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BOARD ATTRIBUTES AND FINANCIAL PERFORMANCE OF FINANCIAL SERVICES COMPANIES QUOTED IN NIGERIA

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Abstract

This study investigated the effect of board attributes on the financial performance of 38 listed financial services companies in Nigeria for the period of 10 years from 2012 to 2021. Board attributes was measured by board independence and board gender diversity, while financial performance was measured by return on assets. Ordinary least square regression model was employed to analyze data obtained from the accounts of the sampled companies. The findings of the study revealed that board independence and board gender diversity have positive and significant effect on the return on assets of the sampled companies during the study period. Based on the findings, the study concluded that the studied board attributes have the potential to improve financial performance in the studied firms. Consequently, the study recommended, that financial services companies should increase their independent directors and the number of women on their boards.

Key words: Board independence, Board gender diversity, Return on assets, Financial services companies, Financial performance

Introduction

Every corporate organisation is zealous to constantly evaluate its financial performance to ensure that it is on sound financial standing. Ali and Aminu (2021) posit that financial performance is a key instrument for companies to fund their

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economic activities, boost company value and facilitate the distribution of dividends, which, in turn, is a key measurement criterion for critical stakeholders, particularly shareholders, in making their investment decisions. A company whose financial performance is good is able to maximise the wealth of its shareholders and guarantee its future growth prospects. Financial performance could be assessed in terms of the level of profit that is generated by an organisation as a result of effective and judicious utilisation of scarce resources by the management (Aman et al., 2018). Hence, the over-riding objective of shareholders and other stakeholders of a company is to maximise profit.

Financial performance of an organisation guarantees timely payment of salaries to employees, interest to lenders, dividend to shareholders, and taxes to government revenue authorities (Usman & Yakubu, 2019). According to Thomsen and Pedersen (2000), there are two main reasons for the widespread use of financial performance measure as a tool to measure performance. The first reason being that profit articulates directly with the organisation's long-term objectives which are almost always purely financial. The second reason is that properly chosen financial performance measures provide an aggregate view of an organisation's performance. These results are reflected, among other financial measures, in the firms' Return on Equity (ROE), Return on Assets (ROA) and Earnings per Share (EPS) (Agyei-Mensah, 2018). This study employs return on assets to measure financial performance. The use of return on assets is preferred because the ratio looks into the entire activities of the company.

Thus, it is important to evaluate those aspects of a company that affect its financial performance. One of such aspects is the corporate governance mechanisms, particularly the board features of a company, often represented by the Board of Directors. Board attributes refer to features that could be used to measure the effectiveness and efficiency of corporate boards that are tasked with overall management of the firm. It is important to ensure good management system which is essential for good financial performance and have been widely recognised as an important corporate governance mechanism for harmonising the interests of managers and all stakeholders to a firm. Effective board attributes enhance the likelihood that owners of capital would be able to monitor the activities of the managers either directly through voting on crucial matters or indirectly through the board of directors, which invariably would protect shareholders' investment (Levine, 2004). The features commonly found in the literature are board size, board independence, board gender diversity, board financial expertise and board meetings. For this study, board independence and board gender diversity are used to proxy board attributes.

Ali and Aminu (2021) maintain that the Board of Directors' managerial capabilities would have a substantial impact on the financial performance of the company. Davies (2023) also

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aver that the function of the Board affects to a great extent the financial performance of a company. This is so because the board of directors is one of the important mechanisms of corporate governance saddled with the responsibility of monitoring and controlling the activities of management and ensuring effective utilization of firm's resources through better strategic decision to maximise shareholders' wealth, and overseeing the sourcing of finance as well as the effective utilisation of the fund raised in worthwhile projects that would enhance shareholders' wealth maximisation. Therefore, given an atmosphere of a well-structured corporate governance, the financial performance of an organisation could be improved (Mardnly et al., 2018), thereby leading to the achievement of the company's obligation to its owners. This undoubtedly helps to minimise financial crisis and maximise organizational growth (Shao, 2019).

In view of the foregoing, this study is motivated by the desire to investigate the effect of board attributes on the financial performance of quoted financial services firms in Nigeria. The justification for linking the concepts of corporate governance mechanisms to the financial performance of financial service firms is necessitated by the fact that service firms are established to meet the expectations of the stakeholders and maximise profit. This objective could only be achieved through functional and sound governance to enhance returns to financial service firms in Nigeria which prepare their financial report based on the assumption that the company would continue to operate in the coming years.

Statement of the Research Problem

Over the years, corporate governance practices, especially in the Nigerian financial services sector, have come under sharp focus for investigation, both by regulators and researchers. This is because, despite the control measures put in place by the Central Bank of Nigeria (CBN) in the Nigerian financial service sector, the industry still shows symptoms of financial instability (Olayiwola, 2018). This is evidenced by the acquisition of Diamond Bank Plc by Access Bank Plc in 2019 and the closure of Skye Bank Plc in 2018 as well as the crisis in Cadbury Nigeria Plc in 2006, Afribank Plc in 2009, Intercontinental Bank Plc in 2009, and Oceanic Bank Plc in 2009. According to Olajide (2013), the consequential effects of these calamities are loss of investors resulting to loss of capital market share, as well as loss of public confidence in investing in companies with poor corporate governance structure. The weaknesses of board of directors have not only led to inability of corporate firms to meet the expectations of their various stakeholders, but also reduced firm performance and value, hence, enormous financial losses. This has been attributed to the poor strategic decisions made by the board of directors of various organisations, which brought the activities of the board of directors into question.

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Despite the clear benefits associated with good corporate governance, there are still challenges in implementing effective governance practices. These challenges include issues such as the concentration of ownership, conflicts of interest and the difficulty of measuring and monitoring governance practices (Hunjra et al., 2021). Since these challenges remain in implementing effective governance practices, endless efforts are needed to ensure that companies are governed as effectively and efficiently as possible (Farooq et al., 2022).

This investigation of the effects of corporate governance on the financial performance of quoted financial services firms in Nigeria would thus provide evidence for guiding financial services firms on profitability activities. Hence, the findings may not only provide valuable insights into financial services firms themselves, but also provide useful insights for other sector and policy regulators. To this end, this study investigated whether there is a significant relationship between firms' corporate governance mechanisms and financial performance.

Objectives of the Study

This study seeks to evaluate the effect of corporate governance on the financial performance of quoted financial services firms in Nigeria. The specific objectives are to:

(i) Ascertain the effect of board independence on the return on assets of quoted financial services firms in Nigeria.

(ii) Explore the effect of board gender diversity on the return on assets of quoted financial services firms in Nigeria.

Hypotheses of the Study

In view of the objectives of the study, the following null hypotheses were formulated to guide the study:

H_{o1}: There is no significant effect of board independence on the return on assets of quoted financial services firms in Nigeria.

H_{o2}: There is no significant effect of board gender diversity on the return on assets of quoted financial services firms in Nigeria.

Financial Performance

Financial performance is regarded as indicators that show the overall health of an entity, and it indicates the extent to which strategies and policies of managers have been accomplished (Alslehat & Al-Nimer, 2017). Didin (2017) see financial performance as financial records covering cash flows, statement of financial position, statement of profit or loss and capital changes that become information for corporate managers in formulating their companies' financial policies. It is thus a technical analysis based on a

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company's financial statements, prospectus and other company's financial profile, and market statistical data. To Eshna (2012), financial performance is the process of assessing the results of a firm's policies, operations and overall financial health over a specified period of time so as to ensure enough returns to the shareholders and maintain the market value of the firm. Financial performance refers to the extent to which the financial objectives of a firm are being met or have been achieved. Orlitzky et al. (2003) posit that, traditionally, financial performance is split into profitability ratios, liquidity/working capital ratios, gearing ratios and investor/market ratios. Profitability ratios comprise return on assets, return on equity, return on capital employed, net profit margin, gross profit margin. For this study, return on assets is used to measure financial performance.

Return on Assets

Return on assets evaluates the efficiency of capital utilised and gives a framework for investors to judge the earnings generated by a company's capital assets investment (Epps & Cereola 2008). Return on assets is a metric that indicates how much profit has been created from invested capital. It represents the number of kobo earned for every naira worth of assets. It allows users, stakeholders, and monitoring agencies to evaluate how effective a company's corporate governance structure is at securing and motivating effective management (Chagbadari, 2011).

Corporate Governance

Yousuf and Islam (2015) define corporate governance as guidelines and methods through which corporations are governed. The guidelines help to resolve potential conflicts of interest amongst the stakeholders (shareholders, management, public administration, personnel dependent, consumers, etc.) in one corporate structure (Yousuf & Islam, 2015). To Alodat et al. (2022) corporate governance are the rules, practices and processes by which a company is executed and managed. Good corporate governance ensures that companies operate efficiently and effectively and maximize shareholder value. Similarly, the Organisation for Economic Cooperation and Development (OECD, 2007) maintains that corporate governance refers to the system by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation and specifies the rules and procedures for making decisions in corporate organisations such as the board, manager, shareholders, and spells out the rules and procedures for deciding on corporate affairs. From the foregoing definitions, corporate governance could be said to be the principles and values that guide a company or institution in the conduct of its day-to-day activities or business and how stakeholders in the community or the larger society interact with it.

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According to Oso and Semiu (2012), the ingredients of corporate governance are honesty, trust and integrity, complete transparency, accountability and responsibility, protection of stakeholders, interests and satisfaction, participation, business ethics and values, performance orientation, openness, mutual respect and commitment to the organization. Sincere compliance or adherence to them would pave way for the sustenance of business corporations, the realisation of corporate goals, good and appreciable turn-over and a veritable global market place. These ingredients could be summarised into long-term relationship, which must deal with checks and balances, incentives for managers and communication between management and investors, and the transactional relationship which involves dealing with disclosure and authority. Therefore, corporate governance refers to a set of systems, structures, and approaches that determine how a company is managed to achieve its objectives.

Board Independence

Independence of the board is a very crucial and important element in corporate governance. According to Ali (2016), the independence of an organisational board would enhance the formulation of unprejudiced decisions, which would relieve the organisation from financial troubles. The independence of the board is manifested in the composition of its non-executive directors. As stated by Liao et al. (2015), the composition of a board with a large number of non-executive directors is able to supervise and monitor organisations with utmost effectiveness and efficiency. This is because non-executive board members are not in direct contact with daily activities of the organisation since they do not hold any official positions. In terms of information flow between management and performance, Liao et al. (2015) opined that, non-executive directors on the board propose more options for improved management.

The independence of the board is primarily hinged on the inclusion of non-executive members. This is due to the notion that non-executives do not have a direct link with the Chief Executive Officers (CEOs) and the executives whose operations do not depend on the activities of the later (Vitolla et al., 2019), hence, allowing them to be more independent in reviewing companies' financial and non-financial activities (Liao et al., 2015; Vitolla et al., 2019). On information disclosure and response, Garcia-Sanchez et al. (2011) noted that non-executive members are more open and prone to indiscreet leakage of information, compared to their executive counterparts. Substantiating the usefulness of the non-executives, the stakeholders' theory reveals a crucial relationship that prohibits non-executives from espousing contrary views from his executive colleagues having related party affiliation to the firm. Furthermore, according to Vitolla et al. (2019), the stakeholders' theory shows a presence of non-executive members to not only balance the relationship of shareholders with the executive members, but also to give a sense of

belonging to other stakeholders in their dealings with the business organization. Hence, an independent board of directors naturally begets board effectiveness.

Board Gender Diversity

The board is diversified when women are appointed to the board of directors. Board gender diversity is becoming a strategic issue as some institutional investors are beginning to see gender diversity as a crucial criterion of the investment policy (Carter et al., 2003; Carter et al., 2010). Women normally are more careful and this may be brought to bear on risk taking which is likely to lead to better protection of the firm's investments and assets. Women are also sometimes more painstaking, and this may lead to better investment decisions. As noted by Robinson and Dechant (1997), at the bottom of the argument is the belief that increased demographic diversity among corporate boards would help to improve decision making and hence positively affect firm value. Apart from the increased number of women who are getting educated and the social awareness being created about gender equality, the increase in the number of women on the board is explained by the robustness of the evidence of performance effect of board gender diversity.

Previous researches by Carter et al. (2003) and Catalyst (2014) found that good corporate governance is positively associated with board diversity. Joecks et al. (2012) reveals that women have a favourable impact on company success in German Boardrooms. A study by Mahadeo et al. (2012) also found women in the board of directors to have a positive relationship with firm performance. Carter et al. (2003) and Erhardt et al. (2003) both discovered a significant relationship between the number of women on the board of directors and firm performance in U.S. firms. As such, Rhode and Packel (2010) opined that a well-managed diversity on board of directors enhances firm value in terms of the decision-making process and corporate image with equality.

Local Studies

Okpeku (2020) investigated the effect of corporate governance on financial performance of seven listed DMBs from 2015-2019 using the stakeholders' theory in the context of selected commercial banks in Nigeria. The independent variables were board size, board gender diversity, board independence and board effectiveness, while the dependent variables were return on assets (ROA) and return on equity (ROE). Fixed effect regression was employed to analyze the data. The findings revealed that board size, board independence and board gender diversity have positive but insignificant effect on ROA and ROE, while board effectiveness has positive and significant effect on ROA and ROE.

Dabor et al. (2020) evaluated the impact of corporate governance on financial performance of 248 companies quoted on the Nigerian Exchange Group for a period of 10

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years from 2011 to 2020. Board size, board independence, board gender diversity and ownership structure were used as independent variables, while the dependent variables were ROA and ROE. Data was analyzed using random effect regression. The findings revealed a negative but significant effect of board size on ROA and ROE, while board independence, ownership structure and board gender diversity have positive but insignificant effect on ROA and ROE.

Kalu (2016) studied the effect of corporate governance on profitability of eight listed food and beverages firms in Nigeria from 2007 to 2016. The independent variables incorporated on the studies were board size, board composition, board skills and competence and board gender diversity, while the dependent variables were ROE and net assets per share (NAPS). The data generated from the audited financial statements of the sampled firms was analyzed using OLS multiple regression in a panel data setting.

The findings revealed that board size has positive and significant effect on ROE and NPAS. Board composition has negative and insignificant effect on ROE, but has positive and significant effect on NAPS. Board skills and competence has negative and insignificant effect on ROE and NAPS, while board gender diversity results indicated positive and significant effect on ROE and NAPS.

Foreign Studies

Sathyamoorthi et al. (2017) assessed the effect of corporate governance on the financial performance of eight listed companies in the consumer services sector in Botswana for a period of five years from 2012-2016. Board size, board gender diversity, and board composition were used to proxy corporate governance, while ROA was utilized to measure financial performance. The findings indicated positive and significant effect of board size on ROA; positive but insignificant effect of board gender diversity on ROA; and negative and insignificant effect of board composition on ROA.

Agbaeze and Ogosi (2018) studied the impact of corporate governance on the profitability of five Nigerian banks for a period of 11 years from 2005 to 2015. Board size was used to measure corporate governance, while ROA was used as a proxy for profitability. Number of employees was introduced as a control variable, and fixed effect model was used to analyze the data for the study. The result revealed a positive and significant effect of board size and number of employees on ROA.

Naveed et al. (2020) explored the impact of corporate governance on the profitability of five conventional banks operating in Pakistan for a period of 10 years from 2010 to 2019. Board size and board independence were the independent variables, while the dependent variables were ROE and ROA. Augmented Dickey Fuller test was used to examine the unit root of variables, and OLS multiple linear regression utilized for data analysis. The study

findings indicated that board size has negative and insignificant effect on ROA and ROE; and board independence has positive and significant effect on ROA and ROE.

Musah and Adutwumwaa (2021) investigated the influence of corporate governance on the financial performance of 30 rural banks in Ghana for a period of 10 years from 2010 to 2019. The explanatory variables used were board size, board independence, board diversity and CEO duality, while the explained variables were ROE and ROA. Random effect was adopted as the method of data analysis. The result showed a positive effect of board size on ROE and ROA, but the effect of board size on ROA was statistically insignificant. Also, board independence was found to have positive and significant effect on ROE and ROA; board gender diversity has negative and insignificant effect on ROE and ROA; and CEO duality has positive but insignificant effect on ROE and ROA.

Hoang and Zoltan (2023) studied the effect of corporate governance on the financial performance of 10 publicly listed companies in Vietnam for a period of three years from 2019 to 2021. Corporate governance proxies were transparency disclosure, board size, and board independence, while financial performance was measured by Tobin's Q, ROE and ROA. Method of data analyses employed was random effect regression. The study found positive and significant effect of transparency disclosure on ROE, Tobin's Q and ROA; negative and insignificant effect of board independence on ROE; significant effect of board independence on ROA and Tobin s Q; positive but insignificant effect of board size on Tobin s Q and ROE; and positive significant effect of board size on Tobin's Q and ROA.

Theoretical Review

The theoretical framework for the understanding of the relationship between board attributes and financial performance is underpinned by the agency theory. The theory was postulated by Jensen and Meckling (1976) and is premised on the assumption that there is a separation between the management of an organisation and its ownership. The theory labels the owners of a firm as its principals and the management as its agent. Agency theory explains the problems arising from the separation of ownership and control. It provides a useful way of explaining relationships where the parties' interests are at odds and could be brought more into alignment through proper monitoring and a well-planned compensation system. The agency relationship explains the association between providers of corporate finances and those entrusted to manage the affairs of the firm. Jensen and Meckling (1976) define the agency relationship in terms of "a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent". Agency theory supports the delegation and the concentration of control in the board of directors and use of compensation incentives. Owners' interests are likely to be compromised if agents make the most of their selfish

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goals at the disadvantage of firm performance. The agents cannot be dependable and, therefore, there is need for supervision of the executive managers by the board of directors so as to protect owners' interest.

Methodology

This study adopted the expo-facto design as it is focused on a statistical relationship between variables without the manipulation of the independent variables. Board size and board independence were used as the predictor variables, while return on assets was used as the outcome variable. The sample of the study comprised 38 financial services companies as listed on the floor of the Nigeria Exchange Group (NGX) as at December 31, 2021. This sample cut across the four sub-sectors of the financial services sector namely deposit money banks, insurance companies, mortgage banks and finance houses. This study used secondary data sourced from the annual reports of the sampled companies for the period of 10 years from 2012-2021. This study employed the Ordinary Least Square (OLS) method of Regression analysis and the Descriptive Statistics.

Variables and Measurement

The measurement of the dependent and independent variables is provided in Table 1.

Table 1: Measurement of Variables

S/N	Variable	Notation/Symbol	Measurement	Apriori Expectation
Dependent variable				
1.	Return on Assets	ROA	The ratio of net profit after tax over total assets (Okpeku, 2020).	
Independent Variables				
2.	Board Independence	BDIND	Non-executive directors divided by total board size (Kalu, 2016)	Positive
3.	Board Gender Diversity	BDGD	Number of women on the board divided by total board size (Kalu, 2016; Musab et al., 2021)	Positive

Source: Authors' Compilation (2024)

Model Specification

The OLS model for this study was adapted from the model of Naveed et al. (2020), and is specified thus:

$$ROA_{it} = \beta_0 + \beta_1 BDIND_{it} + \beta_2 BDGD_{it} + \mu_{it}$$

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Where:
ROA = Return on Assets
BDIND = Board Independence
BDGD = Board Gender Diversity
β_0 = Intercept (constant)
β_1- β_2 = Coefficients to be estimated
i – Firm dimension of the variables (1-38)
t = Time dimension of the variables (2012-2021)
μ = Error Term

Result and Discussion

This section presents and discusses the outcome of the descriptive and regression analyses gotten from the secondary data employed. The hypotheses were also tested in this section.

Descriptive Statistics

The descriptive statistics is used to summarize the data. This is based on the mean, standard deviation, minimum and maximum values.

Table 2: Summary of Descriptive Statistics

Variable	Observation	Mean	Std. Deviation	Minimum	Maximum
ROA	380	0.0262	0.0722	-0.2323	0.4969
BDIND	380	0.5915	0.1635	0	0.9286
BDGD	380	0.1804	0.1187	0	0.5455

Source: STATA 14 Output

Table 2 shows the descriptive statistics of the variables of this study. As indicated in the table, the total observations are 380 with respect to data from 38 listed financial services firms over the period of 10 years. The average value of ROA of the sampled firms during the period of study is approximately 2.62%, implying that for every one naira invested in assets, a return of approximately 3kobo is made. The standard deviation is 7.2%, which implies that the ROA of the sampled companies deviated from the mean by 7kobo, giving credence to the fact that there is wide variation in ROA of the sampled firms during the period of study. The minimum value of ROA is a loss of 23kobo recorded by Abbey Mortgage Bank Plc in 2020, while the maximum value is a gain of approximately 50kobo recorded by Africa Prudential Plc in 2016.

Table 2 also shows that on the average, 59% of the board members of the sampled firms were independent directors, and this ratio could increase or decrease by 16% as indicated

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by the standard deviation, implying that the values of BDIND are not widely dispersed from the mean. The mean value is in consonance with the 2018 Code of Corporate Governance issued by the Financial Reporting Council of Nigeria, which requires that there should be more independent or non-executive members on the board than other directors. However, some companies did not meet up with the requirement as other directors were more than the independent or non-executive directors. Section 275 of CAMA 2020 also requires that there should be at least three independent directors on the board. This requirement was also not met by some firms. Lasaco Insurance Plc did not have even one independent director in 2012 and 2013, and Eco Bank recorded the highest ratio of BDIND of approximately 93% in 2021.

In terms of BDGD, Table 2 shows that on the average, 18% of board members in the sampled firms were women, and this ratio could rise or fall by approximately 12% as shown by the standard deviation. The standard deviation shows that the ratios of BDGD are not widely dispersed from the mean. No woman was recorded on the board of at least one of the sampled firms, while the highest ratio of women on the board was approximately 55%, and this was recorded by Stanbic IBTC Plc in 2019 and 2020.

Correlation Analysis

The summary of the Pearson correlation coefficients of the variables of the study are presented in Table 3.

Table 3: Correlation Matrix of the Variables

	ROA	BDIND	BDGD
ROA	1		
BDIND	0.1142 (0.0260)	1	
BDGD	0.1074 (0.0364)	-0.1062 (0.0386)	1

Source: STATA 14 Output
p-values in parentheses

Table 3 reveals that the relationship between BDIND and ROA is positive and significant with the coefficient and p-value of 0.1142 and 0.0260 respectively. The relationship is, however, weak considering the low coefficient. The positive relationship indicates that BDIND and ROA move in the same direction. Likewise, the relationship between BDGD and ROA is positive and significant with a coefficient of 0.1074 and p-value of 0.0364. This stabilising influence has a huge potential to affect financial performance positively, thereby enhancing shareholders' wealth. The relationship is also weak, but BDGD and ROA move in the same direction.

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Pre-estimation Tests

Multicollinearity

To formally substantiate the absence of harmful multicollinearity among the independent variables, collinearity diagnostics are shown in Table 4.

Table 4: Multicollinearity Diagnostics Result

VARIABLE	VIF	TOLERANCE (1/VIF)
BDIND	1.01	0.9887
BDGD	1.01	0.9887
Mean VIF	**1.01**	

Source: STATA 14 Output

The result in Table 4 shows that none of the VIF values is up to 10 and none of the tolerance values is as low as 0.1 or higher than 1. We, therefore, conclude that the independent variables have nothing in common with one another, and so the multicollinearity recorded is harmless.

Heteroskesdaticity

The test result shows chi^2 of 0.15 with prob>chi^2 of 0.6961, indicating that there is no problem of heteroskedasticity, and so the OLS regression estimators were used for data analysis.

Regression Results

This section presents the regression results based on the OLS regression. The results are presented in Table 5.

Table 5: Regression Results

Variables	OLS		
	Coef.	**t**	**P>|t|**
Constants	-0.0202	-1.31	0.192
BDIND	0.0561	2.49	0.013
BDGD	0.0735	2.37	0.018
R^2	0.0275		
Adj. R^2	0.0223		
F-Stat	5.33		
Prob>F	0.0052		
Hettest	0.6961		

Source: STATA 14 Output

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Based on the results in Table 5, the model of the study is outlined as follows:

$$ROA_{it} = -0.0202 + 0.0561BDIND_{it} + 0.0735BDGD_{it} + \mu_{it}$$

As shown in Table 5, BDIND has a coefficient value of 0.0561, which indicates that BDIND has positive effect on ROA, and that a leap in BDIND by 1% would lead to a leap in ROA by nearly 6%. This implies that the higher the number of independent or non-executive directors on the board, the higher the ROA, and so the number of independent directors on their board could favourably influence the return on assets of the sampled companies during the study period. This result is significant at 5% with a p-value of 0.013. Similarly, BDGD has a coefficient value of 0.0735, implying that BDGD has positive effect on ROA, and an increase in BDGD by 1% would lead to an increase in ROA by 7%. This means that the higher the number of women on the board, the higher the ROA. This result is also significant at 5% with a p-value of 0.018.

Board Independence and Return on Assets

The regression result of the study as seen in Table 5 revealed that BDIND has positive and significant effect on the ROA of listed financial services companies in Nigeria during the study period. This result achieves Objective One of the study. This finding is consistent with the findings of Naveed et al. (2020) and Musah and Adutwumwaa (2021), who found that board independence has positive and significant effect on return on assets. The result is, however, inconsistent with those of Okpeku (2020), Sathyamoorthi et al. (2017) and Dabor et al. (2015), who found board independence to have positive but insignificant effect on return on assets.

The finding is also supported by the agency and stakeholders' theories as both theories seek to explain how managers could work through their boards for the overall interest of shareholders and stakeholders. If a board is constituted with the right number of non-executive or independent directors, then such directors would not be influenced by events in their companies, and so they would have an independent mind to take good strategic decisions for the good of their shareholders and stakeholders.

Board Gender Diversity and Return on Assets

The regression result of the study as seen in Table 5 revealed that BDGD has positive and significant effect on the ROA of listed financial services companies in Nigeria during the study period. This result achieves Objective Two of the study, and is in agreement with the agency theory and stakeholders' theory. It is also inconsistent with the studies of Okpeku (2020), Sathyamoorthi et al. (2017) and Dabor et al. (2015), who found that board gender diversity has positive but insignificant effect on return on assets, and the finding of Musah and Adutwumwaa (2021), who found that board gender diversity has negative

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and insignificant effect on return on assets. Prior studies have established that women directors tend to make more board meetings possible and special attendance patterns at board meetings, which make different boards more successful than homogenous boards, implying that women are inherently more stabilizing than men. This stabilising influence has a huge potential to affect financial performance positively, thereby enhancing shareholders' wealth.

Conclusion

This study evaluated the effect of board independence and board gender diversity on the return on assets of selected financial services companies quoted on the NGX from 2012-2021. Findings of the study showed that both variables of board attributes have positive and significant effect on the return on assets of the studied financial services companies during the study period. Based on this finding, the study concludes that the two board attributes studied have the potential to positively influence financial performance in the financial services sector in Nigeria.

Recommendations

In the light of the findings and conclusion of the study, the following recommendations are made:

(i) Section 2 subsection 3(b) of the 2018 Nigeria Code of Corporate Governance requires that majority of board members should be independent non-executive directors. The result of the descriptive statistics show an average of 59%. This ratio should be increased to improve the financial performance of the studied companies.

(ii) More women should be appointed on the board of the studied financial services companies. The average inclusion of women is only 18%. This should be improved upon.

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