CORPORATE GOVERNANCE PRACTICES AND FIRM PERFORMANCE: THE MODERATING EFFECT OF FEMALE DIRECTORS

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Abstract

Improved corporate governance practices of banks are viewed as a key mechanism for better performance of banks. Despite the numerous diversification efforts of the Nigerian bank regulators, bank performance remains poor. The study determines the moderating effects of female boards of directors on the relationship between board characteristics and the performance of banks in Nigeria. The quantitative explanatory design utilised a cross-sectional survey sample of 121 respondents from 24 state- and privately-owned banks. Regression analyses were used to examine the effects among the variables. The results showed that board size and board committees (audit, remuneration, and nomination) are positively and significantly related to bank performance. On the contrary, board independence is negatively and significantly related to bank performance. The result revealed that female representation does not have a moderating effect on the relationship between each board size, board independence, and bank performance. Female representation negatively and significantly moderated the relationship between each audit and remuneration committee and bank performance. However, female representation positively and significantly moderated the relationship between nomination committees and bank performance. Our findings shed light on the role of the mandatory policy of including women on banks' boards and the female board members' moderating role between the nomination, audit and remuneration committees on one hand and the bank performance on the other.

Keywords: New Corporate Governance Practices, Developing Economy, Female Directors, Bank Performance

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1. INTRODUCTION

Banks, as financial intermediaries, are at the heart of the financial system of any economy. Their condition and performance are thus of critical importance to governments, regulators, and the various stakeholder communities (Organisation for Economic Co-operation and Development [OECD], 2005; Kirkpatrick, 2009). Banking institutions were significantly responsible for the recent global financial crisis through their corporate governance practices before and during the crisis (Faleye &

Krishnan, 2017). The impact of adverse macroeconomic factors, which were the genesis of the financial crisis, and socio-economic variables affected firms in varying degrees as a consequence of their poor corporate governance practices (Berger et al., 2016; Blecker, 2016).

Banks' risk management and financing policies, which are the ultimate responsibilities of their corporate boards, led to the deterioration of their asset portfolios and influenced the extent to which each banking institution was impacted by the crisis (Berger et al., 2016). The weaknesses in the corporate governance structures and practices thus contributed greatly to the banking crisis (Faleye & Krishnan, 2017; Kirkpatrick, 2009; Kumar & Singh, 2013). While there are several contributory factors to the crisis, weaknesses of corporate governance characteristics took the lead ahead of all other factors (Di Biase & Onorato, 2021; Lagasio, 2018).

The consequences of the financial crisis and the collapse of a record number of banks have combined to draw concern and increased attention to the critical imperative of strengthening corporate governance structures not only within local economies but globally. Countries around the globe acknowledge the importance of corporate governance and have passed different laws and codes to guide the conduct of entities in their domain, such as issuing of a Code of Corporate Governance in Nigeria (Central Bank of Nigeria [CBN], 2006), development of a new risk-based solvency framework, as was the case with Solvency II in the European Union (Di Biase & Onorato, 2021), making management activities and processes transparent and effective in the interest of stakeholders (OECD, 2017) among others.

In Nigeria, the Security and Exchange Commission (SEC) issued its first code of corporate governance in 2003 for companies listed on the Nigeria Stock Exchange (NSE) (CBN, 2006; SEC, 2013). As part of its efforts to address the observed weaknesses in compliance with the code, SEC issued a revised code on April 4, 2011. In the preamble to the code, SEC acknowledged the prevalence of weak corporate governance mechanisms in Nigerian firms and stated that the new code is intended to enhance transparency and accountability and promote good corporate governance without diminishing the quest for entrepreneurship and innovation (SEC, 2013).

Deliberate efforts at improving corporate governance in Nigeria's banking industry commenced in August 2003. This was through a voluntary Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria issued by the Nigerian Bankers Committee. Following unimpressive compliance and limited outcomes, the CBN embarked on a rescue programme of consolidation and restructuring of Nigerian banks involving an increase in minimum capitalisation, bank mergers, and acquisition. This aimed to make the banking sector safer and stronger, improve public confidence and enhance regional and global competitiveness (CBN, 2006; SEC, 2013).

The CBN subsequently issued a mandatory code for banks, effective April 3, 2006, to further resolve the various problems of the banking sector. The challenges of the banks were summarised by CBN (2004) as "weak corporate governance, evidenced by high turnover in the board and management staff, inaccurate reporting and non-compliance with regulatory requirements, falling ethics and de-marketing of other banks in the industry" (p. 6). Similarly, the CBN (2006) identified the challenges of banks post-consolidation to include technical incompetence of board and management, frequent board conflicts due to different business cultures, and high ownership concentration.

Despite the regulatory directives and codes on good corporate governance practices, the banking sector in Nigeria experienced significant shocks, structural weaknesses, and the collapse of some banks as a consequence of the global financial crisis of 2007–2008. Following a series of supervisory examinations of the banks, the CBN, in 2009, removed five chief executive officers (CEOs) of banks for reasons mainly due to poor corporate governance practices in the institutions, amongst others. After this, the CBN issued a revised code effective October 2014 to supersede the 2006 code and strengthen the corporate governance code to align it with contemporary developments and provide clear guidelines on all aspects of governance practices of banks in Nigeria, including female representation (CBN, 2014; SEC, 2011, 2013). However, the extent to which this new female board member requirement has moderated the corporate governance practices on bank performance is not studied yet. The present study fills this gap.

It is, therefore, of concern that despite the various measures by governments and regulators across the globe, corporate governance remains a key contributor to the national and global financial crisis (Faleye & Krishnan, 2017). The persistence of banking distress and failure in the past three decades has elevated discussions on the effectiveness of the mandatory inclusion of female representatives into corporate governance in Nigerian banks. In particular, there were 89 banks at the end of 2004 which went down to 24 banks at the end of 2021, owing to banking reform measures, mergers and acquisitions, liquidations, and new entrants (CBN, 2014; SEC, 2013).

While there have been various studies conducted on different aspects, including gender and nationality diversity (Chebri & Bahoussa, 2020), gender effect (Jaber, 2020), and corporate board diversity (Boshanna, 2021), studies on the moderating role of female directors on board committees are lacking. This gap is examined from the perspective of banks in Nigeria in the present study. The importance of new corporate governance practices, including requirements of female board members in banking institutions, necessitates more studies to provide stakeholders in academia and practice with further insights and knowledge on corporate governance practices in developing countries, especially in the Nigerian context. Banks are required to give practical compliance with the code and directives of CBN on key corporate governance elements, especially female representation. However, little is known about the effectiveness of female representation on boards of banks in Nigeria, although the role of women has been raised (Rossi et al., 2017). There is a need for a better understanding of the female representation element of corporate governance in Nigerian banks and its moderation effect on the relationship between corporate governance characteristics (board size, board independence, and board committees) and bank performance that has not received research attention in the literature.

Another motivation for the present study, apart from examining the policy-oriented potential underpinned by regulatory policy requirements of female board members, is to examine which of the various board committees women would be most useful in contributing to banks' performance. This male-dominated segment of bank boards has under-explored the effects of female representation in specific forms. Some roles of the board have been defined through agency, stewardship, resource dependence, and stakeholder theories (Madhani, 2016). These include managerial control, managerial empowerment, co-optation, and upholding all stakeholders' interests, respectively (Madhani, 2016). The inclusion of women on board is to ensure these established goals, particularly at the committee levels. In all these processes, women are expected to moderate the committee characteristics to enhance bank performance. However, little is known about the moderation effect on women in the committees' work. This study addresses this gap in the literature.

Corporate governance practices among Nigerian banks have recorded challenging dynamics over the decades. These include undeveloped and weak forms of efficiency (Adelegan & Ariyo, 2008), limited transactional transparencies, the prevalence of insider trading, and stock over-valuation issues (Samuel & Oka, 2015). This premise provides the incentive for this study to make knowledge contributions to improving understanding of the field. Following the above context, the problem addressed in this research is how the mechanisms of corporate governance can effectively interact with female representation to improve bank performance. The study seeks to investigate the effect of corporate governance practices on the performance of banks in the Nigerian context and to determine whether female representation/directors have moderating effects on the relationship between board characteristics and the performance of banks.

The rest of the study is structured as follows. The literature review is in Section 2, while the research methodology is in Section 3. Section 4 contains the data analysis and results. Section 5 discusses the research findings. The conclusion and policy recommendations are provided in Section 6.

2. LITERATURE REVIEW

2.1. Theoretical literature review

One of the important diversity dimensions for corporations is gender diversity, and it is a significant feature of corporate governance (Şener & Karaye, 2014). Board gender diversity is described as the presence of female directors on the board of directors of corporations. Gender diversity offers the firm the unique opportunity of harnessing the diverse features and skills inherent in the demographic group of a man and woman for the benefit of the firm owners (Lückerath-Rovers, 2013; Saggar & Singh, 2017). Women bring the complement of being better disposed to anticipate undesirable consequences (Hillman, 2015). A variety of factors are attributable to the limited involvement of women on the board of directors. These include cultural and social attitudes about women's fit for certain executive jobs and certain perceptions about women's different emotional and elaborate characteristics. Women also face the glass ceiling problem, which is the under-representation of women within boards based on the distinct nature of their responsibility in life and professional career (Eulerich et al., 2014; Torchia et al., 2011). Women operate in male-dominated business environments and may have to stay away or cope with the stress of combining both family needs and career accomplishment (Eulerich et al., 2014; Lückerath-Rovers, 2013). Because of this, the number of women on boards could be at a token level or not up to the critical mass point to make a difference (Lückerath-Rovers, 2013; Rossi et al., 2017; Torchia et al., 2011; Wiley & Monllor-Tormos, 2018). The "tokenism phenomena" may thus limit female directors from effectively influencing firm performance (Eulerich et al., 2014; Hillman, 2015; Torchia et al., 2011).

The stakeholder theory supports female representation on the board as it advocates diversity and broad participation of various stakeholder groups in the business of the firm. The stakeholder model has also been used by several groups of stakeholders to rationalise the clamour for the inclusion of women on boards of corporations (Hillman, 2015; Hillman et al., 2007; Lückerath-Rovers, 2013). The model also contends that diversity is a tool for improved decision-making quality, obtaining competitive advantage, and enhancing performance (Donaldson & Preston, 1995). The resource dependence theory emphasises the skills, diverse perspectives, cognitive attributes, and external linkages women bring to the board as valuable resources that enhance firm value (Hillman, 2015). The agency theory favours the diverse expertise and increased information role inherent in gender diversity and the resulting increased effectiveness of gender-balanced boards with regard to their monitoring and control roles over managerial actions. The agency model advocates diversity as a measure of independence (Jensen & Meckling, 1976). The theory stresses that female directors add value to the firm by bringing in their expertise and enhancing board independence in achieving effective decision control (Fama & Jensen, 1983). Female directors have also been noted to have a higher tendency to toughly monitor and sanction CEOs (Ferreira, 2015).

Agency theory evolved from the works of Berle and Means (1932). It, however, became more formalised by Jensen and Meckling (1976). Jensen and Meckling (1976) define an agency relationship as a contractual arrangement under which one party (referred to as the principal) engages another person (the agent) to accomplish certain tasks on his or her behalf (Eisenhardt, 1989). It entails transferring decision-making authority from the principal to the engaged agent. Jensen and Meckling (1976) suggest that this relationship between the principal (firm owner or shareholders) and the agent (manager) is a pure agency relationship involving the separation of ownership from control. In the principal-agent relationship, it is assumed that the agent may have self-interest and will not be motivated to act in the best interest of the principal, which leads to agency problems. Agency problems thus occur whenever managers have incentives to pursue their personal interests in place of the interest of the firm owners (Bosse & Phillips, 2016; Madhani, 2016). The core of the agency problem is the need to separate ownership and control to achieve the main interest of shareholders, which is wealth maximisation (Shleifer & Vishny, 1997).

In the view of corporate governance theorists (Hillman, 2015; Wiley & Monllor-Tormos, 2018), the presence of women on the board offers significant benefits, and many firms deliberately seek to have female directors on their boards because of the beneficial contributions they offer to the firm. They contend that the cognitive attributes in gender diversity lead to an increased quest for information and the diversity of perspectives valuable for quality decision-making. The presence of female directors also assists the board in generating more alternative resolutions to problems and increases creativity and innovation. Female representation enhances the public image, reputation, and credibility of a firm and adds legitimacy (Hillman et al., 2007; Lückerath-Rovers, 2013; Saggar & Singh, 2017). The added legitimacy to the firm is due to the reason that board gender diversity appeals to customers, investors, and different stakeholders that the firm depends on for external relationships (Lückerath-Rovers, 2013; Wiley & Monllor-Tormos, 2018). Furthermore, women offer more business connections and linkages to various stakeholders through their unique experience sets, beliefs, and perspectives (Hillman, 2015; Hillman et al., 2007). Wiley and Monllor-Tormos (2018) contend that, from experience, gender-balanced boards are more effective with their monitoring and control roles, while Ferreira (2015) opines that female directors exhibit greater independence from executives than their male counterparts. Joecks et al. (2013) find evidence that suggests a U-shaped link between gender diversity on the board and firm performance. Thus, there may have to be a critical mass of women on the board for a firm to derive benefits inherent in a more diverse board.

However, other arguments suggest that greater gender diversity has demerits that could hurt the firm. There is the prospect of increased skirmishes, slower decision-making, and conflicting risk orientation, which limits the firm's competitive capabilities (Lincoln & Adedoyin, 2012). Thus, gender diversity has adverse consequences on board decision-making processes (Hillman et al., 2007; Wiley & Monllor-Tormos, 2018). It also imposes the incremental cost of compliance in economic environments that have mandatory regulations on gender diversity (Ferreira, 2015).

Gender diversity has been given regulatory and legalistic perspectives indicating perception of the possible impact on firm performance (Ferreira, 2015; Hillman, 2015; Lincoln & Adedoyin, 2012; Lückerath-Rovers, 2013). In Nigeria, the CBN, through the Banker's Committee, stresses gender diversity at the board and management levels of banks. The CBN, in ensuring gender diversity on the boards of Nigerian banks prescribed a mandatory board composition that has 30% of the bank's board of directors as women and 40% of top management positions as women, with effect from 2014 (Lincoln & Adedoyin, 2012; Şener & Karaye, 2014).

2.2. Empirical literature review

In various studies, researchers have identified one or more attributes as proxies for diversity, namely gender diversity (female representation on boards), nationality diversity (foreign board members), age, and other less frequently studied attributes such as race, educational level, and professional background. However, the gender of the board members leads as the attribute deserving the most attention (Lincoln & Adedoyin, 2012; Lückerath-Rovers, 2013; Singh, 2017).

Firm performance is at the centre of corporate governance. In the view of corporate governance theorists, effective corporate governance and organisational effectiveness lead to improved firm performance (Adams & Mehran, 2012; Badu & Appiah, 2017; Davis et al., 1997; Fama & Jensen, 1983; Nagalingam et al., 2022). Firm performance has different dimensions, and there are a variety of measures to assess the performance of businesses. The applicable measures are influenced by the specific interests of the stakeholders and the industry of focus. The study measured bank performance using financial and non-financial measures through a questionnaire. Firm performance measures consist of financial (return on assets, return on equity, and market value) and non-financial (operational) measures (Kapil & Kumar, 2021).

Due to its informational strength, it is expected that a large board size will offer more advice to management and contribute to firm performance (Adams & Mehran, 2012; Badu & Appiah, 2017). This large size could lead to reduced board effectiveness and firm performance (Rebeiz, 2016). With the inclusion of females, the expectation is that board size should enhance banks' performance. It is hypothesised that:

H1: Female representation on the board positively and significantly moderates the effect of board size on bank performance.

The outside directors (also referred to as external or non-executive) are non-managers who bring their wealth of experience and expertise to the board for better performance (Berger et al., 2016; Chen et al., 2016). Interacting board independence with female representation competencies (Ferreira, 2015) is to boost bank performance. We hypothesise that:

H2: Female representation on the board positively and significantly moderates the effect of board independence on bank performance.

In the view of Charitou et al. (2016), the independent audit committee yields higher levels of monitoring of the firm, while researchers (Ogbechie, 2012) identified two monitoring benefits that the audit committees provide; independence and board efficiency. These, together with female audit members, lead to a proposition that:

H3: Female representation on the board positively and significantly moderates the effect of the audit committee on bank performance.

In the agency theory framework, it is assumed that executives respond more directly to altered remuneration and are motivated to perform better

(Puni, 2015) in an incentive-driven compensation system (Bosse & Phillips, 2016), thus, leading to a hypothesis:

H4: Female representation on the board positively and significantly moderates the effect of the remuneration committee on bank performance.

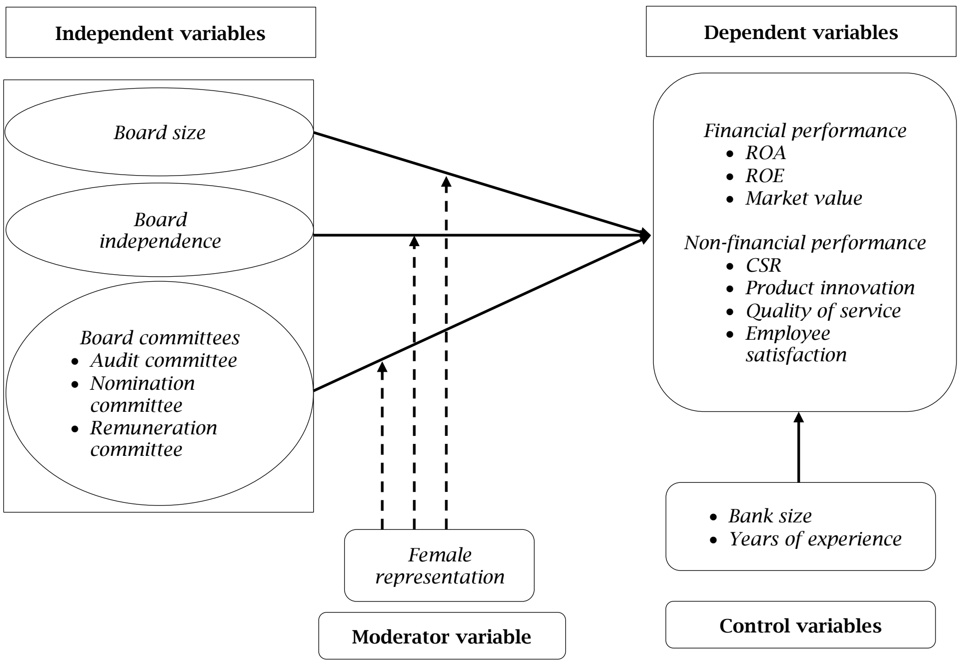
Puni (2015) reports that the nomination committee has a negative effect, while Kallamu (2016) found evidence of positive effects of the attributes of nomination committees on financial performance. With the possibility of females being nomination committee members, it is hypothesised that:

H5: Female representation on the board positively and significantly moderates the effect of the nomination committee on bank performance.

The requirement for control variables is to recognise that firm performance may be influenced by several factors. Accordingly, to enable this research to determine the effect of corporate governance variables on bank performance, it is necessary to account for the effect of control variables. The control variables are bank size and the board experience of directors. These control variables (such as bank size and experience) are well recognised and are frequently applied in studies (Chen et al., 2016).

Beyond the assessment of governance practices with regards to board characteristics (Dissanayake & Dissabandara, 2021), such as board size, board independence, and board committees (audit, remuneration, and nomination), female representation on the board may serve as a moderator to the extent that it influences the strength or direction of the relationship between board practices and bank performance. The conceptual framework considers the moderating effect of female representation on the relationship between the board of directors and firm performance in the context of Nigeria. The implied conceptual formulation and the structural equation are presented in Figure 1.

Figure 1. Conceptual model and variables



Source: Authors' elaboration.

3. RESEARCH METHODOLOGY

3.1. Study approach and design

The study leans on feminist ideology by reflecting on the moderation of gender diversity in other corporate governance variables. Neuman (2014) explains that explanatory studies usually define the framework of prevailing theory and test the theory or define its application within a new setting or context. This research design availed data that enabled us to test the theoretical perspectives of the study within the space of corporate governance practices in Nigeria. As explanatory research explores why and how there is a relationship between two situations or phenomena (Kumar, 2014), this study used its quantitative causal relationship assessment to explore the corporate governance characteristics that affect the performance of banks in Nigeria. In order to properly study these linkages and effects, as formulated in Figure 1, the authors have mainly used bivariate and multivariate analyses by studying the effects of explanatory and interactive variables on an endogenous variable. An alternative analysis can be done by applying the double least square regression (2SLS) approach.

3.2. Population, sample size, and sampling technique

The population of the quantitative study is made up of all 24 banks. The units (individuals) closest to the information required are the directors on the board of the banks. These directors included the chairpersons, managing directors, executive directors, and non-executive directors, including independent directors. There were a total of 285 directors on the boards who made up the population of the respondents for the quantitative study. Targeting all the directors allowed the best obtainable representation of the banks, where 121 questionnaires were retrieved and used for the study. Due to the busy nature of the respondents, a convenient sampling technique was applied. Table A.1 and Table A.2 in the Appendix contain details of the board characteristics (including ownership structure, board size, and the number of committees) and the number of females in the various board committees.

3.3. Instrumentation and questionnaire administration

The researchers acknowledged that the design of the structured questionnaire is of significance as it impacts the extent of the appeal of the questionnaire to respondents, its response rate, data reliability, and validity. The form of the questions used in this quantitative study is close-ended questions. The measurement scale of the study is the ordinal scale. The variables were based on the elements as presented in the framework of Figure 1.

The questionnaires were delivered to 265 respondents, of which 121 were returned, duly completed, and usable. This gives a response rate of 45.6%, which is considered impressive given the antecedents of administering questionnaires to board directors in other countries and even in Nigeria. Ogbechie and Koufopoulos (2010), in a survey of directors of banks' corporate governance and board practices in the Nigerian banking industry, recorded a 43.2% response rate. In another study, Ogbechie (2012) recorded 15% in a 2010 survey on the board effectiveness of Nigerian companies. The questionnaire was pre-tested to ensure that it is clear and understandable by the respondents and that there is enhanced reliability and validity of the data collected. The pre-test was done on a sample of 14 respondents comprising three categories of persons: colleagues, experts, and target respondents, as suggested by experts (Forza, 2002). All items were measured on five-point scales anchored from "strongly disagree" to "strongly agree" for the variables presented in Figure 1.

3.4. Alternative method of conducting the study

Although the quantitative approach is used by the researchers in the present study, the gap that this study fills could be addressed by a mixed method where the qualitative methods supplement the findings of the quantitative deductions. The use of qualitative methods might give a broader understanding of the interactive role and process of female representation on bank boards. In this alternative methodology, the sample could span across the different types of board members as well as bank regulators, other related banking industry players, etc. Both thematic and content analyses could be used to examine such qualitative data obtained from the key variables of the study.

4. RESULTS

4.1. Demographic background of respondents

Analysis of the demographic data enables an understanding of the profile of the directors and how their characteristics influence their responses, such as responses to questions on female representation on boards. The demographic information of respondents, including distribution of gender, the nationality of respondents, age of respondents, experience in board activities of respondents, the position of respondents, and highest educational qualification of respondents, are reported in Table 1.

Table 1. Demographic information

Variable	*Frequency*	*Percentage*
Gender		
Male	103	85.1%
Female	18	14.9%
Age range		
31–40 years old	2	1.7%
41–50 years old	38	31.4%
51–60 years old	62	51.2%
61 years old and above	18	14.9%
Highest academic or professional qualification		
Doctorate	1	0.8%
Masters and equivalent	89	73.6%
Bachelor and equivalent	21	17.4%
Diploma and equivalent	2	1.7%
Number of years of experience on board		
Less than a year	5	4.1%
1–5 years old	34	28.1%
6–10 years old	47	38.8%
11–15 years old	27	22.3%
15 years old and above	8	6.6%
Position		
Non-executive director	62	51.2%
Executive director	54	44.6%
Independent director	5	4.1%

Note: Due to missing values, the total population differs across various groups.
Source: Authors' elaboration.

The males represented 85.1% of the respondents, while the females represented 14.9% of the respondents. This suggests that the majority of members of the board of directors in Nigerian banks are males. The majority of the respondents were between the ages of 51–60 years old. This represented more than half (51.2%) of the responses. This was followed by board members who were between the ages of 41–50 years old (31.4%). This means that the majority of the board of directors in Nigerian banks were mature in terms of age and life experience. With regards to the various ages of the respondents, over seven out of ten (73.6%) of the respondents had completed and attained a master's degree or its equivalent in their fields of study.

Concerning the years of board experience of respondents, the study showed that 38.8% had between 6–10 years of board experience. This was followed by respondents who had between 1–5 years of experience in board-related activities. This represented 28.1% of the responses. However, 22.3% of the respondents indicated that they have 11–15 years of board experience. This indicates that two out of every three board members (over 67%) had more than five years of requisite skills and experience in board-level decision-making, which is of potential benefit to their banks. As regards the various positions occupied by the respondents, more than half (51.2%) were non-executive directors.

There is varied nature (positions) of the directors in the study. Four principal roles of the board have been constructed through agency, stewardship, resource dependence, and stakeholder notions. These are managerial control, managerial empowerment, co-optation, and upholding all stakeholders' interests respectively (Madhani, 2016). To ensure the effectiveness of the board in enhancing firm performance, it is suggested that the board should be composed of a higher number of outside directors as this enables enhanced board monitoring and supervision of management to the benefit of shareholders (Fama & Jensen, 1983). The outside directors will enable the board to discharge its monitoring role more effectively as the board is more independent and possesses the integrity to control CEO's actions.

It is thus necessary that the composition and structure of the board should enable it to exercise its monitoring and control roles without being influenced by the management (Adams & Mehran, 2012). It is suggested that a board composed of more outside directors assures improved performance as a consequence of their greater independence from management. The data from the present study in Nigeria seems to support the view that, outsider directors have the motivation to diligently conduct their monitoring role and have the expertise and reputation required for unbiased attention to the matters of the firm. This is reflected in the relatively combined large number of non-executive and independent directors in the studied banks.

A board composed of a majority of external directors will use their independence and higher incentives to resolve critical internal conflicts among managers and also carry out their control tasks with courage without the influence of management (Bosse & Phillips, 2016; Fama & Jensen, 1983). As the case in the current study context, the moderate number of females serving as independent board members reflects one of the important diversity dimensions for corporations, which is gender diversity and it is a significant feature of corporate governance (Şener & Karaye, 2014). Board gender diversity offers the firm the unique opportunity of harnessing the diverse features and skills inherent in the demographic group of men and women, for the benefit of the firm owners (Lückerath-Rovers, 2013; Saggar & Singh, 2017).

4.2. Validity and reliability

Face validity was enhanced in this study by the conduct of a pilot test to verify that the various items were appropriate and representative of the intended setting. In this study, construct validity was established by ensuring the statements in the questionnaire were constructed to align with the theoretical underpinnings of corporate governance applicable to banks. This study thus established the validity of the scores in the survey to confirm that the instrument was appropriate for the survey research (Creswell, 2014).

The degree of reliability of the quantitative study instrument was statistically conducted to determine Cronbach's alpha values. Cronbach's alpha measures the internal consistency of the questionnaire using the inter-correlation of the items. The Cronbach's alpha coefficient was calculated for each section of the questionnaire. A negative value is not accepted, and a value less than +0.5 is not regarded as reliable. Table 2 summarises the acceptable Cronbach's reliability result of the variables used for the study. It shows a Cronbach's alpha coefficient of between 0.660 and 0.938 which is within the widely acceptable reliability threshold.

Table 2. Cronbach's alpha for variables

Variable	*Reliability*
Board size	0.808
Board independence	0.938
Audit committee	0.694
Remuneration committee	0.744
Nomination committee	0.775
Female representation	0.660
Bank size	0.619
Bank performance	0.914

Source: Authors' elaboration.

The results in Table 2 indicate highly reliable coefficients and good internal consistency of the items in the questionnaire. The good alpha coefficients provided the basis for further analyses and interpretations.

4.3. Correlation and normality tests

The normality assumptions in this study were not violated as the values for the skewness and kurtosis for the various variables in this study all fall within the range. Skewness is within the range of -0.704 to 0.587, while kurtosis is within the range of -0.628 to 1.244, as shown in Table 3.

Table 3. Correlation matrix

Variable	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*
(1) Bank size	1								
(2) Board experience	-0.015	1							
(3) Board size	0.212*	-0.063	1						
(4) Board independence	0.082	-0.082	0.128	1					
(5) Audit committee	0.194*	-0.030	-0.003	0.060	1				
(6) Remuneration committee	-0.040	0.189*	-0.289**	0.016	0.229*	1			
(7) Nomination committee	-0.081	0.115	-0.249**	0.056	0.070	0.375**	1		
(8) Female representation	-0.154	0.071	-0.074	0.065	-0.025	0.326**	0.078	1	
(9) Bank performance	-0.055*	0.022*	-0.093**	-0.027*	0.177**	0.175**	0.561**	-0.034*	1
Skewness	-0.554	0.184	0.060	-0.337	-0.062	-0.704	0.179	0.587	-0.403
Kurtosis	0.438	-0.412	-0.627	1.244	-0.072	1.020	-0.451	-0.020	-0.595

*Note: * $p < 0.05$, ** $p < 0.01$ (two-tailed test).*
Source: Authors' elaboration.

4.4. Regression results

Models were developed for the regression analysis depicting the relationship between the independent and dependent variables to test the hypotheses. The results have three models. The first model presents the effect of the control variables on the dependent variables. The second model shows the results of the effect of the independent variables on the dependent variable. The third model represents the results of the interaction effects of the independent and moderating variables on the dependent variable.

The assumptions in carrying out a regression analysis were met or not violated as multicollinearity among the variables used for the study was tested. To test for the multicollinearity assumption, the variance inflation factor (VIF) was used to test these assumptions. VIF describes a means of quantifying how much each of the variances in the variables is inflated (Won et al., 2017). The test of multicollinearity indicated that the variables showed some relationship with the dependent variable. The results in Table 4 indicated that tolerance values for all the main constructs of the study were greater than 0.10, and the values of VIF were less than 10, all indicating that the multicollinearity assumption was not violated.

Table 4. Collinearity statistics

Variable	*Tolerance*	*VIF*
Constant		
Bank size	0.887	1.127
Board experience	0.947	1.056
Board size	0.837	1.194
Board independence	0.812	1.231
Audit committee	0.867	1.153
Remuneration committee	0.653	1.531
Nomination committee	0.808	1.237
Female representation	0.738	1.355
Board size × Female representation	0.009	5.358
Board independence × Female representation	0.005	9.606
Audit committee × Female representation	0.006	2.915
Remuneration committee × Female representation	0.005	1.560
Nomination committee × Female representation	0.003	3.901

Source: Authors' elaboration.

The moderating hypotheses were tested with hierarchical regression analysis (Aiken et al., 1991). The initial regression was performed with the independent variables on the dependent variable in Model B, then, the hypothesised interactions were added in Model C (see Table 5) The variables used were standardised before creating the interaction terms to eliminate multicollinearity (Aiken et al., 1991).

Table 5 presents the results of the effect of board size, board independence, and board committees on bank performance. The addition of the independent variables to the control variables in Model B increased R^2 by 46.7% ($\Delta F = 13.541$, $p < 0.001$) over the explained variance in bank performance in Model A. The interaction terms in Model C increased R^2 by 7.5% ($\Delta F = 1.611$, $p < 0.001$).

The result showed that board size has a positive and significant effect on bank performance ($b = 0.016$, $SE = 0.065$, $p < 0.1$). Board independence is negatively and significantly related to bank performance ($b = -0.292$, $SE = 0.110$, $p < 0.01$). On the contrary, the board committee was positively and significantly related to bank performance. This was evident as audit committee ($b = 0.136$, $SE = 0.065$, $p < 0.05$), remuneration committee ($b = 0.39$, $SE = 0.107$, $p < 0.01$), and nomination committee ($b = 0.700$, $SE = 0.105$, $p < 0.001$) are positively and significantly related to bank performance. Also, the inclusion of females has a significant positive effect on bank performance.

Table 5. Regression results

Variable	Bank performance		
	Model A	***Model B***	***Model C***
	b (t-values)	*b* (t-values)	*b* (t-values)
R^2	0.005	0.473	0.548
F-value	0.314	10.655***	6.184***
Change in R^2		0.467	0.075
Change in F-value		13.541***	1.611**
Degrees of freedom	2/114	9/107	19/97
Control variables			
Constant	4.043 (0.465)	0.768 (0.937)	6.818 (0.867)
Bank size	-0.074 (0.109)	-0.045 (-0.522)	-0.039 (-0.412)
Board experience	0.025 (0.073)	-0.024 (-0.429)	0.004 (0.064)
Independent variable			
Board size		0.016 (0.245)	-0.516 (-0.757)
Board independence		-0.292 (-2.652)**	-0.747 (-0.786)
Audit committee		0.136 (2.185)*	-1.057 (-1.002)
Remuneration committee		0.390 (3.641)**	1.117 (1.919)*
Nomination committee		0.700 (6.694)***	0.663 (-0.803)
Moderator variable			
Female representation		0.349 (2.653)**	0.038 (2.018)**
Interaction effect			
Board size × Female representation			-0.194 (-1.272)
Board independence × Female representation			-0.173 (-0.287)
Audit committee × Female representation			-0.109 (-2.708)**
Remuneration committee × Female representation			-0.372 (-2.593)**
Nomination committee × Female representation			0.621 (2.055)*

*Note: ** $p < 0.01$, *** $p < 0.001$.*
Source: Authors' elaboration.

Female representation did not have a moderating role on the effect of board size on bank performance (b = -0.194, SE = 0.161, $p > 0.10$) and did not also moderate the effect of board independence on bank performance (b = -0.173, SE = 0.611, $p > 0.10$). Thus, not lending support to *H1* and *H2*. This is because their interaction term was not significant. However, female representation moderated the effect of board committees on bank performance. This was because female representation negatively and significantly moderated the effect of audit committee on bank performance (b = -0.109, SE = 0.04, $p < 0.01$) as well as remuneration committee and bank performance (b = -0.372, SE = 0.143, $p < 0.01$), thus not supporting *H3* and *H4*. On the contrary, female representation positively and significantly moderated the effect of nomination committee on bank performance (b = 0.621, SE = 0.302, $p < 0.01$). Thus, lending support to *H5*.

5. DISCUSSION

The finding revealed that female representation has an insignificant moderating effect on the relationship between each board size and board independence on bank performance, supporting tokenism (Torchia et al., 2011). This insignificant effect has the support of other studies such as Joecks et al. (2013) and Terjesen et al. (2016). The result may be due to the limited number of women on most boards of banks and a possible time lag and the gestation period for the contribution of women to materialise in bank performance. This contrasts with the stakeholder and resource dependence theories and studies which indicate that female presence on the board improves firm performance (Ferreira, 2015; Green & Homroy, 2018; Hillman, 2015; Lincoln & Adedoyin, 2012; Lückerath-Rovers, 2013). This study suggests the diversity and unique attributes of women will be enhanced (Solakoglu & Demir, 2016; Srivastava et al., 2018) in boards with a higher proportion of women. Having only a token proportion of women on the board has no effect on performance, and gender-balanced boards perform better than boards with fewer women (Joecks et al., 2013).

The study reports that female representation had a positive and significant moderating effect on the relationship between the nomination committee and bank performance. The result indicates that the resourcefulness, diverse expertise, and increased independence credited to women on banks' boards enable nomination committees to effectively perform their director selection function. Accordingly, it is suggested that nomination committees of Nigerian banks with female representation will lead to higher performance. Similar results have been found by Srivastava et al. (2018) and Solakoglu and Demir (2016).

The results, however, indicate a negative and significant moderating effect of female directors on the audit and remuneration committees' relationship with bank performance. The results thus suggest that the contribution of the audit and remuneration committees to the performance of banks is diminished by the presence of women in the committees. This could be a result of the limited disposition of women to audit and adequately handle accounting matters, or the number of women could also be at a "token" level or not up to the critical mass point to make a difference in these committees (Lückerath-Rovers, 2013; Rossi et al., 2017; Solakoglu & Demir, 2016; Srivastava et al., 2018). It could also be attributable to the higher risk aversion and toughness of women, which limit the firm's competitive capabilities and innovation (Borrenbergs et al., 2017; Green & Homroy, 2018; Lincoln & Adedoyin, 2012). There is a tendency for increased skirmishes, slower decision-making, and conflicting risk orientation in the board committees owing to gender diversity. This finding, therefore, suggests that the diversity of expertise inherent in female representation, as suggested by stakeholder theory, and the increased independence and higher monitoring capacity attributable to women by the agency theory are not applicable to board audit and remuneration committees in Nigerian banks. The multi-directional result of the effect of female representation on board characteristics and performance is supported by Joecks et al. (2013), who found that the relationship between female participation in board activities and firm performance is U-shaped. They found that when the proportion of women on the board is less than 30%, firm performance is negative, and when the proportion of female directors on the board increases, firm performance becomes positive. This evidence supports the critical mass theory, which indicates that sole representation is a token; two constitute a presence and three represent a voice.

6. CONCLUSION

The finding suggests that a nomination committee with female representation will lead to higher performance in Nigerian banks. Banks should accordingly seek to ensure women are (increasingly) included in board nomination committees. The insignificant moderation of board size, board independence, audit committee, and remuneration committee by female representation implies that female representation on boards makes a limited contribution to bank performance as presently contextualised. This study suggests the need to raise the capacity and token level of female directors on bank boards and their committees. Banks should enhance the skills set of increased female directors to enable them to make improved contributions to board performance. Banks should, in this context, seek to derive increased benefit from the unique and complementary attributes female directors bring to the board, as suggested by the stakeholders and resource dependency theories. Accordingly, banks need to improve their compliance level with the regulatory directive of the CBN on 30% board representation of women to ensure their increased number on bank boards. This implies the need for banks to institute a deliberate agenda that includes the creation of a leadership pipeline for female talents that focuses on developing and increasing the stock of future female directors. Advocates of gender diversity, such as the Women's Consortium of Nigeria and the Nigerian Women Fund, will benefit from the findings of the moderating effect of female representation on corporate governance mechanisms.

The study uniquely demonstrates the influence of the presence of women directors on the effectiveness of the various organs of the board. Our findings shed some light on the effect of female board members, which has been indicated to enhance knowledge sharing and team performance. According to our findings, females positively contribute to bank performance but have varied contributions to bank performance through board committees' activities. Thus, deliberate efforts should be made to increase female representation to at least the regulatory required number. Such women should be competent to serve at the committee levels, while those who require further training to adequately contribute to the board activities are provided with competency enhancement programmes.

The study contributes to the depth of application of stakeholder theory to corporate governance practice in banking. The study especially found the agency and resource dependence theories' advocacy for large board sizes as effective in enhancing bank performance. Large board size expands the scope of monitoring and advisory services as well as access to critical resources available to the banks. However, our results suggest that increasing the size of the board should take cognisance of the board members' dynamics, which should include female directors. Also, in considering persons for the board, their specific competencies should be able to serve the board functions in committees. Banks are encouraged to optimise the upper limit set by the regulators (such as the CBN), which prescribes a maximum board size of twenty directors. The study recommends that banks need to be aware that the performance-enhancing benefits of large board size may be diminished by possible coordination and free-rider challenges. The inclusion of women may not necessarily enhance board and firm performance as women seem to have varied contributions to different board committees.

The study has some limitations, including the fact that banks were studied. This could affect the generalisation of the results to other formal sectors of an economy. Also, another limitation was that a quantitative approach was used by the researchers which might give a narrow understanding of the interactive role of female representation. More comprehensive information could be obtained with the integration of qualitative and quantitative methods. These limitations serve as areas for further studies. The study investigated five context-specific corporate governance variables: board size, board independence, board audit committee, remuneration committee, nomination committee, and the moderating roles of female representation in each of the practices. The study did not examine the other variables of corporate governance, such as the frequency of board meetings, board processes, and board cohesiveness. Future research could consider these variables.

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APPENDIX

Table A.1. Detailed numbers of bank board characteristics

Pseudo bank name	*Ownership concentration*	*Board size*	*Executive directors*	*Non-executive directors*	*Independent directors*	*No. of female directors*	*No. of committees*
A Bank Plc	Local	16	6	6	4	6	8
CN Limited	Foreign	11	5	6	0	6	
CMB Limited	Local	10	2	6	2	4	5
Ek Nigeria Plc	Foreign	13	4	4	5	5	4
FM Bank	Local	8	2	4	2	1	5
FdB Plc	Local	13	5	5	3	2	6
FrB Plc	Local	18	7	9	2	2	5
FC Bank Plc	Local	10	3	4	3	4	3
FM Bank Limited	Local	9	2	5	2	2	5
GbB Limited	Local	10	3	7	0	1	
GyT Bank Plc	Local	14	6	6	2	4	4
HgB Limited	Local	7	3	4	0	2	
JaB Plc	Local	15	2	12	1	1	6
KrB Limited	Local	8	4	3	1	1	
PaxB Limited	Local	6	1	3	2	1	
PsB Limited	Local	8	3	5	0	0	
PmT Ltd	Local	12	3	7	2	2	
PvB Limited	Local	7	2	5	0	1	6
SC Bank Ltd	Foreign	10	2	5	3	3	6
StB Nigeria Ltd	Foreign	8	3	3	2	2	5
SlB Plc	Local	14	4	8	2	3	6
STN Limited	Local	9	1	7	1	1	
TiT Bank Ltd	Foreign	3	1	2	0	1	5
UonBN Plc	Foreign	4	1	3	0	1	6
UBfA Plc	Local	15	6	6	3	7	5
UyB Plc	Local	9	4	4	1	3	5
WaB Plc	Local	13	5	8	0	4	5
ZhB Plc	Local	17	8	4	5	3	6
FiB Plc	Local	18	7	9	2	2	5

Table A.2. Gender representation on board committees

Pseudo bank name	*Board audit committee*	*Statutory audit*	*Board risk management committee*	*Board credit and finance committee*	*Nomination and remuneration committee*	*Finance and general-purpose committee*
A Bank Plc	7(2)	6(2)	11(2)	14(5)	6(2)	
CN Limited						
CMB Limited	5(2)		9(3)	9(2)	5(1)	
Ek Nigeria Plc	5(2)		6(2)	5(2)	4(2)	
FM Bank	5(2)		4(1)	5(1)	4(1)	
FdB Plc	5(0)		6(2)	7(2)	5(1)	5(1)
FrB Plc	4(4)	9(2)		11(3)	8(2)	11(3)
FC Bank Plc				5(1)	5(1)	
FM Bank Limited	4(0)		9(3)	5(1)	4(1)	
GbB Limited						
GyT Bank Plc	4(2)	5(4)	4(2)		3(2)	
HgB Limited						
JaB Plc	5(0)	4(0)	7(1)		6(1)	6(0)
KrB Limited						
PaxB Limited						
PsB Limited						
PmT Limited						
PvB Limited						
SC Bank Limited	3(1)	3(1)	6(3)	7(1)		
StB Nigeria Limited						
SlB Plc	6(3)	5(3)	6(3)	5(2)	6(3)	5(2)
STN Limited						
TiT Bank Limited	4(1)		5(1)	5(2)	3(0)	
UonBN Plc						7(1)
UBfA Plc	4(2)		7(1)	4(2)	4(4)	7(2)
UyB Plc	4(1)		4(1)	4(1)	4(0)	
WaB Plc	4(2)		5(2)	6(2)	5(2)	3(1)
ZhB Plc	3(1)	4(0)	6(0)			
FiB Plc		9(2)		11(3)	8(2)	11(3)

Note: A number of females is in parenthesis.