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Effects of Board Characteristics on Financial Sustainability of Quoted Nigerian Banks

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Abstract

Using Agency theory to examine the relationship between board characteristics and corporate governance financial sustainability.

Board size, diversity, and independence are autonomous, but financial leverage is controlled. This study examined how board features impact Nigerian banks' financial sustainability. Stata statistical tool was used to assess how board independence, diversity, and size impact financial sustainability in a convenience sample of thirteen Nigerian banks operating on the Nigerian stock exchange from 2014 to 2020. Financial leverage-controlled board characteristics.

Independent board members statistically increased long-term financial sustainability. A company's long-term financial viability may improve with a board with fewer outside demands and conflicts. Financial sustainability requires independent boards of directors. Board size did not affect financial sustainability or gender diversity. Despite their potential benefits, such as broader viewpoints and improved decision-making, board diversity and size did not significantly influence the financial sustainability of the stated Nigerian banks. Diverse boards improve decision-making and widen viewpoints. Financial leverage as a control variable influences corporate viability. Due to financial risks and volatility, high financial leverage may hurt banks' long-term existence. These studies explain how corporate governance affects a company's long-term financial survival. An independent board of directors is necessary for a bank's long-term financial sustainability. The study concluded that board size and diversity may not guarantee long-term financial sustainability. Duality, organisational scale, and their interaction must be studied to understand board traits and financial sustainability.

Keywords: Board Characteristics, Board Independence, Board Size, Board Diversity, Board Size, Financial Sustainability

1. Introduction

Commercial Banks ability to financially sustainable and with stand all economics harsh condition is influenced by certain factors such as regulatory framework, the board of directors' characteristics and the operation of the macroeconomics indices (Abugri 2023;Anarfo 2023).Commercial Banks corporate board of directors play a key role in today`s modern corporate governance and hence understanding the relationship between board characteristics and financial sustainability is very important in the corporate world. Most of the scholarly debate centred on the dimensions of board characteristics and performance (Lukman, Ridloah, & Humaira, 2024; Le, Vu, Le, Nguyen, Luong, & Nguyen,2024).

Some scholars indicate the significant negative relationship between board characteristics dimension of board financial expertise, concentration of ownership, and board size on earnings management and performance by the use of agency theory (Riyadh, Al-Shmam, & Ahmed, 2024). While others show mixed the relationship that exist between issues such as board independence, duality of Chief Executive Officer (CEO), board size and gender diversity. (Shiyyab, Alzoubi, &Almajaly, 2024)

This study's primary aim is on the part that the board characteristics plays in ensuring that Nigerian banks will be able to maintain profitable operations and maintain sustainability. The characteristics composition and operational procedures of a financial institution's board are all aspects that make up the board (Saidat, Al-

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Gharaibeh, Marashdeh, & Suwayyid,2024). According to the findings (Aifuwa, &Embele,2019) Bank`s board ability to guide, directand keeping eye on management to ensure operations are smoothly might significantly impact on the banks' ability to sustain its operations. The make-up of a bank's board of directors is a significant issue that its effect on financial sustainability have not been properly studied. one major part that may have an effect on a bank's ability to sustain its finance, is the mark of independence that is appreciated by its board of director which the academic cycle has not given it enough attention.

In addition, the degree of independence that a commercial bank's board of directors' preserves is one of the factors that may influence the bank's ability to sustain its financial sustainability. Directors who are really independent of the bank and its management are in the greatest position to provide an objective judgement of the organization's performance since they are not beholden to any party. When there are a greater number of independent directors on the board of a bank, both the risk of there being a financial crisis and the performance of the bank are enhanced. According to what Cindasombatcharoen, Chatjuthamard, and Jiraporn (2023) have indicated. Another element that may play a role in determining a financial institution's capacity to thrive over the long run is the composition of its board of directors. Some study (Anabolic, Casu, Kalotychou, & Sarkisyan, 2020) suggests that the diversity of a bank's board of directors may have a role in the institution's ability to sustain its financial stability. Diversity on the board, whether in terms of gender, race, or experience, may assist the bank in better comprehending the requirements of its clients as well as the communities it serves. If the bank did this, there is a chance that it might improve the goods it offers and develop stronger ties with the people who do business with it. The size of a bank's board of directors is another factor that could influence the institution's ability to maintain its financial stability. There is no one size that is optimal for a board, although studies have shown that boards that are smaller tend to function better in terms of both supervision and decision-making. It is essential to achieve a balance between having a board that is sufficiently large and having adequate representation from a sufficient range of various backgrounds and points of view. Onumah, Asare, and Aboagye-Otchere were born in 2023. It is essential to achieve a balance between having a board that is sufficiently large and having adequate representation from a sufficient range of various backgrounds and points of view.

There have been a number of studies (Al-Qatanani, & Siam, 2021; Salehi, & Zimon, 2021; Nguyen, & Thanh, 2021; Pereira, & Filipe, 2022) that have investigated the link between board qualifications and business development and financial success. Furthermore, writers (Maimako, Latiff, and Yusoff, 2021; Nkuri, Latiff, and Yusoff, 2021) have examined how the ownership structure of a firm influences the long-term financial sustianability of the organisation. However, there has been a limited amount of study conducted on the probable correlation between board characteristics and financial sustainability.

Another aspect that is motivating this is the obligation to scientifically address the shortcoming of this study. As a result, one of the objectives of this investigation is to close the knowledge gap about the connection. In addition, the data collected from Nigerian banks have, for the most part, been disregarded by academics in the past. There is not a lot of information available on the anticipated outcomes of this study. The importance of researching board aspects has been highlighted by historical research trends (Endrikat, De Villiers, Guenther, and Guenther.2021).

Through investigating this connection, we are able to get knowledge on the ways in which board characteristics, practises, and compositions of boards have an effect on the economically financial sustainability of banks in Nigeria. It sheds light on how successful practises of corporate governance in the banking sector actually are. It is possible to shed light on the manner in which particular board characteristics impact the financial sustainability and long-term sustainability of Nigerian banks by analysing the link between board characteristics and financial sustainability. This may be accomplished by examining the relationship between board characteristics and financial sustainability.

In point of fact, banks have always been susceptible to failure as a direct result of rising levels of competition and rapid technological innovation. Depositors were negatively impacted by economic downturns and employment losses as a direct result of the breakdown of the going concern accounting principle. According to a review of previous research, Agency theory has established itself as the preeminent model for comprehending corporate governance (Mihail, Dumitrescu, Micu, & Lobda, 2022; Al-Matari, 2022). (Mihail, Dumitrescu, Micu, &Lobda, 2022; Al-Matari, 2022). It would appear that the board of directors and the CEO of the bank are in an agent-principal relationship with one another. This research is being carried out for a number of reasons, the primary one being to determine whether or not the board is successful in monitoring and managing the CEO, hence contributing to the improvement of the company's financial viability (Tran, 2022). When information is shared equally, however, there is a greater potential for information asymmetry to develop, which is an essential

component of the agency problem. As a direct consequence of this, the principle is able to exert direct control over the agent. Kasbar, Tsitsianis, Triantafylli, & Haslam, 2023).

2. Literature Review

2.1. Financial Sustainability

Financial sustainability is measured by bank`s ability to cover not only its its operating cost but also ability to generate more profit to expand its growth. The authors (Jaafar, Latiff, Daud, & Osman, 2023) say that. In terms of withstanding financial risk without reliance on government bailout is term (Sanchez-Roger, Oliver-Alfonso, &Sanchís-Pedregosa, 2018). The issue of long-term financial soundness has lately assumed on a larger level of relevance because to the destruction that co-vid 19 has wreaked on the global financial system. In the United States of America, for instance, recent failures at the Silver Gate and Silicon Valley banks were met by swift and unexpected collapses.Despite the impact of commercial banks on the global(Groos domestic product (GDP), job creation, the study of board characteristics and financial sustainability has been a subject of few studies (Liang, Xu, &Jiraporn, 2013; De Zwart, 2022; Purwati, Rafidah, Chollisni, Soeswoyo, & Sari 2022). In the area of financial intermediation, banks have helped boost economies, and this is especially true in Nigeria (Atiku, Kaisara, Kaupa, &Villet, 2022; Subramanian, & Kumar Kattumannil, 2022).

In this study the following are the board characteristics are employed for the study: board size, board variety, and board independence, all of which were proposed by Song, Kang, and TaoNie, (2022; Viola, Aryanto, Marsetio, and Yuliati, 2023).

2.2. Board Characteristics

According to Disli, Yilmaz, and Mohamed (2022), the characteristics of a board may be broken down into three categories: its composition, its structure, and the individual characteristics of its members. The characteristics of the board that is responsible for the oversight of banks may have a significant impact on the efficiency and success of the banking industry as a whole. There are a great number of elements that have an effect on financial institutions, including:

2.2.1. Level of Independence of the Board.

It refers to the degree to which a company's board of directors is free from excessive influence from management or other external influences, allowing them to make unbiased, objective decisions that are in the best interests of the company and its stakeholders. (Fuzi, Halim, &Julizaerma, 2016)

Excellent corporate governance and the honest and ethical operation of a corporation require a board of directors that is itself independent. Boards that are not impartial are less effective in supervising management, spotting risks and opportunities, and holding CEOs to account. Fuzi, Halim, and Julizaerma (2016).

Rashid (2018) argues that boards can only be called independent if they are made up of directors who have no conflicts of interest with the company or its management. They must not work for the bank's most important investors, suppliers, or customers, nor act as a spokesman for any of these groups.

The degree of independence of a board of directors is sometimes measured by the number of independent directors it has. One common indicator of a board's impartiality is the existence of a chairman or lead director who is also impartial and can foster productive debate among board members. Despite the lack of a universally accepted definition of "independence," several nations and regulatory agencies have established guidelines for good business management. Specific guidelines for the impartiality and make-up of boards of directors are included in these norms and standards. A company's size, organisational structure, and overarching corporate goals should all be considered when deciding how much autonomy the board of directors should have. Hu, Lin, and Tosun (2022).

2.2.2.Level of Diversity on the Board The concept of diversity on the board refers to the belief that boards of directors should include individuals who come from a broad variety of different backgrounds, experiences, and points of view in order to guarantee that decisions are made with a more comprehensive picture in mind (Islam, French, & Ali, 2022). Examples of diversity may be found in terms of skin tone, ethnicity, gender, age, socioeconomic background, and level of experience, to name a few. Research has shown that organisations with boards that are more diverse have better decision-making abilities, higher levels of creativity, and stronger financial results. (Issa et al. 2022; Zaid et al. 2022; Amin et al. 2022; Ali et al. 2022; Ntim et al. This is done for the purpose of ensuring that the board of directors is comprised of members who are representative of all relevant groups, such as consumers, workers, and shareholders.

In spite of the numerous studies that have demonstrated the positive effects of diversity, many boards still do not have a diverse membership. The inability to realise the need for a diverse workforce, the presence of unconscious biases throughout the recruiting process, and the lack of skilled applicants hailing from underrepresented groups are all potential contributors to this phenomenon. Lee, Thong, and the year 2023 are all mentioned here.

A rising number of businesses are adopting policies to enhance the diversity of their boards of directors in order to tackle this problem. These policies include setting diversity objectives, broadening the pools of candidates that they evaluate, and giving diversity and inclusion training to their employees. This is backed up by a number of different sources, including Al-Sartawi, Sanad, Shiwakoti, and 2022. It is possible for companies to improve their ability to make decisions and cultivate a culture that is more accepting and equitable in the workplace if they give diversity on their boards a higher priority.

2.2.3Size of the Directors The term "concept size" is often used when discussing issues of corporate governance because it describes an individual's ability to acquire and process large amounts of complex information (Githaiga & Caroline Bonareri, 2022). Board size has also been identified as one of the mechanism in reducing agency problem between shareholders of banks and the managers (Belkhir, 2009). Trends in the industry, financial performance, meeting regulatory requirements, effective risk management, and well-thought-out strategic planning are all examples of potential contributing factors.

Belkhir, M. (2009). Board structure, ownership structure and firm performance: evidence from banking. *Applied financial economics*, *19*(19), 1581-1593.

In theory, a board with members from a wide range of backgrounds and expertise can help to compensate for the inevitable differences in concept size among its members by pooling their knowledge and expertise. Boards with a small number of members may be more susceptible to bias or insufficient information in volatile banking sectors or during financial crises (Nuswantara, Fachruzzaman, Prameswari, Suyanto, Rusdiyanto, &Hendrati, 2023). This is what scientists Nuswantara, Fachruzzaman, Prameswari, Suyanto, and Hendrati have found.

It is important to remember that the number of directors on the board of Nigerian banks may vary in size depending on the specific experience and expertise of each individual director. This is something you should remember. In addition, there are processes in place at the Central Bank of Nigeria to guarantee that bank boards are made up of qualified individuals who can properly monitor operations and manage risks. Olohunlana, Odeleye, and Isola (2023) note that the procedures in place ensure that bank boards are made up of individuals with the appropriate expertise and credentials to effectively oversee the organization's operations and risk management. Optimal board size is one factor among many that may affect how well an organization's leadership performs, so it's important to think about it when evaluating boards.

2.3. Agency Theory and Stewardship Theory

In current years, there has been a rise in academic attention in the connection between board characteristics and a bank's ability to remain financially sustainable over the years. It has been concluded that agency theory is the most effective theoretical framework for gaining a grasp of the link. By keeping ownership and control distinct, it will be possible to minimise any potential theoretical costs. Before delegating responsibilities to an agent, the principle should first strive to increase firm value, as recommended by Jensen and Meckling (1976). This will help assure the continued financial health of the business. An agent, also known as a manager, is a third party that acts on behalf of the principle but whose responsibilities are distinct from those of the principal. The agent may also be referred to as the manager. The relationship between the principal, which in this case is represented by the directors, and the manager, who stands for financial sustainability, serves as the foundation for this line of inquiry.

Due to the absence of a unified conceptual framework, previous studies that used agency theory produced results that were incongruent with one another (Andoh, Abugri, &Anarfo, 2023; Shafeeq Nimr Al-Maliki, Salehi, & Kardan, 2023) (Andoh, Abugri, &Anarfo, 2023). The reliance placed on board members with financial expertise is the fundamental factor that underlies the inconsistent findings. The stewardship hypothesis, which was developed with the intention of preserving financial assets, is likewise disregarded (Davis, Schoorman, and Donaldson, 1997). This demonstrates how important it is to make use of alternative theoretical frameworks like stewardship theory. The act of storing assets, such as money, in a secure location and managing them effectively is an example of good stewardship. Businesses, corporations, and financial institutions all have the opportunity to demonstrate good stewardship by vigilantly monitoring and managing their assets for the benefit of future generations of their respective communities.

The capabilities of a company's board of directors have the potential to have a significant impact on the organization's ability to maintain its profitability over time. It is more likely that decisions that favour long-term financial sustainability will be made by a board that is comprised of persons who not only have a variety of skills and expertise but who are also dedicated to the ideals of stewardship. When it comes to issues such as investment strategies, risk management, and financial reporting, to name just a few, having financial experts on the board can be extremely helpful. When making decisions, a board that is responsible may prioritise the long-term financial stability of the company over the short-term gains of the company and attempt to strike a balance between the needs of shareholders, employees, and customers.

It is essential for a company's long-term financial sustainability to earn the trust and confidence of its stakeholders, and this may be accomplished by a board that is transparent and accountable in the way it makes decisions. By providing stakeholders with regular updates on the organization's financial performance, risks, and opportunities, a board of directors may help ensure that stakeholders have the information they require in order to make informed choices regarding the organisation.

In a nutshell, there is a great deal of nuance and complexity in the interplay between the characteristics of the board and its ability to remain financially viable over the long term. However, banks in Nigeria can take steps to help ensure that they are well-positioned for long-term financial sustainability if they prioritise stewardship principles and make it a point to ensure that their boards of directors are comprised of individuals who have a variety of experiences and skills.

2.4. Empirical Review

The research that has been done in the field of corporate governance has revealed that there is empirical evidence that can be linked between independent board of directors and long-term financial viability. The term financial sustainability refers to the capacity of an organisation to maintain its current level of success and prosperity over an extended period of time. When referring to the number of members of a company's board of directors who are not associated in any way with the company's management, the phrase board independence is typically used.

The independence of the board is an essential component of good corporate governance because it helps ensure that directors are looking out for the interests of shareholders. There has been a sizeable increase in the amount of research conducted into the connection between unfettered board authority and strong financial performance. The findings of empirical research that has been conducted to investigate this link have produced conflicting outcomes. Shan (2019) conducted research that analysed the independence of boards of directors at 9,302 Australian firms and compared it to the companies' levels of financial performance. As a result of the finding that a positive relationship exists between financial performance and board independence, it may be deduced that companies with more independent boards fare better financially. In some studies, independent boards of directors have been found to be associated favourably with better financial results. Several studies, including Tobin's Q, Return on Asset (ROA), Rashid's (2018), and Pucheta-Martnez and Gallego-lvarez's (2020), found that organisations with more independent boards had a higher corporate value. Both Kaur and Vij (2017) and Rashid (2018) came to the same conclusion: the independence of the board was positively associated with ROA and ROE. Hillman and Dalziel (2003) conducted study in which they investigated the financial performance of 137 different US companies when the boards of those companies were more or less independent. As a result of the finding that a positive relationship exists between financial performance and board independence, it may be deduced that companies with more independent boards fare better financially.

In a similar vein, Lin and Chen (2015) investigated 356 Taiwanese businesses to see whether or not there was a link between independent board of directors and successful financial performance. As a result of the finding that a positive relationship exists between financial performance and board independence, it may be deduced that companies with more independent boards fare better financially.

However, other study has demonstrated that there is no correlation between the independence of boards of directors and financial outcomes. Sobhan (2021) conducted research to determine whether or not there was a relevant link between the independence of a board of directors and the performance of a firm as measured by ROA and ROE. In Palaniappan (2017)'s study, which also used Tobin's Q, it was shown that there was no association between board independence and the value of the company.

Furthermore, according to the findings of certain studies, there appears to be a negative association between the independence of boards of directors and financial success. In Silpachai (2023), one piece of study proved that there is an inverse relationship between the independence of the board and the performance of the

firm (as measured by ROA and ROE). They argued that the independent directors' lack of engagement in firm-specific activities and access to information about such activities might be the cause of the negative association.

In conclusion, there is a lack of consensus among the available evidence about whether or not an objective board of directors is beneficial to a company's bottom line. Some studies have identified a link that is positive, while others have found no association at all or even a correlation that is negative. As a result, the relevance of this connection may shift depending on factors such as the operational setting of the bank, the composition of the board, and the metrics of financial viability that are used. As a result, there is not enough evidence to make a conclusive judgement on the effect that an independent board of directors has on a company's financial success; additional research is required. Therefore, we hypothesised that

Ho: There is no significant relationship between Board independence and financial sustainability

Board diversity has been a topic of interest in the corporate world for many years. A diverse board can bring a range of perspectives, experiences, and skills to decision-making, which may lead to better outcomes for the company. One area of interest has been the relationship between board diversity and financial sustainability. Several studies have been conducted to examine this relationship. A study by Adams and Ferreira (2009) found that companies with more diverse boards had better financial performance. Specifically, they found that companies with a higher percentage of women on their boards had higher return on assets (ROA) and return on equity (ROE) than those with fewer women on their boards. Similarly, a study by Carter et al. (2010) found that companies with more diverse boards had higher ROA and lower debt ratios than those with less diverse boards.

Other studies have focused on the relationship between board diversity and corporate social responsibility (CSR). A study by Kim and Park (2017) found that board diversity was positively related to CSR performance, suggesting that a diverse board may be more likely to consider social and environmental factors in decision-making. However, not all studies have found a positive relationship between board diversity and financial sustainability. A study by Shin and Zhao (2018) found that board gender diversity was negatively related to firm performance in Chinese firms. They suggest that this may be due to cultural differences in China, where traditional gender roles may influence the effectiveness of female board members.

Overall, the empirical evidence on the relationship between board diversity and financial sustainability is mixed. While some studies have found a positive relationship, others have found no relationship or even a negative relationship. It is important to note that the nature of the relationship may depend on various factors, such as the type of diversity (e.g., gender, ethnicity), the industry, and the cultural context. Therefore, it is important for companies to consider their unique circumstances when making decisions about board diversity.

Ho: There is no significant relationship between Board diversity and financial sustainability

The empirical research conducted on the connection between board size and the financial viability of a company has shown results that are contradictory to one another. On the other hand, several studies have revealed either no association at all or even a negative correlation between the size of a board and a company's capacity to remain financially viable over the long term.

In certain studies (Mishra & Kapil, 2018; Pucheta-Martinez & Gallego-Alvarez, 2020), it was discovered that the size of a company's board of directors has a positive correlation with the value of the company as determined by Tobin's Q. According to the findings of the study, businesses with larger boards of directors possessed superior corporate governance and monitoring, which in turn led to increased performance and longer-term financial viability.

Gwaison, & Maimako, (2021) found a positive association between the number of board members and a company's level of financial performance. Return on assets (ROA) and return on equity (ROE) are two metrics that may be used to evaluate a business's profitability. According to the findings, boards that have a greater number of members are better able to incorporate a variety of points of view and areas of expertise, which in turn leads to more sensible decisions and greater financial security over the long term.

However, research that contradicts itself has not been successful in finding a correlation between the size of the board and long-term profitability. According to the findings of study carried out by Boachie (2023), board size did not have a meaningful impact on either the financial performance or the shareholder value of a company. A study that was conducted in 1999 by Dalton and colleagues found that there was no association between the size of a company's board of directors and either the profitability of the firm or its market value.

In spite of this, there is research that shows larger boards are not always associated with greater financial stability. For instance, study carried out by Waris and Haji Din (2023) discovered that a greater ROA and ROE

were not connected with larger boards. According to the findings of the study, boards that had a greater number of members were less able to make decisions and effectively exercise monitoring, which led to a decline in financial performance.

The overall correlation between the size of a board and a company's ability to remain financially viable over the long term is, at best, unclear. While some studies have identified a correlation between larger board size and improved corporate governance and financial sustainability, others have found either no association at all or even a negative correlation between the two factors. Businesses should carefully evaluate the appropriate number of board members and the manner in which they should be distributed across the organisation in order to achieve the greatest possible amount of profit.

Ho: There is no significant relationship between Board size and financial sustainability

Method

The study adopts a longitudinal study because it involves repeated observation of the same subjects or variables (Board independence, Diversity of Board, Size of directors, financial leverage and financial sustainability) over 7 years.

Table 1:Measurement of variables

Variables	Proxies	Abbreviation	Formula	Author
Financial sustainability	Price earnings ratio	PER	Share price/ Earnings	Kremen, Shkolnyk, Semenog& Kremen, (2019).
Board independence	Percentage of independent directors	BD		Shafeeq Nimr Al-Maliki, Salehi, & Kardan, 2023).
Diversity of Board	Percentage of women directors	WD		Abdeljawad, & Masri, (2020).
Size of directors	Number of directors on board	SD		Abdeljawad, & Masri, (2020).
Control variable				
Financial leverage	Percentage of total liability to total asset	FS		Shafeeq Nimr Al-Maliki, Salehi, & Kardan, 2023).

Model

The independent variables of this study include board independence, diversity of board and size of directors. More so, firm leverage is used as control variable. The dependent variable of financial sustainability was proxied by PER. Based on our hypotheses, we adapted the model of Abdeljawad & Masri, (2020). The linear model is estimated as follows:

$$PER_{it} = \beta o + \beta 1(ID)_{it} + \beta 2(WD)_{it} + \beta 3(SD)_{it} + \beta 4(FL)_{it} + e_{it}$$

Where: PER is the dependent variable financial sustainability, βo= Regression coefficient, β1= independence, β2=women directors β3=size of directors β4= financial leverage, e= error term

3. Research Methodology

The study aims to seek the effect of board characteristics on financial sustainability of listed commercial banks from 2014 to 2022. The thirteen listed commercial banks on the Nigeria stock exchange. The study adopts a census study of all the 13 banks. The data were sourced from the Thomson Reuters database, the Nigeria stock exchange fact book, various website of the banks and http://www.AfricanFinancials.com.

This study used panel data for analysis of the result. The study uses descriptive, correlation, both the Fixed Effect model and the Random Effect model are used in the analysis. Hausman test was performed to confirm the appropriateness of either the Fixed Effect model or the Random Effect model. The Ordinary Least Squares (OLS) or Random Effect could obtain a more efficient estimation will be employed if all the independent

variables were exogenous. Furthermore, the Breauch and pagan Lagrange Multiplier (LM) test was used to test whether the OLS or the Random Effect model was more appropriate for the analysis of data set.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std.Dev	Kurtosis	Skewness	Min	Max
Per	104	1.327	1.402	0.000	0.000	-5.809	3.738
Bd	104	1.156	0.126	0.002	0.034	0.693	1.386
Wd	104	3.056	0.434	0.000	0.152	2.040	3.689
Sd	104	2.525	0.124	0.000	0.152	2.303	2.996
Fs	104	28.903	4.008	0.000	0.000	16.979	36.646

Source: STATA 15.0 Output

Table 1 shows the descriptive statistics for the relationship among the variables price earnings ratio (PER), board diversity (bd), board diversity (Wd) number of directors (Sd), and the control variable financial leverage (Fs) . The results indicate that the mean scores of the variables range between 1.156 and 28.903 The standard deviation ranges between 0.124 to 4.434. The standard deviations are bigger compared to their mean values respectively. This shows that the statistical mean provides a good fit of the observed data and are not normally distributed. To confirm this assertion, the results of kurtosis and skewness show the p value are less than 0.05 with the exception of wd and Sd which skewness result are above 0.005. this indicate the normality of data. Although, the normality of data is considered as an optional assumption in OLS regression. (Daniels, & Minot, 2019).

Table 3. Variance Inflator Variance (multicollinearity)

Variable	VIF	1/VIF
Sd	1.09	0.917
Wd	1.08	0.930
Bd	1.07	0.931
Fs	1.01	0.988

Source: STATA 15.0 Output

The independent variables in this study were examined for multicollinearity. The result of multicollinearity is that the calculated regression coefficients of the interrelated independent variables have substantial sampling errors. To test for multicollinearity, the variance inflation factor (VIF) was used. The general guideline is that if VIF reaches 10, there is cause for concern regarding the prevalence of multicollinearity Kumari, Lavanya, Vidhya, Premila, & Lawrence, (2023). Table 3 displayed the multicollinearity result, which demonstrated that there is no multicollinearity among the independent variables.

Table 4 correlation Matrix

Variables	Per	Bd	Wd	Sd	Fs
Per	1.000				
Bd	-0.199	1.000			
Wd		0.188	1.000		
Sd		0.210	0.212	1.000	
Fs	-0.244				1.000

Source: STATA 15.0 Output

Take a look at table number 4. When we use the criterion proposed by Cohen (1988), we discover that there is a very tiny inverse correlation between Bd and per. Based on this, it appeared like Bd would advance while Per would retreat. A negative link between Bd and Per ratio suggests that investors may see companies with less board independence as riskier investments. This is evidenced by the fact that Bd is negatively correlated with Per ratio. They may be concerned that the company's future profit potential will be harmed as a result of insufficient board independence, which they believe will heighten the possibility of conflicts of interest, favouritism, and poor

decision-making. Additionally, they may be concerned that the company's board of directors is not sufficiently independent. As a result, the price-to-earnings ratio might end up being lower than expected since investors are looking for a higher risk premium.

This is supported by Vallascas, Mollah, and Keasey's (2017) research. In spite of this, Wd and Per have a constructive and somewhat connected relationship with one another. According to the positive correlation, the value of Wd decreases when there is an increase in the value of Per. This may indicate that those providing financial support favour gender parity. One theory that might help to explain this pleasant perception is the prevalent belief that boards that are more diverse, and in particular boards that include women directors, result in better decision making overall. If investors regard this variation as a sign of improved corporate governance, more effective risk management, and the likelihood of increased future profitability, then the price-to-earnings ratio might end up being higher as a result. To wit: (Sarhan, Ntim, & Al-Najjar, 2019).

Table 6. The results of pooled OLS, fixed Effect and Random Effect

Variable	Pooled coefficient	p- value	Fixed coefficient	p- value	Random coefficient	P- value	OLS with Hetro & Serial correlation
Bd	-2.249	0.044	-1.778	0.018	-1.460	0.046	
Wd	0.501	0.116	8.923	0.006	1.104	0.229	
Sd	-1.001	0.370	-0.640	0.642	-0.422	0.745	
Fs	-0.088	0.011	-0.109	0.000	-0.124	0.000	
Constant	7.443	0.015	-19.137	0.057	4.259	0.295	
R^2	0.121		0.0173		0.091		
N	104		104		104	104	
F	3.38	0.012	14.96	0.000	51.19	0.000	
Hausman Test	Chi2=6.24	0.182					
Breauchpegan LM test	Chibar2=146.62	0.000					
Multicollinearity (Vif)	-		1.06				-
Heteroskedasticity ($x^2 - stat$)			Chi2=564.59	0.0000			-
Serial correlation			10.181				
F- stat				0.0078			-

Dependent variable: Per_{it}. Source: STATA 15.0 Output

The results of the combined regression, random effect, and fixed effect models are summarised in Table 6. Because of the corrections for heteroscedasticity and autocorrelation, the estimated results may be relied upon. For the random effect model, the chi-square value is 6.24, but for the fixed effect model it is just 0.182. That the random effect model provides a more precise estimate than the fixed effect model is more evidence of this. The results of the Hausman specification test shown in Table 4 demonstrate this. Since the p-value for the Lagrangian Multiplier test was less than 0.05 (0.000), the random effect model is preferred over the pooled regression model. Both the random regression model and the pooled regression model contain the panel effect, as shown by this finding. The purpose of this study is to investigate and test the random effect as a direct outcome of this. The random effects analysis yielded a value of R2 of 0.091 percent. This indicates that 9.1% of the variation in Price earnings ratio (Per) may be attributed to shifts in the independent variables of Board independence, Diversity of Board, Size of directors, and financial leverage.

Coefficient of board independence (bd) = -1.460299, p = 0.046. The Price earnings ratio (Per) of the banks studied between 2014 and 2021 improved as the boards were more autonomous. Banks' Price earnings ratios (Per) skyrocketed once board independence was implemented.

The Board Diversity (WD) coefficient has a p-value of 0.299, whereas the actual coefficient is 1.103641. The Price earnings ratio (Per) of the banks under examination between 2014 and 2021 was shown to be unaffected by the diversity of their boards of directors. Therefore, the increased board diversity has not had a noticeable impact on the price-earnings ratio of financial companies.

The results also show that a bank's price earnings ratio is negatively affected by the size of its board of directors, but long-term profitability is positively affected by the usage of financial leverage. The financial leverage (FS) of a firm is a measure of the extent to which it has borrowed money to fund its operations. An increase in the ratio implies that less of the company's equity is being used, while a decrease in the ratio suggests that more of the company's equity is being used. A rise in profits for the Nigerian bank is possible if it makes efficient use of financial leverage and earns a better rate of return on its assets than it pays in interest on its borrowed capital. If the bank were to become more profitable, the stock price would likely rise along with it, increasing the company's price relative to profits. Authors (Appiah, Gyimah, and Abdul-Razak 2020) put it this way.

4. Discussion of Results

In spite of the fact that the premise of the study stated that a more diverse board would result in a higher price-to-earnings ratio for banks in Nigeria, the researchers found no evidence to support this theory. Furthermore, they found no indication that the size of boards had any influence on the ability of their institutions to maintain a healthy financial position. The findings of this investigation are in direct contrast to those obtained by Gomez and Bernet (2019) and Kaur and Vij (2017), who discovered that the presence of diverse individuals on boards favourably impacted ROA. They arrive to the conclusion that performance is considerably impacted by having diverse board members. This analysis also runs counter to the findings that Ujunwa (2012) uncovered. There is no correlation between the absence of diversity on the Board and the effectiveness of the organisation. On the other hand, results that were not statistically significant would suggest that diversity alone is not enough to drive performance improvements.

In addition, the study tested the concept that sound corporate governance has a substantial and beneficial impact on the performance of financial institutions like banks. In a similar vein, the findings indicate that the quality of the corporate governance at Nigerian deposit money institutions has a significant impact, for the better, on the return on equity. Ranti (2011) discovered that the corporate governance transparency index has a significant beneficial impact on bank financial performance, and these results are consistent with his findings. He also observed that the corporate governance transparency index is positively correlated with bank profitability.In spite of the fact that this study hypothesised that board composition would have a significant and positive impact on bank performance, it did not find any such association.

When Kajola (2008) investigated corporate governance and company performance at a number of Nigerian listed banks between the years 2000 and 2006, she discovered that there was no substantial link between board composition and business success. Sanda, Mikailu, and Garba (2005) highlight the fact that this is not always the case, despite the fact that some research, such as Weisbach (1988), Hermalin& Weisbach (1991), and Lee, Choi, & Kim (2012) are of the view that board composition schemes aid in the reduction of agency difficulties, other studies, such as Sanda, Mikailu, & Garba (2005), are of the opinion that board composition schemes help in the reduction of agency challenges.

The link between audit committees and the performance of banks (ROA) is minimal but in a positive direction, which is consistent with the findings. This study indicates a positive association between the size of the audit committee and the success of the firm. However, other research, such as those conducted by Nurdin and Kasim (2017) and Yusuf, Bambale, and Abdullahi (2018), have demonstrated that there is no such link between the two variables. However, research conducted by Kajola (2008) and Hardwick, Adams, and Zou (2011) suggest that a larger audit committee does not necessarily contribute to better financial performance for a corporation. These researchers came to this conclusion based on data that contradict one another. It was also demonstrated that the risk committee had a connection with bank performance (ROA) that was slightly unfavourable. However, the findings of Tao and Hutchinson (2013), who discovered a positive connection between risk and the makeup of the risk and compensation committees, imply the reverse. Tao and Hutchinson observed a positive association between risk and the composition of the risk and compensation committees.

The study posited that Board diversity has a positive and significant effect on bank price per earnings ratio, however, the findings revealed that board size has no significant relationship with bank financial

sustainability (PER) in Nigeria. This study contradicts the findings of Gomez, &Bernet, (2019); Kaur, M., & Vij, M. (2017) who claimed that bord diversity has a positive and significant influence on return on assets. They conclude that board diversity has a major impact on performance. Similarly, this analysis contradicts the findings of Ujunwa, (2012) Conclude that Board diversity is not significantto performance. However, insignificant findings could suggest that diversity alone is not sufficient to drive performance improvements.

Furthermore, the study postulated a significant and positive impact of corporate governance on bank performance. Similarly, the findings indicate that corporate governance has a significant and positive impact on the ROA of Nigerian deposit money banks. This study is congruent with the findings of Ranti (2011), who discovered that the corporate governance transparency index has a positive significant effect on bank financial performance.

Likewise, this study concluded that the link between board composition and bank performance is insignificant, although the study hypothesised a significant and positive impact. This finding is consistent with the findings of Kajola (2008), who analysed corporate governance and firm performance at some Nigerian listed banks between 2000 and 2006 and discovered no significant association between board composition and firm performance. Despite the fact that some research, including Weisbach (1988), Hermalin& Weisbach (1991), Lee, Choi, and Kim (2012), as noted in Sanda, Mikailu, and Garba (2005), contend that board composition schemes aid in the reduction of agency difficulties.

Similarly, the findings show that, while audit committees have a positive impact on bank performance (ROA), the relationship is insignificant. Several research, like Nurdin and Kasim (2017) and Yusuf, Bambale, and Abdullahi (2018), show a positive association between audit committee size and firm performance, however their findings were not significant, which is inconsistent with this study. Nonetheless, other research, such as Kajola (2008) and Hardwick, Adams, and Zou (2011), indicate that there is no positive association between audit committee size and business performance. Furthermore, the risk committee was discovered to have a negative but insignificant relationship with bank performance (ROA). This submission contradicts the conclusions of Tao and Hutchinson (2013), who concluded that the membership of the risk and compensation committees is positively related to risk, which is then related to business performance.

5. Conclusion

The purpose of this study was to determine the effect of Board characteristics dimension of Board independence, Board diversity and Board size on financial sustainability from 2014 to 2022. According to the data, Board independence has a significant and positive effect on financial sustainability), while Board diversity and Board size have no effect on bank financial sustainability. To that end, the research recommends that bank regulators enshrine principles requiring financial organisations to establish functional board diversity that will make real contributions that will benefit the banks.

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