Impact of Accounting Information on the Decision Making Process of Management

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Abstract

In the field of accounting, economic information is of great interest, meaning that accounting information plays an important part in the economic book-keeping/registration system in general, but also in the economic information system especially for decision making necessary for the business. Although accounting information are available for a wide range of users - stakeholders (managers, employees, suppliers, customers, financial creditors, government and its institutions, the public, the media, etc.), the investors (shareholders) are recognized as the privileged users of accounting information. Four principal qualitative characteristics must be met for the accounting information to be useful in the management system: understandability, relevance, reliability and compatibility of information. Any economic transaction processing involves collecting, categorizing, summing and analysing the data. From the findings of this research, it shows that accounting information play a vital role in making investment, financing, dividend and lending decisions. The sufficient supply and proper use of accounting information had gone a long way in helping management in making efficient and effective decision and for this, there is a significant of impact of the use of accounting information as an aid to management decision making in the institutions.

Keywords: Accounting Information, Decision Making, Management, Users

INTRODUCTION

Economic information is of particular interest for accounting. Accounting information belongs to this category. It is obtained by specific methods, procedures and instruments for processing economic data. It is the most real, accurate, complete and operative information representing in fact the support on which the management process is based. Most of the decisions that are made in the process of work rely on information obtained from accounting. It means the accounting information plays an important part in the overall economic system but also in the economic information system, especially for decision making necessary for the business. Resources are relatively scarce and limited and so management in most cases finds itself confronted with the decision-making problem. In this regard, good accounting information should be accessible to offer suitable help to the management to aid them in their decision-making process.

Management is the art of working particularly through people, for the achievement of the broad goals of an organization (Ejiofor, 1987), in trying to achieve these goals the manager has to map out strategies to find out the accounting information suitable for the company. Making decisions is part of our everyday lives. Considering organizational life, it is often one of the main functions and tasks of management, as underlined also in the statement above. Indeed, management and decision-making are often regarded as belonging together, as management usually makes the major decisions of the organization. Decision-making involves the selection of the best course of action. In order to decide on the best option, management has to judge the effectiveness of various alternatives. Therefore, they need some guidance that is usually provided in form of data and information. For this reason, they often rely on financial and economic information gathered by management accounting and financial accounting (Drury 2003).
Financial accounting information is meant for external users, such as investors, employees, creditors, government or general public and is given by the financial statements, consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and the accounting policies and explanatory notes thereto. Managerial accounting information is for internal users or the entity's management and includes information on the unit cost of products, cost behaviour relative to the volume of business or profitability per product. As can be derived from this definition, accountants play a crucial

role in providing information for making economic and financial decisions. These decisions are important elements for the organization. Implementing the wrong ones can affect the company in a very negative way and may sometimes also lead to its bankruptcy. Suma (2010) even goes so far to claim that "the road to bankruptcy is paved with poor decisions." As the outcome of a decision cannot always be predicted with certainty, management often faces the risk of choosing the wrong ones. Hence, management always needs to have some courage as well when facing decisions. Apparently, good decisions are important and ensure the wellbeing and also the survival of an organization.

LITERATURE REVIEW

Accounting Information System

According to Collier (2003), accounting is a collection of systems and processes used to record, report, and interpret an economic entity's business transactions, which provides in financial terms an explanation or report about the transactions of an organization. That can be simply described, as the process of recognizing, evaluating and communicating information to allow informed judgements and decisions by users of the information. This is to say that accounting information is valuable to those who need to make decisions and plans about business and control the businesses. (Atrill, et al., 2014) Thus, the key aspects of accounting are identifying the key financial component of an organization, measuring the monetary values of these to represent a true and fair view of the organization, and communicating this financial information in a way useful to the users of that information (Black, 2005)

Qualitative Characteristics of Accounting Information

Within the managerial system, for the accounting information to be useful, it is necessary for it to fulfil four principal qualitative characteristics: comprehensibility, relevance, reliability and compatibility of the information (OMPF, 2014). Comprehensibility is an essential quality which implies that accounting information must be easily understood by users. To that end, the users are assumed to have a reasonable knowledge of business and carry out the tasks given by economic activities. Relevance is their ability to be useful to the beneficiaries in decision making. Accounting information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events, confirming or correcting them. With respect to credibility, accounting information has the quality of being reliable when it does not contain significant errors and is not biased and users can trust that the information represents correctly what it aims to represent or what is reasonably expected to represent. Consequently, compatibility implies that users can compare the information presented in the financial statements of an enterprise over time to identify trends in its financial position and performance.

Accounting Information Tools

Statements of Financial position

The statement of financial position follows the basic accounting equation assets equal liabilities plus owners' equity. The difference between what a company has and what it owes equals equity, or net worth. A high net worth may indicate that a company is relatively debt free, particularly if its owners' equity is higher, expressed as a percentage of assets, than other companies in its industry.

Statement of comprehensive Income

The statement of comprehensive income shows how much profit a company has earned during a given period. The format includes a gross profit calculation, followed by an operating income section. This produces operating income. Non-operating income or losses, including one-time or special sources of revenue or expense, are then added to derive net income. Gross profit is based on revenue minus the cost of producing the goods or services that a company sells, called the cost of goods sold. This shows how efficiently the company generates income from its production. Operating income considers many other costs along with the cost of goods sold, including overhead and depreciation on equipment. This is

important in determining the company's basic profitability, especially when compared to prior periods or to other companies in its field. Growing operating income is a good sign. Special items may positively or negatively affect a period's net income, but they are less likely to affect long-term concerns.

Cash Flow Statement

The statement of cash flows also reveals useful information when making investment decisions. It shows the net change in the company's cash position during a given period. In general, stable or growing cash flow means the company can cover its short-term debt payments and expenses, while also keeping up with any long-term debt obligations. You can also look over the structure of the cash flow to see how much cash is generated from operating activities versus financing and investing. It is a good sign when a company's cash from operating income routinely exceeds its net income. This shows income is turning into cash. Typically, an effective cash position is favourable in an investment because it shows less risk of loan defaults or bankruptcy.

Statements of retained earnings

The statement of retained earning presents the changes in a company's or organization’s retained earnings over a specific period of time. These statements show the beginning and final balance of retained earnings, as well as any adjustments to the balance that occur during the reporting period. This information is sometimes included as part of the balance sheet or it may be combined with an income statement. However, it is frequently provided as a completely separate statement.

Statement of Owners' Equity

The statement of owners' equity isolates the equity section of the balance sheet. Its primary purpose is to show the trend in retained earnings for the company. Retained earnings are accumulated profits not paid out in dividends. This is useful in investment decisions because higher retained earnings relative to dividends means you get less dividend income. However, this often means the company is looking to grow and is holding onto income for reinvestment versus paying it out in the near term.

Statement of Accounting Policies

The statement of accounting policies comprises specific policies and procedures used by a company to prepare its financial statements. These include any methods, measurement systems and procedures for presenting disclosures. Accounting policies differ from accounting principles in that the principles are the rules and the policies are a company's way of adhering to the rules.

Notes on the accounts

The notes to the accounts are a series of notes that are referred to in the main body of the financial statements. The notes give further details on the numbers given in the accounts. The importance of these numbers should not be underestimated. The accounts are not complete without the notes. Investors who rely on the main body of the accounts and ignore the notes are likely to find themselves misled.

Usefulness of Accounting Information on Management Decision

In particular, Atrill and McLaney (2009) identifies four broad areas, where management accounting information is necessary to support managers in decision-making especially in terms of developing long-term plans and strategies, performance evaluation and control, allocating resources and determining costs and benefits

Developing objectives and plans

Managers are responsible for establishing the mission and objectives of the business and then developing strategies and plans to achieve these objectives. Management accounting information can help in gathering information that will be useful in developing appropriate objectives and strategies. It can also

generate financial plans that set out the likely outcomes from adopting particular strategies. Managers can then use these financial plans to evaluate each strategy and use this as a basis for deciding between the various strategies on offer.

Performance evaluation and control

Management accounting information can help in reviewing the performance of the business against agreed criteria. We shall see below that non-financial indicators are increasingly used to evaluate performance, along with financial indicators. Controls need to be in place to ensure that actual performance conforms to planned performance. Actual outcomes will, therefore, be compared with plans to see whether the performance is better or worse than expected. Where there is a significant difference, some investigation should be carried out and corrective action taken where necessary.

Allocating resources

Resources available to a business are limited and it is the responsibility of managers to try to ensure that they are used in an efficient and effective manner. Decisions concerning such matters as the optimum level of output, the optimum mix of products and the appropriate type of investment in new equipment will all require management accounting information.

Determining costs and benefits

Many management decisions require knowledge of the costs and benefits of pursuing a particular course of action such as providing a service, producing a new product or closing down a department. The decision will involve weighing the costs against the benefits. The management accountant can help managers by providing details of particular costs and benefits. In some cases, costs and benefits may be extremely difficult to quantify; however, some approximation is usually better than nothing at all.

METHODOLOGY

Descriptive statistics were used to analyse the data that was collected i.e. (mean and standard deviation) and regression model. All this played an important role in helping to draw inferences on the relationship that exists between study variables. Regression and correlation analysis were included to represent inferential statistics. The researcher used statistical package for social sciences (SPSS) when analysing the information which helped in determining and testing regression and correlation between dependent and independent variables. Test of correlation was done to test the strength and association between the dependent and independent variables. Regression analysis included fit of the model, Analysis of Variance (ANOVA) and Regression of Coefficients. Fit of the model was construed by assessing R Square to assess the extent to which the independent variable (Accounting Information Quality) explained the dependent variable (Decision Making). ANOVA was used to test the significance level of the model using the 0.05 conventional level where a variable is said to be statistically significant if it falls within the conventional threshold of 0.05. Tables, figures and frequencies were used to present the data. These Statistical tools were adopted because it has been used by other accounting information researchers Table

Data Analysis and Presentation

CATEGORY	VARIABLES	OPERATIONALIZATION	MEASUREMENT
Dependent Variable	Decision Making	1. AIS 2. Success 3. Clear Methodology	Likert Scale 1-5
Independent Variable	Reliability	1. Completeness 2. Faithful representation	Likert Scale 1-5

		3. Verifiable	
Independent Variable	Comparability	1. Accounting period are Comparable 2. Used with ease 3. Accounting Information Comparability	Likert Scale 1-5

Source: Reserachers Computation

Model Specification

The model specification used in this study is based on the description of the relationship between the dependent and independent variables of this research work.

Y = f (Explanatory variables) + error term--------------------------------(I)

Where Y = Dependent Variable "management decision making"
X = Independent Variable which was represented by Reliability and comparability of accounting information.

The multiple linear regression models for this study is defined as:
Y= β0 + β1X1+β2X2 + e -- (II)
Y= β0 + β1RAI1+β2CAI2 + e -- (III)

Where: β0=Constant
e = Error term

Study Variable

Independent Variable (X)	Dependent Variable (Y)
Reliability of Accounting Information (RAI1)	Decision Making
Comparability of Accounting Information (CAI2)	

Source: Reserachers Computation

RESULT AND DISCUSSION

From the findings, it can be observed that accounting information play a vital role in making investment, financing, dividend and lending decisions. The sufficient supply and proper use of accounting information had gone a long way in helping management in making efficient and effective decision and for this, there is a significant of impact of the use of accounting information as an aid to management decision making in the institutions. The study also found that accounting information system leads to good financial reports and also leading to better decision making. This study agrees with a number of empirical literatures. Okoli, (2012), aimed at studying how effective and efficient the instrument of good accounting information is in decision making in an organization. Their findings revealed that the use of accounting information improves and enhances decision making in organizations. Similarly, Amedu (2012), researched on the Contribution of Financial Statement Investment Decision making in Nigeria and finding reveal that financial statements are useful for forecasting company's performance. It equally provided various facts of a business such as accurate records of its income and expenses as well as the assets and liabilities that were relied upon in investment decision making.

CONCLUSION AND RECOMMENDATIONS

From the foregoing, accounting information holds the crucial role in substantiating the economic decisions, offering the possibility of an accurate representation of economic phenomena and processes. Users of accounting information act, operate and make decisions constantly, by using and understanding the accounting information provided by financial statements. The financial statements published by companies are aimed at providing data able to ensure markets' efficiency and the optimal allocation of economic resources. Through this study the researcher recommended the following specific task as a way of insuring that accounting information is important in management to make decisions.

i. All systems have to be computerized and modern speed system network should be established so that the information could reach the accounting department on time. The management should also train its workers on the accounting package for quick and efficient accounting records.
ii. Qualified and capable personnel should be employed for accounting information preparation and presentation.
iii. Monitoring and control actions should be enhanced in the decision- making process on specific decisions according to the stipulated processes associated so that desired goals are achieved in improving the functionality and performance of the organization.

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Corporate Board Structure and Profitability of Insurance Companies in Nigeria: Empirical Evidence from Selected Listed Insurance Companies

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Abstract

The study investigated the effect of corporate board structure on the profitability of listed insurance companies in Nigeria. Specifically, the study examined the effect of board size and board composition on the profitability of the four (4) listed insurance Companies in Nigeria. The firms' profitability was defined as Return on Assets (ROA). This study adopted a descriptive research design. The study population comprised all the twenty three insurance companies which were quoted on the floor of the Nigerian Stock Exchange as at March 9, 2020. Both probability and non-probability methods in the form of purposive and simple random sampling techniques were employed to select a sample from the population. Secondary data were generated from only secondary source using documentary records from the companies'financial statements and annual reports for the period 2015 to 2019 using content analysis method of data collection. Descriptive and inferential statistical tools based on multivariate regression analysis using E-view Processorwere used to analyze the data collected. The study revealed thatcorporate board structure does not significantly affect the profitability of insurance companies in Nigeria. Board size and board composition were found to have no effect on the profitability as a measure of financial performance of insurance companies listed on the NSE. The study recommends among other things thatinsurance companies should have an optimal board size and board composition so as to enhance investor's confidence in the companies which is attracted by increased independency of the board; capable of enhancing financial performance. It further suggests that board of directors should practice due care and diligence in discharging their duties and that the majority of board members should be non-executive directors composed mostly of independent directors.

Keywords: Corporate Board Structure, Corporate Governance, Profitability, Insurance Companies, Board Size, Board Composition, Return on Assets

INTRODUCTION

Corporate governance issues have been variously discussed in relation to performance of corporate organisations. Recently corporate governance became a hot topic among a wide spectrum of people, government, industry operations, directors, investors, shareholders, academics and international organisations to mention a few. The background of corporate governance dates back to the 19th Century when state corporation laws enhanced the rights of corporate boards without unanimous consent of shareholders (Wheeler, Colbert and Freeman, 2002; Ghosh, 2015). The concept propounds that corporations should have a good board structure in order to enhance performance (Securities and Exchange Commission ([SEC], 2003; 2011). It is firmly rooted on the assumption that good corporate governance practices enhance corporate performance. They did it in exchange for statutory benefits such as appraisal rights in order to make corporate governance more efficient. Corporate governance is considered as one of the most debated issues in the finance and accounting literature in the recent years. This debate is expected to have been occasioned by the recent corporate failures experienced around the world such as Enron Corporation and WorldCom among others (Mang'unyi, 2011). The early debates came up after the increase in agency problem, which emanated from separation of ownership and control created in the case of Salomon v Salomon, (1897). Today's world has seen that organisations' transparency, financial disclosure, independency, board size, board composition, board committees, board diversity, board meetings, duality of positions of Board Chairman and Managing Director/Chief Executive Officer, to mention a few is the cornerstone of good governance practices. These variables are in the main agenda of most meetings and conferences worldwide including the World Bank, International Monetary Fund (IMF) and Organisation of Economic Co-operation and Development (OECD) (Inyanga, 2009).

Corporate governance can be defined as the system of principles, policies, procedures, and clearly defined responsibilities and accountabilities used by stakeholders to overcome conflicts of interest inherent in the corporate form. Maimako (2010) defines corporate governance as an internal system or mechanism encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity, accountability and integrity.According to Nworji, Olagunju and Adeyanju (2015), corporate governance is a diligent manner by which providers of corporate capital are legally and ethically rewarded. Corporate governance is described as the system by which companies are controlled and directed in the best interest of the owners(Cadbury, 2010).It is viewed as the set of processes, customs, policies, laws and institutions affecting the manner a corporation (company) is directed, administered and controlled. It is concerned with a system, principle, practice and policy that require the management to admit that shareholders are the true and legalized owners of business entities.It is about the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders; it is about commitment to values, about ethical business conduct, and about making a distinction between personal and corporate funds in the management of a company. It involves a structure that prescribes set of relationships among a company's management, its board, its shareholders and other stakeholders. Corporate board is central to corporate governance practice as it is regarded anan important element in the enhancement and sustenance of private sector growth and development. This is because corporate governance pursues not only to strengthen the ability of companies to attract investment and ensure growth, but also to guarantee strength, effectiveness, efficiency, and more accountability ofthe companies to their stakeholders (Coleman, 2008; International Finance Corporation [IFC], 2010, 2014). The Cadbury Report was issued in reaction to corporate collapses such as Maxwell Communications Plc and Polly Peck International Plc in the United Kingdom (UK). Ten years later, the enactment in the United States of America (USA) of the Sarbanes-Oxley Act in 2002 was in reaction to the collapse of Enron Corporation and WorldCom (Souster, 2012). The collapse of these corporate giants was linked to lack of sound corporate governance principles.

Board structure is a framework that encompasses the entire elements and components that qualify the board. Global practice reveals that there are basically two types of board structure; a single-tier or unitary board and a two-tier board. Board structure is an arrangement that basically and narrowly deals with the board size and the board composition. From a wider dimension, board structure covers board size, board composition, board diversity, internal board committees, board meetings and duality of the positions of the Board Chairman and the Chief Executive Officer (CEO).The definition of board structure as given by Tricker (1994) is adopted in this study since board structure is a corporate governance mechanism. Tricker (1994) noted that board structure distinguishes between those directors who hold management positions in a company and those who do not engage in the management affairs of the company.In other words, board structure classifies directors into executive directors and non-executive directors. It further classifies directors into independent directors and dependent directors. Profitability as a parameter of financial performance is measured by the firm's optimum attainment of targeted financial returns through effective and efficient utilization of human, material and financial resources at its disposal (Oparanma, 2010). Profitability is the ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's capability of generating profits from its operations.Profitability is one of four building blocks for analyzing financial statements and company performance as a whole. The profitability of a firm measures its gains over its operative years. As contained in Bauer (2004), from the agency cost theory view point, firms with more profit should have higher leverage for income they shield from taxes. It holds the view that more profit firms should make use of more debts purposely to serve as a disciplinary measure for the managers. For this reason, the need for flexible and appropriate board structure for quick and informed decision making is necessary to respond quickly to the current dynamic business environment. Profitability measure of financial performance is a complex issue that has no single approach for its measurement. Firms face diverse stakeholder demands to choose from various alternatives to address financial performance challenges from internal and external environments. At this juncture, Berle and Means (1932), opine that in contract of agency, the agent's interest often comes into conflict with that of the principal which results to suboptimal performance of the organization as a result of moral hazards and adverse selection. Therefore, there is an increasing demand for corroborating good governance to protect the firm's shareholders' wealth, enhance firm's profitability and financial performance for sustainable growth and development (Dembo & Rasaratnam, 2014).

Many of the modern day corporations are not controlled by those who own them. This is what sparked Berle and Means (1932) ground-breaking study, when they warned that the growing dispersion of ownership was giving rise to a potential value-reducing separation of ownership and control. Berle and Means (1932) expected an inverse relationship between the diffuseness of shareholdings and financial performance. Berle and Means (1932) argued that shareholder diffusion makes it difficult for the firm's equity owners to act collectively and hence influence management to a great extent. The board of directors was therefore assigned with the fiduciary duty to act in the diffused owners' best interest.However, in some cases, these directors suffered from the same principal-agent problems faced by those diffused shareholders. Studies conducted on the effect of corporate governance on financial performance of firms by Brown and Caylor (2004); Gompers, Ishii and Metrick (2003) found that companies with effective corporate governance systems tend to have higher measures of profitability and generate higher returns for shareholders. In essence, it can be deduced from above that ineffective corporate governance systems and practices increase the risk to an investor, thus affecting the financial performance of the company. Ineffective corporate governance systems could even cause a company to go bankrupt, as seen from recent examples such as the failure of the Enron Corporation, WorldCom, Tyco, Adelphia and Global Crossings. The occurrence of major corporate scandals, such as Enron and WorldCom in America and Regal Bank and Leisurenet in South Africa, has brought increased attention to corporate governance issues and regulations aimed at improving the corporate governance environment. Poor governance, lack of oversight functions, relinquished control and lack of accountability by the board of directors are some of the reasons for those corporate failures. As a result, various corporate governance

reforms such as the Sarbanes-Oxley Act (2002) in America, the Cadbury Report (1992) in the United Kingdom, the King Report (1994) in South Africa and the Securities and Exchange Commission (SEC) Code (2011)as amended in Nigeria were issued. These corporate governance reforms among other things specifically emphasized changes to listed companies' board structures in an attempt to reduce the likelihood of similar corporate failures occurring in the future (Abidin, Kamal & Jusoff, 2009).

The diversity of corporate practices around the world challenges a common definition for corporategovernance (Aguilera & Jackson, 2003). However, the major role of an operational corporategovernance system, as reflected in most accounting and finance literature, is to abridge the underlying principal-agent problems in a firm (Desender, 2009). An agency relationship occurs when an agent acts on behalf of a principal. Such a relationship may create a latent for a principal-agent problem where the agent may act for his own well-being rather than for that of the principal. Effective corporate governance systems are primarily concerned with minimizing the potential principal-agent problems between managers and shareholders and between directors and shareholders. Monitoring these principal-agent problems can result to agency costs to shareholders. To reduce these costs, shareholders nominate corporate directors to monitor and prevent principal-agent problems that may arise in the firm (Shleifer &Vishny, 1997). Hence, the board of directors is at the core of ensuring that good corporate governance is practised by a firm (Desender, 2009). Studies by Hermalin and Weisbach (1998) found that one important criterion to ensure the success of the board of directors as managers of the company is to have an effective board structure in place. Brennan, (2006) opined that the monitoring duty of a board is influenced by factors such as board composition, board ownership, board diversity, board size, board committees, board meetings, CEO duality and information asymmetries. A number of studies were conducted on board structure and firm performance in recent years (Golmohammadi, Ranjdoost&Cherati, 2012; Jackling &Johl, 2009; Uadiale, 2010; Tornyeva&Wereko, 2012). However, a few researches were known to be conducted in Nigeria like that of Garba& Abubakar (2014), Adeyele&Maiturare (2012), who studied corporate governance and financial performance of listed Nigerian companies. To the best of the researchers' knowledge, there is little or no study that was conducted on board structure and profitability as a measure of financial performance of listed insurance companies in Nigeria. Therefore, this research aims to fill this gap by examining the effect of board structure on the profitability as a measure of financial performance of listed insurance companies in Nigeria.

LITERATURE REVIEW

Conceptual Review

Corporate boards have become synonymous with the control and management of listed firms, characterised by management teams that are different from the owners. The separation of management from ownership of firms brings about agency conflicts, which according to agency theory proponents as captured in Jensen andMeckling, (1976); Fama and Jensen (1983) arise from the human tendency to misappropriate the resources of others unless one is motivated against or deterred from such actions. The corporate board is simply a committee of selected representatives of the shareholders, investors and other stakeholders of an economic entity whose main responsibility is to provide superior supervision over the actions of employees and hired professional managers in order to ensure that actions are taken in the best interests of the stakeholders of the entity. There are several criteria for judging the effectiveness of corporate boards such as board size, diversity, and duality of Chairman/CEO positions, shareholding by board members, attendance at board meetings, gender diversity, and age of directors, board committees and nationality of members. Only literature on board size, board composition, board diversity,internal board committee, the duality of positions the Chairman/CEO, and board meetings is reviewed under this section. However, other characteristics, as they relate to the Nigerian insurance companies, are not discussed in this paper.

Importance and Key Characteristics of Corporate Governance

Corporate governance has taken a stronger foothold in developed countries when compared to emerging economies. Kolk and Pinkse (2010) assert that good corporate governance has many benefits to the organization. The importance of corporate governance tends to be different with the level of organizational governance (IFC, 2014). Calabrese et al. (2013) argued that company level, well-governed companies tend to have better and cheaper access to capital, and tend to outperform their poorly governed peers over the long-term. Companies that insist upon the highest standards of governance reduce many of the risks inherent to an investment in a company (IFC, 2004). In a similar view, Caprio, Laeven and Levine (2007) pointed out that good corporate governance can reduce the risk of financial crisis, which can have devastating social and economic costs. Finally, good corporate governance can lead to better relationship with all stakeholders and thus improve labour relations as well as the climate for improving social aspects such as environmental protection (Enobakhane, 2010). The directors are the key characteristic of good corporate governance mechanism (Blair, 1995) and are regarded as the officers of the company by the company law (Coleman, 2008). Based on the literature board structure (board size, board composition, board committees, and board diversity) could be used as a proxy for measuring corporate governance practices in firms (Enobakhane, 2010) since directors are the once who control the company. Board structure refers to how the organisation is structured in terms of the board of directors (Vaithilingam, Mahendhiran & Muthi, 2006). Ogbechie and Koufopoulos (2007) argued that a board structure is an integral part of the corporation as it plays a key role in the wellbeing of the firm.

Corporate Board Structure

To be effective, corporate boards must take steps, both in their structures and in their nominating procedures, to ensure that insiders and executive owners are unable to exercise undue control over the boards' activities and decisions.To ensure that shareowners' interests are served, boards must be appropriately independent so as to provide a variety of views, including those of investors, on strategy, governance, and financial performance (Othman, Ponirin & Ghani, 2009). In doing so, boards should seek competent professionals while refraining from nominating individuals with a large number of existing board memberships (Ogbechie & Koufopoulos, 2010).The primary responsibility of a corporate board of directors is to protect the assets of shareholders and ensure they receive a positive return on their investment. The board of directors has a fiduciary responsibility under United States (US) law to the company's shareholders (HillmanShropshire & Cannella, 2007). The board of directors is the highest governing authority within the management structure of a corporation or publicly traded business (Sundaram&Inkpen, 2004). It is the board's job to select, evaluate, and approve compensation for the company's Chief Executive Officer (CEO), evaluate the attractiveness of and pay dividend, recommend stock splits, oversee share repurchase, approve the company's financial statements, and recommend or reject merger and acquisition opportunities, and the like (SEC, 2011).

A board of directors is essentially a panel of people who are elected to represent shareholders and other stakeholders. A board of directors is an elected group of individuals that represent shareholders. The board is a governing body that typically meets at regular intervals to set policies for corporate management and oversight. Everypublic company must have a board of directors. Some private and nonprofit organizations must also have a board of directors (Attiye&Robina, 2007). A board of directors is a group of people who jointly supervise the activities of an organization, which can be either a for-profit business, nonprofit organization, or a government agency. Such a board's structure, powers, duties, and responsibilities are determined by government regulations (including the jurisdiction of thecorporation's law) and the organization's own constitution and bylaws. These authorities or bylaws may specify the number of members of the board, the manner in which members of the board are elected (example, byshareholders vote at an annual general meeting), and how often the board meets. While there is no set number of members for a board, most range from 3 to 31 members. Some analysts believe the ideal size is seven. The board of directors should be a representation of both management and shareholder interests and include both internal and external members. The directors of an organization are

the persons who are members of its board. Several specific terms categorize directors by the presence or absence of their other relationships to the organization.A board is composed of individual men and women who are elected by the company's shareholders for multiple-year terms (SEC, 2003).

Board structure is a framework that encompasses the entire elements and components that qualify the board. Board structure is an arrangement that basically and narrowly deals with the board size and the board composition. From a wider dimension, board structure covers board size, board composition, board diversity, internal board committee, board meetings and duality of the positions of the Board Chairman and the Chief Executive Officer (CEO).Board structure in this study is based on the definition of board structure given by Tricker (1994). He noted that board structure distinguishes between those directors who hold management positions in the company and those who do not. In other words, board structure classifies directors into executive directors and non-executive directors. An executive director is an inside director who is also an executive with the organization. The term is also used, in a completely different sense, to refer to a CEO. A non-executive director is a member of a company's board of directors who is not part of the executive team. A non-executive director alternatively is an inside director who is not an executive of an organisation or typically does not engage in the day-to-day management of the organization but is involved in policymaking and planning exercises. In addition, non-executive directors' responsibilities include the monitoring of the executive directors and acting in the interest of the company stakeholders. Both the executive director and thenon-executive director constitute dependent (insider) director, who, in addition to serving on the board, has a meaningful connection to the organization (Johnson, Daily &Ellstrand, 1996). Independent director alias outside director is a director who, other than serving on the board, has no meaningful connections to the organization (Organisation for Economic Co-operation and Development [OECD], 2004; Securities and Exchange Commission [SEC], 2003).Global practice reveals that there are basically two types of board structure, a single-tier or unitary board and a two-tier board. The two-tier board is further split into an upper-tier board and a lower-tier board. In a two-tier board, the upper-tier maintains a neighbouring watch on the executives at the lower-tier. Examples of countries that operate the two-tier board system are Germany, Austria and Netherlands. Many countries practice the single-tier or unitary board system. Nigeria, Britain, United States are examplesMaimako (2010).

Board Size

This is considered to be a crucial characteristic of board structure. It refers to the total number of members sitting on the board. Historically, nonprofit boards have often had large boards with up to twenty-four members, but a modern trend is to have smaller boards as small as six or seven people. Studies suggest that after seven people, each additional person reduces the effectiveness of group decision-making (Wikipedia, 2020). According to the Corporate Library's study, the average size of publicly traded company's board is 9.2 members, and most boards range from 3 to 31 members. Some analysts' think the ideal size is seven (Clifford & Evans, 1997; Wen, Rwegasira & Bilderbeek, 2002; Wikipedia, 2020). State law may specify a minimum number of directors, maximum number of directors, and qualifications for directors (Blair, 1995; Bhagat&Blach, 1999; Wikipedia, 2020). For example, whether board members must be individuals or may be business entities.Thus, as an extra member is included in the board, a potential trade-off exists between diversity and coordination. According to Yermack (1996), coordination, communication and decision-making problems increasingly impede company performance when the number of directors increases. However, board size recommendations tend to be industry-specific, since Adams and Mehran (2003) indicated that bank holding companies have board size significantly larger than those of manufacturing firms.

Board Composition

Board composition dwells on the position that the board should strive for a diversity of backgrounds, expertise, and perspectives, including an increased investor focus. The rationale is board composition with these attributes will improve the likelihood that the board will act independently of management and

in the best interests of shareowners; reduce the influence of board members who are executive or financial officers of other companies who might have a natural inclination to support management's perspectives; ensure that board members are able to understand the many complicated financial transactions and activities; ensure that company activities are presented properly in the financial statements; and ensure that shareowner and investor views are considered along with the perspectives of CPAs (Wikipedia, 2020). The Companies and Allied Matters Act ([CAMA], 2004) in section 246 (1) prescribes the minimum number of directors for a registered company as two. The Act does not prescribe the maximum number of directors for a registered company. The Act allows each company to decide on the number of directors. However, The Code of Best Practices on Corporate Governance in Nigeria (2011) requires that the minimum number of directors should be five while the maximum number should be fifteen. The CBN code recommends a maximum number of twenty directors for a Nigerian bank. It further states that the number of non-executive directors on the board should exceed that of the executive directors. The CBN code provides that at least two non-executive board members should be independent directors. The actual number of director on a board varies from company to company (Maimako, 2010). A single-tier board is usually headed by a chairman. The board membership consists of executive directors, non-executive directors and independent directors. Non-executive directors do not exercise executive powers and are not employees of the companies on whose boards they sit. Executive directors who usually exercise executive powers are employees. The appointment of independent directors is a recent phenomenon in some companies. An independent director does not represent any particular shareholder's interest in the company (Maimako, 2010).

In single-tier boards, most governance codes recommend the separation of the position of a chairman from the position of a Managing Director (MD)/Chief Executive Officer (CEO) to prevent one individual from having unfettered powers of decision making. Although the Code of Best Practices for Governance in Nigeria recommends the separation of the position of the chairman from the position of MD/CEO, it states that in exceptional cases, the two may be combined (Okolo, 2016). The code suggests that there should be a strong Non-executive Independent Director as vice chairman of the board. However, the CBN code forbids the combination of the positions of chairman and MD/CEO and stipulates that no executive chairman is recognised in the structure. To promote balance of power within the leadership structure, a separation of the two positions is not just desirable but considered to be best practice (Maimako, 2010).

Board Diversity

Board diversity relates to the composition of the gender, age, skills, ethnicity, and other demographic factors of the individual members of the board. Although several attempts have been made to establish the relationship between the individual aspects of board diversity on the performance of the firm (Ujunwu, Okoyeuzu & Nwakoby, 2012; Laible, 2013; Adams, Gray &Nowland, 2011; Marimuthu&Kolandaisamy, 2009), there appears to be no consensus on whether one aspect of board diversity impacts more on the performance of the firm than another. However, literature is unanimous that board diversity in general does affect the performance of the firm and results in diverse opinions that impacts on the quality of corporate decisions (Bernardi&Threadgill, 2010; Adams & Ferreira, 2008; Dobbin & Jung, 2011; Salehnezhad&Abbasi, 2013). The resource dependence theory supports diverse boards because of the inherent human and social capital and associated resources that diverse persons would bring into the organisation (Pfeffer&Salancik, 1978). Thus, broadening the ethnic and gender diversity of boards not only helps increase the size of the candidate pool and therefore the quality of potential board members, but also helps broaden the perspectives and experience of the whole team. The literature indicates that the number of women in corporate boards is very low ranging from 9% to 16% in the Americas and Europe except in Norway where regulation specifies an enhanced quota for female board members (Sweigart, 2012; European Commission, 2014).

The empirical evidence in literature is that inclusion of females in corporate boards provides some level of corporate legitimacy to investors, increases social and environmental responsibility, improvements in intra-board communication and overall management style leading to improved financial performance and

shareholder value, increased customer and employee satisfaction, rising investor confidence, and greater market knowledge and reputation (Adams & Ferreira; 2008; Adams, Gray &Nowland, 2011; Sweigart, 2012; IFC, 2014). There are not any regulatory provisions in any governance code in Nigeria which require the inclusion of women in the boards of listed companies including banks. However, some passive provisions on the quality of board members are contained in both the CBN (2006) and the SEC (2011) Codes. The CBN (2006) Code indicates that only people of proven integrity and who are knowledgeable in business and financial matters should be on the board of listed banks while the SEC (2011) code states that board members of listed companies (including listed banks) should be individuals of upright personal characteristics, relevant core competence and entrepreneurial spirit with records of tangible achievements and knowledgeable in board matters. There are no requirements on age, minimum educational qualifications, and number of years of experience, foreign representatives, or other demographic factors pertaining to board membership in Nigeria.

Internal Board Committees

While a board may have several committees, two committees comprising the compensation committee and audit committee are critical and must be made up of at least three independent directors and no inside directors. Other common committees in boards are nominating and governance (Wikipedia, 2020). The functions of board of directors are performed through its various standing committees. The number of board committees varies from company to company depending on the type and size of a company. Committee charters usually define the purpose of the committees, their structures and composition, duties and responsibilities, frequency of meetings and reporting lines to the board. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board (OECD, 2004). Although functions are assigned to the committee, the full board takes final responsibility. In line with best practice, the chairman of the board should not chair any board committee (Maimako, 2010).

Duality of Positions

There appears to be a universal concern as to whether to separate the positions of the chairman of the board and the CEO or toallow one person to occupy both positions. From the agency theory perspective, independent board leadership is necessary to prevent managerial entrenchment. Whereas agency theory supports the split of the two positions to avoid over-concentration of power in a single individual which may impede effective control of the firm, stakeholder theory supports the concentration of the two positions in one individual for effective command and quick decision making (Dalton &Kesner, 1987; Abdullah, 2004). In the case of the banking sector, shareholders and other corporate governance activists appear to favour the splitting of the two positions between two independent persons (Bank for International Settlements, 2010; Tribbett, 2012). Literature is divided as to whether firms with chairman/ CEO duality perform better than those that split the holding of the two positions. Empirical findings have also not been conclusive in that research findings have supported both opinions (Peng, Zhang & Li, 2007; Krause &Semadeni, 2013).

Rechner and Dalton (1991) found that firms with independent governance consistently outperformed the CEO duality firms (one person holds both positions as CEO and Chairman). On the contrary, Wong and Yek (1991) found that CEO duality did not lower the firm value. They argue that the internal incentives (bonus and stock options) and external market system (market for corporate control) have effectively motivated and adequately disciplined management of firms. Balinga, Moyer and Roa (1996);Brickley, Coles and Terry (1994) support the claim as their studies found companies with independent board leadership did not show enhanced performance. In Singapore, Wong and Yek (1991) found a significant and positive relationship between CEO duality and modified Tobin's Q. Tan, Chang and Tan (2001) also found CEO duality had positive and significant relationship with Tobin's Q during financial crisis (1997). In Malaysia, Haniffa and Hudaib (2006) found that independent leadership had insignificant relationship to Tobin's Q but had a significant and positive relationship to Return on Assets (ROA). Due to mixed

results, the present study adopts agency theory because independent board leadership is highly recommended by the Malaysian Code on Corporate Governance (MCCG)by Securities Commission Malaysia ([SCM], 2017).The guiding criteria for corporate boards' structure have been identified to include shareholders' demands and structure, regulatory requirements, state of the firm and cost-benefits trade-offs (Gabrielsson, Huse&Minichilli, 2007; Sridharan&Marsinko, 1997; Kakabadse, Kakabadse& Barratt, 2006; Thuy-Nga, 2010). The Nigerian experience is similar. Both the CBN Code (2006)for deposit collecting banks and the SECCode (2011)for all listed companies in Nigeria indicate that the positions of the chairman of the board and the CEO should be held by different individuals. In the case of banks in Nigeria, the CBN Code rejects the creation of the position of executive vice-chairman which would allow the holder to sit as alternate chairman of the board and also as the CEO of the bank. The Nigerian experience, according to CBN (2006), indicates that banks that had chairmen or CEOs with overbearing influence recorded serious corporate governance infractions. The occupation of position of the chairman of the board by a non-executive director not connected to the CEO is considered necessary as a check on the occupants of both offices and to improve corporate governance performance, reduce the powers of both occupants and ensure that the corporate board performs effectively and with significant independence(OECD, 2004; CBN, 2006).

Board Meetings

For corporate boards to carry out their responsibilities and duties effectively, members must of necessity hold meetings. A board of directors conducts its meetings according to the rules and procedures contained in its governing documents. These procedures may allow the board to conduct its business by conference call or other electronic means. They may also specify how a quorum is to be determined (Wikipedia, 2020). Many organizations in the English-speaking world have adopted Robert's Rules of Order as a guide to supplement their own rules(Wikipedia, 2020). In this book, the rules for conducting board meetings may be less formal if there are no more than about a dozen board members present(Wikipedia, 2020). An example of the informality is that motions are not required if it's clear what is being discussed (Wikipedia, 2020).In their study of 169 listed corporations from 2002 to 2007 in South Africa, Ntim and Osei (2011) observed that there is a statistically significant and positive association between the frequency of corporate board meetings and corporate performance, which implies that firms whose boards meet frequently are likely to perform better than those firms whose boards do not meet regularly. This indication provides empirical evidence to the agency theory suggestion that for effective control of firms for high performance, boards should meet more regularly. Chou, Chung and Yin (2012) also found in a study of Taiwanese firms a positive relationship between board attendance by directors and the profitability of firms. Both the SEC (2011) and the CBN (2006) Codes indicate that regular board meetings and the attendance by board members would ensure that the board performs its oversight function and monitors management's performance effectively. All listed firms in Nigeria are expected to hold board meeting at least once every quarter in the year. The SEC (2011) Code indicates that every board member should attend at least two-thirds of all board meetings to qualify for re-nomination.

Profitability as a Measure of Financial Performance

The capacity and ability of a firm to use its assets to generate revenue from its primary mode of business depict its overall financial health. When this is measured periodically, it forms the basis for both horizontal and vertical analyses and comparison. According to Demsetz and Lehn (2004), financial performance involves measuring a firm's policies and operations in monetary terms which are depicted in the firm's return on investment, return on assets, and value added, among others.Profitability is the ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's capability of generating profits from its operations.Profitability is one of four building blocks for analyzing financial statements and company performance as a whole. The other three are efficiency, solvency, and market prospects. Investors, creditors, and managers use these key concepts to analyze how well a company is doing and the future potential it could have if operations were managed properly.Studying profitability allows policymakers to determine financial performance.That is,

accounting profit ratios proxy financial performance. The profitability of a firm measures its gains over its operative years. According to a recent literature review, most researchers calculate profitability through return on assets (ROA) or return on equities (ROE) or both, such as Beck et al. (2013). Some studies include net interest margin (NIM) such as Ghosh (2015) and Houston et al. (2010). However, insurance companies' profits are attained through charging fees on their services and through interest. As a result, the most profitable insurance companies are more efficient, competitive and stable (Apergis, 2014).Determinants of profitability can be internal (company-specific variables) and external (macroeconomic variables). However, focusing on determinants of profitability simplifies understanding of the reasons behind any loss or profits which lets senior company management look for alternative plans if there is any drop in returns. In case of a rise in profits, insurance companies are able to create higher earnings by focusing on variables that increase profits.

Corporate governance has been found to correlate positively with firms'profitability and overall financial performancewhich are both seen from the accounting ratios of the firms and the movement of price in the stock market. While the accounting profit ratios are measured by the accountants, constrained only by the standards set by their profession, the performance as reflected by the movement in the prices of securities in the stock market ismeasured by the investors, constrained by their acumen, information, optimism or pessimism and general psychology. In either case however, Young (2000) suggests that best governance practices exert a positive influence on firm financial performance since it prevents management and controlling investors from taking initiatives to expropriate minority investors.Thus, it is argued it impacts positively on the firm's goodwill and ability to attract equity capital from prospective marginal investors. Hence in considering approaches to measurement of firms' level of financial performance, Sanda, Minkailu and Garba (2005) insist that this is found in social science research based on market prices, accounting ratios and total factor profitability where market prices are readily obtained from national stock exchanges for all listed firms.

While profit is a flow concept, profit margin measures the flow of profits over some period compared with revenue and costs and thus there could be gross profit margin, operating profit margin, return on equity and return on assets among others. The relationship between corporate governance and a firm's financial performance stems from the understanding that economic value is driven by governance mechanisms such as the legal protection of capital, the firm's competitive environment, its board composition and board size, board diversity, CEO duality, board meetings, board committees**(**existence of Supervisory Committee and Audit Committee) and financial policy (Uadiale, 2010). In this light, Gompers,Ishii and Metrick(2003)revealed that stock returns are higher for firms with strong shareholder rights as compared to firms with weak shareholder rights. This suggests that firms with stronger or better corporate governance provisions outperform those with poor governance provisions in terms of profits, capital acquisition and sales growth. They also add that there is substantial evidence showing that weakly governed firms experience lower performance based on operating performance measures, lower sales growth and profit. This has been corroborated by Khatab, Masood, Zamam, Saleem, and Saeed (2011) from a study of twenty listed firms in the Karachi Stock Exchange in Pakistan.

Corporate Board Structure and Profitability

Board Size and Profitability

A review of the empirical evidence on the effect of board size on profitability shows mixed results. According to Adams and Mehran (2003), firms with a large board of directors ensure a better performance. Shukeri, Shin, and Shaari (2012) opine that board size had positive influence on firms'Return on Assets (ROA). However, the results of Haniffa and Hudaib (2006) are inconclusive. Using a market return as a measure of performance, their results suggest that a large board isseen as less effective in monitoring performance, but when accounting returns are used, large boards seem toprovide the firms with the diversity in contacts, experience and expertise needed to enhance profitability as a

measure of financial performance.Finally, Connelly and Limpaphayom (2004) found that board size does not have any relation with firm's financial performance.

Board Composition and Profitability

When analysing the relationship between board composition viz-a-vizboard diversity and profitability, the results of empirical studies are mixed. A number of studies, from around the world, indicate that non-executive directors have been considered effective in monitoring managers and protecting the interests of shareholders, resulting in a positive effect on profitability as a measure of financial performance. Dehaene, De-Vuyist, and Ooghe (2001) found that the percentage of outside directors is positively related to the financial performance of Belgian firms. Connelly and Limpaphayom (2004) found that board composition has a positive relation with profitability of life insurance firms in Thailand. However, there is also a fair amount of studies that tend not to support this positive perspective. Some of them find no significant relationship between accounting performance measures and the proportion of non-executive directors (Weir, Laing & McKnight, 2002; Haniffa&Hudaib, 2006). Haniffaand Hudaib(2006) summarized a number of views expressed in the literature which may justify this non-positive relationship, such that high proportion of non-executive directors may engulf the companies in excessive monitoring, which may be harmful to companies as they may stifle strategic actions, lack real independence, and lack the business knowledge to be truly effective.

Theoretical Framework

Corporate Governance is defined as the process and structure used to direct and manage business affairs of companies towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholder long term value while taking into account the interest of other stakeholders. Various theories have been put forward to help understand the concept of Corporate Governance. However, the agency theory as endorsed in the literature by Mulili and Wong (2010) has been adopted for this study.

Agency Theory

Agency theory was developed by Jensen and Meckling in 1976 to address the conflict between shareholders and managers. Agency theory is defined as the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). Agency theory suggests that employees or managers in organizations can be self-interested. The shareholders expect the agents to act and make decisions in the principals' interest. On the contrary, the agents may not necessarily make decisions in the best interests of the principals (Padilla, 2000). The agents may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principals and the agents pursuits. Even the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). The agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clarke, 2004). The theory concluded that shareholders, who are the principals, can assure themselves that the agents (management) will only act in the best interest of shareholders if appropriate incentives are given and only if they are monitored.

Shareholders therefore, elect board of directors to monitor managers (Muth& Donaldson, 1998). The board of directors which serves as the link between shareholders and management performs an important oversight function on the company. The board of directors ensures that management acts in the best interest of the shareholders (Jensen &Meckling, 1976).Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners. The model

of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen &Meckling, 1976).

Empirical Review

Various empirical studies have been carried out to determine whether any relationship exists between corporate board structureand financial performance and whether this corporate board structure has effect on corporate performance of listed companies in Nigeria. Kamardin, Abdul-Latif, Mohd and Adam (2014) examined the effect of some of board of directors' attributes namely board diversity, multiple directorships and ownership structure on firm performance in the Malaysian setting prior to the revised Malaysian Code of Corporate Governance 2012. Samples of the study are Malaysian listed companies on Bursa Malaysia from 2006 to 2010. Firm performance is measured by market to book value (MTBV) and return on assets (ROA). Findings of the study showed that higher fraction of either Malay or Chinese directors affect both measures of performance negatively. They suggested that board diversity in terms of ethnicity lead to better performance as diverse board could exploit the strength of ethnically diverse members. Multiple directorships are shown to have positive relationships with both measures of firm performance which support the assumption in quality hypothesis. Shungu, Ngirandeand Ndlovu (2014) examined the impact of corporate governance on the performance of commercial banks in Zimbabwe. Using data gathered from 2009-2012 for a sample of five commercial banks, it applied multi-regression model, to assess the causal relationship between corporate governance measures (board size, board composition, internal board committees and board diversity) and bank performance. The results indicated unidirectional causal relationship between corporate governance and bank performance. In addition, there a positive relationship between board composition, board diversity and commercial bank performance, although a negative relationship appears between board size, board committees and bank performance. The study recommended that in order to improve performance in commercial banks; good corporate governance practices which include; improving board structures, disclosure, and fiduciary duties of directors must be implemented. The study further suggested that Reserve Bank of Zimbabwe should ensure or put in place robust supervisory and regulatory policies; as the development and implementation of a national corporate governance code is long overdue.

Noushabadi and Kamyabi (2014) investigated the relationship between corporate governance and firm value of Iranian listed companies on Tehran stock exchange. The study Used 81 listed companies on Tehran Stock Exchange during 2008 to 2012 and utilised percentage of active non-executive managers in the board, managerial ownership, institutional ownership, state ownership, ownership concentration, duality of CEO and chairman the board as independent variables and firm value as dependent variable. Ordinary Least Squares (OLS) regression was applied to examine each our hypothesis. The research results found that there is no any significant relationship between percentage of active nonexecutive managers in the board, managerial ownership, state ownership and firm value, but institutional ownership, the duality of duty of CEO are positively associated with a firm value. Kamyabiand Noushabadi (2014) conducted a study on the relationship between corporate governance and dividend payment policy in listed companies of Tehran Stock Exchange. The study utilized board size, duality of duality of CEO and ownership of institutional shareholders as independent variables and dividend payment policy as dependent variable by controlling firm size, firm growth, financial leverage and return on assets. Using EVIEWS software 7, the study applied Ordinary Least Squares (OLS) method to test hypotheses. Based on a sample of 83 listed companies in Tehran Stock Exchange during 2008 to 2012 years, the empirical results indicated that boards size and institutional shareholders are in positive and significant relation to dividend payment policy of the listed companies in Tehran stock, but duality of CEO is not related to dividend payment policy of the listed companies in Tehran stock exchange.

Aina (2013) discussed and analyzed with the aid of comparative law, the Code of Corporate Governance in Nigeria and its effect on the board structure, the role, effectiveness and duties of the non-executive directors (NEDs) and how their independence can be assured, guaranteed and monitored to enhance the board's effectiveness, ensure full compliance with the codes of corporate governance. The study revealed

that regime of compliance and regulation with the codes of corporate governance is extremely.The study recommended a specialized regulatory agency to monitor compliance with the codes, upgrade standard and harmonize the different codes. Miring'u and Muoria (2011) analyzed the effects of Corporate Governance on performance of commercial state corporations in Kenya. Using a descriptive study design, the study sampled 30 State Corporations out of 41 state corporations in Kenya and studied the relationship between financial performance, board composition and size. The study found a positive relationship between Financial Performance and board compositions of all State Corporations. Furthermore and in the same vain, Ongore and K'Obonyo (2011) examined the interrelations among ownership, board and manager characteristics and firm performance in a sample of 54 firms listed at the Nairobi Kenya's Securities Exchange. The findings from this study show a positive relationship between managerial discretion and performance.

Uadiale (2010) studied the impact of board structure on corporate financial performance in Nigeria. The results of the study indicate that there is a positive association between board composition and financial performance and a strong positive association between board size and financial performance.Ogbechie and Koufopoulos (2007) evaluated corporate governance issues in Banks operating in Nigeria that deal with board characteristics, composition, operations and processes, and as well as their degree of compliance with Central bank of Nigeria Code of Corporate Governance. The empirical findings of the study revealed useful insights with respect to Corporate Governance Practices in Banks operating in Nigeria. The results showed that Nigerian Banks have embraced the principles of good Corporate Governance and have achieved high degree of compliance with the Central Bank of Nigeria Code of Corporate Governance. Based on the findings, the study suggested that for the majority of banks, board leadership should be independent, CEO and Chairperson Seats are held by different persons, and Nigerian banks should have large boards. Using data on companies in many African countries, including Ghana, South Africa, Nigeria and Kenya, Kyereboah-Coleman (2007) revealed that better governance practices are associated with higher valuations and better financial performance.

METHODOLOGY

The purpose of this study is to empirically investigate the effect of corporate board structure on profitability of listed insurance companies in Nigeria. The study is descriptive in nature; hence, the research design adopted for the study is the descriptive type. The population of the study comprised the twenty-three insurance companies listed on the floor of the Nigerian Stock Exchange (NSE) as obtained from the internet as at March 9, 2020. This population is considered appropriate for this study as data for the study are supposed to be generated from the financial information of insurance companies. From this population, a sample was selected to represent the entire insurance companies that were listed on the NSE. To be specific, selection of the sample was based on the following criteria as specified Bebeji, Mohammed and Tanko (2015). Insurance companies with missing values for the variable used were excluded. Secondly, the insurance companies were not involved in any merger during the study period. Lastly, for the empirical analysis of this study, the data are limited to insurance companies that were in existence throughout the period of the study (2015-2019).The justification of this study period was informed from the fact that NAICOM issued a specific Code of Corporate Governance which was industry-specific for all insurance companies listed on the Nigerian stock Exchange, effective February, 2009.On the basis of the above criteria, four insurance companies were selected. They include Aiico Insurance Plc., Cornerstone Insurance Plc., N.E.M Insurance Plc. and Niger Insurance Plc. Both probability and non-probability methods in the form of purposive and simple random sampling techniques were employed in selecting the insurance companies into the sample.

The study utilized only the secondary source of data. This is appropriate because the estimation of the mode l (Ordinary Least Square) in the study requires the use of cross sectional/time series (panel data) in the form of financial information which were generated from the financial statements of the sampled insurance companies. The data were sourced from the annual reports and accounts of the sampled insurance companies for all the relevant years covered by the study. In generating the data for the content

analysis method of data collection was employed. Data generated were analyzed using the multivariate regression analysis using E-view Processor. The insurance companies'financial performance linked to two explanatory variables (board size, and board composition) was considered. Correlation matrix was used to examine the nature and the degree of relationship among variables of consideration.

Model Specification

The model employed is an Ordinary Least Squares (OLS) regression to examine the separate and combined effect of board size, and board composition onprofitability as a measure of financial performance of insurance companies in Nigeria. The model was adopted from the works of Djordjevic (2002); Klapper and Love (2002); Sanda et al. (2005); Musa (2006); and Hassan (2012). The model is specified below.

$ROA = \beta_o + \beta_1 BS + \beta_2 BC + \varepsilon$…………… (1)

Where: ROA = Return on Assets;

BS = Board Size;

BC = Board Composition;

β_o = Regression Intercept;

$\beta 1$ = Coefficient ofBoard Size;

$\beta 2$ = Coefficient ofBoard Composition;

ε = Error term.

RESULT AND DISCUSSIONS

Data Presentation, Analysis and Interpretation

Table 1: Descriptive Statistics of Variables

VARIABLES	MEAN	STD-DIV	MINIMUM	MAXIMUM
ROA	0.133351	0.317414	-0.030400	1.596600
BS	8.666667	1.785611	6.000000	11.00000
BC	0.570708	0.121601	0.428600	0.727300

Source: Data Analysis (E-View 8 Output)

Table 1 summarizes the descriptive details for 2 variables that are considered capable of influencing return on assets of the four (4) selected quoted insurance companies in Nigeria and the result shows that average ROA is 0.133351 with a standard deviation of 0.317414 with regard to all four insurance companies observed and has a range from -0.030400 to 1.596600. The mean value for Board size is 8.666667 with a standard deviation of 1.785611 and has a range from 6.000000 to 11.00000. Board composition has a range from 0.428600 to 0.727300 and its average is 0.570708 with a standard deviation of 0121601.

Table 2: Correlation Analysis of the Study Variables

	ROA	BS	BC
ROA	1.00000		
BS	0.243226	1.000000	
BC	0.270964	0.659441	1.000000

Source: Data Analysis (E-View 8 Output)

Table 2 shows that there is a positive correlation between return on assets (the dependent variable) and each of Board Size (BS) and Board Composition (BC) with coefficients of (0.243226) and (0.270964) respectively.

Table 3: Test of Hypothesis – Regression Analysis

VARIABLE	COEFFICIENT	STD. ERROR	T-STATISTIC	PROB.
C	-0.307834	0.361530	-0.851474	0.4071
BS	0.021968	0.050188	0.437716	0.6674
BC	0.439445	0.745516	0.589451	0.5638

R-squared	0.281482			
Adjusted R -squared	-0.032870			
F-statistic	0.895436			

Source: Data Analysis (E-View 8 Output)

The resultsin Table 3 revealed that 28% of variations experienced in ROA of the various insurance companies are caused by changes in the independent variables; while the probability of the F-statistic shows that the independent variables aresignificant in exerting pressure on the dependent variable. However, considering the individual coefficient in the relative statistics, the overall constant is not significant and negatively related to Return on Assets (ROA); Board Size (BS) is not significant but positively related to return on assets. Therefore, null hypothesis HO_1 is failed to be rejected. Hence, this indicates apparent evidence that board size has no significant effect on the profitability of insurance companies in Nigeria. This is not in conformity with the view of Shukeri, Shin andShaari (2012) who opines that board size had positive influence on firms ROA. However, the results of Haniffaand Hudaib(2006) are inconclusive. Using a market return measure of performance, their results suggested that a large board isseen as less effective in monitoring performance, but when accounting returns are used, large boards seem toprovide the firms with the diversity in contacts, experience and expertise needed to enhance financial performance. Nevertheless, Connelly and Limpaphayom (2004) found that board size does not have any relation with firm's financial performance which is in conformity with this study.On the other hand, Board Composition (BC) is not significant and also has positive relationship with return on assets. Therefore, null hypotheses HO_2 is failed to be rejected. This indicates that board composition has no significant effect on the profitability of insurance companies in Nigeria. Miring'u and Muoria (2011) analyzed the effects of corporate governance on performance of commercial state corporations in Kenya. Using a descriptive study design, the study sampled 30 state corporations out of 41 state corporations in Kenya and studied the relationship between financial performance, board composition and board size. The study found a positive relationship between financial performance and board composition of all the state corporations. This does not conformto this study. The result of this study is also not consistent with the study conducted byUadiale (2010) who studied the impact of board structure on corporate financial performance in Nigeria. The results of the study indicated that there is a positive association between board composition and financial performance.

CONCLUSION AND RECOMMENDATIONS

Corporate board structure has attracted increasing studies in legal, business and social sciences. This is because corporate boards are the fulcrum of corporate governance and the pillars that support the effective formulation of corporate strategies and performance required to ensure the optimal performance of the firm (IFC, 2014; Kyereboah-Coleman, 2008). The regression results have shown insignificant effects of board size and board composition on insurance companies' performance in Nigeria.Board size has no significant effect on the profitability of insurance companies in Nigeria. This signifies that an increase or decrease in board size would not affect ROA. Similarly, board composition has no significant effect on the profitability of insurance companies in Nigeria. This signifies that an increase or decrease in board composition would not affect ROA. The overall conclusion of the study is that corporate board structure has no significant effect on the profitability of insurance companies in Nigeria. The recommendations of this study are directed at different parties that are involved in monitoring the institutionalization of an effective system of corporate governance in Nigeria. These parties include, share-holders, board of directors, board committees, and government/regulatory bodies. On the basis of this and the findings of this study, the following recommendations are made:

i. Insurance companies should have an optimal board size and board composition so as to draw investor's confidence in the companies which is attracted by increased independency of the board; capable of enhancing financial performance. This can be done by ensuring that insurance companies have adequate board size to the scale and complexity of the company's operations and be composed in such a way as to ensure diversity of experience without

compromising independence, compatibility and integrity. The board size should not be too large and must be made up of qualified professionals who are conversant with oversight functions. The majority of board members should be non-executive directors whom should be independent directors.There is also a need for insurance companies to comply with corporate governance regulatory requirements and codes of best practices so as to avoid bankruptcy and placement under judicial management.

ii. The directors should practice due care and diligence in discharging their duties. The directors should disclose up all their activities to the public through audited financial statements. This would help the insurance companies attract return for its customers and investors where the directors discharge their duties in an ethical way. There is also a need for directors to address issues of board structure in order to avoid a large chunk of directors in the companies' board. The directors are also mandated by the Companies Act to ensure responsibility and accountability. The board structure as shown by the regression should have more independent non-executive directors. This would tend to attract more potential investors since investors favour companies with more independent non-executive directors than executive directors.

iii. Investors with a profit motive should target insurance companies with good corporate governance practices. It is believed that formulation and implementation of complimentary good corporate governance practices and performance growth policies would lead to achievement of the oral objective of the companies, shareholder wealth maximization which is needed by investors. Shareholders of insurance companies should seek to positively influence the standard of corporate governance in the insurance companies in which they invest by making sure there is strict compliance with the codes of corporate governance. Further, it is the responsibility of the shareholders to ensure that the committee is constituted in the manner stipulated and is able to effectively discharge its statutory duties and responsibilities.

iv. Government should come up with the national corporate governance policy, which will make governance equality among companies in the country. Since without such a policy framework, monitoring and assessment companies' corporate governance will be limited to only in-house organisational appraisals. In addition, this would help regulators to enforce companies' regulation and supervision on an equal platform to all insurance companies.

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