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Original Article

Board Characteristics and Financial Performance of DMBs: Evidence from Nigeria

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ABSTRACT

The study examines the effect of corporate board characteristics on the performance of listed DMBs in Nigeria. This study used secondary data extracted from the annual reports of 12 listed firms in Nigeria during the period 2011 – 2020. The study employed Tobin's Q as a proxy of firm performance, while Board size, Independence, diligence, gender diversity, and ethnic diversity are employed as the proxies of board characteristics. The Pooled Ordinary Least Square regression (POLS) and panel fixed effect regression methods were used to analyse the data collected. Findings revealed that board size and board ethnic diversity exerts a statistically significant negative influence on DMBs' financial performance, board independence has a negative and non-significant effect on DMBs financial performance, while board diligence and gender diversity have a positive non-significant effect on DMBs' financial performance. The study recommends among others that board size be carefully analysed by shareholders and balanced according to the expected result, board independence be continuously maintained and periodically reviewed, a maximum of 6 board meetings excluding emergency meetings be held annually; board members should consist of at least half gender diversity, and finally, ethnic heterogeneity be allowed on the boards of Nigerian firms for equity, fair representation, and relative peace.

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INTRODUCTION

There has been a consistent rise in the number of studies aimed at enriching our understanding of the importance of corporate governance in banks, especially the role of corporate boards (Adams & Mehran, 2003; Belkhir, 2006; Andres & Vallelado, 2008). Many of these studies were originally fuelled by the numerous corporate scandals around the World which set off a fresh round of debate on the effectiveness of corporate governance laws. Corporate governance is concerned with the ways employed by the shareholders of corporations to ensure adequate returns on their investments (Shleifer & Vishny, 1997). It essentially deals with the mechanisms by which shareholders of corporations exercise control over management to ensure that their interest is protected (John & Senbet, 1998). In the banking system, sound corporate governance is essential for bank managers to allocate social capital efficiently since bank lending is a major source of external finance for other firms, especially in emerging economies. This has heightened research interest in the role of corporate boards, as a very important corporate governance mechanism, in enhancing bank performance. Essentially, the role of corporate boards is quite challenging as they strive to discharge diverse daunting responsibilities.

Board characteristics include size, composition (executive and non-executive directors), diligence/meetings, diversity (age, gender, ethnicity, cultural background, qualifications, and level of education), ownership, and committee structure such as audit, risk, nomination, and remuneration committees. Financial performance on the other hand refers to the extent to which an organization deploys its assets to achieve its vision, mission, goals, and objectives measured in quantitative monetary terms over a given time (Yahaya & Lamidi, 2015).

In Nigeria, Deposit Money Banks (DMBs) play a very important role in the smooth running of the financial system and the economy. Enhancing their performance, therefore, is seen as not only desirable but also essential. Among the various characteristics of corporate boards that affect bank performance, board size and composition have received substantial research interest. In the extant literature, agency theorists like Linck et al. (2008) and Lehn et al. (2009) argue that larger boards are more effective in monitoring and advising management because of their ability to collect and process more information than smaller boards. This makes them more effective in checkmating the self-serving behaviour of managers. Others like Jensen (1993) argue that large board sizes can become too clumsy and inefficient. He suggests that board sizes greater than seven or eight directors are less effective and more susceptible to CEO control than smaller boards.

In terms of board composition, the agency perspective favours boards with a relatively smaller number of executive directors compared to non-executive and independent directors. This is because agency theorists argue that a smaller proportion of executive directors' help reduce the

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likelihood of conflict of interest. For instance, since executive directors' jobs are usually intertwined with the jobs of other senior managers, the former might be less willing to discipline the latter (Weisbach, 1988) while such tasks can be easily performed by non-executive and independent directors. Opponents of agency theory, however, argue that non-executive and independent directors may suffer from information asymmetry. As such, making their number dominant may affect the ability of the board in performing their functions since they may not have the same information as the executive directors.

Following these arguments, the Code of Corporate Governance for Banks in Nigeria Post Consolidation issued by the Central Bank of Nigeria (CBN) in 2006 recommends, among other things that, board size should not be more than twenty and the number of non-executive directors should be more than that of executive directors with, at least, two non-executive board members as independent directors (who do not represent any particular shareholder interest and hold no special business interest in the bank. The Board should meet regularly – a minimum of four (4) times in a financial year.

In examining the effects of board characteristics on DMBs' performance, this paper draws on the theoretical perspective of the agency theory. Historically the literature on corporate governance has been dominated by agency theory which relates to potential conflicts of interest between managers (agents) and shareholders (principals) when there is a separation of ownership and control. Although theoretical considerations of the agency view have made it very clear that the size and composition of the corporate board enhance firm performance, empirical evidence has largely remained inconclusive.

Most of the empirical studies on board characteristics and firm performance of Nigerian DMBs measure bank performance using return on assets (ROA), return on equity (ROE) earnings per share EPS, profit after tax and share price (Ogunmakin et al., 2020; Sanyaolu et al., 2020; Okoye et al., 2020; Gwaison and Maimako, 2021; Esan et al., 2020; Osemwegie and Ugbogbo, 2019) This study uses Tobin's Q as a performance measure and expands the scope to cover the period 2011-2020.

This paper addresses this significant research gap by re-examining board characteristics-performance nexus using recent data extracted from DMBs annual reports and audited financial statements covering the period 2011 – 2020 as compiled by MachameRatios®. Specifically, the paper explores the effect of board characteristics on the financial performance of Nigerian-listed DMBs. To achieve these objectives, the following hypotheses were tested:

H_{o1}: Board size has no significant effect on Tobin's Q of Nigerian listed DMBs

H_{o2}: Board independence has no significant effect on Tobin's Q of Nigerian listed DMBs

H_{o3}: Board meeting frequency has no significant effect on Tobin's Q of Nigerian listed DMBs

H_{o4}: Board female gender diversity has no significant effect on Tobin's Q of Nigerian listed DMBs

H_{o5}: Board ethnic diversity has no significant effect on Tobin's Q of Nigerian listed DMBs

LITERATURE REVIEW

Agency Theory

Agency theory essentially argues that wherever management and ownership are separated in a firm, the management (that is, the agent) will always seek to act in self-interest which usually may not be in the best interest of the owner (that is, the principal) and negates from the cardinal objective of

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maximizing the shareholders' return. This is known as the agency problem and can manifest in two different forms: adverse selection and moral hazard (Eisenhardt, 1989). Adverse selection occurs when agents misrepresent their ability to perform assigned tasks or functions and are chosen for such tasks or functions as a result of such misrepresentation. Moral hazard occurs when agents evade their duties or responsibilities or when they simply underperform due to a lack of commitment to assigned duties, leading to residual cost to the principal even when supposedly acting in the best interest of the principal (Jensen & Meckling, 1976). These costs incurred as a result of underperformance by agents are known as agency costs.

Empirical Review

The empirical literature on the link between certain board characteristics and bank performance has essentially been mixed. Some scholars found a positive link, while another group found a negative link and a third group found no link between certain board characteristics and bank performance. Adams and Mehran (2003), report that banks, due to their complex organizational structure and regulatory requirements, usually have larger board sizes in comparison to other firms. However, they found that banks with smaller board sizes do not outperform banks with larger boards. Belkhir (2006) using a sample of 260 bank holding companies in the United States found that board size has a non-significant impact on bank performance. Andres and Vallelado (2008) used 69 commercial banks in Canada, the US, UK, Spain, France, and Italy covering the period 1995-2005, after controlling for differences in the regulatory and institutional setting, ownership structure and weight of the banking industry found that board size is positively associated with performance measured by Tobin's Q, return on assets and shareholder market return. They also found that increasing the board size beyond 19 directors will offset the benefits and the board will begin to encounter coordination, control, and decision-making problems. Belkhir (2009) found that a larger board size is positively associated with banks' return on assets and Tobin's Q.

Bekiaris (2021) examined the impact of board characteristics on bank performance. A sample of 4 Greek systemic banks was drawn from the annual reports and website between 2008 and 2018. Data from 44 firm-year observations were analysed using descriptive statistics and panel regression. The empirical result reveals that Board size, independent directors, and Female directors were positive and had a significant effect on the bank's performance (ROA). On the other hand, non-executive directors, foreign female directors, and CEO duality have a negative and significant effect on bank performance (ROA).

Kyei, Werner and Appiah (2022) investigated the relationship between board meetings and bank performance in Africa between 2000 and 2016. A sample of 635 banks taken from 48 countries was analysed using GMM, OLS, 2SLS, and fixed effect regression. The result shows that board meetings had a significant negative effect on the performance (ROA and ROE) of banks. The result suggests that fewer board meetings enhance shareholder value.

Gwaison and Maimako (2021) investigated the effects of corporate governance on the financial performance of commercial banks in Nigeria. They used panel least square regression to analyse secondary data collected from the financial statements of five (5) Nigerian-listed commercial banks for the period 2003 to 2017. The result indicated that board size, board independence, board composition, and board gender diversity had significant effects on financial performance (ROA), while the audit committee has no significant effects on financial performance (ROA). They concluded that the weak corporate governance structure in Nigeria contributed immensely to the recent crisis experienced in the Nigerian banking sector, and recommended that banks develop and implement

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strategic training for board members and senior bank managers.

Sanyaolu, Adejumo, and Kadiri (2020) investigated the effect of board diligence on the financial performance of 10 listed deposit money banks (DMBs) in Nigeria for the period 2012 to 2018. Bank financial performance was proxied by ROA. Data from the 70 firm-year observations were analysed using Pooled OLS regression, fixed effect, random effect regression, and Generalized Method of Moment (GMM). The empirical result shows that board diligence has a significant negative effect on the financial performance of listed DBMs in Nigeria. For the controlled variables, only capital adequacy and firm size show a significant positive influence on bank ROA, while liquidity ratio was positive but had no significant effect on the ROA of banks. Non-performing loan on the other hand exerts a negative but not significant impact on the ROA of Nigerian-listed DMBs. The study concludes that board diligence reduces financial performance. It was recommended that preference should, therefore, be given to the quality of board meetings and not the frequency of such meetings; also, utmost attention be given to issues that have implications on performance at board meetings.

Okoye, Olokoyo, Okoh, Ezeji, and Uzohue (2020) explore the nexus between corporate governance practices and the profitability of commercial banks in Nigeria. Corporate governance was proxied by board size and directors' equity, while financial performance was proxied by return on assets (ROA), and return on equity (ROE), and firm size was the control variable. Sample data of 112 firm-year observations obtained from the audited annual reports and financial statements of 8 selected banks from 2003 to 2016 were analysed using the Generalized Method of Moments (GMM). Findings reveal that board size has a negative non-significant effect on the ROA and ROE of Nigerian commercial banks while directors' equity and firm size (total assets) have a positive significant effect on the ROA and ROE of Nigerian commercial banks. Besides, the study showed a robust effect of lagged return on equity on the current level of performance. Therefore, the study asserts that corporate governance strongly affects financial performance and recommends maintaining optimum board size to minimize boardroom conflicts.

Ogunmakin, Fajuyagbe, and Alayo (2020) examined the effects of corporate governance on the financial performance of deposit money banks (DMBs) in Nigeria. Secondary data was obtained from the annual reports of ten (10) randomly selected Nigerian-listed deposit money banks from 2009 to 2018. They used random effect regression to analyse sample data from 100 firm-year observations. The result shows that board size has a negative and significant effect on the ROA of Nigerian DMBs; while gender diversity had a positive but insignificant effect on the ROA of Nigerian DMBs.

Eluyela et al (2018) examined the impact of board meeting frequency on the firm performance of deposit money banks in Nigeria. Data for the study were obtained from annual reports of the deposit money banks listed on the Nigeria stock exchange (NSE) market over the period 2011 to 2016. Firm performance was proxied by Tobin's Q while the frequency of board meetings was the explanatory variable and the control variables were board size and firm size. A sample of 15 banks was analysed using panel regression models. The empirical findings revealed that board meeting frequency has a positive insignificant association with DMBs performance. The result also showed that board size has a positive non-significant influence on DMBs performance while DMBs total assets have a negative and significant influence on Tobin's Q.

Ogboi et al. (2018) using a sample of 70 observations of DMBs in Nigeria over the period 2011 to 2017 found that gender diversity and board composition (measured as the proportion of non-executive directors to total board size) were significant and positively associated with firm performance (ROA). The result based on market-based Tobin’s Q however shows a negative relationship between gender diversity and bank performance and a significant negative association between board composition and bank performance. The result further shows that ethnic diversity has a negative association with ROA but a significant positive relationship with bank market performance (Tobin’s Q).

METHODOLOGY

The *ex-post facto* design was adopted. Secondary data for the study was extracted from the annual reports and financial statements of the study firms. Sampled data were obtained from 12 DMBs listed on the Nigerian Exchange Group (NGX) from 2011 to 2020 through a sample filtering technique. The banks are Access bank Plc, First City Monument Bank Plc, Fidelity Bank Plc, First Bank Plc, Guaranty Bank Plc, Stanbic IBTC bank Plc, Sterling Bank Plc, Union Bank Plc, United Bank for Africa Plc, Unity Bank Plc, Wema Bank Plc, and Zenith Bank Plc. Tobin's Q was used as the proxy for the dependent variable, bank financial performance, while board size, board independence, board meetings, board gender diversity and board ethnic diversity were the independent variables. Bank size and age were used as control variables. The panel unit root test using the Levin-Lin-Chu test (LLC), and Breitung were conducted on each of the variables and the series were all stationary at the level stage, except for board ethnic diversity, bank size and age that were not stationary. Co-integration analysis was not conducted since we are not studying the long-run relationship or equilibrium between the panel variables. The panel OLS, fixed and random effects regression techniques were used to test the hypotheses.

The econometric model is stated below:

$$Tob_{it} = \beta_0 + \beta_1 bsize_{it} + \beta_2 bodi_{it} + \beta_3 met_{it} + \beta_4 bogd_{it} + \beta_5 ethic_{it} + \beta_6 size_{it} + \beta_7 age_{it} + \mu_{it} \qquad (1)$$

Where: Tob = Tobin's Q (Market value divided by book value of assets); i = number of banks; t = number of years; β_0 = constant; β_1-β_5 = coefficient of the predictor variables; bsize board size (total number of board members excluding company secretary); bodi = board independence (percentage of the number of non-executive directors (NEDs) to board size); Bmet = number of board meetings held in a financial year; Bogd = percentage of female directors to board size; Ethic = Dummy of 1 for the ethnically diverse board and 0 if otherwise; size = total assets; age = number of years since listing; μ = error term

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

The econometric test results are presented here. Analytical data show descriptive properties, while the correlation between the variables is also examined.

Descriptive Analysis

Table 1 provides the descriptive statistics for both the dependent and explanatory variables of interest. Each variable is examined based on the mean, standard deviation, minimum, maximum, skewness, and kurtosis using STATA 14.

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Table 1: Descriptive Statistics

Variable	Mean	SD	Min	Max	Skewness	Kurtosis	Obs
TOB	0.86	0.25	0.63	2.55	4.34	25.52	120
BODS	13.82	3.19	6	21	-0.10	2.55	120
BODI	61.27	12.45	36.84	93.75	0.92	3.06	120
BMET	5.97	2.23	2	16	1.58	6.39	120
BOGD	18.07	10.56	0	45.45	0.17	2.55	120
ETHC	0.53	0.50	0	1	-0.10	1.01	120
FSIZE	9.18	0.40	8.19	9.94	-0.19	2.37	120
FIRA	26.25	15.37	7	52	0.36	1.47	120

Key: TOB = Tobin's Q, BODS = Board of directors size, BODI = Board independence, BMET = Board meetings, BOGD =Board gender diversity, ETHC =Ethnic diversity, FSIZE =Firm size, FIRA = Firm Age

Source: Author (2022)

Table 1 presents the result of the descriptive statistics of bank-year observations. Tobin's Q averages 0.86 ranging from 0.63 and 2.55 with a standard deviation of 0.25 a skewness of 4.34 and a kurtosis of 25.52. The board size averages 14 members which is also the range with a minimum and maximum board size of 6 and 21 members respectively. It has a standard deviation of 3. Board independence has a mean size of 61.27% members, a minimum of 36.84% and a maximum of 93.75%. The average number of board meetings held by the banks in a year is 5.97 (6 approx.) with a minimum of 2, a maximum of 16 and a standard deviation of 2.23. The percentage of female directors to board size has a mean of 18.07%, with minimum and maximum of 0 and 45.45% respectively. Board ethnic diversity has a mean value of 0.53, with a minimum of 0 and a maximum of 1. DMBs log of total assets for the period averages 9.18. The average age of DMBs in our sample is 26 years with a standard deviation of 15 years a minimum of 7 years and a maximum of 52 years.

Table 2: Correlation analysis

Variables	Tobq	Bods	Bodi	Bmet	Bogd	Ethic	Fsize	Fira
tobq	1.00							
bods	-0.43	1.00						
bodi	-0.03	-0.40	1.00					
bmet	-0.16	0.22	0.05	1.00				
bogd	-0.03	0.08	0.02	0.04	1.00			
ethc	-0.14	-0.04	0.07	0.07	0.11	1.00		
fsize	-0.39	0.21	0.05	0.15	0.17	-0.16	1.00	
Fira	-0.23	0.18	0.03	0.06	0.11	0.07	0.19	1.00

Author's computation (2021) using STATA version 14

The result in *Table 2* shows that none of our correlations (both positive and negative coefficients) is high enough to warrant any problem of multicollinearity. The variance inflation factor (VIF) with a mean VIF of 1.16 also shows the absence of multicollinearity. However, the Breusch-Pagan/Cook-Weisberg test for heteroscedasticity conducted using STATA 14 show a Chi2 value of 203.02 and a p-value of 0.0000. The null hypothesis that there is constant variance in the residuals is rejected because the p-value is statistically significant at a 1% level of significance. The presence of heteroscedasticity in the OLS model results clearly shows that the sampled firms are not

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homogeneous. This appears to indicate that it may be statistically tolerable to use a robust or panel regression technique to estimate the specified model.

Table 3: Summary of Panel Regression Results

	(Pooled OLS)	(Fixed Effect)	(Random Effect)
Constant	3.411 (0.000)*	12.361 (0.000)*	4.473 (0.000)*
BODS	-0.034 (0.000)*	-0.016 (0.017)**	-0.029 (0.000)*
BODI	-0.003 (0.043)**	-0.001 (0.491)	-0.000 (0.887)
BMET	0.001 (0.910)	0.013 (0.110)	0.002 (0.821)
BOGD	0.002 (0.244)	0.003 (0.061)***	0.004 (0.058)***
ETHIC	-0.101 (0.011)**	-0.142 (0.014)**	-0.214 (0.000)*
FSIZE	-0.199 (0.000)*	-1.446 (0.000)*	-0.359 (0.000)*
FIRA	-0.001 (0.248)	0.076 (0.000)*	0.005 (0.165)
F-statistics/Wald Statistics	9.02 (0.000) *	19.73 (0.000)*	56.47 (0.00)*
R- Squared	0.36	0.58	0.36
VIF Test	1.16		
Heteroscedasticity Test	203.02 (0.000)*		
Hausman Test		54.20 (0.000)*	

Note: *The p-values are in parenthesis, * p<0.01, ** p<0.05, *** p<0.1*

Source: Stata 13 Output

Table 3 shows the summary of the panel regression estimations. The F-statistics value of 19.73 (0.000) for fixed effects regression and Wald statistics value of 56.47 (0.000) for random effects regression are both statistically significant at a 1% level and valid for inference. The coefficient of determination suggests that 58% of fixed effect and 36% of random effects variations in Tobin's Q was jointly explained by the independent and control variable in the model. Based on the Hausman test, the fixed effect regression is most suitable for interpreting our result since it is significant at 1% and 5% levels.

DISCUSSION OF FINDINGS AND IMPLICATIONS

The panel regression summary result using the fixed effect regression presented in *Table 3* evaluates the effect of the independent variables on the financial performance of Nigerian-listed DMBs. Board size as an independent variable shows a negative and statistically significant effect on the financial performance (Tobin's Q) of DMBs in Nigeria, with a regression coefficient of -0.016 and p-value of 0.017. This suggests that a 1% increase in the board of directors' size of DMBs in Nigeria will cause (0.016) a 1.6% significant decrease in DMBs Tobin's Q. Therefore, an increase in board size will cause conflicts of Interest that may result in inefficiency of operations. This supports the findings of the work of Vo & Phan (2013); Raihan and Hoque (2013); Bebeji et al. (2015); Boussaada and Karmani (2015); Orozco and Vargas (2018); Olokoyo et al. (2019); Okoye et al. (2020); and Ogunmakin et al (2020) who reported a negative significant effect of Board size on bank performance. However, we contradict (Filip et al. 2014; Adekunle and Aghedo, 2014; Isik and Ince, 2016; Ene & Bello, 2016; Eluyela et al, 2018; and Bekiaris, 2021) who reported a positive significant effect of board size on bank Tobin's Q and ROA.

Board independence with a beta coefficient of -0.001, and p-value of 0.491 show a negative but insignificant influence on the study bank performance (Tobin's Q). This suggests that a 1% increase in NED on the board will decrease the banks financial performance by (0.001) 0.10%. This

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is consistent with Bekiaris (2021) who found negative insignificant evidence in support of the impact of non-executive directors on the ROA of banks in Greece. The study also supports Ogboi et al, (2018) who found a negative but significant relationship between NEDs and Tobin's Q of Nigerian-listed DMBs, and Osemwegie and Ugbogbo (2019) who found that board NED has a negative non-significant effect on profit after tax (PAT) and share price (SP) of Nigerian quoted banks. On the other hand (Bekiaris, 2021; and Ogboi et al, 2018) found a significant positive effect of independent directors on the ROA of banks. A possible explanation for the negative effect of NEDs on firms Tobin's Q could be that the average percentage of NEDs is high with a mean value of 61.27% and maximum value of 93.75%). Andres and Vallelado (2008, p. 2572) "an excessive proportion of non-executive directors could damage the advisory role of boards since it might prevent bank executives from joining the board".

Board meetings with a beta coefficient of 0.013, and a p-value of 0.110 show a positive but insignificant effect on bank financial performance (Tobin's Q). This suggests that a 1% increase in the number of board meetings will increase bank financial performance by (0.013) 1.3%. This is consistent with Eluyela et al (2018) and Kyei, et al. (2022) who reported a positive impact of board meetings on Tobin's Q, ROA, and ROE of banks in Northern, Southern and Eastern Africa. It contradicts his findings that board meetings have a significant negative impact on the ROA of banks in Sub-Sahara Africa, and the ROE of banks in West Africa. Sanyaolu et al (2020) also reported a negative and significant effect of board meeting frequency on the ROA of DMBs in Nigeria.

Board gender diversity with a beta coefficient of 0.003, and p-value of 0.061 show a positive but insignificant effect on bank financial performance (Tobin's Q). This suggests that a 1% increase in the number of females on the board will increase bank financial performance by (0.003) 0.3%. This is consistent with (Bekiaris 2021 and Ogboi et al, 2018) who reported that female directors' presence on the board significantly increases banks' ROA. Similarly, Ogunmakin et al (2020), reported a positive but insignificant effect on the ROA of Nigerian DMBs, and Osemwegie and Ugbogbo (2019), found a positive but non-significant association between board gender diversity and profit after tax (PAT) and share price (SP) of Nigerian quoted banks. On the contrary Ogboi et al (2018) reported a negative non-significant relationship between gender diversity and listed Nigerian DMBs Tobin's Q.

Board ethnic diversity with a beta coefficient of -0.142, and p-value of 0.014 show a negative and significant impact on bank financial performance (Tobin's Q). This suggests that a 1% increase in the proportion of the dominant ethnic group on the board will decrease DMBs' financial performance by (0.142) 14.22%. This is consistent with Ogboi et al (2018) who found a negative insignificant relationship between ethnic diversity and ROA of Nigerian listed DMBs but contrary to Ogboi et al (2018) who found a positive significant relationship between ethnic diversity and Tobin's Q of Nigerian listed DMBs and Osemwegie & Ugbogbo (2019) who found board ethnic diversity to have positive but no significant effect on profit after tax (PAT) and share price (SP) of Nigerian quoted banks.

The result for firm size (log of total assets) shows that DMBs total assets with a beta coefficient of -1.446, and p-value of 0.000) have a significant negative impact on DMBs Tobin's Q. This suggests that a percentage increase in total assets of DMBs will decrease about 144.6% of DMBs financial performance (Tobin's Q). This supports Eluyela et al (2018) who found a negative significant relationship between DMBs' total assets and Tobin's Q. We contradict Bekiaris, 2021; Okoye et al, 2020; and Sanyaolu et al, 2020) who reported a positive and significant effect of banks total assets on ROE and ROA. Indicating that banks with more assets perform better.

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Firm age with a beta coefficient of 0.076, and p-value of 0.000 reports a positive and significant effect on bank Tobin's Q. This suggests that a percentage increase in the age of banks will increase bank Tobin's by (0.076) 7.6%. This is consistent with Mahdi, Behnaz, Mansoureh & Neda (2014), and Mallinguh, Wasike & Zoltan, 2020) who reported a positive relationship between firm age and financial performance. We contradict Ogboi et al (2018) who reported a negative significant influence of firm age on Tobin's Q of Nigerian-listed DMBs.

The implication for the sector is the identification of corporate governance areas that significantly impact DMBs' financial performance. Regulating and supervising agencies can consider the significant aspects of the study and improve on them thereby strengthening corporate governance.

CONCLUSION

Based on the empirical findings, the paper concluded that both board size and board ethnic diversity have negative and statistically significant effects on the financial performance of DMBs in Nigeria even after controlling for bank size and age while board gender diversity has a positive and statistically significant effect on the financial performance of Nigerian listed DMBs. The findings underscore how expensive agency cost is and highlight the importance of the board in mitigating it. This suggests that board size and ethnic diversity cannot stimulate DMBs Tobin's Q. Gender diversity exerts a positive significant influence on DMBs Tobin's Q.

The study recommends that the board structure has a direct impact on the firm's financial and reputational performance and must be carefully analysed by shareholders to balance the size according to expected results. For equity and fair representation, ethnic heterogeneity should be allowed on the board. Also, the board should comprise gender balance, and a minimum of 6 board meetings be held in a year.

Suggestion for Further Study

The study sample is limited to Nigeria with her characteristics which may limit the possibility of generalizing our findings. Similar studies in other sub-Saharan African countries may complement the result. The study employed only a market-based financial performance measure of Tobin's Q to analyse bank financial performance, further studies should include other market-based and accounting-based financial performance measures. The study is based on a ten-year data coverage period, further studies can be extended beyond ten years.

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