Nexus between corporate governance and financial performance in Nigerian listed banks
Nexos entre a governança corporativa e o desempenho financeiro em bancos listados na Nigéria

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Abstract: In this study we examined the nexus between corporate governance and financial performance in Nigerian listed banks. Secondary data was obtained from the financial statements of selected deposit money banks in Nigeria from 2013 to 2023. Panel fixed effect data analysis was employed to investigate the effect of these corporate governance mechanisms on return on assets in Nigerian banking system. The results of this study revealed that board size, board diversity, board financial expertise, and firm age have significant negative effects on ROA at 5% level of significance. However, board independence, board shareholding, and board nationality do not have significant effects on performance. The study concludes that corporate governance impacts on performance of deposit money banks. Therefore, it was recommended that banks should consider optimizing board size to improve efficiency and decision-making. Large boards may lead to coordination problems, slower decision-making processes, and diluted accountability.
Keywords: Banks. Board Characteristics. Performance. Corporate Governance. Nigeria.

Resumo: Neste estudo foi examinado o nexo entre governança corporativa e desempenho financeiro em bancos nigerianos de capital aberto. Dados secundários foram obtidos das demonstrações financeiras de bancos depositários selecionados na Nigéria de 2013 a 2023. A análise de dados de efeitos fixos em painel foi empregada para investigar o efeito desses mecanismos de governança corporativa no retorno sobre ativos no sistema bancário nigeriano. Os resultados deste estudo revelaram que o tamanho do conselho, a diversidade do conselho, a experiência financeira do conselho e a idade da empresa têm efeitos negativos significativos no ROA no nível de significância de 5%. No entanto, a independência do conselho, a participação acionária e a nacionalidade do conselho não têm efeitos significativos no desempenho. O estudo conclui que a governança corporativa afeta o desempenho dos bancos depositários. Portanto, foi recomendado que os bancos considerem a otimização do tamanho do conselho para melhorar a eficiência e a tomada de decisões. Conselhos grandes podem levar a problemas de coordenação, processos de tomada de decisão mais lentos e diluição da responsabilidade.
Palavras-chave: Bancos. Características do Conselho. Desempenho. Governança Corporativa. Nigéria.

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Introduction

The banking system of any nation is important because it helps with the mobilization and intermediation of funds for the purpose of economic growth. The importance of banking system on the growth of the economy cannot be overemphasized. Banks have become increasingly significant for various stakeholders, ranging from investors to governmental policymakers. To ensure the interests of these stakeholders align, there is a need for rules and practices that ensure these banks are managed efficiently, these rules and practices are recognized as corporate governance. Corporate governance, defined as the manner in which companies are managed and supervised, plays a pivotal role in determining the financial performance and sustainability of these banks. The banking sector across the globe has continuously witnessed several reforms in recent times, starting with the size of the board, committee of audit, composition of the board, block shareholding and its procedures (Jisike; Chukwuebuka; Chidinma, 2019).

This transition has been driven by new regulatory requirements and heightened investor demands for greater transparency and integrity in banking operations. It has since become mandatory to disclose publicly, the state of the company. Such disclosure requirements stem from regulatory frameworks, particularly for public entities, ensuring proper transparency, given the public interest in their affairs and the significant role these institutions play in the nation's overall economic advancement (Rahayu *et al*., 2022).

Similarly, the banking sector of Nigeria undergone significant transformations often, marked by mergers influenced by consolidation policies and the fallout from failed banks in 2006 and 2011. Despite these notable changes, lingering concerns persist regarding the efficacy of corporate governance in fostering financial stability and bolstering public confidence (Mugisha; Jaya; Joseph; Mbabazi, 2015). There's mounting evidence indicating that subpar corporate governance practices among board members not only contribute to financial strain within banks but also lead to erroneous decision-making (Adeleke, 2019). Moreover, deficiencies in audit processes have been observed, failing to adequately provide against economic risks, thus exacerbating the challenges (Agbeze; Ogosi, 2018).

While numerous studies have delved into corporate governance and performance of Nigerian banks, the findings remain contentious (Mohammed, 2012; Adegbami; Donald; Ismail, 2013). Some researchers argued that smaller board sizes correlate positively with higher performance, while others contend that a greater number of directors yield better outcomes (Okoye *et al*., 2016; Adigwe *et al*., 2016). Similarly, debates persisted regarding the impact of board composition, with some advocating for boards dominated by outsiders for improved performance (Agbaeze; Ogosi, 2018). Hence, the need to examine corporate governance and performance of banks in Nigeria. The next section of the study deals with theoretical and empirical review while the third section deals with the methodology which was followed by presentation, analysis and interpretation of data. Finally, the last section is on conclusion and recommendations.

1 Theoretical and Empirical Review

1.1 Agency Theory

Agency Theory provides a lens through which it is easy to understand the relationship among the principal i.e. the shareholders, and its agent i.e. management within Deposit Money Banks (DMBs) in Nigeria. Agency Theory delves into the potential conflicts of interest that arise when shareholders entrust their capital to management, highlighting the critical role of corporate governance in navigating these complexities. Agency theory argues that principal-agent relationships are not optimal due to differing interests and asymmetric information, leading to agency costs (Payne; Petrenko, 2019).

In the realm of DMBs, shareholders invest their capital with the expectation that management will act for the company's best interest. However, the inherent misalignment of goals between shareholders and managers introduces a risk of managerial opportunism, where the pursuit of personal objectives may diverge from the overarching goals of the organization. This misalignment is the crux of the agency problem that Agency Theory seeks to address.

The application of Agency Theory in the context of DMBs underscores the vital importance of robust corporate governance practices. Transparent disclosure mechanisms become paramount, providing shareholders with visibility into the decision-making processes and financial health of the bank. Transparency and disclosure positively impact the valuation of banks (Rawal *et al.,* 2022). Board independence emerges as a key component, ensuring that governance is not compromised by internal influences, and accountability mechanisms act as checks and balances, holding management responsible for their actions.

In the Nigerian banking sector, where DMBs play a pivotal role, effective corporate governance mechanisms become crucial safeguards against potential conflicts. Sound corporate governance mechanisms can assist to reduce banks' non-performing loans, enhancing loan quality and bank stability (Adegboye; Ojeka; Adegboye, 2020). Shareholders, whether institutional or individual, seek assurance that their invested capital is managed prudently and in alignment with the long-term interests of the bank. Strong governance practices serve as a shield against managerial actions that may deviate from the shareholders' collective objectives, thereby ensuring value creation and sustainable growth.

In essence, Agency Theory offers a framework to navigate the intricacies of the principal-agent relationship within DMBs. By emphasizing the need for transparent governance structures and accountability measures, this theory guides the formulation of governance frameworks that mitigate agency problems and foster a harmonious alignment of interests between shareholders and management in the dynamic landscape of Nigerian Deposit Money Banks.

1.2 Stakeholders Theory

Stakeholder Theory stands as a beacon illuminating a path where corporate governance extends beyond shareholder interests to encompass a spectrum of stakeholders within Deposit Money Banks (DMBs) in Nigeria. Stakeholder theory advocates for an inclusive approach, asserting that the long-term success of an organization is intricately linked to the satisfaction of not only shareholders but also customers, employees, suppliers, and the wider societal fabric (Bridoux; Stoelhorst, 2022).

For DMBs, Stakeholder Theory becomes a guiding philosophy urging corporate governance practices to transcend the narrow confines of shareholder value maximization. It encourages DMBs to broaden their perspective and actively consider the interests of diverse stakeholders integral to their operations. Integrating stakeholder theory and sustainability accounting can create value for stakeholders and prevent disconnecting sustainability accounting from conventional accounting (Hörisch; Schaltegger; Freeman, 2020).

The application of Stakeholder Theory in DMBs prompts a recalibration of corporate governance practices. Beyond the boardroom discussions centered on shareholder concerns, this theory emphasizes the importance of considering the interests of depositors who entrust their funds to the bank, borrowers who rely on financial support, employees whose commitment propels the bank's operations, and the communities where these institutions are embedded. Stakeholder theory can improve IT-business alignment and performance by focusing on external stakeholders throughout all stages of information systems design, development, and implementation (Hickman; Akdere, 2019). For DMBs, Stakeholder Theory becomes a catalyst for embracing sustainable and responsible banking practices. It compels them to assess the environmental, social, and economic impacts of their decisions, fostering a culture of ethical conduct and corporate citizenship. This approach not only aligns with evolving societal expectations but also contributes to the enhancement of the overall performance of DMBs.

Stakeholder theory serves as a compass guiding DMBs towards a governance framework that ensures financially sound as well as to be socially and ethically responsible. By embracing the interests of all stakeholders, DMBs can foster an environment of mutual benefit, ensuring their long-term viability and positive contributions to the multifaceted communities they serve.

1.3 Empirical Review

Several studies have shown the interconnectedness between corporate governance and DMBs'financial performance in Nigeria. Kafidipe *et al*. (2021) revealed that a robust corporate governance system positively impacts loan profitability and stability, with specific attention to factors such as board size, independence, and board meetings negatively affecting financial performance. Alkhawaldeh *et al*. (2021) revealed that governance factors like board stockholders and expertise moderately enhance credit ratings, while board independence and role duality exhibit weaker effects. Bala *et al*. (2020) underscores the substantial influence corporate governance have on DMBs' financial performance, emphasizing the role of management equity holding in assets.

Ebimobowei (2022) emphasized that transparency in financial reporting, risk management practices, and adherence to regulatory requirements is essential in building trust as well as confidence between stakeholders. Additionally, Yahaya, Mahat and Abdulkadir (2020) highlighted positivity impact of robust corporate governance practices and regulatory capital on DMBs' performance. These practices serve to mitigate the risk of financial irregularities, fraud, and unethical behavior.

Windsor (2019) emphasized the necessity of stakeholder-oriented governance in fostering trust and confidence, thereby nurturing positive relationships between banks and the communities they serve. Efficient conflict management within the governance framework is imperative, particularly in addressing conflicts of interest among stakeholders to facilitate smooth operations and decision-making (Olukayode, 2022). However, challenges may arise from the concentration of ownership within DMBs, as effective corporate governance often requires well-distributed ownership to minimize conflicts and enhance transparency (Amole; Muo; Lawal, 2021).

Operational efficiency is paramount for cost reduction and enhancing DMBs' profit generation capabilities (Veiga *et al*., 2021). Adoption of management of enterprise risk positively influences firm value, of which environmental, social, and governance (ESG) performance playing a significant moderating role (Chairani; Siregar, 2021). Regulatory compliance is essential for ensuring the integrity of the financial system, necessitating a comprehensive and sustainable approach for long-term resilience and success (Haber; Rolls, 2019).

Macroeconomic factors such as gross domestic product, capital market index, and monetary policy rate exert a positive influence on DMBs, underscoring the symbiotic relationship between their performance and the overall economic health of the country (Aiyedogbon; Oniore; Alegu, 2023).

2 Methodology

This study considered Ex post facto research design. This research design is appropriate because it helps to analyze the fact before the commencement of the study. Hence, the researcher has no influence on the fact of the study.

The study utilized secondary data which was sourced from annual reports of some selected banks from 2013 to 2023. These banks include; Zenith Bank PLC, Guaranty Trust Holding Company PLC, First Bank of Nigeria Holdings, United Bank for Africa, Access bank PLC, ECO bank, and Stanbic IBTC. These banks are the top seven banks in Nigeria according to their market capitalization as stated on the Nigeria Stock Exchange (NSE). Pooled OLS, fixed effect model, and Random Effect model were estimated. Breusch Pagan (BP) Langragian multiple test helps in selection appropriate model among pooled OLS as well Fixed effect model. A Hausman test helps in selection of most appropriate model among Fixed effect model as well as Random effect model.

2.1 Model specification

The model for this study is stated as:

$$ROA_{it} = f(BS, BG, BH, BI, BN, BF) \ (1)$$

Econometrically, the model is stated as:

$$ROA_{it} = \alpha_0 + \beta_1 BS_{it} + \beta_2 BG + \beta_3 BH_{it} + \beta_4 BI_{it} + \beta_5 BN_{it} + \beta_6 BF_{it} + e_{t} \ (2)$$

Where:

ROA_{it} = financial performance of Banks

BS_{it} = the number of members on a company's board

BG_{it} = the number of female members on a company's board

BH_{it} = the number of shares held by the board members

BI_{it} = the level of independence that the members on a bank's board have

BN_{it} = how diverse the nationality of the board member is

BF_{it} = the financial proficiency of the board members

Table 1 – Measurement of the variables

VARIABLE	MEASUREMENT	A-PRIORI EXPECTATION
Board size (BS)	This includes both executive member and non-executive members	It is expected that there will be a positive relationship between board size and financial performance of listed banks
Board Gender Diversity (BG)	This is taken as the proportion of men and women on a company's board of directors.	It is expected that the higher number of female board member, the higher the return on assets of a Bank.
Board Shareholding (BH)	Board Shareholding refers to the ownership of a company's shares by its board members	It is expected that there will be a positive relationship between board Shareholding and financial performance of listed banks

Board Independent (BI)	Board independence refers to having board members who do not have financial or personal ties to the company, ensuring unbiased oversight and decision-making.	It is expected that there will be a positive relationship between board independent and financial performance of listed banks
Board Nationality (BN)	Board nationality pertains to the mix of nationalities represented among a company's board members.	It is expected that there will be a positive relationship between board nationality and financial performance of listed banks
Board Financial Expertise (BF)	Board financial expertise refers to the collective knowledge, skills, and experience related to financial matters possessed by the members of a board of directors.	It is expected that there will be a positive relationship between board financial expertise and financial performance of listed banks

Source: author's Computation (2024).

3 Results

3.1 Data Presentation and Interpretation of Result

Table 2 – Descriptive statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
BS	77	14.78	3.005369	6	19
BIND	77	3.38	1.412625	2	16
BD	77	.268388	.1017859	.07	.5
ROA	77	2.2016	1.260885	.07	5.62
AGE	77	38.9	16.31607	23	74
BN	77	1.26	.4430875	1	2
BFN	77	.1640616	.1359831	0	.375

Source: authors' computation (2024).

From table 2 above, it can be observed there are 50 observations used in this study. Among the 77 observations, the average the size of the board for the selected banks used in this study is about 14 for which the standard deviation of 3.000 and a minimum and maximum value of 6 and 19 respectively. The result also shows that the average age of all the firms used for the study is 38.9 with the least age of the firms being 23 years and the maximum age is 74 showing that the firms used for this study are old enough to must have carried out corporate governance requirements and necessities. The mean ROA of 2.2016 indicating the average of these companies are generating a return of 2.2016% on their assets. This metric is useful for understanding the overall profitability and efficiency of the companies of employing their assets in generating earnings implying that the companies, on average, have a modest return on their assets, which could be seen as an indicator of reasonable profitability. The standard deviation of 1.260885% indicates that there is some variability in the ROA values among the companies in the sample. Most companies' ROA values will fall within the range of 0.940715% (2.2016% - 1.260885%) to 3.462485% (2.2016% + 1.260885%) if we assume a normal distribution and consider one standard deviation from the mean.

3.2 Correlation Coefficient

Table 3 – Correlation coefficient

	ROA	BS	BIND	BD	AGE	BSH	BN	BFN	VIF
ROA	1.0000								1.85
BS	-0.1969	1.0000							3.24
BIND	-0.1869	-0.1626	1.0000						1.27
BD	-0.0144	0.2059	-0.2997	1.0000					2.44
AGE	-0.5208	-0.2831	0.3470	-0.2857	1.0000				2.45
BSH	-0.4316	-0.1006	0.0359	-0.2467	0.7221	1.0000			1.34
BN	0.1570	-0.3546	-0.1285	-0.0889	-0.0302	-0.0041	1.0000		1.45
BFN	0.1156	-0.1781	0.0725	-0.1048	-0.3741	-0.2950	0.0183	1.0000	4.52

Source: authors' computation (2024).

Correlation coefficient of ROA and other independent variables such as board nationality, board size, board independent, board financial expertise, board shareholding, board gender diversity and other control variables. The correlation between ROA and BS is -0.0144. The negative correlation value of -0.0144 indicates indirect relationship among ROA and board size. As ROA increases, board size tends to decrease, and vice versa. The coefficient varies from -1 to 1. A correlation of -0.0144 suggests a weak negative relationship. While there is some degree of association between the two variables, it is not strong. One potential interpretation is that smaller boards may be more efficient in decision-making leading to better company performance as reflected in higher ROA. Smaller boards might be less prone to conflicts and can make decisions more quickly.

Secondly, the correlation between ROA (Return on Assets) and board independence is -0.1869. The negative correlation value of -0.1869 indicating indirect relationship between ROA and board independence. As ROA increases, the level of board independence tends to decrease, and vice versa. A correlation of -0.1869 suggests a weak negative relationship. While there is some degree of association between the two variables, it is not strong. The weak negative correlation may suggest that companies with more independent boards might not necessarily see higher ROA.

In summary, there is a slight negative correlation (-0.0144) between ROA and BD showing a minimal relationship between board diversity and ROA. There is a strong negative correlation (-0.5208) between age and ROA indicating that older firms tend to have lower ROA. ROA and BSH are strongly negative correlation (-0.4316) indicating that higher board shareholding correlates with lower ROA while, ROA and BN are positively correlation (0.1570) suggesting that greater board nationality diversity is associated with higher ROA. Also, ROA and BFN are slightly positively correlation (0.1156) indicating a weak positive relationship between board financial expertise and ROA.

3.3 Breusch and Pagan Lagrangian Multiplier Test for Random Effects

Table 4 – Breusch and Pegan Lagrangian test

	Var	sqrt(Var)
ROA	1.58983	1.260885
E	.3474385	.5894391
U	0	0

Test: Var(u) = 0
chibar2(01) = 0.00
Prob > chibar2 = 0.0210

Source: authors' computation (2024).

It was revealed from the P-value of the study that the null hypothesis of no effect should be rejected because the p-value is lower to the 5% significance level. Therefore, the effect regression supersede and more appropriate to Pooled OLS.

Table 5 – Hausman Test

Model	Hausman test	
	Chi-Statistics	**P-value**
FIXROE RANDOMROE	59.98	0.0000

Source: authors' computation (2024).

The study then proceeded to conduct the Hausman test so as to determine the most appropriate model from random effect and fixed effect. It is assumes that when the p-value is significant at 5% then fixed effect should supersede the random effect. Therefore, the fixed effect is adopted for this study.

Table 6 – Estimation Result (Fixed Effect Model)

ROA	Coef.	Std. Err.	Z	P>|z|	95% Conf.	Interval
BS	-.1868708	.0662768	-2.82	0.005	-.3167708	-.0569707
BIND	-.0381903	.0551766	-0.69	0.489	-.1463345	.0699538
BD	-2.457051	1.153187	-2.13	0.033	-4.717256	-.1968472
BSH	-.0086772	.0088124	-0.98	0.325	-.0259491	.0085947
BN	-.1187233	.7584535	-0.16	0.876	-1.605265	1.367818
BFN	-2.592575	1.152292	-2.25	0.024	-4.851025	-.3341242
AGE	-.057586	.0210857	-2.73	0.006	-.0989133	-.0162587
_cons	8.608484	3.095985	2.78	0.005	2.540465	14.6765

N = 77
Rsquare: within = 0.0425
Between = 0.7777
Overall = 0.4772
No of groups: 5
Wald chi2((5) = 30.08
Prob> chi2= 0.0000

Source: authors' computation (2024).

From the result on table 4.4 presented above, it can be observed that there is a negative but significant impact of board size on firm financial performance proxied with return on asset. The result shows that a unit increase in board size reduces ROA by about 0.18 units and the result is significant at 5% level of significance holding all other factors constant. The result shows that there is a no significant impact of board independence on ROA in Nigeria's banking sector however, a unit increase in board independence decreases ROA by about 0.38 units holding all other factors constant, even though the result is not statistically significant, showing there is no significant impact of board independence on ROA. The result shows there is significant impact of board gender diversity on ROA of the studied banks as a unit increase in board gender diversity (BD) reduces ROA by about 2.5 units, holding other factors constant. Also, Board shareholding does not have a statistically significant effect on ROA, as indicated by the high p-value (0.325) and equally, Board nationality does not have a statistically significant effect on ROA, as indicated by the high p-value (0.876). However, Board financial expertise has a statistically significant negative effect on ROA. For each unit increase in board financial expertise, ROA decreases by approximately 2.593 units. Hence, the model shows that board size, board diversity, board financial expertise, and firm age have statistically significant negative effects on ROA. Board independence, board shareholding, and board nationality do not have significant effects on ROA. The negative coefficients suggest that increases in these variables are associated with decreases in ROA.

Also, the result of the control variables shows there is a significant negative impact of age on ROA of the firms, since a unit increase in age decreases ROA by about 0.57 units at 5% level of significance.

The R-square from the results shows 0.77 indicating that 77% of the variations of the dependent variable is accounted for by the independent variables therefore the model is good and can be used for policy recommendations.

3.4 Discussion of findings

The findings from the Fixed Effect Model estimation for the dependent variable Return on Assets (ROA) reveal several important insights into the relationship between various board characteristics and firm performance.

The study tries to assess the impact of board size on the financial performance of Nigeria's listed banks. The result shows that larger board sizes are associated with lower firm performance (ROA). This might suggest inefficiencies and coordination challenges in larger boards, which could lead to slower decision-making and less effective oversight. The result is consisted with that os Olokoyo *et al*. (2019) and that of Beltratti and Stulz (2010), however, the result is contrary to the studies of Fahlenbrach and Stulz (2011). This implies that in the Nigerian banking sector, larger and more diverse boards might bring a variety of perspectives and experiences, but they also face challenges related to coordination and consensus-building, which can negatively impact firm performance.

This study seeks to evaluate the influence of board gender diversity on the financial performance of Nigeria's listed banks and the result shows that greater diversity on the board is associated with lower firm performance. This finding is somewhat counterintuitive as diversity is often linked with better decision-making and innovation and the findings is contrary to that findings of Okolie and Uwejeyan, (2022) and Adegboyegun and Igbekoyi (2022). However, it might indicate that in the Nigerian banking system, initial integration challenges or conflicts arising from diverse viewpoints.

The study also seeks to determine the effect of board nationality on the financial performance of Nigeria's listed banks and the result shows that nationality diversity of the board does not have a significant impact on ROA, indicating that multinational boards might not necessarily bring performance benefits. This is understanding considering the facts most boards in the Nigerian banking system are comprising of Nigerians with similar nationalistic tendencies.

The negative impact of financial expertise is particularly intriguing. It suggests the need for a balanced approach where financial expertise is complemented by other skills and strategic vision to avoid narrow focus on financial metrics. Surprisingly, having financial experts on the board is associated with lower ROA. This could suggest overemphasis on financial metrics at the expense of broader strategic considerations or potential conflicts among board members with different expertise.

The study also investigated the impact of board independence on firms performance in the Nigerian banking system and the result shows that independence of board members does not have a statistically significant impact on ROA. This could mean that mere independence without other factors such as expertise or engagement might not be sufficient to enhance firm performance. However, this result is contrary to the findings in theory and the findings of Rafinda *et al*. (2018), Ganbo *et al*. (2018) and Furhan *et al*. (2020). The lack of significant impact from board independence and shareholding in Nigerian banking system suggests that these factors alone are not sufficient to drive firm performance. This underscores the importance of considering the quality and engagement of board members rather than just their independence or equity stakes.

4 Conclusion and recommendations

The study concludes that board size, board diversity, board financial expertise, and firm age have statistically significant negative effects on ROA. Board independence, board shareholding, and board nationality does not have significant effects on ROA.

The study therefore recommends that Banks should consider optimizing board size to improve efficiency and decision-making. Large boards may lead to coordination problems, slower decision-making processes, and diluted accountability. Hence, there should be establishment guidelines for an optimal board size, potentially ranging from 5 to 9 members, depending on the size and complexity of the firm. Regular reviews of board composition can ensure it remains effective and responsive to the firm's needs.

While gender diversity is generally beneficial, its current negative impact on ROA suggests the need for a more strategic approach to diversity. Ensure that diverse members have the requisite industry and managerial expertise. Nigerian banks are hence advised to develop a structured approach to board diversity that focuses not just on demographic diversity but also on diversity in skills, experience, and perspectives relevant to the firm's strategic objectives. Although financial expertise is critical, its negative correlation with ROA suggests that expertise should be complemented with practical business experience and strategic acumen.

The banks should balance the inclusion of financial experts on the board with members who have strong operational and industry-specific backgrounds. Provide continuous training and development to board members to keep them updated with current industry practices and strategic management skills. Even though board independence does not show a significant effect on ROA, maintaining a level of independence is crucial for effective governance and oversight. Banks should ensure that a portion of the board consists of independent directors who can provide unbiased oversight and contribute to transparent and accountable governance practices.

Given that board shareholding does not significantly impact ROA, banks should review their policies on shareholding to ensure they align with overall corporate governance and incentive structures. The lack of significant impact of board nationality on ROA suggests that the focus should be on the quality and relevance of directors' expertise rather than their nationality.

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