service Firms Sectors 2019

The Financial Services Sector, which the focus of this research study is the biggest in the Nigerian Stock Exchange accounting for 36% of the 170 companies listed in the NSE as of May 2019. The sector includes Banking, Insurance, Investment, Microfinance banks, Pension funds, government bonds, and other financial services.

S/N	Company	Symbol	Sector	Price	Change	YTD
1	Abbey Mortgage Bank	ABBEYBDS	Financials	0.9	0.00%	-8.16%
2	Access Bank	ACCESS	Financials	7.1	1.43%	4.41%
3	African Alliance Insurance	AFRINSURE	Financials	0.2	0.00%	0.00%
4	Aiico Insurance	AIICO	Financials	0.7	-6.67%	11.11%
5	Arbico	ARBICO	Financials	4.79	0.00%	0.00%
6	Aso Savings and Loans	ASOSAVINGS	Financials	0.5	0.00%	0.00%
7	Axamansard Insurance	MANSARD	Financials	1.81	-7.18%	-1.09%
8	Consolidated Hallmark Insurance	HMARKINS	Financials	0.29	0.00%	-23.68%
9	Continental Reinsurance	CONTINSURE	Financials	1.91	0.00%	0.00%
10	Cornerstone Insurance	CORNERST	Financials	0.2	0.00%	0.00%
11	Custodian Investment	CUSTODYINS	Financials	6.5	0.00%	15.04%
12	Deap Capital Management Trust	DEAPCAP	Financials	0.44	0.00%	0.00%
13	Diamond Bank	DIAMONDBNK	Financials	2.42	0.00%	11.01%
14	Ecobank	ETI	Financials	10.3	1.98%	26.43%
15	FBN Holdings	FBNH	Financials	7.25	-0.68%	-8.81%
16	FCMB Group	FCMB	Financials	1.8	-4.76%	-4.76%
17	Fidelity Bank	FIDELITYBK	Financials	1.84	-0.54%	-9.36%
18	Fortis Microfinance Bank	FORTISMFB	Financials	2.58	0.00%	0.00%
19	Goldlink Insurance	GOLDINSURE	Financials	0.23	-8.00%	56.60%
20	Guaranty Trust Bank	GUARANTY	Financials	32	-0.93%	-7.11%
21	Guinea Insurance	GUINEAINS	Financials	0.2	0.00%	13.04%
22	Infinity Trust Mortgage Bank	INFINITY	Financials	1.39	0.00%	-2.11%
23	International Energy Insurance	INTENEGINS	Financials	0.38	0.00%	0.00%
24	Jaiz Bank	JAIZBANK	Financials	0.5	-5.66%	0.00%
25	Lasaco Assurance	LASACO	Financials	0.3	0.00%	0.00%
26	Law Union and Rock Insurance	LAWUNION	Financials	0.44	-4.35%	-26.67%
27	Linkage Assurance	LINKASSURE	Financials	0.44	-8.33%	-38.89%
28	Mutual Benefits Assurance	MBENEFIT	Financials	0.21	-8.70%	0.00%
29	N.E.M. Insurance	NEM	Financials	2.5	7.76%	-7.41%
30	Niger Insurance Co	NIGERINS	Financials	0.2	-4.76%	-16.67%
31	Nigeria Energy Sector Fund	NESEF	Financials	552.2	0.00%	0.00%
32	NPF Microfinance Bank	NPFMCRCFBK	Financials	1.35	0.00%	-18.18%
33	Omoluabi Mortgage Bank	OMOMORBANK	Financials	0.58	0.00%	0.00%
34	Prestige Assurance Co	PRESTIGE	Financials	0.5	6.38%	0.00%
35	Regency Alliance Insurance	REGALINS	Financials	0.25	-3.85%	19.05%
36	Resort Savings & Loans	RESORTSAL	Financials	0.2	0.00%	-60.00%
37	Royal Exchange	ROYALEX	Financials	0.24	4.35%	9.09%
38	Skye Bank	SKYEBANK	Financials	0.77	0.00%	0.00%

S/N	Company	Symbol	Sector	Price	Change	YTD
39	Skye Shelter Fund	SKYESHELT	Financials	85.5	0.00%	-10.00%
40	Smart Products Nigeria	SMURFIT	Financials	0.44	0.00%	0.00%
41	Sovereign Trust Insurance	SOVRENINS	Financials	0.25	8.70%	19.05%
42	Standard Trust Assurance	STACO	Financials	0.48	0.00%	0.00%
43	Stanbic IBTC Holdings	STANBIC	Financials	46	5.26%	-4.07%
44	Standard Alliance Insurance	STDINSURE	Financials	0.2	0.00%	0.00%
45	Sterling Bank	STERLNBANK	Financials	2.68	-0.74%	41.05%
46	SUNU Assurances Nigeria	SUNUASSUR	Financials	0.2	0.00%	0.00%
47	Transnational Corporation of Nig.	TRANSCORP	Financials	1.13	0.00%	-14.39%
48	UACH Property Development & Co.	UAC-PROP	Financials	1.5	0.00%	-21.47%
49	UNIC Diversified Holdings	UNIC	Financials	0.2	0.00%	0.00%
50	Union Bank of Nigeria	UBN	Financials	7	0.00%	25.00%
51	Union Homes REIT	UHOMREIT	Financials	40.7	0.00%	-9.96%
52	Union Homes Savings & Loans	UNHOMES	Financials	3.02	0.00%	0.00%
53	United Bank for Africa	UBA	Financials	6.5	-1.52%	-15.58%
54	United Capital	UCAP	Financials	2.56	3.23%	-9.22%
55	Unity Bank	UNITYBNK	Financials	0.72	-4.00%	-32.71%
56	Universal Insurance Co.	UNIVINSURE	Financials	0.2	0.00%	0.00%
57	ValuAlliance Value Fund	VALUEFUND	Financials	103.2	0.00%	0.00%
58	Veritas Kapital Assurance	VERITASKAP	Financials	0.2	-9.09%	-13.04%
59	Wapic Insurance	WAPIC	Financials	0.39	0.00%	-7.14%
60	Wema Bank	WEMABANK	Financials	0.72	0.00%	14.29%
61	Zenith Bank	ZENITHBANK	Financials	20	0.00%	-13.23%

Table 9: Nigerian Stock Exchange (NSE) – List of Financial Services Sector 2019

Source: from the Nigerian Stock Exchange Market (web side) May 2019

All the Financial Services Companies listed above in Table 9 listed are included in this research study from 2014 to 2018).

5. Discussion of Results Findings

In this study, we examined the influence of board composition in the form of representation of outside independent directors, board size and CEO duality on the corporate financial performance in Nigeria. The study found that there is a significant and positive relationship between board composition in the form of representation of Non-executive directors (NED) or (outside independent directors) and corporate financial performance. Implying that NED on the board can add potential economic values to the firms under study in Nigeria. Therefore, with more NEDs on the board of directors for this Nigerian firms can ensure checks and balances of accountability on management activities. We also found that independent outside directors, in general, play an advisory role leading to an economic value increase, which is in line with corporate governance regulations for the Nigerian Stock Exchange. The question between having a bigger or smaller board size has a root in communication and quick decision-making among directors.

Previous studies found that a smaller board is better, which could be explained by faster decision-making and flexibility. (Yermack,1996). Larger boards have more thought-out decisions, as there are more opinions and remarks to be considered. Some scholars also found evidence that larger boards contribute more to better performance. (García-Ramos, et al., 2014; Mburu et al., 2015; Muller, 2014; Singh et al., 2017; Yang, 2014). This research revealed that negative impact on Tobin Q has been found by Board Size. A positive association is there between board size and ROE like CEO duality and ROA. Significant association exists between CEO duality and Tobin Q, and between CEO duality and ROE but in adverse mode. Same type of finding is revealed by Kalsie & Shrivastav (2016) where board opus and firm recital are statistically associated.

6. Summary and Conclusions

The main focus area of this study is to check the association between board opus and financial recital of financial companies in Nigeria. From 2013 to 2017, annual reports, financial statements indicate that opus of board play important role. As per corporate governance rule board should be headed by NED Chairman and it should be a mixture of executive and non-executive directors. A structured board is said to have significant impact on financial recital. We, therefore, conclude that a high number of outside or independent directors on the board and difference in position between the chief executive officer and the chairman of the board improves the organisation's performance. Our findings are in line with other studies that; independent directors bring their experiences and professional skills to the boards their service. This increases the effectiveness of the board's decision-making, thereby improving the financial performance of their organisations. From a policy perspective, our findings provide additional insight to regulators in their quest to harmonise the corporate governance practices in Nigeria with international best practices. We concluded that smaller board sizes accompanied by skill, experience are expedient in making right decisions, which lead to improved board results and increased firm performance. We also conclude that a smaller board structure leads to efficiency, effectiveness, expediency

in the quick and effective decision-making process, and competitiveness. Based on the analysis carried out and the results drawn,

We recommend that chairman of the board should differ from the chief executive officer (CEO) of the firm, if this is not the case already. It will ensure proper monitoring of the on the whole performance of the firm, likewise, to guarantee suitable controls are being established to measure the recital of the executive members of the board. Non-executive directors on the board need to be greater compared to the executive directors. The non-executive directors are realistic and competent due to their formal independence, the skill, leadership quality, and the technical know-how, information accessibility, incentives provided and competency. (Fitriya & Locke (2012). For these reasons, we recommend that the firms listed on the Nigerian Stock Exchange (NSE) should adopt technological development and pursue different innovative strategies to increase the company's financial and overall organisational performances.

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