

Effect of Board Remuneration and Diversity on Financial Performance of Quoted Banks in Nigeria

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Abstract:-The study examined the effect of board remuneration and diversity on financial performance of quoted banks in Nigeria. The objectives of the study were to ascertain whether board remuneration and diversity (board gender, board ethnicity, board nationality and board composition) have any effect on financial performance. Financial performance was measured using profit after tax (PAT) and share price (SP). A sample of fifteen (15) quoted banks on the Nigerian Stock Exchange (NSE) from 2009 to 2017 covers the population of the study. The data generated were analyzed using descriptive statistics, Pearson correlation analysis, variable redundancy test and regression analysis. The findings revealed that board remuneration, board gender diversity, board ethnic diversity and board composition have significant positive effect on financial performance while board nationality diversity had a negative effect on financial performance. On the basis of this, the study recommends that board members should be adequately remunerated as this can play a vital role in reducing conflict of interest between board members and shareholders in the banks. The study also recommends that listed banks should focus on the attributes of female directors among board members, and that listed banks should ensure that board members in an organization are not be dominated by a single ethnic group.

Keywords: Financial Performance, Board Remuneration, Board Gender Diversity, Board Ethnic Diversity, Board Nationality Diversity and Board Composition

I. INTRODUCTION

The need for board diversity in organizations stands as a very crucial concern for both management and shareholders. The future of the organization, the returns on investment for investors, the income for employees and the ability of the organization to meet its various obligations depend on its financial performance. There are many definitions of financial performance and these depend on the way it is used (Marimuthu & Kolandaisamy, 2009). Barney, Mackey and Tyson, (2007) defined financial performance as a measure by which an organization employs its assets toward carrying out the company operations in order to achieve turnover. Financial performance determines the total financial prospects of an organisation and can be used to compare the performance of different organizations over a given time period (Bekele, 2013). However, Jaafar, Wahab and James, (2012) stated that the two important board variables that have been linked with organizations' ability to achieve corporate performance are board remuneration and diversity. Board remuneration is the benefit that accrues to board members for

services rendered to the organisation. Board diversity on the other hand is a concept that deals with the heterogeneity of board members. In particular, it addresses issues on executive vs non-executive directors, gender and race of directors, educational background of directors within an organization. (Ferreira, 2010).

In Nigeria, a clear gap exists in terms of the sensitivity of empirical findings on the association involving board remuneration, Board diversity and financial performance of how board members are remunerated and the interest of policymakers, managers, directors, shareholders, and academia (Johansen, 2008). For developing countries, positive effects of board remuneration on corporate performance can be found in studies such as; (Ghosh 2003; Jaafar, Wahab & James, 2012; Obasan, 2012). Negative effects can be found in studies such as; (Usman, Akhter & Akhtar, 2015; Erick, Kefah & Nyaoga, 2014; and Aduda, 2011). Hence, this inconclusiveness in empirical findings is a major motivation for the study. In addition, researches conducted on board diversity in Nigeria such as Ujumwa, Okoyeuzua & Nwakoby (2012), Oba and Fodio (2013), Garba (2014) have examined limited board diversity variables especially focusing on board gender diversity. This study extends the components of board diversity to incorporate such variables as, board nationality diversity and board composition diversity which have not been extensively examined by Nigerian based studies. Against the background, the focus of the study is to observe the effects of board remuneration and board diversity on financial performance of listed banking industry in Nigeria. To achieve the study objectives, the following hypotheses were tested:

H₀₁. Board remuneration has no significant effect on financial performance

H₀₂. Board gender diversity has no significant effect on financial performance

H₀₃. Board composition diversity (executive and non-executive directors) has no significant effect on financial performance.

H₀₄. Board ethnic diversity has no significant effect on financial performance.

H₀₅. Board nationality diversity has no significant effect on financial performance.

II. FINANCIAL PERFORMANCE

There are many definitions of financial performance and this depends on the way it is used (Marimuthu & Kolandaisamy, 2009). Barney, Mackey, and Tyson (2007) defined financial performance as a measure by which an organization employs its assets toward carrying out the company operations in order to generate incomes. Financial performance determines the total financial prospects of a company and can be used to compare the performance of different organizations over a given time period (Bekele, 2013). Sources of data for establishing financial performance are the financial statements, which consist of the statement of financial position, the profit or loss statement, cash flow statement which highlights cash inflows and outflows in a period, and the statement of differences in equity that represents the differences in owner's wealth. Market-based (investor returns) and accounting-based (accounting returns) indicators can be used to measure financial performance of an organization (Griffin & Mahon, 1997). Market-based indicators to measure financial performance is Share price which indicates the market value of shares of the organization (Griffin & Mahon, 1997).

Bekele (2013) stated the profitability of the firm may be measured using Profit After Tax. The profitability of the firm expresses the achievement of the firm in creating wealth from the resources utilized. In evaluation, the market-based indicator relies on the responses in the market and is believed to be more objective in terms of decision made by an organization (Griffin & Mahon, 1997). The selection of either accounting or market-based indicators of financial performance will depend on the aim of the research.

2.1 Theoretical Framework

Agency theory, Resource dependency theory, Stakeholder theory, and Stewardship theory suggests there is an association among board diversity and financial performance.

2.1.1 Agency Theory

The matters concerning the responsibilities of board members in handling organization are discussed broadly in the agency theory (Abdullah & Valentine, 2009). The agency theory describes the relationship that exists among the principal and the agent. The shareholders are the principals while the firm's directors and managers are the agents. Lawal (2012) stated that the board may become over dominated by the agents, which may lead to ineffective monitoring role. From the Agency Theory perspective, the principal requires effective decisions from the agents who are meant to function in the utmost interest of the principals. On the other hand, owing to information asymmetry, the agents possibly will not take views that are in the utmost interests of the principal, which leads to agency conflict (Jensen & Meckling, 2004). Presently, there is a demand for safeguarding the interests of owners in place to curtail agency conflict. Organization

governance has provided a basis in which internal and external mechanisms can with agency theory. Given the difficulties in minimizing agency problems, scholars (Weir, Laing & McKnight, 2002; Roberts, McNulty & Stiles, 2005) have suggested various governance mechanisms to identify the problems of agency theory. The governance mechanisms will therefore ensure the protection of shareholder interests, reduce agency costs and also ensure the alignment of agent - principal interest. These governance mechanisms can be given effect through effective checking of the dealings of Chief Executive Officer (CEO) and the Board of directors (Donaldson & Davis, 1991).

2.1.2 Resource Dependence Theory

Existing literature that discusses the role of board of directors has been criticized for giving too much attention to agency theory (Daily & Dalton, 2003). To emphasize on such criticism, researchers are beginning to research on other areas of the roles of the board (Hillman et. al, 2002; Hillman & Dalziel 2003; Singh, Terjesen, & Vinnicombe, 2008). The resource dependence theory looks at board members as contributors of tangible and intangible assets that are essential for financial performance, which form its behaviour and setting. Resource dependency theorists believe that the main function of the boards of director is to provide resources as well as board capital which is the main function of the board in terms of financial performance (Gkiliatis, 2009). Terjesen, Sealy, and Singh (2009) also stated that firms that adopt the resource dependency theory operate in an open system and in order to survive, they need to exchange and acquire resources. The resource dependence theorist argued that organizations can obtain resources to survive if they take control over the environment in which they operate. Resource dependency theorists extended the argument by stating that board members with various abilities and societal backgrounds will function as strategic resource to an organization, implied to result in better performance.

2.1.3 Stakeholder Theory

Organizations are usually under pressure to appoint women as directors or senior managers and this pressure may come from a range of people, such as shareholder activists, institutional investors, politicians, and consumer groups (Fields & Keys, 2003). Stakeholder theory can therefore be used to explore this phenomenon and its consequences. Stakeholder theory is an annex of the agency look, which states that the main focus of the board of directors shareholders interest. However, the attention on shareholders has been shifted and boards are currently considered to take into account the interests of various stakeholder groups such social, environmental and economic interest group (Donaldson & Preston, 1995; Freeman, Wicks & Parmar, 2004). This change in the activities of the boards has resulted to the growth of stakeholder theory. However, Freeman et al (2004) opined that stakeholder's theory may include a broad range of stakeholders groups. These categories comprise the

women, customers, government organizations etc., (Brunk, 2010). Yet, stakeholders attempt at financial performance signifies a change in the conventional function of the board of directors, as a guard of shareholders interest exclusively, to a guard of all stakeholders’ interest. As a result, stakeholder theory does not only protect the interest of the only shareholders, yet as well of women and equally others (racial, cultural, and ethnic minorities). Based on the three theories that suggested that there is an association between board diversity and financial performance, the resource dependency theory affirms the theoretical framework of the study. This is because the resource dependence theory looked at board members as contributors of tangible and intangible assets that are essential for financial performance. Also Resource dependency theorists believe that the main function of the boards of director is to provide resources as well as board capital which is the main function of the board in terms of financial performance.

2.2 Review of Empirical Studies

Review of prior research in relations to variables in the study is discussed as follows. In the context of board remuneration and financial performance, Sun, Wei and Huang (2013) revealed that the effectiveness of the company is positively associated with total CEO compensation. Likewise, Campbell and Thompson (2015) found out that a significant relationship exists between Chief Executive Officer (CEO) compensation and the accounting based measure of performance. The results also showed that levels of Vice President Compensation have a stronger direct relationship with financial performance than CEO compensation. But Doucouliagos, Askary and Haman (2008) found no relationship between director’s remuneration, and financial performance. Yuan and Demirer (2013) also showed that remuneration negatively affects financial performance. In reference to board diversity dimension with regard to board gender diversity, Oba and Fodio (2013) found out that the proportion of female director have positive influence on financial performance. Gallego, Garcia and Rodriguez (2010) discovered that that gender diversity does not have an influence on financial performance in terms accounting and market based measures. In the context of board ethnicity diversity, Omoye and Eriki (2013) discovered that board ethnicity had a significant negative effect on company performance. In the case of board composition diversity, Garba and Abubakar (2014) study showed that board composition has a negative influence on financial performance in Nigeria quoted companies. Likewise, Ongore, Obonyo, Ogutu, and Bosire (2015) found out that board composition diversity had no significant relationship with financial performance. In contrast, Puni, Osei and Samuel (2014) revealed that board composition diversity had a positive effect on financial performance. In the area of board nationality diversity, the effect of board nationality diversity on financial performance has been investigated by few researchers. Evidence of the association between nationality

heterogeneity and financial performance mostly comes from developed economies Choi, Park and Yoo (2007) showed that the existence of foreign directors had positive impact on financial performance of Korean firms. Although, Rose (2007) using organizations in Denmark based on Tobin’s Q also stated that the ratios of foreign nationals on the board has no significant relationship with financial performance.

III. METHODOLOGY

This research work uses the longitudinal research design. The longitudinal research design helps the researcher to detect developments, changes in the variables of interest and also establish sequences of events. The population of the study constitutes all the 25 quoted banks in Nigeria stock exchange, while the sample size for the research work comprises of 15 quoted banks which have obtainable and accessible annual reports that cover the research time frame. Historical data were generated from annual reports and accounts of the sampled firms for 2009-2017 financial years. Data for the study was analyzed using the Generalized Least squares (GLS). The justification for the GLS regression is that GLS regression has added benefit that it corrects for the excluded variable bias and it permits for the test for variations among cross-sectional units concurrently with variations within individual units over time (Cooper & Schindler 2006). The GLS is suitable for this study as it provides empirical estimates of the causal relationship between board remuneration, diversity and financial performance.

Model Specification

The model specification for the study was adapted from Ujumwa, et al., (2012) model

$$\text{Firm Performance} = \alpha + \beta_{gender} + \beta_{nationality} + \beta_{ethnicity} + \beta_{control} + \mu$$

Where: α is the intercept of the regression line; β_{gender} is board gender; $\beta_{nationality}$ is board nationality; $\beta_{ethnicity}$ is board ethnicity. The regression equation is modified by incorporating board nationality and board composition diversity into the variables. Most importantly, the study introduced a unique variable, board remuneration which has not been examined extensively by previous studies in Nigeria. The regression equation is modified as follows:

$$PAT = \beta_0 + BODGEN_{it}\beta_1 + BODETHNIC_{it}\beta_2 + BODNAT_{it}\beta_3 + BODCOMP_{it}\beta_4 + \beta_4 BODREM + \mu_{it} \dots(1)$$

$$SP = \beta_0 + BODGEN_{it}\beta_1 + BODETHNIC_{it}\beta_2 + BODNAT_{it}\beta_3 + BODCOMP_{it}\beta_4 + \beta_4 BODREM + \mu_{it} \dots(2)$$

Where;

PAT = Profit after Tax

SP= Share Price

BODREM=Board Remuneration

BODGEN= Board Gender Diversity $\beta_0 . \beta_4 =$ Slope Coefficients
 BODETHNIC= Board Ethnic Diversity $i=i$ th Firm
 BODNAT= Board Nationality Diversity $t=$ Time Period
 BODCOMP=Board Composition Diversity $\mu =$ Error Term

Measurement of Variables

Variables	Description	Measurement (operational definition)	Apriori sign	Sources
Dependent variables				
FP	Financial Performance	Accounting based measure: Profit after Tax (PAT)		Griffin & Mahon (1997).
		Market based measure: Share Price (SP)		Bekele (2013)
Independent variables				
BODREM	Board Remuneration	This is measured as remuneration of board of directors in terms of allowances, compensations and retirement benefits.	+	Shin, Lee & Joo (2009); Sun, Wei & Huang (2013).
BODGEN	Board Gender Diversity	This is measured as a ratio of females to males on the board	+	Foldy, Scully & Ely, (2003); Herring(2009).
BODETHNIC	Board ethnic diversity	These were obtained by observing the surnames and profiles of board members and it is measured as a categorical variable that is assigned, 1: if board ethnic affiliation is Yoruba, 2: for Igbo, 3: for Hausa and 4: for Others.	+	Ujunwa et. al, (2012); Omoye & Eriki (2013)
BODNAT	Board nationality diversity	This is measured as a dummy variable that is assumed a value of 1 : for foreigner and 0 : for Nigerian	-	Cox, (2001)
BODCOMP	Board composition diversity	This is measured as the ratio of Executive Directors to Non-Executive Directors.	+	Certo et. al, (2001)

Source: Researcher’s analysis, (2018).

IV. PRESENTATION AND ANALYSIS OF DATA

Table 4.1: Descriptive Statistics

	Mean	Median	Max	Min	Std. Dev.
Financial Performance					
PAT	6831861	64600	85545510	-2300000	17337317
SP	30.3481	20	874	13	258.9823
Board Remuneration					
BODREM	857879.9	3669	15093664	142	2970672
Board Gender					
MALE	11.5517	11	16	7	2.0616
FEMALE	2.3563	3	5	0	1.3891
Board Ethnicity					
YORUBA	5	4	15	1	2.7619
IGBO	3.1149	2	12	0	3.0932
HAUSA	2.2414	2	7	0	1.7318
OTHERS	3.2414	3	11	0	2.6102
Board Nationality					
NIG	12.4368	13	21	3	3.6558
FOR	1.4023	0	11	0	2.5901
Board Composition					
EX-DIR	4.4253	5	10	0	1.6539
N-EX-DIR	7.2874	7	13	3	1.7778

Source: Researcher’s analysis, (2018).

The financial performance category for the profit after tax (PAT) revealed a mean and standard deviation of 6831861 and 17337317 which indicated a large value of the standard deviation which suggests the presence of significant deviations from the mean. The maximum and minimum values were 85545510 and -2300000 respectively. The share price (SP) mean is 30.3481, while the standard deviation showed a 258.9823 which indicated a clustering of the mean of the SP. For board remuneration (BODREM) reveals a mean of N857, 880 with maximum and minimum values of N15,093,664 and N142,000,000 which suggests that board remuneration plays a significant role in motivating top managers. For board gender diversity, the maximum for males on the board was 16, while the maximum for females on the board is 5 suggesting the possibility that there were few females on some board. For board ethnic diversity, the ratio of

the board member between the three ethnic diversity is as follows; with a maximum values for Yoruba = 15, Igbo = 12, Hausa = 7 and Others = 11 while minimum values for Yoruba = 1, Igbo = 0, Hausa = 0 and Others = 0. Though not significantly different, the ethnic diversity data shows that Yoruba’s have slightly higher board presence in Nigerian Banks than other ethnic groups. For board nationality diversity, the data reveals that there are more Nigerians on boards than foreigners with an average mean number of 12 for the former and 1 for the latter. For board composition diversity, it was discovered that there were more Non-executive director on the board of Banks than executive director with an average number of 7 for N-EX-DIR and 4 for EX-DIR. The standard deviations were quite minimal revealing 1.6539 and 1.7778 respectively suggesting that the board composition for banks in the sample is similar.

Table 4.2: Pearson Correlation Results

	PAT	SP	BOD REM	MALE	FEMALE	YORUBA	IGBO	HAUSA	OTHERS	NIG	FOR	EX DIR	NEX DIR
PAT													1
SP												1	0.132
BODREM											-0.15	0.003	0.093
MALE										1	-0.15	0.446	0.295
FEMALE									1	-0.34	-0.15	0.146	0.138
YORUBA								1	-0.17	0.508	-0.15	0.301	-0.01
IGBO							1	0.0208	-0.208	0.433	-0.15	0.32	0.404
HAUSA						1	-0.55	-0.146	-0.313	0.169	-0.15	-0.148	-0.09
OTHERS					1	-0.02	0.207	0.2248	0.274	0.409	-0.15	0.5	0.198
NIG				1	0.085	-0.1	0.375	0.2521	0.221	0.525	-0.15	0.524	0.543
FOR			1	-0.07	0.151	-0.08	-0.16	0.4393	0.024	0.143	-0.15	0.029	-0.33
EXDIR		1	-0.02	0.084	0.127	-0.06	0.149	-0.092	0.084	0.098	-0.15	0.012	0.077
NEXDIR	1	0.04	-0.01	-0.08	0.212	0.16	-0.06	-0.114	0.059	0.184	-0.15	0.136	-0.13

Source: Researcher’s analysis, (2018).

From table 4.2, the correlation coefficients of the variables are determined. However, the focus of the study is the correlation between financial performance variables; PAT and SP and the other explanatory variables. From the analysis, there is a positive correlation between PAT and the following variables; Gender [Male (r = - 0.08), Female (r = 0.212)], Board ethnicity [Yoruba (r = 0.16), Igbo (r = - 0.06), Hausa (r = - 0.114), Others (r = 0.059)], Board Nationality [NIG (r = 0.184), FOR (r = - 0.15)], for Board composition [(EX-DIR (r = 0.136), N-EX-DIR (r = 0.13))] and for Board Remuneration [(r = - 0.01)]. The analysis revealed a positive correlation between SP and the following variables; Gender [Male (r =

0.084), Female (r = 0.127)], Board ethnicity [Yoruba (r = - 0.06), Igbo (r = 0.149), Hausa (r = - 0.092), Others (r = 0.084)], Board Nationality [NIG (r = 0.098), FOR (r = - 0.15)], for Board composition [(EX-DIR r = 0.012), N-EX-DIR (r = 0.077)] and for Board Remuneration [(r = - 0.02)]. However, correlation analysis is limited for inferential purposes because it does not suggest causality or functional dependence in a strict sense. On the other hand, the independent variables between the correlation coefficients are a bit low and this indicates that the multi-collinearity potential in the model is reduced.

Table 4.3: Regression Assumption (Diagnostic) Test

Normality		
Variable	Jacque – Bera	Prob
Financial Performance		
PAT	386.4877	0.0000
SP	12364.25	0.0000
Board Gender		
F-M-Ratio	13.232748	0.000
Board Ethnicity		
YORUBA	16.88688	0.000
IGBO	14.56581	0.0007
HAUSA	8.294606	0.0158
OTHERS	8.75432	0.0125
Board Nationality		
NIG	6.096211	0.0475
FOR	116.5124	0.000
Board Composition		
EX-DIR	7.70178	0.021261
N-EX-DIR	0.666458	0.716606
Board Remuneration		
BOD-REM	1280.012	0.000

Source: Researcher's analysis, (2018).

Table 4.3 shows the regression assumption test results. The result of the Jacque-bera statistics assesses the normality of the distributed scores. From the analysis of the probability values it was observed that all the variables followed a normal distribution.

Multicollinearity		
Variable	Coefficient Variance	VIF
Board Gender		
F-M-Ratio	10.451	4.8819
Board Ethnicity		
YORUBA	28.2122	6.3788
IGBO	20.448	9.6035
HAUSA	22.3119	7.5648
OTHERS	23.1201	9.7494
Board Nationality		
NIG	26.349	8.2911
FOR	11.8909	9.0869
Board Composition		
EX-DIR	26.9489	3.3584
N-EX-DIR	36.7517	2.5759
Board Remuneration		
BOD-REM	0.50177	1.5688

Source: Researcher's analysis, (2018).

The Variance Inflation Factor (VIF) shows how much of the variance of a coefficient estimate of a regressor

has been inflated due to collinearity with the other regressors. The results revealed probabilities in excess of the critical value at 0.05 leading to the rejection of heteroskedasticity in the residual.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic 0.502749	Prob. F(1,76)= 0.4805
F-statistic 1.40714	Prob. F(10,78)= 0.1929
Breusch-Pagan-Godfrey Heteroscedasticity	
F-statistic 2.1722	Prob. F(1,76)= 0.1447
Ramsey Reset Test	

Source: Researcher’s analysis, (2018).

The Breusch-Godfrey Auto/Serial Correlation test for higher order autocorrelation revealed that the hypotheses of zero autocorrelation in the residuals were not rejected. This is because the null hypothesis in this case revealed that there is no autocorrelation in the residual and hence the null hypothesis p-values of the LIM test that is greater than 0.05 is accepted.

For this study, the probabilities were greater than 0.05. This was because the LM test did not show problems in the serial correlation in the model. The Ramsey RESET test performed showed high probability values that were greater than 0.05, meaning that there was no significant evidence of mis-specification of the model.

Table 4.4A: Regression Results

Dependent Variable: LOG(PAT)			
Method: Panel EGLS (Cross-section weights)			
Variable	Coefficient	t-Statistic	Prob.
C	5.539922	4.117231	0.0010
FEMALE/MALE	0.184908	0.128934	0.9001
YORUBA	0.261675	2.261366	0.0300
IGBO	0.116929	1.041573	0.1109
HAUSA	-0.158768	-1.055291	0.1284
OTHERS	0.272189	2.120632	0.0001
NIG	-0.216709	-2.627705	0.0000
FOR	-0.246715	-1.957101	0.0269
EXECDIR	0.161889	2.040254	0.0000
NEXECDIR	0.008634	0.077317	0.9214
LOG(BODREM)	0.797019	8.505379	0.0000
R-squared	0.956716	Mean dependent var	15.48544
Adjusted R-squared	0.946135	S.D. dependent var	7.970110
S.E. of regression	0.970992	Sum squared resid	42.42711
F-statistic	90.42221	Durbin-Watson stat	1.937670
Prob(F-statistic)	0.000000		

Source: Researcher’s analysis, (2018).

The regression results for PAT, shows the properties of the coefficient of determination (R^2) and Adj R^2 at 0.956 and 0.946 respectively. These values suggest that the model revealed only about 95.6% of systematic variations in PAT (accounting measure of financial performance) with an adjusted value of 94.6%. The F-stat (90.4222) and p-value

(0.0000) indicated the acceptance of the hypothesis of a significant linear relationship between the variables (dependent and independent) at 5% level of significant while the D.W statistic of 1.93 indicated that the presence of serial correlation in the residuals is unlikely.

Table 4.4B: Regression Results

Dependent Variable: SP			
Method: Panel EGLS (Cross-section weights)			
Variable	Coefficient	t-Statistic	Prob.
C	142.7892	3.064147	0.0000
FEMALE/MALE	42.34815	0.689501	0.2978
YORUBA	5.509582	1.057996	0.0941
IGBO	25.66974	3.965923	0.0000
HAUSA	2.585953	0.330094	0.7105
OTHERS	8.219069	1.231795	0.3122
NIG	-8.888383	-1.870427	0.0306
FOR	-7.495428	-1.184406	0.3287
EXECDIR	-1.216783	-0.293533	0.5908
NEXECDIR	-17.55685	-3.903270	0.0000
BODREM	-1.42E-06	-0.465497	0.0113
R-squared	0.613961	Mean dependent var	48.47942
Adjusted R-squared	0.515398	S.D. dependent var	69.15650
S.E. of regression	52.25603	Sum squared resid	128342.5
F-statistic	6.229113	Durbin-Watson stat	1.833248
Prob(F-statistic)	0.000002		

Source: Researcher's analysis, (2018).

The regression results for SP, shows the properties of the coefficient of determination (R^2) and Adj R^2 at 0.614 and 0.515 respectively. These values suggest that the model explained only about 61.4% of systematic variations in SP (market measure of financial performance) with an adjusted value of 51.5% after controlling for degrees of freedom. The F-stat (6.2291) and P-value (0.0000) indicated the acceptance of the hypothesis of a significant linear relationship between the variables (dependent and independent) at 5% level of significant while the D.W statistic of 1.83 indicated that the presence of serial correlation in the residuals is unlikely.

Discussion of Findings

The findings are discussed as follows:

Firstly, the study found that board remuneration has a positive and significant effect on for PAT while SP showed a negative and significant effect on financial performance. This is in tandem with Campbell and Thompson (2015) who found a positive significant relationship between executive compensation based on accounting measure of performance. In contrast, Yuan and Demirer (2013) found no relationship between directors' remuneration and financial performance.

Secondly, board gender diversity had a positive but no significant effect on financial performance suggesting that the ratio of female-male board members will not necessarily have a significant impact on financial performance. This is consistent with the study of Gallego, Garcia and Rodriguez (2010) who revealed that companies with lower gender

diversity perform better than companies with higher gender diversity, in terms of market and accounting measures. They however concluded that gender diversity may not influence financial performance.

Thirdly, the study found that board ethnic diversity had positive but no significant effect on financial performance though this area of research is still burgeoning, a board that is ethnically dominated by an ethnic group has been argued to have a strong board capital. This is consistent with the study of Ujumwa et al (2012) who revealed that gender diversity has no significant effect on financial performance while nationality and ethnic diversity had a significant effect on financial performance. In contrast, Omoye and Eriki (2013) they argued that board ethnic diversity on financial performance can be improved if the board is properly balanced. They further stated that all three major ethnic groups present in the board of quoted companies in Nigeria was negatively associated with returns on equity and that only in boards where there were Igbo members did they find statistically insignificant association.

Fourthly, the study found out that NIG members' presence on the board had a negative but significant effect on financial performance while FOR members' presence on the board had a negative but not significant effect on financial performance. This is in contrast with the study of Garba and Abubakar (2014) who found that foreign directors have a positive influence on insurance companies' performance.

Lastly, the study discovered that EX-DIR presence on the board had a positive and significant effect on financial performance while N-EX-DIR presence on the board had negative and not significant effect on financial performance. This is tandem with the study of Ongore, Obonyo, Ogotu, and Bosire (2015) who found out that board composition diversity had no significant relationship with financial performance. In contrast, Puni, Osei and Samuel (2014) revealed that board composition diversity had a positive effect on financial performance.

V. CONCLUSION

Financial performance is defined as a measure by which an organization uses its assets to carry on the business activities in order to achieve revenues. Financial performance also examines the total financial prospects of a business and can be used to compare the performance of different organizations over a given time period. Board remuneration deals with the various manner and packages in which management are remunerated. The aim of board remuneration is to reward the performance of board members. Board diversity on the other hand is a concept that deals with the heterogeneity of board members, including executive and non-executive directors, characteristics of gender, race, educational background, and other industry experience within the company. Several diversity derivatives such as board gender diversity board ethnic diversity, board nationality diversity and board composition diversity were examined. The specific aim was to ascertain the effect of board remuneration and diversity on financial performance. The findings of the study revealed that board remuneration, board gender diversity, board ethnic diversity, board composition diversity had a positive effect on financial performance, while board nationality diversity had a negative effect on financial performance. From the foregoing analysis, the study revealed that board remuneration and diversity have a significant effect on financial performance, and therefore proper measures are needed to improve the financial performance of quoted banks in Nigeria. The following recommendations are made based on the findings of the study:

- 1) For board remuneration, the study recommends that board members should be properly remunerated as this can play a vital role in reducing conflict of interest between managers and shareholders in organizations.
- 2) For board gender diversity, the study recommends that beyond just including females on the board to justify the need for gender equality, companies must begin to focus on the attributes of females to be brought into the board.
- 3) For board ethnic diversity, the study recommends that the issue of ethnic bias on board should be minimized and the board should not be dominated by a single ethnic group which may result in accumulation of board capital.

- 4) For board composition, the study therefore recommends that there should be more EX-DIR on board as this would result in more effective decision making, enhancement of corporate reputation and also boost investors' confidence in the organization notwithstanding the fact that code of corporate governance states that board member should not be less than five members
- 5) For board nationality diversity, since the results of the study revealed a negative effect on financial performance, the study therefore recommends that any increase in the nationality of board members will not improve financial performance. Although a more diverse board may bring competitive advantages to an organization such as networking with external bodies and also prevent managerial infringement within the organization.

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