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BOARD CHARACTERISTICS AND FIRM PERFORMANCE: EVIDENCE FROM LISTED NON-FINANCIAL FIRMS IN NIGERIA

Omoniyi Jacob, Eniola

Department of accounting, Joseph Ayo Babalola University, Ikeji- Arakeji, Osun State, Nigeria

niyieniola@yahoo.com

Abayomi Oluwasola, Alo

Independent Researcher, Nigeria

aloabayomiolusola@gmail.com

Abstract

The study evaluated the effect of board characteristics and firm performance of listed non-financial firms in Nigeria. In achieving this objective, the following specific objectives such as examining board size on firms' performance; assessing the effect of board independence on firms' performance in Nigeria; investigating the effect of board diversity on firm financial performance in Nigeria was carried out. The study employed secondary data which were obtained from the annual reports of selected firm. A sample of 20 firms was selected purposively out of the entire listed non-financial firm on the Nigerian Stock Exchange (NSE). This was done based on the availability of annual reports of firms for the period of the 2013-2018. Model was formed to test the data obtained using descriptive and inferential statistics (correlation and regression analysis) with the aid of E-view econometrics package. The result revealed that Board Size (BS) has positive but statistical insignificant relationship in explaining firm performance; Board Independence (BI) has positive and statistically significant effect on firm's performance; Board Diversity (BD) has positive and statistically significant effect on firm performance. The study concluded that board characteristics have a positive significant effect on firm performance of listed non-financial firm in Nigeria. It was therefore recommended that firms should pay less attention to both board size; firms should increase the level of

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independence in their boards; and increase representation of females in the board which allow a wholesome approach to management as it inculcates social and humane aspects to business, thus enhancing firms' corporate image.

Keywords: Board Characteristics, Firm Performance, Board Diversity, Board Independence, Return on Assets

INTRODUCTION

Globally, businesses require development and growth in order to attract funding from both potential and existing investors (Ebrahim, Abdullah, Faudziah, & Yahya 2012). Before the investors commit their funds to a particular business, they normally make sure that the business in question is financially secured, stabled and has the ability to generate profits in the long run. In the same manner, the stock price of a firm has connection the performance of the firm, thus shareholders' returns largely depend on how well a firm is managed (Freihat, Farhan, & Shanikat, 2019). Therefore, where the company financial position is not that promising, it would be unattractive to investors to put their money in. This failure to attract enough capital usually results to negative consequences for the business in particular and for the economy in general (Ebrahim, Abdullah, Faudziah, & Yahya 2012).

In today's business world, it is increasingly becoming difficult to predict and control the factors that influence the performance of the firms (Mohammad, 2012). Good corporate governance practices could as a matter of fact be one of the best solutions to reduce the uncertainty and the risk in the current business environment. Furthermore, it could attract investment capital as a result of reducing the risk level (Mohammad, 2012). He further opines that it is generally believed that efficient corporate governance enhances the performance of the firm and protects shareholders' interests. The vital economic roles of practicing good governance are to provide a good connection between the firm and its environment and to secure its critical resource by attracting new investors and capital funds as argued by agency theory. This is an effective tool to help the firm to achieve better performance.

As a functional institution central to the internal governance of the company, the presence of the board of directors and board chairman are important because of their role in giving strategic direction (board of directors) and providing the key monitoring functions in dealing with the conflict of interest of the company (Athalia & Sidharta 2016). Both executives and non-executives members of Boards of directors are crucial and important tools and are seen as a central institution in the internal governance mechanisms of a company. Furthermore, these board members are crucial in reducing the agency problem that ascend from the

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separation of ownership and control (Marwa, Amon, Xiahui & Hadia 2017). The contemporary board of directors is in charge to monitor the performance of top management to ensure that they act according to the best interests of the owners (Connell & Cramer, 2010)

It is the board's duties to monitor the organization's management through which it hinders agency costs (Imad 2015). The board of directors is charged with governing the organization and has corporate governance to ensure that those who invest in the company are able to obtain a return on their investments. In this respect, the board has the legal mandate to protect the right of investors as well as their shareholders (Imad 2015). The board is also accountable for every activity in which the firm is involved, together with formulating the strategies and being accountable for the firm's financial performance (Alzoubi & Selamat, 2012).Since the board's responsibility cuts across the entire organization, then it becomes pertinent to ensure the organizations are not found to have engaged in malpractices as demonstrated by organization such as Enron and Lehman Brothers (Imad 2015).

Statement of Problem

Corporate governance has received much attention in the current studies world wide especially after many corporate scandals, frauds and failure of some biggest firms around the world such as East Asian Financial Crisis of 1997, that affected the economies of Thailand, Indonesia, South Korea, Malaysia, Nigeria and the Philippines. Also affected are Enron, WorldCom, Tyco International in the United States, HIH insurance in Australia, Paramalat in Italy and Air New Zealand's (Sarah (2015). Also of recent was the banking crises in Nigeria in 2004 and 2008. Therefore, the running of business and the activities of corporations laying emphasis on transparency and accountability has become necessary for attracting investors and capital funds as well as financial security and stability. As the business environment has become very competitive, the uncertainty and risk are the main characteristics for today's business (Mohammad 2012). As consequences of the above financial crisis, a great emphasis was made upon the employment of board of directors and organisation management, which is unanimously considered by various studies as the solution to the problems occurring in the countries' market environment.

Several studies have been done in developing and developed countries to investigate the relationship between board characteristics and firm performance. However, the results of the previous studies are inconsistent or contradictory, although such is expected in the research world. Some of the previous studies found that better firm performance is related to good board characteristics (Serah, 2015; Freihat, Farhan, & Shanikat, 2019; Imad, 2015). Also, some studies revealed negative relationship between board characteristics and firm performance.

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These include (Palaniappan 2017; Mohammad 2012).Besides, some other studies could not find any significant relationship between board characteristics and firm performance (Sorin, Monica. & Codruța 2017; Athalia & Sidharta 2016; Satirenjit, Shireenjit & Barry 2015).

In the case of Nigeria, there is are very few studies that investigate the effect of board characteristics on the firm performance as majority of the reviewed studies are from outside the country which justifies the purposes of this study. Also, in Nigeria, practice of board attributes in relation to firm performance is still new and underdeveloped when compared with the growth and development of companies and the stock market. This could be attributed to the way we personalise office in Nigeria. More also, the transparency of disclosure practices is still poor and the concentration of power remains in the hands of directors as well as other key management connections. These problems in the face of weak regulatory environment and overall political instability of the country remain the barrier to foreign investment and they undermine investor's confidence and could generally leads to weak economic growth (Ihsan, 2012).

Therefore, by investigating board characteristics such as board size, board diversity and board independence, this study hopes to bring new approaches for researchers and regulators on the importance of board director's characteristics and firm performance of listed non-financial firms in Nigeria and attempt to reconcile the inconsistencies and inconclusive findings from previous studies with this study.

Objectives of the study

The broad objective of the study is to evaluate the effect of board characteristics on firm's performance of listed non-financial firms in Nigeria while the specific objectives of this study are to:

i. determine the effect of board size on the performance of listed non-financial firms' in Nigeria.
ii. assess the effect of board diversity on the performance of listed non-financial firms' in Nigeria.
iii. examine the effect of board independence on the performance of listed non-financial firms' in Nigeria.

Significance of the Study

This study will provide an appreciation of relationship between board characteristics and firm performance. Acquiring such evidence will enable firms to gain the benefits of a strategic board. As the costs of meeting governance requirements are considerable, the outcome of this study has the potential to benefit the businesses, policy makers, professional bodies, and the wider

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community. The results from this study will show the importance of board characteristics for Nigerian firms. The results will also benefit firms of many other countries which are similar to Nigeria and those with the intention and potentials of investment. Overall, the results will guide firms to make appropriate decisions regarding composition and appointment of board of directors. Finally, this research will also be of significance to the academia who in the future might wish to carry out further research in this line of study.

Limitations of the study

The study evaluated the influence of board management characteristics on firm performance among listed non-financial firms in Nigeria. Nevertheless, unlisted firms constituted majority of the firm in the economy, therefore more studies can be done on this limitation. In addition, longitudinal research should be carried out in this aspect in order to know the long relationship that has been existing among variables as this study and some prior studies only examined fewer period.

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LITERATURE REVIEW

Conceptual Review

Board characteristics and Firms Performance

The board is saddled with responsibility for monitoring the quality of information contained in financial statements and thus controlling the behaviour of managers to ensure that their actions are aligned with the interests of stakeholders. Anderson, Mansi and Reeb (2004) argue that boards of directors are responsible for monitoring, evaluating, and disciplining the management of a company. Also, an oversight of financial reporting is one of the most important responsibilities of the board from the point of view of creditors. Board characteristics refer to the size of the board, the mix between executive and non-executive (independent) directors, and other desirable attributes, including gender diversity.

Mohammad(2012) opined that these attributes are referred to as the concept of corporate governance. Indeed, the significance of firm governance systems in monitoring the activities of management is now well recognized and, specifically, more emphasis is now being placed on the board of directors as the first line of monitoring. The Organization for Economic Cooperation and Development (OECD, 1999) defines corporate governance as a system through which you may direct the business organizations and supervise it, where the structure and the framework of distributing duties and responsibilities is specified between the public shareholding companies, such as board of directors, managers other stakeholders, and

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establish rules and provisions to take decisions concerned with the affairs of the public shareholding companies

Financial performance, measures of profitability and market value, and others, are considered as indicators of how well the firm satisfies its owners and shareholders. The ultimate goal for most firms is to increase their financial performance, particularly for public firms in shareholder value. And the aim of performance measurement systems is to provide operational control and to provide external financial reporting (Ebrahim *et.al*, 2012). Having the problem associated with operationalizing value maximization, it is surprising that companies tend to continue with familiar approaches to performance measurement that rely upon accepted accounting principles. While opponents of traditional financial measures deny the use of accounting-based measures of performance, in practice the differences between cash flow, economic profit, and accounting profit indicators of performance evaluation are narrowed. (Grant, 2005).

Corporate executives may not consistently act for the sake of investors' interest when the control of a firm is separate from its ownership. Thus, the monitoring conducted by the board management is of great importance in modem corporations as it is an instrument that resolves the agency problem between top management and shareholders (Freihat, Farhan, & Shanikat, 2019). Therefore, the board of directors is a key pillar in firm's governance and consequently in the exact success of a firm. The success or collapse of firms is thus associated with the role played by the management and firm governance as a process. While studies (Hermalin & Weisbach, 2003; Kiel & Nicholson, 2003) consider a broad variety of matters in corporate management, some process such as exposes, rights of voting, rules among others, this study gives an attention on the several features of the executives including ownership, board expertise, board diligence, size of board and gender about financial performance of firms under study.

It has been argued that firms with large proportions of outside directors in the board normally have less agency problems, and therefore, exhibit a better alignment between the interests of shareholders and those of management (Fernandes, 2005). Consequently, this may positively influence share price (Rosenstein & Wyatt, 1990). Yermack (1996) argues that smaller boards are more resourceful than larger ones in terms of obtaining a higher market valuation, improved return on assets and return on sales. It should be noted that larger boards invariably take longer time in their deliberations, and often suffer the demerits associated with procrastination. However, too small a board will also deny the organization the requisite diversity and attendant synergy and robustness. Regarding gender diversity on boards, Burke and Nelson (2002) note that corporations are now beginning to experience significant changes

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in pools of potential candidates as women begin to compete for higher positions in corporations, leading to diversity at the board level. Erhardt,Werbel and Shrader (2003) however, contend that board diversity, in essence, is a deliberate effort to demonstrate a lack of discrimination, but it is really unclear whether it affects organizational financial performance in anyway. This argument would amount to an affirmative action, which is largely political, and aimed at improving gender balance in decision making in corporations. In this regard, this study investigates the effect of board size, board independence and board diversity on firm performance of list non- financial firm in Nigeria.

Board Size and Firm Performance

Board size refers to the total sum of members with voting privileges on the board of directors of a company (Pugliese & Wenstop, 2007). Pfeiffer (1972) argues that the impact of board size on the finance of an organization is related to the organization's need to deal with the diverse stakeholder groups in the operating environment. Determinants of corporate boards' sizes become significant especially when corporate boards have been the focus of attention for some time now. This is considered as tip to the head of the governance structure of any corporate entity (Kyereboah-Coleman & Biekpe, 2007). Much evidence supporting both points of view- small and large sided board was collected during review of our literature. It is ambiguous to define what small or large board is.

There are two schools of thoughts that are advocate of small and large board size, but there is no definite consensus on which of them is better. Researchers in the first school of thought are of the opinion that small board size contributes more to the success of a company (Lipton & Lorsch, 1992; Jensen, 1993; Yermack, 1996). Also, Yermack (1996) argued that large board is slow in decision making and time wasting. Whereas the second school of thought argues that large board size improves company performance (Pfeiffer, 1972; Klein, 1998). Large board size enables board to gather more information. However, the number of directors on board seems to have influence on firm performance. Abor (2007) reported positive relationship between board size and leverage.

Kim and Nofsinger (2007), have researched and argued that large corporate boards may be less efficient due to the difficulties in solving agency problem among members of the board. Large board creates less value than small boards. When boards become too big, director free riding increase within the board and the board becomes more symbolic and less a part of the management process. That means for a board with few directors, each board member may feel to add more effort, as they each become conscious that there are only a few others monitoring the firm.

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On the other hand, each member of larger boards may simply assume that many other members are monitoring. Additionally, with regard to large boards, it is difficult to reach common understanding and thus is hard to get anything meaningfully done. Therefore, smaller board can be seen as more flexible and more active. But it should not be eliminated that having a large board size is a benefit to corporate performance as a result of enhancing the ability of the firm to establish external links with the environment, securing more rare resources and bringing more exceptional qualified counsel (Dalton, Daily, Ellstrand & Johnson, 1998).

Agency theory and resource dependency theory suggest that board size positively affects performance. However, there are conflicting arguments about the relationship between whether the size of the board should be large or small in order to enhance firm performance. Stewardship theory favours a smaller board size and argues that a larger board size negatively affects firm performance. In line with this theory, several studies state that a small-size board enhances firm performance (Lipton & Lorsch, 1992; Jensen, 1993; Yermack, 1996; Azeez, 2015). Conversely, others suggest that larger boards are better at improving firm performance (Pfeffer, 1972; Klein, 1998;Bansal & Sharma 2016).

Board Independence and Firm Performance

Board independence refers to a corporate board with majority of outside directors. It is believed that dominated by outside or independence directors are more vigilant in monitoring behaviors and decision making of the company (Fama & Jensen, 1983). Board independence can also be defined as the proportion of independent director's relative to the total number of directors (Freihat, Farhan, & Shanikat, 2019).It is argued that a board with a greater the number of independent directors can better control the opportunistic behaviour of managers and protect shareholders' interests and as well help in enhancing the stock prices of the firm better than a board with a lot of dependent members (Lin, 2011; Foroughi & Fooladi, 2012; Dharmadasa, Gamage & Herath, 2014).The reason is that shareholders interest could be well protected by outside directors than the inside directors.

Independent directors bring in more skills and knowledge to the company which increases expertise necessary for strategy implementation (Kamardin, 2011). The effective monitoring by outside directors diminishes agency costs and upsurge company performance (Fama, 1980). The presence of independent directors on board gives greater weight to board's deliberations and judgment. However, the fact that independent directors are on board does not guarantee good governance control. It may be possible some independent directors are appointed to just fulfill the minimum regulatory requirements. Some of them may not be truly

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independent from the firm's executives who hire them or they might have developed strong friendship with the top management over the period they have served on the board.

Outside directors are creatures of the chief executive officers and therefore, are likely to forget their main purpose in the organization and align their own interests with those of the top management. This is especially true in jurisdictions where the chief executive is the sole source of information on potential nominees to the board. Recent studies have tried to bring out the importance of outside directors in a corporation. There have been conflicting opinions about the impact of outside directors to a company's financial performance (Cho & Kim, 2007). Nicholson and Kiel (2003) argue that given their unparalleled knowledge of the corporation, inside directors are better placed to interrogate management proposals than can their independent counterparts. Similarly, Brennan (2006) argues that independent directors are part-timers and therefore, do not possess requisite inside information about the business, and hence, may not be competent enough to perform tasks assigned to them.

Khan & Awan (2012) carried out their study in Pakistan and revealed a positive relationship between the number of board independence and firm performance, as measured by ROA and ROE. This was supported by the study of, Dehaene, De Vuyst, and Ooghe(2001) in Belgium who found a significant relationship between the number of outside directors and ROE, and they establish the notion that outsiders are able to perform a monitoring function as a result of their independence and that the interests of shareholders are then well protected. Gordini(2012) also identified a positive association between outsiders and firm performance, as measured by ROA and ROI.

Nevertheless, other studies oppose these findings. For instance, according to Bhagat & Black (2000), and Bhatt & Bhattacharya (2015), there is no empirical evidence to support the existence of a relationship between the proportion of outside directors and a corporation's financial performance. Likewise, Leung, Richardson and Jaggi (2014) together with Darko, Aribi, and Uzonwanne, (2016) argue that directors' independence and firm performance are not positively associated. Fitriya and Locke(2012) as cited in Freihat, Farhan, and Shanikat, (2019) examined companies listed on the New Zealand Stock Exchange and revealed that there is a significant negative association between the number of NEDs and firm performance.

Board Diversity and Firm Performance

Board diversity promotes creativity and innovation in the decision-making processes, which in turn, enhances the firm's financial performance in the long run. Diversity improves information provided by the board to the management due to special skill set, experiences and complimentary knowledge held by diverse directors. Diverse directors also provide access to

important constituencies and resources in the external environment which increases the networks of the organization, and promotes prosperity. Women are thought to ask hard questions in the board that their men counterparts may not be comfortable to ask. The presence of women in the board therefore, increases the board's ability to monitor the management more objectively (Carter, Simkins & Simpson 2003). Likewise, Smith, Smith and Verner (2006), note that women in the board enhance the image of the organization due to the positive signals they send to the labor, product and the financial markets. They further argue that problems are better handled within the board when both genders are appropriately represented.

There is an increasing awareness that the absence of women in the top echelons of management and boards of corporations is detrimental both to the social and the economic outcomes (European commission 2010) of those corporations. This has therefore, led the business agencies globally to come up with changes in corporate governance guidelines to incorporate women in the governance structure of their companies. While participation of women has in recent times increased in the middle-level management, little has changed at the level of corporate governance across the globe (Hede 2000). In Kenya, for example, it is said that corporate boards are dominated by the male gender mainly because most of the time, the appointing authorities are also male who their old boy networks and friends. This practice has therefore, denied women the chance to be adequately represented at the Kenyan corporate boards. However, the recently promulgated constitution of Kenya in 2010 provides that at least a third of all appointments to public corporations must be of either gender (Wachudi & Mboya, 2009).

Subsequently, women are particularly sensitive to exercise impact on decisions related to certain organizational practices such as corporate social responsibility and environmental politics, they may contribute substantial help to the board control tasks for issues of strategic nature. Therefore, it is expected that boards with a higher ratio of women directors may be more effective in performing strategic control tasks (Nielsen &Huse, 2010). It is argued that women directors on corporate boards offer many contributions. Smith, Smith and Verner (2006) opined that the results to Danish firms also showed to some extent supporting the view that a more gender diversity in top management positions would improve the financial performance. Firms which are engaged in customer-oriented business, have more women directors who are being seen as employers of choice. Having more women on board is seeing as sign of good governance and an indicator of good management, more importantly the reputation of an organization may be heightened (Vinnicombe, Singh, Burke, Bilimoria, & Huse, 2008). Firms with a higher ratio of women directors may have different impacts on the performance of particular board operational and strategic control task.

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Prior studies such like, Adams and Ferrira(2009) find evidence that gender diversity on boards is positively related to board effectiveness measures. Likewise, Carter et al. (2003) find positive association between gender diversity and Tobin's Q as a proxy for market-based performance measures to support the notion. Vafaei, Ahmed and Mather (2015) conducted a study in Australia, where financial performance was measured by ROA, ROE and Tobin's Q and they concluded that there is a positive relation between board gender diversity and the financial performance on all three of the measures. Erhardt, Werbel and Shrader (2003); Dezso and Ross, (2012) also examined this relation in the United States, the study also found a positive association between female representation in the board and financial performance in terms of ROA and Tobin's Q. A study by (Campbell & Minguez-Vera, 2008) was conducted in Spain and also found a positive and significant relation between board gender diversity and financial performance measured by ROA. Besides ROA and Tobin's Q, studies use ROE as a measure for firm financial performance.

However, Dalton and Dalton (2010) state that greater gender diversity may influence performance negatively due to the fact that women are known to be risk averse and because of the high cost associated with their high turnover and absenteeism rate. Also, a high proportion of gender diversity on the board may lead to identification with the opinion expressed by the directors of the same gender (Campbell and Minguez-Vera 2008). Shrader, Blackburn, and Illes. (1997) find a negative association between gender diversity and firm performance. The study vindicated this association because the view of women may be marginalized although they are still paid. Abdullah (2006) conducted a research in Malaysia, and the study found a contrasting result, where the study finds a positive association when using ROA as a financial performance measure, but finds a negative and significant association when using Tobin's Q as a measure for financial performance. Darmadi, 2011) conducted similar study in Indonesia and Norway, the association between board gender diversity and financial performance was found to be negative in terms of ROA and Tobin's Q.

Theoretical Review

Agency Theory

Agency theory argues that managers tend to increase their wealth and reputation by diversification and fast growth without maximizing firm market value (Jensen & Meckling, 1976). Consequently, managers are not willing to downsize or reverse diversification if they are not pressured or obliged by ownership or external investors, to follow owners' interests in increasing firm market value. Therefore, according to the agency theory, managers' propensity to increase firm value depends, ceteris paribus, on the ownership structure. These findings were supported

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by Hill and Snell (1989) who conclude that that diversification, investment in R&D, capital intensity, and ownership structure all determine firm productivity. They argue that large shareholders control is negatively related to product diversification. Another stream of research in corporate governance studies, takes into consideration the controlling mechanisms that induce managers to be aligned with shareholders' interests.

An example of these controlling mechanisms is ownership concentration as it involves a trade-off between risk and incentive efficiency. Larger shareholders might have stronger incentives to monitor and therefore, they should oblige managers to be aligned with their objective of increasing the value of their shares. But on the other side, Fama and Jensen (2003) argue that ownership concentration above a certain level will allow managers to become entrenched and expropriate the wealth of minority shareholders. This argument has leaded scholars in a hot debate over the possible non-linear relation of ownership concentration and firm performance.

A stream of research has examined the relationship between ownership structure and firm value suggesting that contrary to conventional wisdom, firm financial performance might influence ownership structure, but not vice versa (Demsetz 2001; Demsetz & Lehn, 2005). Agency theorists advocate for outside directors as the most effective at monitoring because their incentives are not compromised by dependence on the CEO or organization. Therefore, from the view point of the shareholder, the agency perspective on board composition primarily concerns creating independent boards or otherwise aligning the interests of directors with those of shareholders to ensure effective monitoring of management. Conversely, the agency perspective presupposes that managers are predisposed to board composition that allows significant managerial independence and discretion.

Ongore (2011) argued that modern firm is too huge and complex for the owners of capital to effectively manage using traditional methods. As a result, this has demanded separation of ownership from control of capital, with the resultant agency problem, which is at the centre of modern corporate governance. Theboard of directors, as the ultimate decision-making organ of the corporation, are charged with both fiduciary and professional responsibilities to minimized the agency problem through appropriate monitoring, ratification and sanctioning mechanisms (Ongore, K'Obonyo, Ogutu, & Bosire,2015).

Empirical Review

Freihat, Farhan, and Shanikat, (2019) investigated the impact of board of directors' characteristics on firm performance in Jordan by focusing on the following characteristics: ownership concentration, number of board meetings, CEO duality, board size, and board

independence. On the other hand, Tobin's Q was used as a proxy to measure company performance. An empirical analysis of a dataset of all publicly traded manufacturing firms listed on the Amman Stock Exchange for the period 2011-2014 was conducted by applying least squares regression analysis. This research found that ownership concentration, board meetings, and CEO duality have a significant impact on firm performance. However, the study did not find any significant effect for board size and board independence. Moreover, firm size and firm leverage as control variables were not found to have any effect on firm performance.

Sorin, Monica and Codruța (2017) investigated correlations between board characteristics and firm performances. In satisfying this objective, six board characteristics were chosen: (1) equilibrium between non-executive and executive members of the board of directors; (2) independence of board members; (3) selection of board members by the assistant role of the Nomination Committee; (4) training the members' competences;(5) remuneration policy of board members by the assistant role of the Remuneration Committee; (6) improving the accountability and transparency of financial information by the assistant role of the Audit Committee. The financial performances are represented by Return on assets (ROA) and Tobin's Q. The present study sample consists of 55 Romanian non-financial companies which are listed on the Bucharest Stock Exchange (BSE) in 2012. The result showed that no statistically significant association was found between any of the board characteristics and performances represented either by Tobin's Q or ROA, but the findings are in line with numerous studies conducted in developing countries and may be explained by various shortcomings which characterise the lagging of transition economies.

Palaniappan (2017), purposively examined if certain board characteristics have an impact on the financial performance of manufacturing firms in India. The study draws on data from 275 firms listed in NSE during from 2011to 2015, using a multiple regression model. The present study examines the effect of board characteristics such as board size, CEO duality, independence and board activity devoted to the effectiveness of firm's performance regarding market and accounting based financial performance measures. The finding supports an inverse association between the extent of board characteristics and the firms' performance indicators. The study also finds a statistically significant negative relationship between board size and Tobins Q, ROA and ROE. The evidence also shows that the board independence and meeting frequency moderate the relationship between return on equity and return on assets by enhancing these measures among corporate governance mechanisms.

Marwa, Amon, Xiahui and Hadia (2017) studied board characteristics using board size, presence of outside directors, CEO/ Chairman duality and gender diversity on the board. Firm performance was measured by return on assets (ROA) and Tobin's Q. The study includes firm

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age, firm size and industry type as control variables. The author tested the hypotheses on longitudinal sample of seventy(70) firms over six-year period from 2005 until 2010. The sample includes the most active firms (EGX100) on the Egyptian stock exchange. Empirical analysis is undertaken using pooled OLS and FGLS regressions after adopting the prerequisite tests and after detecting the absence of endogeneity between the variables.

Athalia and Sidharta (2016) examined the effect of board characteristics measuring it with family commissioners, family directors, independent commissioners, ex-government officer commissioners and board of commissioner's size on firm performance. Using fixed effects data panel regression, this research investigates 293 firms listed on the Indonesian Stock Exchange during 2008-2012. Firm performance is proxied by market measure (Tobin's Q) and accounting measure (ROA). The findings of the research suggest that the proportion of family commissioners and family directors have positive impact only to Tobin's Q value, while the proportion of independent directors can increase both Tobin's Q and ROA. On the other hand, this research revealed that the proportion of ex-government officers in the board gives no impact to firm performance. The research also revealed that the board size has U-shaped non-linear relationship with firm performance as proxy by Tobin's Q and ROA.

Olayinka (2010) examined the impact of board structures on corporate financial performance. The Ordinary Least Squares (OLS) regression was used to estimate the relationship between corporate performance measures and the independent variables. Findings from the study showed that there is strong positive association between board size and corporate financial performance. Further evidence also showed that there is a positive relationship between outside directors sitting on the board and corporate financial performance. However, a negative relationship was revealed between directors' stockholding and firm's financial performance measures. In addition, the study reveals a negative association between ROE and CEO duality, while a strong positive association was observed between ROCE and CEO duality.

Edem and Noor (2014) investigated board characteristics and company performance. The study made use of multiple regression technique on 90 sampled firms from the main board of Nigerian Stock Exchange from 2010 to 2012. The empirical evidence shows that board size and board education are positively and significantly related to company performance. While there is no relationship between boards equity, board independence, and board age. Also, this study evidences a negative significant between board women and turnover. Their appointment is window dressing as the percentage is too small for meaningful positive effect on company performance.

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Ongore, K'Obonyo, Ogutu, and Bosire(2015)examined the effects of board composition on firm financial performance. The study surveyed forty-six companies listed at the Nairobi Securities Exchange in 2011. Using multivariate regression analysis on panel data, the study revealed that Return on Assets, Return on Equity, and Dividend Yield as performance indicators, the study found out that independent board members had insignificant effect on financial performance, but gender diversity did, in fact, have significant positive effect on financial performance. Board size, on the other hand, had an inverse relationship with financial performance.

METHODOLOGY

This study adopted the ex-post facto research design. The choice of this research design is based on the premise that the data used in the study were already in existence and do not have the power to be manipulated by the researcher. Data of this study were collected from the secondary sources. The sourced data were sourced from the annual reports and accounts of selected non-financial firm listed on the Nigeria Stock Exchange and as well as the information available in fact book of the Nigeria stock exchange were the major sources of data for the study. The population of this study comprises all the listed non-financial companies on the Nigerian stock exchange as of 31st December 2018. Purposive sampling technique was adopted to select 20 firms quoted on NSE in Nigeria for a period of 6 years ranging from 2013-2018 as this helped in obtaining quantitative data for the variables adopted for the purpose of this study. The reason for the choice of this sampling technique was because of the availability of data and existence before the period covered by this study. The numbers of the selected firms include
Dangote Cement Plc, Guinness Nig, Julius Berger, Oando Plc, Neimeth Pharmaceuticals, Dangote Flour Mills, Cadbury Nigeria Plc, Nigerian Breweries, Nascon Allied, Dangote Sugar Plc, Cap Plc, Chams Plc, B.O.C Gases Plc, University Press Plc, Academy Press Plc, Mrs Oil Nigeria Plc, Nestle Plc, Unilever Plc, UACN Nigeria Plc and Presco Plc.

Model specification

In relation to the broad objective of this study, which was to assess the effect of board characteristics on firm performance of the listed non-financial firms in Nigeria stock Exchange, the model below were modified. This was used in the past study such asFreihat, Farhan, and Shanikat, (2019) and was modified as thus

$PER = f(BC)$

$PER = \alpha_0 + \beta_1 BC + U_t$……………………………………………………………...*eqn. 1*

Where:

PER = Performance

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BC = Board Characteristics

α = constant

β = co-efficient of the independent variables

U = error term

The specific models are as follows:

$ROA = \alpha_0 + \beta_1 BS_t + \beta_1 BI_t + \beta_1 BD_t + U_t$……………………………………...*eqn. 2*

Where:

ROA = Return on Asset

BS = Board Size

BI = Board Independence

BD = Board Diversity

t = time covered in this study (2013-2018)

Operational measure of variables

The choice of variables used in this study is informed by previous empirical studies on this topic. The variables were grouped into the dependent variables and independent variables. In this study, firm performance was used as the dependent variable. In this study, firm performance was measured using return on asset (ROA) and was measured as Profit After Tax / Total Asset of the company. These were obtained from the financial statements and annual reports of the respective firms. In this study, board size (BS), board independence (BI) and board diversity (BD), were used as independent variables. Board size is measured using total member of the board as stated in the annual report, Board independence is measured by ratio of independent board members to the total composition of the board and Board diversity was measured by ratio of women on the board of directors to the total composition of the board.

ANALYSIS AND FINDINGS

The descriptive statistics of variables used in this estimation is presented in Table 1, where it is evident that return on asset (ROA), board size (BS), board diversity (BD), and Board Independence (BI) average were 0.135166, 350.8167, 0.001013, and 0.351188 respectively while they range from 0.021375 to 0.336333, 302.9000 to 386.0000, 0.000540 to 0.001395, and 0.192865 to 0.497957 for the respective variables with standard deviation of 0.129289, 32.89501, 0.000334, and 0.107964 respectively, The variables also exhibit increasing return to scale given the JB statistics values of 0.640658, 0.452474, 0.548838, and 0.254681 respectively.

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Table 1. Descriptive Statistics (E – View 9.0 output)

	ROA	BS	BD	BI
Mean	0.135166	350.8167	0.001013	0.351188
Median	0.101300	353.0000	0.001074	0.361080
Maximum	0.336333	386.0000	0.001395	0.497957
Minimum	0.021375	302.9000	0.000540	0.192865
Std. Dev.	0.129289	32.89501	0.000334	0.107964
Skewness	0.535909	-0.267731	-0.331086	-0.164105
Kurtosis	1.810951	1.765830	1.674527	2.045536
Jarque-Bera	0.640658	0.452474	0.548838	0.254681
Probability	0.725910	0.797529	0.760014	0.880434
Sum	0.810994	2104.900	0.006079	2.107129
Sum Sq. Dev.	0.083579	5410.408	5.57E-07	0.058281
Observations	6	6	6	6

It is also evident from the table above that all series display a high level of consistency as their mean and medium values are within the minimum and maximum values of the series. The deviations of the actual data from their mean value are very low; as indicated by the relatively low values of the standard deviations. The statistics shows that the series are positively and negatively skewed which indicates that the distribution has both right and left tail, because the tail of the distribution is pointed towards the upper end of the distribution. The homogeneity of the series is measured by the low value of the standard deviation which indicates that there is little dispersion in the distribution as all the scores are relatively smaller to one another. The Jarque-Bera statistics also shows that, the positively, negatively and symmetrically skewed which can then logically mean that the series are normally distributed.

Table 2. Correlation Matrix (E – View 9.0 output)

	ROA	BS	BD	BI
ROA	1			
BS	0.672	1		
BD	0.445	0.465	1	
BI	0.269	0.146	0.042	1

The result of the correlation matrix table above reveals that, each of the variables has a very strong positive correlation to itself, only board diversity and board Independence as well as board size and board Independence have a very relatively low positive correlation of about 4.2%

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and 14.6% respectively, board size and board diversity have relatively high positive correlation of about 67.2% and 44.5% respectively with return on asset while board Independence has 26.9% positive correlation with return of asset. Also, there is the absence of multicollinearity among these variables as revealed by the correlation table obtained for this study, therefore this study has scientific measure of reliability.

Table 3. Regression Result (E – View 9.0 output)

Dependent Variable: ROA
Method: Least Squares
Date: 19/4/20 Time: 09:36
Sample: 2013 2018
Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.647059	3.595329	1.014388	0.4172
BS	0.009947	0.009868	-1.008068	0.4196
BD	0.217930	0.012162	-0.762703	0.0253
BI	0.225978	0.007869	0.787314	0.0136

R-squared	0.599218	Mean dependent var	0.135166
Adjusted R-squared	0.501956	S.D. dependent var	0.129289
S.E. of regression	0.129416	Akaike info criterion	-1.016855
Sum squared resid	0.033497	Schwarz criterion	-1.155682
Log likelihood	7.050565	Hannan-Quinn criter.	-1.572591
F-statistic	0.996747	Durbin-Watson stat	2.392668
Prob(F-statistic)	0.036151		

The table above represents the regression result, from the table, the model summary reveals that the R-squared statistics is 0.599218 and the Adjusted R-squared of the estimated model is 0.501956 showing that the independent variables explains the variation in the dependent variable, that is, the estimated model shows about 59.92 percent of the variation in accounting information quality is explained by the combined effects of all the determinants (the independent variables), the remaining 40.02 percent is attributed to the unexplained variation that is the variables not captured in this model. The F-statistic of 0.996747 is significant at 5 percent level as the probability value estimate of 0.036151 has indicated. The F-statistics shows that the explanatory variables are jointly significant in explaining accounting information quality

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(dependent variable). It shows that there is a linear relationship between the dependent variable and at least one of the independent variables. Moreover, the regression result reveals the coefficients of the independents variables, from the result, the coefficient of Board size (BS), Board Diversity (BD), and Board Independence (BI) are positive and stood at 0.009947, 0.217930, and 0.225978 respectively, the implication of this result is that a unit increase in Board Size (BS), Board Diversity (BD), and Board Independence (BI) resulted into 0.99 percent, 21.79 percent, and 22.60 percent respective increase annually in Return on Asset (ROA) during the year under review

CONCLUSION AND RECOMMENDATIONS

There has been increased agitation for improving corporate governance in firms both in developed and developing nation most especially in Nigeria to be specific. This phenomenon has received attention by professionals and academia that has made effort to expose the importance of its consciousness of management. This study focuses on determining the effect of board characteristics on firms' performance of listed non-financial firm in Nigeria through; evaluating the effect of board size on firms' performanceof listed non-financial firm in Nigeria; assessing the effect of board diversity on firms' performanceof listed non-financial firm in Nigeria; and investigating the effect of board Independence on firms' performance of listed non-financial firm in Nigeria. In order to achieve the stated objective, data for twenty (20) listed firms were purposively selected in order to get manufacturing firms that are fully functional and have adequate and available data for the period of the study (2013-2018) which was obtained from the selected firms annual report and NSE fact book. Data obtained were analyzed using descriptive statistics and OLS; this was done through E-view statistical package.

It can be concluded from the findings of this study that board size has positive effect on performance of firms (ROA) but it is not significant in explaining the performance of the firm over the period of the study (2013-2018). This is to say that whether there is increase in the total number of board or not, it does not have any particular significant effect on the performance of the firm; it can also be concluded that both Board Independence (BI) and Board Diversity (BD) have positive effect on the performance of firms in which both variables are statistically significant in explaining the performance on the firms'. This implies that firms Board Independence and Board diversity as a Board attributes are key factors to be considered by the shareholders in order to improve the performance of such firm because these two variables both have positive and statistically significant effect on the performance of manufacturing firms in Nigeria. Therefore, it can be concluded that board characteristics has a positive significant effect on firm performance of listed non-financial firm in Nigeria. The study recommends smaller board

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sizes accompanied by skill, experience and expedience of the board which will help to reduce conflicting interest in Boards, efficiency, expediency in decision making and competitiveness as board size has no significant effect on firm performance. Also, there is need for firms to increase their level of independence in their boards. In addition, the study recommends that since board diversity enhanced firm performance, therefore, an inclusion of females in the board membership should be encouraged.

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