Influence of Board Characteristics / Heterogeneity on the Performance of Listed Deposit Money Banks in Nigeria

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Abstract: *This paper is an empirical analysis of the influence of Board Characteristics/Heterogeneity on the Performance of listed Deposit Money Banks in Nigeria for the period 2006-2012. The listed Deposit Money Banks are Seventeen (17) in number out of which a sample of ten (10) were used for the study. Specifically, the study seeks to find out if Board Characteristics/Heterogeneity (proxy by Women Directors, Foreign Director, Board Size, and Board Composition) has any influence on Performance. The study adopted multiple regression technique and data were collected from secondary source through the annual reports and accounts of the Banks. The findings reveal that Women Director and Board Composition is positively, strongly and significantly influencing the Performance of listed Deposit Money Banks in Nigeria, while the Board Size have a negative impact on Performance, Foreign Directors was found to have an insignificant contribution to the Bank's Performance. It is however, recommended that the listed Deposit Money Banks in Nigeria should increase the number of Women Directors and outside directors on Board to an average of five (5) and 60% respectively, as higher number may help in reducing the excess of the Men directors and Executive directors. Also the number of board members should be reduced to average of nine (9) members as this may help improve the Banks performance.*
Keywords: *Board Characteristics, Deposit Money Banks, Heterogeneity, Performance*

1. Introduction

A number of studies like Letendre (2004), Bilimoria and Wheeler (2000), Fondas and Sassalos, (2000), Huse and Solberg, (2006) have looked at the relationship between Board Characteristics, heterogeneity and firm performance but there is still no consensus in their findings. One of the reasons for the awakening on corporate governance issues is the separation of ownership and control. Besides, the asymmetry of information has introduced conflicts between the principal and agent as they have different self interests which may lead to the misuse of the corporate assets. To limit the conflicts and costs of the agency, various internal and external mechanisms have been suggested through the code of corporate governance.

Corporate governance is not only vital at the individual company level, but it is also a critical element in maintaining a sound financial system and a robust economy (Shehu, 2011). An institution's Board of Directors, hereafter referred to as “the Board,” ultimately is responsible for the conduct of the institution's affairs. The Board controls the institution's direction and, hence, its overall policy. In so doing, the Board determines how the institution will conduct its business in the long term. In general, the Board establishes or approves and monitors the policies by which management will operate. The financial stability and continuity of an institution is very much dependent on the strength and quality of the Board, its independence from management, and its degree of involvement in the institution's affairs. In favorable and unfavorable times, the Board contributes by setting tone and direction; it oversees and supports management's efforts by testing and probing their recommendations before approving them. The Board also makes sure that adequate systems and controls are in place to identify and address problems before they become a threat. In adverse times, an active and involved Board can help an institution survive by taking the necessary corrective actions and, when needed, keep the institution on track until effective management can be re-established. The Board periodically should evaluate its own effectiveness and take appropriate steps to improve its performance.

Most recently, Great attention has been given in the economic and finance literature to the impact of Board Characteristics, heterogeneity on firm performance. This increased attention has been motivated by the Asian and European financial crisis that badly affected most of the Asian and European countries and was also transferred to other parts of the world because of their interdependent, interconnected and interrelatedness which has changed the landscape of the countries corporate governance including

Nigeria. In Nigeria, efforts to improve corporate governance practices began in 2003 when the code was made mandatory for all the companies listed in the Nigerian Stock Exchange (NSE), consequently, the Central Bank of Nigeria deemed it fit to introduce its own governance codes for banks listed in stock exchange which takes effect from April 4th 2006. The introduction of the specific corporate governance codes for banks is expected to improve the performance of these banks and ensure their long-term survival.

Around the globe there is a growing identification of the value of boards for the achievement of organizational objectives and goal. Several countries have issued guidelines and recommendations for best governance practices and board composition (Cadbury, 1992; OECD Principle 2004, Nigeria SEC Code 2003, and CBN Corporate Governance Code, 2006). The question of whether firms follows the best practices recommended as regards board characteristics will have value addition in their performance is to be examined empirically in Nigeria over time. Therefore, the study seeks to investigate whether the banks follow the best practices up to the period 2012 and if they do, to what extent does it influence their performance?

The empirical investigation of this relationship between Board Characteristics, heterogeneity and firm Performance has produced a very wide literature that used different samples, covered many time-periods and revealed mixed results. In summary, there are many divergent views about the role of Board Characteristics, heterogeneity (Women Director, Foreign Director, Board Size, and Board Composition). Some are of the view that Board Characteristics, heterogeneity to a greater extent have positive influence on firm's performance, while others have contrary view that Board Characteristics, heterogeneity reduces firm's performance. Therefore, it can be concluded that available literature in this area are mixed and inconclusive, and there are no studies in Nigeria that have attempted to resolve the mixed result especially in listed Deposit Money Banks in Nigeria. Therefore, to what extent do Board Characteristics, heterogeneity Influence performance of listed Deposit Money Banks in Nigeria and in what direction?

Previous studies, however, focus on the developed countries. Only few studies have been carried out in the developing countries like Nigeria. The other thing that is evident from the studies from developed countries is that most of the studies focused on the non-financial sector with very few actually dealing with the financial sector. In some cases, the financial sector firms have been eliminated from the sample of firms under study in major developed economies for instance, Minguez-Vera and Campbell (2007) doing a study in Spain eliminated financial sector firms. So there the study focus is on financial sector.

Finally, corporate board diversity was argued to have value additions to firm. Still, the subject about corporate board diversity, most specifically arising due to gender diversity particularly has not received enough attention in Nigeria. Recently the former government of Dr. Goodluck Ebele Jonathan advocated for more women in governance as a result of their positive contribution. It is our belief that the Banks too may have learnt from this idea of more women in governance, therefore, the study seeks to assess the contribution of women director on performance of Banks as there is no empirical study that has been undertaken on this variable as we have in this study.

1.1 Objectives of the Study

The major objective of the study is to analyze the influence of Board Characteristics, heterogeneity on the Performance of listed Deposit Money Banks in Nigeria. Therefore, the specific objectives are:

1) To examine the impact of Women Directors on the Performance of listed Deposit Money Banks in Nigeria.
2) To assess the effect of Foreign Directors on the Performance of listed Deposit Money Banks in Nigeria.
3) To investigate the influence of Board Size on the Performance of listed Deposit Money Banks in Nigeria.
4) To examine the effect of Board Composition on the Performance of listed Deposit Money Banks in Nigeria.

1.2 Statement of Hypotheses

Based on the above highlighted objectives, the following hypotheses are formulated in null form to test the contribution of the following considered Board Characteristics proxies on Performance:

Ho$_1$*: Women Directors have no significant impact on the Performance of listed Deposit Money Banks in Nigeria.*

Ho$_2$*: Foreign Directors have no significant impact on the Performance of listed Deposit Money Banks in Nigeria.*

Ho$_3$: *Board Size has no significant influence on the Performance of listed Deposit Money Banks in Nigeria.*

Ho$_4$: *Board Composition has no significant impact on the Performance of listed Deposit Money Banks in Nigeria.*

2. Literature Review

2.1 Women Directors and Performance

Women directors are the proportion of women over the total number of board members. The involvement of women in the labour market has grown significantly since 1980. In many European countries the participation of women in the labor market is lower as compared to men (Considine & Deutchman, 1994). This is a common phenomenon in majority of countries including Nigeria. Alongside this, women representation in boardrooms gained impetus in the early 2003 after the release of Higgs Report on good corporate governance in the UK. Despite the release of the Higgs Report, company boards remain largely male dominated (Grosvold et al., 2007). Of late this has come to change especially in developed economies. For example, in the US, female representation in boards increased from 3.7% to 8.6% from 1993 to 2003 (Conyon & Mallin 1997; Singh & Vinnicombe, 2004). Such an increasing trend has also been experienced in UK where female directors have doubled since 1999 (Grosvold et al. 2007). It is believed that the change in board gender diversity is as a result of partly the implementation of equal opportunity programs which are a bit problematic to implement in senior management (Grosvold et al., 2007). Globally, there have been a number of studies which paid attention to the gender diversity of corporate boards recently e.g. Burke, (1999), Sheridan & Milgate, (2003), Farrell & Hersch 2005). In Africa, limited studies have been carried out to show female representation on the board. The few studies obtained show the same trend as in other western developed countries for instance in South Africa in 2005 only 11.5% of the board positions were held by women (Campbell & Mínguez-Vera 2007).

In a recent study, Smith and Verner (2006) found that women on board of directors have significant positive effect on firm performance. With most of them having non-corporate background, women are far more likely to hold valuable, unique, and rare information because they have been excluded from the traditional development paths of corporate directorships. Letendre (2004) brings up the idea of 'value in diversity' and suggests that female board members will bring diverse viewpoints to the boardroom and will provoke lively boardroom discussions. Bilimoria and Wheeler (2000) suggest that, on the average female board member is younger than her male counterpart, and so the board benefits from infusion of new ideas and approaches to deliberations. Women may have different views, values and ways to express and communicate their opinions. As a result, women are more likely to question the conventional wisdom and to speak up when concerned about an issue or a particular managerial decision through more questioning and open discussion (Fondas & Sassalos, 2000; Huse & Solberg, 2006). Even if gender diversity causes disagreement, Latendre (2004) suggests such disagreements are valuable to the board as it leads to better board dynamics and decision making.

2.2 Foreign Director and Performance

The foreign director's presence on board may have positive influence on the performance of firms due to their expertise; experience, and skill. The result on foreign director is somewhat puzzling. In contrast to the positive signaling effect of foreign board members reported for Swedish firms by Oxelheim and Randoy (2003), the coefficient of foreign director dummy is negative and statistically significant. Perhaps this may also be a case of a difficulty of an individual (foreign director) operating in different cultural environment; cultural difference for Western directors is greater for Korean firms than Swedish firms. The study of outside directors in Korea by Choi, Park and Yoo (2007) includes a small number of foreign directors; however, the effects are mixed and sensitive to model specifications.

Foreign directors can be less effective monitors for several reasons. First, a director's geographic distance from corporate headquarters generates substantial oversight costs, since making on-site visits and attending board meetings (usually held at corporate headquarters) become more difficult and time-consuming. This undermines a director's ability and incentives to gather information and closely monitor management. Consistent with this view, Lerner (1995) finds that venture capitalists are reluctant to sit on boards of geographically distant firms, and Knyazeva, Knyazeva and Masulis (2011) document a significant local component to the matching process of companies and outside director candidates. The obstacles created by distance are even greater for FIDs, as the time zone differences and time and energy consumed by international travel, coupled with heightened security concerns post 9/11, are likely to impose heavier burdens on foreign directors than on domestic directors, further eroding their monitoring incentives and ability. Second, directors who are geographically removed from the vicinity of a firm's corporate headquarters are cut off from local networks that provide valuable soft information (Coval and Moskowitz (1999, 2001)). Located in foreign countries, FIDs have even fewer channels and less access to current information about the U.S. companies on whose boards they sit, and thus may be less able to stay well informed about these firms' current operations and performance. Third, FIDs are likely to be less familiar with U.S. accounting rules, laws and regulations, governance standards, and management methods, making it more difficult for them to evaluate managerial performance or challenge managerial decisions. These considerations suggest that FIDs can often weaken a board's monitoring effectiveness, and thus lead to greater agency problems between managers and shareholders and ultimately poorer firm performance.

2.3 Board Size and Performance

Board size is believed to be the basic aspect of the effective decision making. Vafeas (2005) suggested that the board size and its performance had a non-linear relationship. Both too small and too large of the board size is likely to make it ineffective. Jensen (1993) confirmed that the smaller board size is more correlated with the quality of monitoring. Lipton and Lorsch (1992) recommended that the ideal board size should not exceed eight or nine directors.

Jensen (1993) claimed that when the board is more than seven or eight members, it is less effective because of the coordination and process problem, which in turn adds to weak monitoring. Although average board size is comparatively large, previous studies have shown that small boards are more effective because the directors can communicate better among them, as well as easy to manage these factors promote a more resourceful conversation. For example, studies of the board size and corporate performance have indicated that small boards are linked with higher market values. Yermark (1996) documented a negative relationship between board size and firm value. Drawing from Yermark's study, Eisenberg, Sundgren, and Wells, (1998) provided a similar conclusion on the board size and the firm value in a sample of small and mid-size Finnish firms.

Empirical evidence on the relationship between board size and firm performance provided mixed results. While, Ahmadu, Aminu, and Taker, (2005), De Andres, Azofra, Lopez,(2005), Mustafa (2006) and Chan and Li (2008), found that larger boards are associated with poorer performance, Beiner, Drobetz, Schmid, Zimmermann, (2004); Bhagat and Black (2002) and Limpaphayom and Connelly (2006) found no significant association between board size and firm performance.

On the other hand, the study on the impact of corporate governance mechanisms on the firm value shows an inverse relationship between board size and firm value and suggests that the negative relationship between board size and firm value transcends different corporate governance systems (Mak & Kusnadi, 2005). However, the results made through for all OECD countries indicate that there is no negative relationship between firm value and the size of the board of directors (DeAndres, Azofra & Lopez, (2005).

2.4 Board Composition and Performance

Boards are mostly composed of executive and non-executive directors. Executive directors refer to dependent directors and non-Executive directors to independent directors **(**Shah, Butt, & Saeed, 2011**).** At least one third of independent directors are preferred in board, for effective working of board and for unbiased monitoring. Dependent directors are also important because they have insider knowledge of the organization which is not available to outside directors, but they can misuse this knowledge by transferring wealth of other stockholders to themselves (Beasly, 1996). According to Jensen and Meckling (1976), boards dominated by outsiders or NEDs may help to mitigate the agency's problem by monitoring and controlling the opportunistic behavior of management.

The results of previous studies that investigated the relationship between board composition and firm performance are inconsistent. Rhoades, Rechner, Sundaramurthy, (2000),Dehaene, De Vuyst, Ooghe, (2001), and Omar (2003) found that non-executive director has a positive relationship with financial performance. For example, Limpaphayom and Connelly (2006), Lefort and Urzúa (2008) also found a positive relationship between board composition (the proportion of independent directors on the board) and firm performance. Hasnah (2009) showed that non-executive director is significantly related to firm performance that is measured by ROA.

On the other hand, Coles, McWilliams, Sen, (2001) demonstrated that there is a negative impact of outside directors on firm performance. Erickson, Park, Reising, Shin, (2005), also found a negative relationship between greater board independence and firm value. However, Bhagat and Black (2002) and De Andres et al. (2005) found no significant relationship between the composition of the board and the value of the firm.

A number of studies, from around the world, indicate that non-executive directors have been effective in monitoring managers and protecting the interests of shareholders, resulting in a positive impact on performance, stock returns, credit ratings, auditing, etcetera. Dehaene, De Vuyst, and Ooghe, (2001), finds that the percentage of outside directors is positively related to the performance of Belgian firms. Limpaphayom and Connelly (2006) find that board composition has a positive relation with profitability and a negative relation with the risk-taking behaviour of life insurance firms in Thailand.

2.5 Theoretical Framework

Despite the enactment of corporate governance which aims ideally to control the behaviour of top corporate executives and also to protect the interest of company owners (Shareholders), problem still arises as a result of the separation between ownership and company management. In several cases, decisions and actions taken by management only often become the benefits but also harms for the corporate executives. It is believed that, the nature and type of Corporate Governance mechanisms maintained by Companies can play a significant role in monitoring firm's management, increasing quality of financial reporting. This study adopt the agency theory (Jensen & Meckling, 1976) due to its importance in resolving conflicts that may arise between manager (agent) and shareholders (principal) of the companies.

3. Research Methodology

3.1 Study Approach

Ex-post facto design was adopted for the study. The design and period for the study is considered appropriate in that it is better in determining the impact of corporate board characteristics heterogeneity on the performance of listed Deposit Money Banks in Nigeria over a period of seven (7) years (2007 to 2012). The period marks the beginning of the new corporate governance codes released by Central Bank of Nigeria specifically for Banks after that of Securities and Exchange Commission of 2003.

3.2 Population of the Study

The study utilizes data from secondary sources obtained from the annual reports and accounts of the banks. A total of ten (10) banks out of the seventeen (17) listed Deposit Money Banks as at 31st December 2012 were studied. The period marks the beginning of the new corporate governance codes released by Central Bank of Nigeria specifically for Banks after that of Securities and Exchange Commission of 2003. Multiple Regression technique was adopted as our technique of analysis and SPSS Version 15 was used as the statistical software package for the analysis.

3.3 Model Specification:

In order to examine the influence of Board Characteristics/Heterogeneity on the performance of listed Deposit Money Banks in Nigeria, a multiple linear model is built. The model is housing the contribution of women director, foreign director, board size, and board composition on performance of banks.

$Perf_{it} = \alpha + \beta_0 + \beta_1(WD)_{it} + \beta_2(FD)_{it} + \beta_3(BS)_{it} + \beta_4(BC)_{it} + \beta_5(SIZE)_{it} + e$

Where Perf is Performance measured as ratio of Profit after tax to Total Asset

WD is Women Directors measured as ratio of Women to total number of Board members

FD is Foreign Directors measured as the ration of Foreigner on board to number of Board members

BS is Board Size measured as Total number of persons sitting on the Board.

BC is Board Composition measured as Total number of Outside Directors divided by Total number of Directors sitting on Board.

B_0 is constant

$\beta_1 - \beta_5$ are the coefficient of the parameter estimate

e is the error term

4. Results and Discussions

This section presents the result of data analysis and tests of hypotheses formulated earlier under introduction. First, descriptive statistics table, followed by the correlation matrix table and the summary of Regression Result table are presented and analyzed, and then policy implications and Recommendations are drawn and made from the findings of the study.

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev.	Skewness
ROA	70	-.0324	.3749	0.29629	.637161	4.800
WD	70	.00	.43	.1109	.10577	.751
FD	70	.00	.50	.0881	.12396	1.532
BS	70	6.00	23.00	13.5000	3.45048	.109
BC	70	.23	.81	.5949	.11118	-.537
SIZE	70	15.70	21.62	20.1368	1.20281	-1.812

Source: *Com uted b Author usin SPSS Version 15* **.**

From Table 4.1, the mean value for Return on Asset is 0.30 for Banks; while Women Directors, Foreign Directors, Board Size, and Board Composition have an average value of 0.11, 0.09, 13.50, 0.60 and 20.14 within the period of the study respectively. The minimum value for Return on Asset is -0.03 while the maximum is 0.38. Women Directors recorded minimum number of zero (0) and maximum of 43%, Foreign Directors have a minimum value of zero and maximum value of 50%, while Board composition representing the proportion of outside directors on board have minimum number of 23% and 81% within the study period. Minimum value for Board size is 6 and the maximum value is 23. It is observed that the Board Size has the highest standard deviation among the independent variables and therefore it shows that the Board Size has the least contribution to the dependent variable (PERF). On the other hand, Women Director has least value for standard deviation among the significant variables and it thus signifies its highest contribution to the endogenous variable of the study. The skewness values were all close to 0 and 1 except for Return on asset representing performance that is implying higher than normal; else the data is considered to be tolerably mild and normally distributed. Therefore the result from the two normality test substantiates the validity of the regression result.

4.2 The Correlation Matrix Table

The table below shows the correlation values between the dependent variable and the independent variables and also the association between the independent variables themselves. The values were extracted from the Pearson correlation of two-tailed significance.

Table 4.2: Correlation Matrix

Variable	ROA	WD	FD	BS	BC	SIZE
ROA	1					
WD	0.025	1				
FD	0.124	-0.071	1			
BS	-0.090	0.136	-0.036	1		
BC	0.354**	-0.152	0.200	0.193	1	
SIZE	0.210	0.190	-0.131	0.287*	0.089	1

Source: *Computed by Author using SPSS (Version 15).*
***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*

Table 4.2 shows that Return on Asset is negatively related with Board Size, all other variables such as Women director, Foreign Director, Board composition were positively related to return on asset. Also the control variable (Size) was found to be positively related to return on asset. However, amongst all the independent variables, it was only Board Composition that was significantly related to return on asset at 1% level of significance. Amongst the independent variables, the relationship was very weak as expected except for only Board Size and Size that was significantly related. This may be as a result of the fact that both are related to size. The tolerance values and the variance inflation factor are two good measures of assessing multicolinearity between the independent variables in a study. The result shows that variance inflation factor were consistently smaller than ten (10) indicating complete absence of multicolinearity (e.g Neter et 'al; 1996 & Cassey et 'al; 1999). This shows the suitability of the study model being fit with the four independent variables. Also, the tolerance values were consistently smaller than 1.00, therefore extend the fact that there is complete absence of multicolinearity between the independent variables (Tobachmel & Fidell, 1996).

4.3 Test of Hypotheses

Table 4.3 presents the regression result of the dependent variable (ROA) and the independent variables of the study (WD, FD, BS, BC and SIZE). The presentation follows the analysis of the association and impact between the independent variables and the dependent variable of the study and also the cumulative analysis.

$ROA = \alpha + \beta_1 WD_{it} + \beta_2 FD_{it} + \beta_3 BS_{it} + \beta_4 BC_{it} + \beta_5 BC_{it} + \varepsilon_{it}$

Table 4.3: Summary of Regression Result

Variable	Coefficient	t-values	P-values	Tolerance	VIF
Constant	-.304	-2.468	0.016		
WD	.345	3.645	0.001	0.922	1.085
FD	.040	0.674	0.503	0.936	1.068
BS	-.004	-2.014	0.048	0.884	1.131
BC	.215	3.180	0.002	0.884	1.131
SIZE	.013	2.036	0.046	0.874	1.144
R					0.465
R2					0.296
Adj R2					0.255
F-Stat.					3.523
F-Sig					0.007
D/W					2.463

Source: *Computed by Author using SPSS (Version 15).*

$PERF = -0.066 + 0.109(ID_{it}) - 0.004(BS_{it}) + 0.192(BC_{it}) + 0.0551012$

4.4 Women Directors and Performance

From Table 4.3, Women Directors have a t-value of 3.645 and a beta value of 0.345 which is significant at 1%. This signifies that Women Directors have positively, strongly and significantly influencing the Performance of listed Deposit Money Banks in Nigeria. It therefore implies that for every 1% increase in the number of Women Directors, the performance of listed deposit money banks will increase by N0.35. This may be as a result of the argument that diversity promotes better understanding of the marketplace by matching the diversity of directors to that of customers and employees hence increasing market penetrability, hence, bringing about changes in firm performance. This study is in line with Smith and Verner (2006), Letendre (2004), Bilimoria and Wheeler (2000), Fondas and Sassalos (2000), Huse and Solberg (2006). This provides an evidence of rejecting null hypothesis one of the study which states that Women Director have no significant impact on Performance.

4.5 Foreign Directors and Performance

From the table above, Foreign Director has a t-value of 0.674 and a beta value of 0.040 which is insignificant at 50%. This signifies that Foreign Director has positively, weak and insignificant influence on Performance of listed Deposit Money Banks in Nigeria. It therefore implies that for every increase (decrease) in the number of Foreign Directors on Board, it may not have any significant effect on the performance of listed Deposit Money Banks in Nigeria. This provides an evidence of failing to reject null hypothesis two of the study which states that Inside Director has no significant impact on Performance.

4.6 Board Size and Performance

From the table above, Board Size has a t-value of -2.014 and a beta value of -0.004 which is significant at 5%. This signifies that Board Size has negative, strong and significant influence on the Performance of listed Deposit Money Banks in Nigeria. It therefore implies that for every increase in the number of Board members, the Performance of listed Deposit Money Banks will decrease by N0.01. this may be as a result of the argument put forward that any board that is not active irrespective of numbers may not be able to improve performance. This findings is line with Yermark (1996); Eisenberg, Sundgren and Wells (1998); Ahmadu, Aminu and Tanker (2005); De Andres, Azofra, lopez (2005); Mustafa (2006); and Chan and Li (2008) while contrary to the research conducted by Beiner, Drobetz, Schmid and Zimmermann (2004); Bhagat and Black (2002) and Limpaphayom and Connelly (2006). This provides an evidence of rejecting null hypothesis three of the study which states that Board Size has no significant impact on Performance.

4.7 Board Composition and Performance

From the table above, Board Composition has a t-value of 3.180 and a beta value of 0.215 which is significant at 1%. This signifies that Board Composition is positively, strongly and significantly influencing the Performance of listed Deposit Money Banks in Nigeria. It therefore implies that for every increase in the Proportion of outside Directors on Board in listed Deposit Money Banks in Nigeria, the Performance will increase by sixty five kobo (N0.22). This may be as a result of the fact that 'outsiders' are believed to provide superior performance benefits to the firm as a result of their independence from firm management. This is in line with the study conducted by Rhoades, Rechner and Sundaramurthy (2000); Dahaene, De Vuyst and Ooghe (2001); Omar (2003); Limpaphayom and Connelly (2006), Lefort and Urzua (2008) and Hasnah (2009). While contrary to this findings are research conducted by Coles, McWilliams aDe Andres et al (2005). This provides an evidence of rejecting null hypothesis four of the study which states that Board Composition has no significant impact on Performance.

4.8 Major Findings

The cumulative correlation between the dependent variable and all the independent variables is 0.465 indicating that the relationship between Performance and Board of Directors Characteristics/Heterogeneity used in the study is 47% which is positively, strongly and statistically significant. This implies that for any changes in Board of Directors Characteristics/Heterogeneity of listed Deposit Money Banks in Nigeria; their Performance will be directly affected. The cumulative R2 (0.296) which is the multiple coefficient of determination gives the proportion of the total variation in the dependent variable explained by the independent variables jointly. Hence, it signifies 30% of the total variation in Performance of listed Deposit Money Banks in Nigeria is caused by the proportion of Women Directors, Foreign Director, Board Size, Board Composition and Firm Size. This indicates that the model of the study is fit and the independent variables are properly selected, combined and used.

The Fisher Exact test which has a value of 3.523 indicates that the model of the study is well fitted and hence the variables are properly selected, combined and used. The significant value of 1% further substantiate the fact that the model is well-fitted and indicates that the inferences to be drawn from this research could be relied upon to the level of 99% and not due to mere chance. The Durbin Watson tests of first order auto-correlation which have a value of 2.463 indicates that serial correlation will not pose any threat to the result as posited by Durbin Watson (1970) which stated that Durbin Watson statistic value between 1.5 – 2.5 shows that independent observation is assumed, in other words, there is no auto correlation among the residual of the study.

5. Conclusion and Recommendations

5.1 Conclusion

The paper investigates the influence of Board Characteristics/Heterogeneity on Performance of listed Deposit Money Banks in Nigeria. Women Directors, Foreign Directors, Board Size, and Board Composition forms the Board Characteristics/Heterogeneity of the selected Banks, while the ratio of profit after tax to total asset represents the Performance which stands as the dependent variable of the study. It was found that Women directors have significant influence on performance of listed Banks, Foreign Directors have no significant influence on the performance of listed deposit money banks. Meanwhile, Board size has negative and significant influence on performance, Board Composition was found to have positive and significant influence on Performance. Therefore the result implies that firms that have more Women directors, outside directors on the Board are more likely to have a tremendous increase in the level of their performance, while in addition having a high number of members on Board will have negative influence on Performance.

5.2 Recommendations

It is however, recommended that the listed Deposit Money Banks in Nigeria should increase the number of women directors and outside directors on Board to an average of 6 and 60% respectively as the higher numbers may help in watching over the excess of having more men and more executive directors on board which may be detrimental to the goal and objectives of the Banks. Also the number of board members should be reduced to an average of nine (11) members in order to overcome its negative effect on performance.

5.3 Suggestions for further studies

There is no research without limitation(s), therefore, the study suggests that interested researchers in this area should include variables such as board age, board qualification and board meetings as part of the board heterogeneity. Also, variables like return on equity should be used to proxy performance instead of return on asset. In addition, the period of the study should be extended and other sectors other than banking sector should be investigated.

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