# INVESTIGATING THE EVER-FRAGMENTED CONUNDRUM OF THE RELATIONSHIP BETWEEN BOARDS CHARACTERISTICS AND FIRM PERFORMANCE. HOW DOES IT MATTER IN THE NIGERIAN FINANCIAL INDUSTRY?

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**ABSTRACT**

This study examines the effect of boards characteristics (board size, board composition, board knowledge, and board diligence) on firm performance (return on equity-ROE). In the pursuit to achieve the objective of this study, data were extracted from the annual accounts and reports of a 30 sampled nonbanks financial service firms listed on the Nigerian Stock Exchange (NSE), spanning from the year 2012 through 2016. For analysis purpose, the study utilizes the Panel Corrected Standard Errors (PCSEs) regression, where the result shows that board size and board composition have a significant positive impact on ROE, while board diligence has a significant negative effect on ROE. Still, the study finds that board knowledge has a positive, but an insignificant influence on ROE. The finding of this study is significantly vital to the Nigerian corporate governance (CG) regulators alongside investors, and corporate managers in having an insight on the level of CG application in the sampled firms, and on how the selected variables in this study influenced performance. The study concludes by offering policy recommendation combined with suggestion for future research.

**Keywords:** Boards characteristics, firm performance, Nigerian corporate governance, Nigerian Stock Exchange, Panel Correct Standard Errors.

1. INTRODUCTION

The role of boards of directors in relation to firm performance has become the central theme in corporate governance (CG) research. Reasonably, the long-term value of stockholders can be improved when an organization has an efficacious CG in place (Cohen, Krishnamoorthy, and Wright, 2002), and having the right boards ensure effective corporate governance that eventually influences organizational results (Carpenter and Westphal, 2001). In common, the assessment and determination of an effective CG count on diverse principles that involve boards of directors’ characteristics (Shahwan, 2015). Consequently, a firm’s board of directors is considered as the most persuasive mechanism of CG that is committed with the responsibility to oversee the actions of corporate executives, yet, the boards remain futile in improving firm performance which led to various corporate catastrophes in both advanced and emerging economies (for instance, Enron and WorldCom in the U.S., Oceanic Bank in Nigeria, etc.) (Al-Manaseer, Al-Hindawi, Al-Dahiyat, & Sartawi, 2012; Kakanda, Basariah, & Chandren, 2016; Kakanda *et al.*, 2017a).

Parallel, corporate failures in Nigeria (especially in the financial industry [banks and nonbanks financial service firms]) emanated from a slack-handed application of corporate governance, where various corporates’ boards of directors neglect their oversight functions on the executives’ actions and equally lack the required expertise and skill to enforce good governance on management (Kakanda *et al.* 2017a; Kakanda *et al.* 2017b; Sanusi, 2010). For this reason, the Nigerian Securities and Exchange Commission (SEC) has revised the erstwhile 2009 CG code and issued an updated version of the code in 2011. More importantly, the 2011 CG code is presumed to overcome the flaws (especially on boards characteristics) associated with the former code, all with the view to boost firms’ performance.

Nevertheless, the myriad corporate failures in different nations have attracted the attention of various corporate stakeholders (shareholders, creditors, and government agencies) including researchers who remain relentless in examining the relationship between board characteristics and firm performance in several economies. From the result of the stream of studies conducted in developed (for instance, Afrifa & Tauringana, 2015; Vafeas, 1999) and emerging markets (for illustration, Arora & Sharma, 2016; Marn & Romuald, 2012; Uadiale, 2010), the issues on the relationship between board characteristics and firm performance remain unsettled in literature due to fragmented findings that results from differences in features like system of governance and economic, social, and legal systems (Kakanda *et al.*, 2017; Rabeiz, 2015). Therefore, this study plans to investigate the relationship between boards of directors’ characteristics and financial performance of listed nonfinancial service firms in Nigeria.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Corporations' boards of directors are charged with the responsibility of overseeing the activities of corporate managers on shareholders' behalf (Uadiale, 2010). Finkelstein and Mooney (2003) argued that board of directors play a various and significant role in effective operations of corporations that include advice, oversight, counsel, and monitoring of the Chief Executive Officers (CEOs), and if necessary, to offer disciplinary actions on them. Agency theorists believed that corporate managers possess substantial power and freedom to manage and control shareholders' resources. Masson (1971) opines that the agents (corporate managers) have some goals that may be in conflict with that of the principals (shareholders), therefore disregarding wealth maximization goals of the shareholders. Following this, the board of directors are to undertake effective management functions like observing and recompensing of top executives in order to guarantee shareholders' returns maximization objectives (Zahra & Pearce, 1989).

Thus, for the board of directors to perform their functions effectively, some attributes like board size, board composition, board meetings, board expertise, to mention but a few, must be in place (Kakanda *et al.,* 2016). Whereas Brennan (2006) concludes that the effectiveness of the board of directors' oversight function is influenced by some factors like board size, board composition, CEO duality, board culture, information asymmetries, and board diversity. Hence, this study focuses on boards characteristics that include: board size, board composition, board knowledge, and board diligence.

Board Size and Firm Performance

It has been argued that a larger board size leads to a diversity of the board that assists in safeguarding resources of the firms, aid in reducing environmental uncertainties in which they operate, ensures better management decisions, and improve directors' oversight function (Kent & Stewart, 2008). Empirically, Ogege and Boloupremo (2014) document that board size has a significant positive effect on the performance (return on assets and return on equity) of 15 banks listed on the Nigerian Stock Exchange (NSE). Other studies that found a positive association between board size and firm performance are those of Fidanoski, Mateska, and Simeonovski (2013) and Sohail, Rasul, and Fatima (2017). Contrastingly, other studies document a negative association between board size and firm performance (for instance, O’Connel & Cramer, 2010). Hence, this study hypothesized that:

*H1: board size has a positive relationship with firm performance*

Board Composition and Firm Performance

Subsection A corporate board that composes of a significant number of nonexecutive directors is considered as independent and stands in a better position to perform their oversight function effectively on the executives' activities which could improve firm performance (Fama & Jensen, 1983). In practical terms, Harvey Pamburai, Chamisa, Abdulla, and Smith, (2015) investigate the association between CG mechanisms and performance of firms in South Africa and the result shows that composition of the board of directors (non-executive directors) is positively related to firm performance. On the other hand, Farhan, Obaid, and Azlan (2017) utilized 72 sampled firms listed on the United Arab Emirate (UAE) stock exchange and found that board composition has a significant negative relationship with firm performance (return on assets and Tobin’s Q). for this reason, this study offers the following hypothesis:

*H2: board composition has a positive association with firm performance*

Board Knowledge and Firm Performance

Subsection Literature has argued that the knowledge of corporate board members is imperative in ensuring that they successfully carried out their oversight function on the management (Yatim, 2010). In the same vein, it has been argued that directors that sit on the board of more than one company will enable them to acquire more skill, knowledge, and become more expertise in carrying out their oversight functions on managers’ activities (Nadarajan, Chandren, Bahaudin, Mohammed Elias, & Mohd Nawi, 2015). Fairly, the findings on the relationship between board knowledge and firm performance remain unsettled, for illustration, Elyasiani and Zhang (2015) found that multiple-directorship has a positive relationship with the performance of banks in the U.S., while Hauser (2013) reports that board knowledge (multiple directorships) has a negative effect on the performance of S&P 1500 companies (thereby having a sample of 22, 465 firm-years from 1996 to 2011) in the U.S. Thus, this study submits the resulting hypothesis:

*H3: board knowledge has a positive relationship with firm performance*

Board Diligence and Firm Performance

Subsection Board diligence is considered as the frequency of meetings held by the members of a corporate board during a given financial year (Yattim, 2010). Through the meetings of the board, directors can showcase their proficiencies in discharging their numerous functions which may influence firm performance (Kakanda *et al.*, 2017a; Lipton & Lorsch, 1992). In this regard, Arora and Sharma (2016) report that board diligence (board meeting) has a significant positive impact on the performance of quoted firms in India. Similarly, Barisua, Torbira, and Lenee (2012) and Mangena and Pike (2005) found a positive association between a board meeting and firm performance. Conversely, Vafeas (1999) report that board meeting frequency has a significant negative effect on the performance of firms in Cyprus. As a result, the study suggests the following hypothesis:

*H4: board diligence has a positive association with firm performance*

3. METHODOLOGY

In the quest to achieve the objective of this study, data were obtained from the annual accounts and reports of 30 sampled nonbanks financial service firms (for instance, insurance companies, mortgage institutions, and thrift companies) listed on the Nigerian Stock Exchange (NSE) spanning from the year 2012 through 2016. Banks were excluded due to the uniqueness of their operations and the strict laws governing them, as this may influence the result of analysis and even makes a generalization of the result difficult. The year 2012 is selected as the primary period because the review of the CG code takes place in 2011 and its full implementation begins in the immediately succeeding year (2012). However, to analytically test the hypotheses established in this study, the following multivariate model is used and analysed using STATA package version 14:

$$ROE\_{it}= β\_{0}+β\_{1}BSZE\_{it}+β\_{2}BCOMP\_{it}+β\_{3}BKNW\_{it}+β\_{4}BDIL\_{it}+β\_{5}LEVR\_{it}+β\_{6}FSZE\_{it}+β\_{7}FAGE\_{it}+ ε$$

Based on the preceding multivariate model, the dependent variable is the firm performance which is proxied by ROE=return on equity and measured as the proportion of net income to owners’ equity (Gentry & Shen, 2010; Saibaba & Ansari, 2013). While the independent variables: BSZE=board size is the number of directors on a company’s board (Kakanda *et al.*, 2017a; Vafeas, 1999); BCOMP=board composition is the proportion of nonexecutive directors to total directors on the board (Akbar, 2015); BKNW=board knowledge, measured as the number of directorships of a company’s nonexecutive director (Elyasiani & Zhang, 2015); and BDIL=board diligence is the number of board meetings held during the financial year (Yatim, 2010). Following previous studies (for instance, Afrifa & Tauringana, 2015; Bhagat & Black, 1999), LEVR=leverage (ratio of total debts to company’s total assets); FSZE=firm size (natural logarithm [Ln] of total assets), and FAGE=firm age (number of years from incorporation) are controlled for, since they have effect on firm performance.

4. RESULTS AND DISCUSSION

The results of this study involve descriptive statistics (encompassing the mean, standard deviation, median, minimum and maximum), Pearson’s correlation coefficients, multivariate regression assumption check, multiple regression (Panel Corrected Standard Errors-PCSEs), and robustness check (Simultaneous Quantile Regression). The explanations to these are provided in the subsequent subsections.

Descriptive Statistics

The result of the descriptive statistics including mean, standard deviation, minimum, maximum, and median is presented in Table 1. The result depicts that the mean of ROE is 15%(0.15), a minimum and maximum score of -17%(-0.17) and 46%(0.46), while the median is not far from the mean with a value of 14%(0.14). This portrays that the sampled firms are averagely doing well even though some are running at a loss as indicates by the minimum value of ROE. However, the standard deviation of 0.13 means that the sampled firms are not widely varied in terms of generating returns during the period under review. For BSZ, it has a mean of 9(8.74), minimum (6), maximum (15), and a median of 8 members, while the standard deviation stood at 1.70. In this regard, the sampled firms are strictly adhering to the Nigerian revised CG code of 2011 which requires all publicly trading companies in Nigeria to have a minimum board size of 5 members.

**Table 1**

**Descriptive Statistics**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **N** | **Unit**  | **Mean** | **Std. Dev.** | **Min** | **Median** | **Max**  |
| ROE | 150 | Ratio  | 0.15 | 0.13 | -0.17 | 0.14 | 0.46 |
| BSZE | 150 | Number  | 8.74 | 1.70 | 6.00 | 8.00 | 15.00 |
| BCOMP | 150 | Ratio  | 0.66 | 0.11 | 0.25 | 0.67 | 0.89 |
| BKNW | 150 | Ratio  | 0.27 | 0.12 | 0.11 | 0.25 | 0.67 |
| BDIL | 150 | Number  | 5.25 | 1.44 | 3.00 | 5.00 | 10.00 |
| LEVR | 150 | Ratio  | 0.59 | 0.44 | 0.10 | 0.49 | 3.03 |
| FSZE | 150 | Obtained Ratio  | 23.15 | 0.63 | 21.49 | 23.05 | 25.11 |
| FAGE | 150 | Number  | 35.17 | 16.70 | 9.00 | 31.50 | 94.00 |

Source: Authors’ analysis (2017)

Note: ROE=Return on Equity; BSZE=board size; BCOMP=board composition; BKNW=board knowledge; BDIL=board diligence; LEVR=leverage; FSZE=firm size; and FAGE=firm age.

From the descriptive statistics in Table 1, the average BCOMP is 66%(0.66), with a minimum and maximum of 25%(0.25) and 89%(0.89), and a median of 67%(0.67) and a standard deviation of 11%(0.11). This indicates that the boards of listed nonbanks financial services firms in Nigeria are dominated by nonexecutive directors which are in concordance with the requirement of the Nigerian revised CG code of 2011. While considering BKNW, the mean is 27%(0.27) and ranges between 11%(0.11) and 67%(0.67). On average, the boards of the sampled firms meet 5 (5.25) times in a year and ranges from 3 to 10 times on lower and upper bounds. Nonetheless, the mean score of LEVR (leverage) is 59%(0.59) portraying a high level of debt and operating at the risk of bankruptcy. The average score of FSZE (firm size) is 23.15, whereas FAGE (firm age) is 35 years, and ranges from 9 years to 94 years with a standard deviation of 17(16.7) years, indicating a wide variation in terms of years of operation between the sampled firms.

Pearson Correlation Result

Table 2 presents the result of Pearson correlation which tests for the magnitude of the relationship between all the variables in the study. The result shows that BSZE (board size), FSZE (firm size), and FAGE (firm age) have a significant positive relationship with firm performance (ROE), while LEVR (leverage) has a significant negative association with ROE, all at the 0.01 significant level. Contrariwise, BKNW (board knowledge) has a positive, but an insignificant relationship with ROE, while BCOMP (board composition) and BDIL (board diligence) show an insignificant negative association with ROE. However, there is no issue of multicollinearity as none of the explanatory variables has correlation coefficient above 0.70 as suggested by the literature. The Pearson correlation matrix is delineated in Table 2 as thus:

**Table 2**

**Correlation matrix for the variables used in the study (Obs=150)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Variables**  | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
| **1** | ROE | 1 | 0.27\*\*\* | -0.12 | 0.04 | -0.11 | -0.40\*\*\* | 0.24\*\*\* | 0.27\*\*\* |
| **2** | BSZE |  | 1 | -0.03 | 0.18\*\* | -0.11 | -0.18\*\* | 0.22\*\*\* | -0.09 |
| **3** | BCOMP |  |  | 1 | 0.20\*\* | 0.11 | -0.01 | -0.15\* | 0.05 |
| **4** | BKNW |  |  |  | 1 | -0.12 | -0.16\*\* | 0.24\*\*\* | 0.06 |
| **5** | BDIL |  |  |  |  | 1 | 0.07 | -0.20\*\* | 0.05 |
| **6** | LEVR |  |  |  |  |  | 1 | -0.29\*\*\* | -0.20\*\* |
| **7** | FSZE |  |  |  |  |  |  | 1 | 0.05 |
| **8** | FAGE |  |  |  |  |  |  |  | 1 |

Source: Authors’ analysis

Note: \*\*\*, \*\*, and \*: Correlation is significant at the 0.01, 0.05, and 0.1 levels (two-tailed) respectively.

Regression Assumptions Check

Prior to the execution of multivariate regression analysis, some regression assumptions need to be satisfied. For this reason, this study satisfies the regression assumption of heteroscedasticity (using Breusch-Pagan), the normality of residuals, and model specification. Only that it fails to satisfy the assumption of serial correlation (autocorrelation) (using Wooldridge test) where the *p*-value is above the threshold of 0.05. As a result, the Panel Corrected Standard Errors (PCSEs) regression analysis is used in testing the hypotheses in this study since there is serial correlation problem and the *T* (time) is < *N* (units) (Reed & Ye, 2011). The result of the regression assumption check is shown in Table 3 as thus:

**Table 3**

**Regression assumption check**

|  |  |  |  |
| --- | --- | --- | --- |
| **Assumption**  | **Test**  | **Test Result** | **Status**  |
| Equal variance of error terms  | Breusch-Pagan hettest  | Chi: 2.329; *p*: 0.127 | Satisfied  |
| Normality of residuals | Shapiro-Wilk test | z: 1.849; *p*: 0.032 | Satisfied  |
| Model specification test  | Linktest  | t: 0.819; *p*: 0.414 | Satisfied  |
| Serial correlation  | Wooldridge test | *F* (1, 44) =7.119; *p*: 0.011 | Not satisfied  |

 Source: Authors’ analysis (2017)

Multivariate Analysis

The result of the Panel Corrected Standard Errors (PCSEs) regression is presented in Table 4, where the model explains 28.02%(0.2802) of the variation in firm performance (R2=0.39) and the goodness of the model is fit (waldχ2 =7900.64, *p*<0.01). More so, the result illustrates that BSZE has a significant positive impact on ROE (β=0.123, *p*<0.01), therefore, supports hypothesis 1 and is consistent with the result of Ogege and Boloupremo (2014). This means that the higher the size of a board, the better a firm will perform financially.

Additionally, BCOMP has a significant positive effect on ROE at the 0.10 level (β=0.108, *p*<0.10), hence, a support for hypothesis 2 and consistent with Harvey Pamburai *et al.* (2015). However, BKNW has a negative, but an insignificant influence on ROE (β=-0.004, *p*>0.10). This result does not support hypothesis 3 and has contradicted the finding of Elyasiani and Zhang (2015) but is in line with the result of Hauser (2013). The plausible reason for this result possibly will stem from the fact that directors with more directorships may be busy in discharging their primary responsibilities on their boards and concurrently want to perform their secondary duties with other boards, which may distract them in providing the required resources (knowledge) in boosting firms’ performance despite the cost attributed to their positions.

**Table 4**

**Result of Panel Corrected Standard Errors (PCSEs) regression**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variables** | **Expected signs** | **Coefficients** | **t-stats** | ***p*-value** | **Collinearity**  |
| **VIF** |
| Intercept | ? | -0.766 | -3.06 | 0.002\*\*\* |  |
| BSZE | + | 0.123 | 2.73 | 0.006\*\*\* | 1.11 |
| BCOMP | + | 0.108 | 1.87 | 0.062\* | 1.11 |
| BKNW | + | -0.004 | -0.77 | 0.439 | 1.16 |
| BDIL | + | -0.041 | -1.99 | 0.046\*\* | 1.07 |
| LEVR | - | -0.062 | -5.97 | 0.000\*\*\* | 1.17 |
| FSZE | + | 0.030 | 2.59 | 0.010\*\* | 1.24 |
| FAGE | + | 0.002 | 9.15 | 0.000\*\*\* | 1.07 |
| Mean VIF |  |  |  |  | 1.13 |
| No. of groups 30No. of observations 150 Wald chi2 (7) 7900.64\*\*\*R2 0.2802 |

Source: Authors’ analysis.

Note: \*\*\*, \*\*, and \* is significant at the 0.01, 0.05, and 0.1 levels (two-tailed) respectively.

Regarding BDIL, the result shows that it has a significant negative effect on ROE (β=-0.041, *p*<0.01), which contradicts the expectation of hypothesis 4 and the finding of Arora and Sharma (2016), but steady with Vafeas (1999). This means that frequency of board meeting does not add value to the performance of listed nonbanks financial service firms in Nigeria. The credible reason for this result might be that the directors do not concentrate on performing their assigned functions, but on other day-to-day personal business during meetings of the board (Lipton & Lorsch, 1992). In view of the control variables in this study, LEVR has a significant negative effect on ROE (β=-0.062, *p*<0.01), denoting that a high level of debt in a firm will result to a lower performance or even loss. Yet, FSZE (β=0.030, *p*<0.05) and FAGE (β=0.002, *p*<0.01) have a significant positive impact on ROE at 5% and 1% levels of significance.

*Robustness Check*

In order to check for the consistency of the result obtained under the Panel Corrected Standard Errors (PCSEs) regression model, a robustness check is conducted by splitting the sample firms based on lower and upper bounds of performance (ROE). From the lower to upper levels, 25th, 50th, and 75th percentiles of the dependent variable (ROE) are considered for examining the relationship between board characteristics and firm performance. The reason behind this is that the relationship between CG and firm performance may not be homogenous in nature across firms as measured by previous studies that utilized ordinary least square (OLS) regression in establishing the said relationship, which considers firm performance on an average basis. Therefore, the possible relationship might be based on lower or upper bounds (that is heterogeneous across units) (see, Shawtari, Salem, Hussain, Alaeddin, & Thabir, 2016). The robustness result is presented in Table 5.

**Table 5**

**Result of Simultaneous Quantile Regression (QR)**

|  |  |
| --- | --- |
| **Variables** | **Percentiles**  |
| **25th**  | **50th**  | **75th**  |
| Intercept  | -1.492(-2.81)\*\*\* | -0.866(-1.65) | -0.498(-0.89) |
| BSZE | **0.097****(1.78)\*** | **0.179****(2.48)\*\*** | 0.096(1.28) |
| BCOMP | -0.061(-0.45) | -0.028(-0.22) | -0.071(-0.60) |
| BKNW | 0.064(0.73) | -0.129(-1.36)\* *#* | -0.258(-2.60)\*\* |
| BDIL | -0.010(-0.20) | -0.049(-1.09) | **-0.063****(-1.60)\****#* |
| LEVR | **-0.058****(-2.77)\*\*\*** | **-0.097****(-2.41)\*\*** | **-0.117****(-2.75)\*\*\*** |
| FSZE | **0.057****(2.93)\*\*\*** | 0.027(1.35) | 0.025(0.99) |
| FAGE | 0.01(1.20) | **0.002****(1.50)\* #** | 0.002(1.79) |
| Adj. R2 | 0.176 | 0.149 | 0.222 |
| *N* | 30 | 30 | 30 |
| *Observations*  | 150 | 150 | 150 |

Source: Authors’ analysis(2017).

Note: *t* statistics in parentheses (); \*\*\**p*<0.01, \*\**p*<0.05, \**p*<0.10. *#* = one-tailed. Values in **bold** are significant results consistent with those of the Panel Corrected Standard Errors (PCSEs) Regression model.

Equally important, the result from Table 5 depicts that there is heterogeneity across the different percentiles on the association between board size (BSZE) and firm performance. At the lower bound (25th percentile) and median level (50th percentile), the coefficients are significantly positive at 10% and 5% respectively (consistent with PCSEs result), while insignificant at the upper level (75th percentile). This indicates that the impact of board size on the performance of the sampled firms is not the same but remain on lower and medium firms.

To board knowledge (BKNW), the coefficients are negatively significant at 50th percentile (10% significant level, one-tailed) and at 75th percentile (5% significant level two-tailed), while insignificant positive at the 25th percentile. This result is not consistent with that of PCSEs regression which shows an insignificant negative effect of board knowledge on ROE. This means that the effect of board knowledge on the performance of the sampled firms is heterogeneous in nature. Hence, medium and larger firms will be negatively affected by having directors with more directorships. Contrastingly, the result of board diligence (BDIL) is also not homogenous across firms since its coefficient is only negatively significant at the upper bound (75th percentile). This indicates that larger firms will be much affected by high frequency of board meetings than those small (25th percentile) and medium (50th percentile) firms within the sample.

Likewise, the coefficients of leverage (LEVR) are significant at both lower and upper bounds (25th, 50th, and 75th) at the 0.01, 0.05, and 0.01 significant levels respectively, which are consistent with the PCSEs regression result. This means that the relationship between leverage and ROE is homogenous across the sampled firms in this study. However, firm size (FSZE) is only significant at the 25th percentile (at 1% significant level), while firm age (FAGE) is only significant at the 50th percentile (at 10% significant level, one-tailed), signifying an absence of homogeneity relationship with ROE.

5. CONCLUSION AND RECOMMENDATIONS

This studyexamines the effect of board characteristics (board size, board composition, board knowledge, and board diligence) on the performance (return on equity-ROE) of listed nonbanks financial service firms in Nigeria. Based on the result of the Panel Corrected Standard Errors (PCSEs) regression, the study finds that board size and board composition have a significant positive impact on firm performance (return on equity), while board diligence has a significant negative impact on return on equity. However, board knowledge has a negative, but an insignificant influence on the performance of listed nonbanks financial service firms in Nigeria. The study also finds that the relationship between board characteristics and firm performance is heterogeneous across the firms on various levels (lower, medium, and upper) of performance and not homogenous as documented by previous research.

Therefore, the finding of this study is significantly vital to the Nigerian CG regulators alongside investors, and corporate managers in having an insight on the level of CG application in the sample firms, and on how the selected variables in this study influenced performance. In essence, this study recommends that the management of the sampled firms should take caution in the appointment of directors with multiple directorships as they are mostly busy in discharging their responsibilities with other firms which do not favourably influence their performance. Likewise, the number of board meetings should be kept to an average level to avoid a noisy board that concentrates mostly on personal issues rather than performing their primary functions.

Nevertheless, this study concentrates only on boards characteristics without considering other important CG mechanisms like audit committee characteristics, chief executive officers’ (CEO) characteristics, and ownership structure. As such, this is an avenue for future studies to explore the relationship between the various CG mechanisms and firm performance (return on assets, market value, net profit margin and others) in a similar or another domain.

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