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Board Characteristics on Firm Performance of Quoted Financial Services Companies in Nigeria

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ABSTRACT

The research investigated the effect of Board Characteristics on Firm Performance of Financial Services companies in Nigeria. Secondary data were obtained from published financial reports and accounts of active Financial Services companies listed on the Nigerian Exchange Limited (NGX) for ten years (2011 – 2020). The independent variables are Board Size, and Board Remuneration, while the dependent variable Firm Performance was proxied as Tobin Q (TOBQ). Null hypotheses were formulated for the study and secondary data obtained from the financial statements of the companies. The data were analysed using descriptive analysis, correlation matrix, and regression analysis. The Random Effects Generalized Least Square (GLS) regression result revealed that Board Size (BODS) and Board Remuneration (DRSA) all have significant effect on firm performance of Financial Services companies in Nigeria at 5% level of significance. Though Board Size (BODS) has an inverse effect. This research recommends that board diversity should be optimised with board size as this would scale up firm performance whilst optimizing resources.

Keywords: *Board, Characteristics, Firm Performance, Financial Services*

1. Introduction

Currently, the commercial milieu is characterised by a lot of risk and uncertainty. Competition is stiff and dynamism/evolution is the trend. Thereby businesses experiencing pressure, both at the interior and exterior. To manage these and not be overwhelmed, firms strategically seek ways to respond to these pressures to keep afloat. Such strategies to improve/sustain competitive position include but are not restricted to restructuring, downsizing, business process reengineering, benchmarking, total quality management, management by objectives (Mangene, & Tauringana, 2008). To maintain market share and competitive position, boards become very important for corporate governance.

Board's importance cannot be exaggerated as this has been researched by several authors to prop its significance in corporate governance. This dates back to Adam Smith (1776) and to the stewardship theory, agency theory, resource dependence theory and stakeholder theory which have all meaningfully stressed the importance of boards. Adam Smith (1776), in his work, which was a major milestone, The Wealth of Nations, hypothesized that in a business enterprise where the manager has no direct ownership would view issues differently and most probably act differently in the aspect of taking decisions as the diligence exercised would not be the same when compared to the company where the proprietor is the manager.

This supports the view proposed by Benjamin (2009) in agency theory. According to agency theory, in situations where there is a dichotomy of administration and ownership, the manager (i.e., agent) seeks to act in self-interest which is not always in the best interests of the proprietor (i.e., principal) and this is usually contrary to that which is required to optimise the shareholder returns. Such underperformance by an agent, is seen to lead to a residual cost to the principal even if thought to be acting in the best interest of the principal (Jensen & Meckling, 1976). As reported by World Bank Reports (2016) those costs resulting from sub-optimal performance by agents are termed as agency costs. Prior empirical studies sought to answer whether board of directors' qualities influence firm's performance.

Board size refers to the number of members on the board. Identifying appropriate board size that affects its ability to function effectively has been a matter of continuing debate.

As businesses strive for sustainability and to be seen as market leaders in today's global economy, corporate governance remains a hot topic. Good corporate governance principles, in particular, position a company as a desirable investment destination. As a result, the quality of the Board is critical in achieving the above, and Board Remuneration can be used to ensure that an organization is well-positioned to attract the right people to serve on its Board and steer the organization's affairs in the right direction.

Statement of the problem

Due to issues ranging from corporate failures with increasing numbers of directors to corporate fraud, which resulted in lower investor interest, companies have in the past used a variety of strategies to address the aforementioned issues, including corporate re-structuring, seeking additional funding, and even mergers and acquisitions. The study's main problem is the board's inability to function effectively and its remuneration in relation to the organization's performance.

Objective of the Study

The main objective of this study is to examine Board Characteristics on Firm Performance of quoted Financial Services Companies in Nigeria. The specific objectives are,

1. To examine the impact of board size on Firm Performance of quoted Financial Services Companies in Nigeria.

2. To evaluate the effect of Board Remuneration on Firm Performance of quoted Financial Services Companies in Nigeria.

Hypotheses of the Study

1. Board size has no significant positive impact on Firm Performance of quoted Financial Services Companies in Nigeria.

2. Board Remuneration has no significant positive effect on Firm Performance of quoted Financial Services Companies in Nigeria.

2. Review of Related Literature

2.1 Conceptual Review

Board Characteristics

Board characteristics refer to the characteristics of corporate boards that are in charge of the company's overall management. The role of management and firm governance as a process are linked to the success or failure of businesses. Corporate governance has been defined as a term that can mean different things to different people. The most common is Lord Cadbury's description of the system by which companies are directed and controlled (Public Sector Governance Code, 2016). Corporate governance is also defined by the Organization for Economic Cooperation and Development (2005) as a set of relationships between a company's management, board of directors, shareholders, and other stakeholders; it provides the structure through which the company's objectives are set, as well as the means of achieving those objectives and monitoring performance (Fakile & Adigbole, 2019).

Firm Performance

In contemporary times firm performance is seen to be an important concept frequently used as a dependent variable in strategic management research. Diverse scholars have different definitions of firm performance. Taouab and Issor (2019) affirmed that business performance as appraised by academicians and managers is a crucial issue nowadays as regards the economic milieu. Adam (1994) viewed organizational performance as majorly attributable to quality of employees' performance. His opinion is that to attain exceptional performance that employees' competencies must be assessed and gaps bridged through trainings and exposure to state-of-the-art technologies and global best practices.

In 1994, Cohen opined that performance and efficiency are necessary tools in attaining results when matched with resources utilised by the organization. Bourguignon (1997) describes performance as not just being statics as regards obtaining a result, but as an action with dynamism exhibiting a behaviour of constantly adding value. Harrison and Freeman (1999) posited that when stakeholders demands are met then an enterprise can be described to have attained a high level of performance. Approaching the twenty-first century, the definition of organizational performance was basically the capability or skill by which the organizations efficiently use the resources within their means to achieve set organizational goals and objectives whilst providing relevant information to users (Peterson, Gijsbers & Wilks, 2003).

Board Size

Corporate Governance has to deal with the top executives of an organization who are responsible for policy making, setting of organizational strategies and operations regulation and monitoring (Ahmed & Gabor, 2011). Board size is however, perceived to be essential in controlling the internal corporate governance of a company. Kiel and Nicholson (2003) in their work revealed a positive impact of board size on firm performance. It is contended that boards with higher number of members have benefits of being endowed with expertise knowledge thereby capable of effectively making strong strategic decisions which ultimately leads to enhanced profit. In consonance with resource dependency theory, it was stated by Muttakin, Khan and Subramaniam (2012) that reduction in uncertainty is driven by larger boards, and enhancement of firm performance since it is believed that they are more exposed to the external environment. Previous researchers opined that large boards have more exposure, knowledge and capabilities of monitoring, conversely, some other studies are of the opinion that smaller boards are more effective than larger boards.

Board Remuneration

To buttress the fact that most of the time agents cunningly maximise their utility without due consideration of their shareholders, several authors have explained that in spite of using incentives mechanisms in addressing the interest of agents to principals, CEO and top executives are perceived to deviously maximize individual utility at the expense of shareholders (Williamson, Wachter & Harris, 1975; Conyon, 2006). The agency theory has promoted that executive remuneration be linked to shareholder value and yet be adequate enough to induce maximum performance (Jensen & Meckling, 1976; Jensen & Murphy, 1990). By this, executive remuneration is expected to be in tandem with corporate performance and in conformity with shareholders' wealth. Remuneration committee should ensure the adoption and implementation of a remuneration policy which should follow the alignment theory. Stelzer (2000) suggested that the responsibilities of the remuneration committee should also entail proper monitoring to receive value from beneficiaries/directors, not just CEOs as the media these days report excessive executive remuneration which in many instances do not seem to align with shareholders value.

2.2 Theoretical Framework

Interestingly, different disciplines such as law, economics, finance, sociology, strategic management and organisation theory have contributed through the works of scholars to describe the role and impact of boards (Kiel & Nicholson, 2003). This work is anchored on Agency theory.

Agency Theory

Stephen Ross and Barry Mitnick were the first scholars to explicitly propose theory of agency this was independently and roughly concurrently created. Ross was responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency, however the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions (Mitnick, 2013).

Agency theory deals with the problems that are encountered in the firms due to the segregation of duties/expectations of the owners and managers and suggests how these problems can be ameliorated. This theory helps in applying the various governance apparatuses to control the agents' action in the firms which are actually jointly held corporations. Berle and Means (1932) in their thesis found that the modern entities in the USA have dispersed ownership, and this promotes the separation of ownership from control. In a joint stock company, the ownership is held by individuals or groups in the form of stock and these shareholders (principals) delegate the authority to the managers (agents) to run the business on their behalf (Jensen & Meckling, 1976; Ross, 1973), but the major issue is whether these managers are performing for the owners or themselves.

2.3 Empirical Review

Fakile & Adigbole (2019) Examined the effect of Board Characteristics on Financial Performance of Quoted Information Communication and Technology Companies in Nigeria for a period of five years from 2013 to 2017. Three board characteristics (board size, independence, and gender diversity) were identified as possibly having effects on financial performance using return on equity (ROE) as a measure of financial performance. The relationship between board characteristics and financial performance were estimated using correlation and multiple least squares (OLS) regression on all seven (7) quoted ICT companies as at December 2017. Only board independence had a significant impact on financial performance, according to their findings. According to the study, a strong mechanism should be put in place to ensure that the board of directors is made up primarily of members who have no personal stake in the organization.

Olabisi; Kajola; Oladejo; Ojeaga, and Abass (2018), Examined the Board Characteristics and Performance of Quoted Consumer Goods Firms: Evidence from Nigeria. The study used a historical research design and used a simple random sampling technique to select ten firms from a population of twenty-seven Nigerian listed consumer goods firms as at 2017. Secondary data was obtained from the annual reports of the selected firms over a seven-year period (2011-2017). To determine the existence of a relationship between the variables, analysis was performed on data collected using Auto Regressive Distributed Lag (ARDL) Regression and other post estimation techniques. The study found a significant relationship between board independence, board diligence, and consumer goods firm performance ($p<0.05$).

However, there is no statistically significant link between board size, board composition, and consumer goods firm performance ($p>0.05$). Regular board meetings and board independence, according to the study, play important roles in timely decision-making that affects the overall firm's goal. As a result, the study recommended that the board meet on a regular basis and that the board be independent in order to make important decisions that affect the company's overall performance.

Oyedokun (2019) in his study examines the effect of board characteristics on financial Performance of quoted commercial banks in Nigeria for the period 2013-2017. The study used an ex-post facto research design. Size, independence, gender diversity, and board meetings are all factors considered. The information was taken from the annual reports of the publicly traded commercial banks. The data was analyzed using multiple panel regression analysis. The findings show that board characteristics have a significant impact on the financial performance of Nigeria's publicly traded commercial banks. Board gender diversity has a significant positive effect on board characteristics, while board meetings have a significant negative effect, while board size has an insignificant negative effect on financial Performance and board independence has an insignificant negative effect on financial Performance.

Based on the findings, the study recommends that Nigerian commercial bank regulators increase surveillance and supervision to ensure proper overall risk management that protects all stakeholders' interests and the banks' reputations. The regulators and management of Nigerian commercial banks should emphasize the optimal board size, and the board of directors should include more independent/non-executive directors who are experts in the financial services industry to provide more independent and expert-based judgments and opinions on risk management and overall bank performance.

El-Maude; Bawa; and Shamaki (2018), in their study examined the effect of board size, board composition and board Meetings on the financial performance of listed consumer goods in Nigeria over the period of ten years from 2006 to 2015. For research design and sampling technique, the study employed an ex post facto research design and a purposive sampling technique (filter). The study's population consists of twenty (20) publicly traded consumer goods companies in Nigeria, with a sample size of ten (10) companies. Using STATA (version 11), the data was analyzed using descriptive statistics, correlation, and regression analysis. Return on assets has a minimum and maximum value of -0.0400 and 0.4700, with a mean and standard deviation of 0.1199 and 0.1038, respectively, according to the descriptive result. Secondary data was obtained from the annual reports and accounts of the sampled companies via the Nigeria Stock Exchange fact book.

The results show that board size is negatively significant at 1% with a T-Value of 2.70, board composition is positively significant at 1% with a T-Value of 2.15, and board meetings are negatively insignificant with a T-Value of 1.45. This research found that smaller boards are more effective than larger boards, that a good proportion of board composition is a good factor for enhancing ROA of listed consumer goods companies in Nigeria, and that frequent board meetings have a negative impact on ROA of listed consumer goods companies in Nigeria because they limit the opportunities for external directors to conduct meaningful oversight over management.

As a result, the study recommends, among other things, that smaller board sizes be used in Nigerian listed consumer goods companies to improve their ROA, and that listed consumer goods companies maintain a high proportion of independent directors. In order to improve the ROA of listed consumer goods companies in Nigeria, unnecessary board meetings should be discouraged. This will allow the board of directors to perform other oversight functions on the management.

3. Methodology

Ex-post facto design was adopted for this study since the researcher relied on historic (secondary) accounting data obtained from accounts of active companies listed on the Nigeria Exchange Limited (NGX) for the period 2011-2020 (ten years). The target population for the study is Fifty-two (52) listed financial services companies quoted on the Nigerian Exchange Limited as at 1st March 2021. However, the sample size of the study from the population is made up of Thirty-Five (35) listed Financial Services companies in Nigeria through purposive sampling technique. These listed Financial Services companies are presented in Appendix 1.

Quantitative secondary data collection method was employed by collecting relevant data from Nigerian Exchange Limited factbook, financial reports of the companies from audited annual financial reports, income statements and financial position of the companies' accounts in Nigeria.

The Generalized Least square regression analysis using Fixed and Random Effects regression was adapted to test the effect of Board of Directors characteristics on Firm performance of listed Financial Services companies in Nigeria after which Hausman Test specified the test result to be interpreted.

Model Specification

To test the effect of board of directors' characteristics on firm performance, the following model was developed:

$TOBQ = f(BODS, DRSA) + \varepsilon$ 1

$TOBQ_{it} = \beta_0 + \beta_1 BODS_{it} + \beta_2 DRSA_{it} + \varepsilon_{it}$ 2

Where: TOBQ =Tobin's Q which measures corporate performance, BODS = Board Size while DRSA = Board Remuneration.

ε = error term, i = Cross-section of active Financial Services companies quoted in the NSE, t = Period which is (10) years review of active Financial Services companies quoted on the NSE. β_0 = Intercept coefficient, where β_1, β_2, and β_6 represent Coefficient for each of the independent variables.

4. Data Analysis and Interpretation

Table 4.1: Descriptive Statistics of the variables from Financial Services Companies in Nigeria

	N	Mean	Median	St.Dev	max	Min
TOBQ	338	.753	.758	.326	3.164	.015
BODS	344	10.977	10	3.451	21	4
DRSA	339	1.45	.737	2.082	12.657	0

Source: Researcher's computation (2021)

Table 4.1 shows the count (total number of data/observations) for each of the variables, mean (average), median (the middle value after sorting from highest to lowest values), standard deviation, maximum values, and minimum values. The results in Table 4.1 provided some insight into the nature of the selected Nigerian quoted Financial Services companies that were used in this study. The measures of central tendency are indicated in the mean and median values, while the measure of dispersion is indicated in the value of standard deviation (how far the observation is from the sample average).

First, it was observed that on the average, over the ten (10) year period (2011-2020), the sampled listed Financial Services companies in Nigeria were characterized by positive mean value of firm performance (0.753) proxy as Tobin Q(TOBQ). This is an indication that the listed companies used for this study recorded a positive market value over the period covered by this study and this is encouraging for a growing economy like Nigeria.

Similarly, it was also observed that on the average, over the ten (10) year period (2011-2020), the explanatory variables (BODS and DRSA) used for this study were characterized by positive mean values of 10.977 and 1.45. This is an indication that the listed companies used for this study have reports indicating board characteristics of one form or the other, over the period covered by this study and that such engagement positively influence the market value of such companies.

Normality Statistics of the Data Used for the Study

Table 4.2: Skewness / Kurtosis Tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj_chi2(2)	Prob>chi2
TOBQ	338	0.000	0.000	.	0.000
BODS	344	0.000	0.404	11.830	0.003
DRSA	339	0.000	0.000	.	0.000

Table 3 which presents the normality statistics for the variables specifically shows the skewness and kurtosis of the data. Skewness measures the degree of asymmetry of the observations while Kurtosis is a measure of the height and sharpness of the central peak relative to that of a standard bell curve. As for Tobin Q (TOBQ), Board Size (BODS) and Board Remuneration (DRSA) the skewness data is 0 (zero) as this indicates that the distribution is symmetric around its mean.

The kurtosis value for the above-stated variables are less than 1(one) and 1 is less than 3 (0-3) is indicative of platykurtic. This is interpreted as negative kurtosis (flattened curve) which is indicative that more values of the observation are less than the variable average.

Lastly, in Table 4.2, which tests for normality or the existence of outliers or extreme values among the variables, shows that all the variables are not normally distributed and this is significant at 1% level of significance. This means that the variables bear outliers which will likely distort the conclusion and produce spurious results. Therefore, the test fails to accepts the hypothesis of normality which is the null since the p-value is less than 0.05 thereby indicating significance. Failing the normality tests therefore implies that the data does not fit the normal distribution. This also implies that the least-square regression model may not produce the best linear unbiased estimation.

Diagnostic Test to Check for Multicollinearity Problem, using Correlation Matrix

Multicollinearity is a near perfect/high correlation between any two (2) independent variables. It is a problem of cross-sectional data and our data have cross sectional characteristics as it cuts across thirty-five (35) listed Financial Services companies in Nigeria. When there is multicollinearity, all the t-values, F-statistics value becomes invalid and the R^2 of the regression result becomes unreliable. The study on trying to diagnose for the presence of multicollinearity in the data used, as well as evaluating the association among the variables adopted, employed the Pairwise correlation coefficient (correlation matrix), Variance Inflation Factor (VIF) analysis and heteroscedasticity Test. The results obtained are presented in Table 4.3, 4.4, and 4.5 below.

Table 4.3: Pairwise Correlation Matrix of the Variables Used for the Study

Variables	(1)	(2)	(3)
(1) TOBQ	1.000		
(2) BODS	-0.056	1.000	
	0.303		
(3) DRSA	0.022	-0.149*	1.000
	0.683	0.006	
**** shows significance at the 0.05 level***			

Source: Researcher's computation (2021) using Stata 13.0 statistical package.

Correlation statistics are used to determine the bivariate linear relationship between two continuous variables. Correlation measures the strength and direction of the association. Correlation in terms of strength can either be weak, strong or moderate. Once the absolute value is ≥ 90% it is said to be strongly correlated. If the absolute value is ≤ 30%, it is said to be weakly correlated, but if the absolute value is between 30 – 89 it is said to be moderately correlated. The positive or negative direction is depicted by the positive or negative signs respectively.

From the pairwise correlation statistics shown above, the association between TOBQ (dependent variable) and the independent variables which are also the variables of interest (BODS and DRSA) have been revealed to have (-0.056[6%], and 0.022[2%]), absolute values to the nearest whole number respectively. This indicates that the relationship between TQ and all the independent variables are all weakly associated since their absolute values are all less than 30%.

It also revealed that the variables of interest (BODS and DRSA) the two explanatory variables were significantly correlated at 5% level of significance. This means that there is a problem of correlation between the explanatory variables. Correlation usually results to wrong signs or implausible magnitudes in the estimated model coefficients obtained. This will also lead to a bias in the standard errors of the coefficients.

The next diagnostic test is the Variance Inflation Factor of the independent variables (VIF). This is popularly called multicollinearity test. This is conducted to further check if the independent variables are highly correlated with one another.

Table 4.4: Variance Inflation Factor Test Result of the Variables Studied

Variable	VIF	1/VIF
BODS	1.70	0.589878
DRSA	1.20	0.833778
Mean VIF	1.32	

The mean VIF revealed a value of 1.32 and this is less than 5. This implies there is no multicollinearity problem on our explanatory variables. Here no two explanatory variables are perfectly correlated. This means that there is no multicollinearity problem in our model. Multicollinearity between explanatory variables may result in wrong signs in the estimated model coefficients and may bring about the bias of the standard errors of the coefficients.

Heteroscedasticity Test

This is a diagnostic test to test the stability and the risk in the result. This is otherwise known as constant variance test, which is an assumption of linear regression. The Ordinary Least Square regression assumes that the variance of the error term is constant. If error terms do not have constant variance, they are said to be heteroscedastic meaning differing variance.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of tobq

chi2(1) = 19.15

Prob > chi2 = 0.0000

The Breusch-Pagan / Cook-Weisberg test for Heteroscedasticity revealed that the hypothesis is significant and so the error variance is not constant. This is shown in the chi2 result at 1 degree of freedom, chi2 (1) = 19.15 and a p-value of Prob > chi2 = 0.0000. Which indicates that the variance is not constant at 1% level of significance. There exists significant Heteroscedasticity. This negates one of the assumptions of regression, thereby indicating that regression analysis results may be spurious or be biased.

Due to the foregoing, the Generalised Least Square (GLS) technique is employed. The GLS technique is a technique for estimating the unknown parameters in a linear regression model when there is a certain degree of correlation between the residuals in a given regression model. The GLS estimator of the coefficients of linear regression is a generalization of the Ordinary Least Square (OLS) estimator. It is used in situations whereby the OLS estimator is not the Best Linear Unbiased Estimator (BLUE).

As has been demonstrated the diagnostic test score indicated a significant Heteroscedasticity, evidence of autocorrelation and the hypothesis for normality was rejected which violates the Gauss-Markov theorem for linear statistics estimation. Whereby the assumptions of Gauss-Markov theorem are not satisfied, the GLS is employed as the Best Linear Unbiased Estimator (BLUE) (Marco, 2017).

Testing of Hypotheses Formulated for Listed Financial Services Companies Firms in Nigeria

The model for this study is stated as follows:

$TOBQ = f(BODS, DRSA) + \varepsilon$ 1

$TOBQ_{it} = \beta_0 + \beta_1 BODS_{it} + \beta_6 DRSA_{it} + \varepsilon_{it}$ 2

In other to examine the impact relationships between the dependent variable Tobin Q (TOBQ) and the independent variables (BODS and DRSA) and to also test the given formulated hypotheses, the study used a panel multiple regression analysis, using fixed and random effect regression analysis, owing to the fact that the data had both time series (2011-2020) and cross sectional properties (35 listed Financial Services companies in Nigeria). Fixed effect result is presented in table 4.5, random effect is presented as table 4.6. Note that the rule is that the decision to interpret either fixed or random result will be determined by Hausman test. Hausman test conducted for this study is presented as table 4.7.

Fixed Effect Generalized Least Square (GLS) Regression

Table 4.5: Regression results

Tobq	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
BODS	-0.016	0.007	-2.32	0.021	-0.030	-0.002	**
DRSA	0.015	0.010	1.51	0.132	-0.005	0.035	
CONSTANT	2.659	0.973	2.73	0.007	0.744	4.574	***

Mean dependent var	0.753	SD dependent var	0.326
R-squared	0.083	Number of obs	338.000
F-test	2.956	Prob > F	0.000
Akaike crit. (AIC)	-75.370	Bayesian crit. (BIC)	-37.140
*** p<0.01, ** p<0.05, * p<0.1			

Table 4.6: Random Effect Generalized Least Square (GLS) Regression

Tobq	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
BODS	**-0.019**	0.007	-2.86	0.004	-0.031	-0.006	***
DRSA	**0.019**	0.009	2.06	0.040	0.001	0.037	**

CONSTANT	**0.189**	0.326	0.58	0.562	-0.450	0.829

Mean dependent var	0.753	SD dependent var	0.326
Overall r-squared	0.177	Number of obs	338.000
Chi-square	29.547	Prob > chi2	0.001
R-squared within	0.061	R-squared between	0.301
**** p<0.01, ** p<0.05, * p<0.1*			

Table 4.7: Hausman Test

	Coef.
Chi-square test value	12.335
P-value	.195

Source: Researcher's computation (2021)

The Hausman test conducted shows a chi-Square Statistics value of 12.335 with a Probability value of 0.195. This probability value is not statistically significant since the P-value is more than 10%. Therefore, the rule is that if the p-value is significant (i.e. P-value < 10%), interpret fixed effect result, otherwise, use the random effect result and from our Hausman result, our P-value is not significant. Therefore, we interpreted Random effect result (table 4.7) for our analysis.

The Random Effect Generalized Least Square (GLS) Regression analysis revealed 338 observations were used (this simply means sample size) and Chi-square of 29.547 and a p-value of 0.001, which is indicative that the model for this study is valid with a significant value of 1%. This explains the extent to which the explanatory variables jointly affect the dependent variable and this is significant at 1%.

The R-squared test is a diagnostic test to check the validity of the regression statistics. This is called the coefficient of determination test or goodness of fit test. It is used to test the extent to which all the independent variable explains the dependent variable. This is the variation in the dependent variable explained by the regressors or independent variables. For Random Effect Generalized Least Square (GLS) Regression analysis, it makes use of both the R-squared within and R-squared between thereby the average is the overall R-squared is 0.177. This is an indication that all the independent variables jointly explain about 17% of the systematic variations in performance (market value), proxied as Tobin q (TOBQ) of our sampled companies over the ten-year period (2011-2020) while 83% of the systematic variations are captured by the error term.

5. Discussion of Findings

Board size and Firm Performance

Board Size (BODS) variable score was found to have a significant inverse effect on Firm Performance of Financial Services companies in Nigeria, over the period covered by this study. The significance level is 1% with 99% confidence interval.

This is in consonance with the work of Lipton and Lorsch (1992) and Jensen (1993) who are of the opinion that smaller board size is more effective and result in better corporate financial performance than larger board size.

In contrast Muttakin, Khan and Subramanin (2012) are of the opinion that larger boards derive larger performance. This is also the opinion of Ilaboya and Obaretin (2015).

Based on our study, we therefore conclude that Board Size significantly affects Firm Performance of Financial Services companies in Nigeria.

Board Remuneration and Firm Performance:

Board Remuneration (DRSA) posted positive significant effect on Firm Performance of Financial Services companies in Nigeria thereby rejecting the null hypothesis. This is significant at 5% level of significance and at 95% confidence interval.

The agency theory has advocated that executive remuneration be tied to shareholder value and be adequate enough to induce maximum performance (Jensen & Meckling, 1976; Jensen & Murphy, 1990). This will therefore imply that executive remuneration is expected to be consistent with corporate performance and in conformity with shareholders' wealth.

5. Conclusion and recommendations

The results revealed that Board Size (BODS) and Board Remuneration (DRSA) all have significant effect on firm performance of Financial Services companies in Nigeria at 1% and 5% level of significance. Though Board Size (BODS) has an inverse effect on firm performance of Financial Services companies in Nigeria

Arising from the findings of the study, the following recommendations are made:

1. The study recommends that careful evaluation of number of Directors appointed to the board (Board Size) should be conducted by Financial Services companies in Nigeria such that the benefit negatively impact firm performance. Benefits can be achieved by appointing knowledgeable/qualified professionals that are proficient in the field of the industry thereby adding value. It is advised that a fewer number of directors would drive improved firm performance.

2. Board remuneration is a necessary motivation tool for directors, industry/sector prevalent remuneration rate may be applied. However, there should be a balance between motivating Directors and moderating agency costs.

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