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## RESEARCH ARTICLE

### BOARD LEADERSHIP CAPACITY AND FIRM'S ECONOMIC SUSTAINABILITY: A MARCH TOWARDS CAPACITY BUILDING IN NIGERIA

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#### ABSTRACT

The current study investigated the effect of Board Leadership Capacity on Firm's Economic Sustainability of Financial Services companies in Nigeria. Secondary data were obtained from published financial reports and accounts of active Financial Services companies listed on the Nigerian Exchange Group for ten years (2011 – 2020). The variables of interest are, Board Meeting, Board Independence, Board Diversity, while the dependent variable Economic Sustainability was proxied as Tobin Q (TOBQ). Three null hypotheses were formulated for the study and secondary data obtained from the financial statements of the companies. The data were analysed using descriptive analysis, correlation matrix, and regression analysis. The Random Effects Generalized Least Square (GLS) regression result revealed that Board Diversity (BOGD) has significant effect on firm's economic sustainability of Financial Services companies in Nigeria at 5% level of significance. On the contrary Board Meetings (BMET), and Board Independence (BODI) scores revealed an insignificant effect on firm's economic sustainability of Financial Services companies in Nigeria. Consequent on the findings, the study therefore recommended among others Board Diversity should be encouraged in other to introduce capacity for leadership in the board as this cut across gender, age, Professional qualification, work experience and cultural diversity. Implying that board leadership compositions that are heterogeneous have the advantage of adding more value and optimising firm's economic advantage.

#### INTRODUCTION

Nigeria's business environment is characterised by a lot of risks and uncertainties. Competition is stiff and dynamic. Thereby businesses experience both external and internal pressure. To contain all of these, firms strategically seek ways to respond to these pressures so to keep afloat. Such strategies to sustain competitive position is such that hinges on the advancement of artificial intelligence, utilizing machine learning algorithms to solving business problems, improving the general wellness and life expectancy of employees etc. as introduced by the fourth industrial revolution (Mangenelli & Klein, 1994; Jacka & Keller, 2002). The Fourth Industrial Revolution, without a doubt has improved global economy and income levels. It has also improved quality of life and has provided new products and services to millions of people globally (Young, 2020). This had been readily expressed in the digital world's efficiency through online shopping, digital wallets, ridesharing, telemedicine etc. The automation of jobs has improved productivity in organizations. From procurement to sales, the supply chain and telecommunications.

This revolution has opened doors to new markets and economic opportunities – introducing the gig economy (Young, 2020). To maintain market share and competitive position while leveraging on the possibilities of the fourth industrial revolution, the board of directors becomes very important pivot to drive the organization into economic sustainability. The importance of boards cannot be overemphasized as this has been researched by several authors to buttress its importance in corporate leadership as viewed in line with the agency theory proposed by Berle and Means (1932) and Jensen and Meckling (1976). However, the board leadership capacity holds a strong position in determining the level of adaptation of the firm to the fourth industrial revolution (World Bank Reports, 2016). Whether board of directors' capacity and qualities influence firm's economic sustainability is a question that previous empirical studies sought to answer (Benjamin, 2009; Fallatah & Dickins, 2012; Jones, Li & Cannella, 2015; Shahwan, 2014). Divergent results from previous studies show that good corporate leadership with robust capacity improves firm's economic sustainability, others prove inverse relationship, while some fail to determine significant link between the variables (Ghabayen, 2012). Prior studies have shown diverse results ranging from supporting to opposing a positive relationship leading to a conflicting empirical result on board leadership capacity and firms' economic sustainability (Bathula, 2008; Ghabayen, 2012).

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Hence, the need to recognize and clarify the link between board leadership capacity and performance of Financial Services companies in Nigeria. Certainly, the issue of board leadership capacity and its impact on firm's economic sustainability is current and more research is necessary, hence the need to fill these gaps by specifically employing Tobin's Q as a measure for economic sustainability, while Board diligence, Board Independence and Board Diversity, for board leadership capacity. Firm Size and Firm Age was also considered as control variables in the current study and a sector and the period gap would also be filled since this work shall cover the financial services companies sector listed on the Nigeria stock exchange for ten years (2011-2020).

**Objectives of the Study:** The main objective of this study is to investigate the effect of board leadership capacity on firm's economic performance of Financial Services companies in Nigeria. Specifically, this was pursued through:

- Examining the effect of number of boards diligence on firm's Tobin's Q.
- Testing the extent to which board independence affect firm's Tobin's Q.
- Investigating the effect of board diversity on firm's Tobin's Q.

## REVIEW OF RELATED LITERATURE

### Conceptual Framework

**Board Diligence:** Regular meetings should be held by directors in order to effectively perform oversight function and monitor management performance. (Jensen 1993) advocated that frequent meeting is a measure of effective and efficient corporate monitoring. Previous studies have revealed divergent/incongruous views concerning corporate performance as impacted by board meetings. Although, scholars such as Ntim (2009) confirms that repeated board meetings lead to greater qualities of management control which brings about a direct impact on corporate financial performance. Mangena and Tauringana (2008) also pointed that frequent board meetings keep directors informed about goings-on in the organization which provides avenue for strategizing and proffering solutions to issues/problems thereby achieving organizational goals. Divergent empirical findings on the effect of frequent board meetings and corporate performance have been recorded by previous authors. In Zimbabwe, Karamandu and Vafeas (2005) found results showing a positive relationship between board meetings and management earnings prediction; On the contrary, In Malaysia, Amram, (2011) studied 328 public quoted firms for the years 2003 to 2007 and found a negative association between board meetings and corporate performance.

**Board Independence:** A board is said to be independent, when the number of independent/non-executive directors not associated with top executives of the firm are more in number. This is generally the number of independent directors appointed to the board and it is believed that they would protect shareholders interest and drive accountability. Most of the time, it is expected that number of board independent directors is directly proportional to the level of transparency of firms' financial reporting and performance. However, from an opposite point of view, Ahmed and Gabor (2011) submitted that the role of non-dependent directors is merely to supervise

and hardly guarantee revenue and profit growth. In their study, Baysinger and Butler (1985) suggested the need for firms to more often appoint outside directors with requisite board experience so as to eschew poor performance since mixed board's structure is necessary for firm survival and prosperity. Previous works have reported mixed evidences regarding the relationship of board independence with firm performance. Cornett, Marcus and Tehranian (2008) and Rouf (2011) found positive impact of increasing independent directors on firm performance. Nevertheless, other studies didn't find strong evidence of greater firm performance due to larger board independence (Bhagat & Black, 2001; Costa, 2015; Rutledge, Karim, & Lu, 2016).

**Board Diversity:** Gender diversity is a subset of the broader concept of board diversity (Milliken & Martins, 1996). Views of previous authors have shown that board diversity is supported on the ground of moral obligation to corporate social responsibility and maximization of firm value (Daily & Dalton, 2003). According to Catalyst census, women directorship is only 12.4 per cent in the US and 6.4 in the UK; the percentage of executive directors is 2 percent in both countries (Singh & Vinnicombe, 2004). Letendre (2004) brings up the idea of 'value in diversity' and suggests that female board members will bring diverse viewpoints to the boardroom and will provoke lively boardroom discussions thereby achieving better board dynamics and decision making. The effect of women directors was empirically examined by Carter, Simkins and Simpson (2003), who found a positive relationship between gender diversity and firm performance. Bilimoria and Piderit, 1994 examined the effect of women on board committees and found a positive effect on firm performance. Ding and Charoenwong (2004) and Farrell and Hersch (2005) found a contrary result where they did not find significant relationship between women directors and shareholders' returns. However, Farrel and Hersch (2005) found that gender diversity is just being promoted to drive equal opportunity axiom being propagated.

**Economic Sustainability:** : Economy is about conserving resources and the concept is used to define and explain the value resources have today and their possible value in the future. Broadly speaking, sustainability refers to the ability to maintain or support a process continuously over time. In recent times firm performance is seen to be an important concept frequently used as a dependent variable in strategic management research and used to describe sustainability. Diverse scholars have different definitions of firm performance. Taouab and Issor (2019) affirmed that measurement of economic performance by academicians and managers is a crucial issue nowadays as regards the economic milieu. Before the era of the fourth industrial revolution, the definition of economic sustainability was basically the ability of organizations to efficiently use the resources within their means to achieve set organizational goals and objectives whilst providing relevant information to users (Peterson, Gijssbers, & Wilks, 2003). The downside of this definition is that it ignores the matter of climate change and other sustainability discuss. Verboncu and Zalman (2005) posited that organization's management through its structure and procedures/processes enables the measurement of the efficiency, effectiveness and competitiveness inherent in the organization as regards management style, economics and marketing. Mean while, Lebans and Euske (2006) conceptualized performance as dynamic indicators which may be financial or otherwise that

depicts the attainment of set objectives or goals. Thereby requiring judgement and interpretation. Which may be useful in predicting future events by utilising cause/effect models. In other to effectively measure performance results must be quantified. In his work Siminica (2008) ascribed performance to be synonymous with efficiency and efficacy. Colase (2009) described performance as being comprehensive and all-encompassing of different notions such as growth, efficiency, return, productivity, profitability and competitiveness. In the same vein, Bartoli and Blatrix (2015) defined performance as achievements obtained through piloting, evaluation, efficiency, effectiveness and quality. Economic performance measurements in existing literature can be classified into two broad sets viz; accounting-based measures and market-based measures. Tobin's Q is categorised under the market-based measures it hinges on the perception of investors and thus affected by investor's psychology which is influenced by the estimates of future events such as herd behaviour, manipulation as perceived by Kapopoulos and Lazaretou (2007). Tobin's Q model is a very popular model, developed by Tobin (1969) and this would be used to determine market value in this work.

$$\text{Tobin's Q} = \frac{\text{Equity Market Value}}{\text{Equity Book Value}}$$

However, for this work, Tobin's Q would be used as a proxy to establish the relationship between the market value and book value of Financial Services in Nigeria. This is because Tobin's Q is used as a measurement of performance, also because it is simple and adaptable. For this work TQ shall be calculated as;

$$\text{TQ} = \frac{(\text{Market Capitalization} + \text{Total Liabilities}) - \text{Cash flow}}{\text{Total asset}}$$

**Firm Size:** Jensen and Meckling (1976) ascribed increase in agency cost to firm size. They insinuated that large span will require increased monitoring through managerial discretion and opportunism. Though it is expected that as firms grow internal control is strengthened so also planning which may include but not limited to accounting and information systems. With these in place monitoring intensity may be reduced while there would be need to align interests through director ownership. Since differences in the firm size has a tendency to affect characteristics of the board, so hence its integration as a control variable. Three of the most widely used proxies for firm size are total assets, total sales and market capitalization (Dang, Li & Yang, 2018). For this study, total assets are used as a proxy for firm size. Firm size is measured by the natural logarithm of total assets.

**Firm Listing Age:** Firm age is the number of years of incorporation of the company; even some school of thought believe that listing age, should define the age of the company (Shumway, 2001). According to him, listing age is more economical since the listing is a defining moment in the company's life. As a legal person, a company is born through incorporation (Gitzmann, 2008; Pickering, 2011). Hence for this work, the definition/concept of firm listing age is the length of time measured in years for which the company is listed on the relevant Stock Exchange.

## THEORETICAL FRAMEWORK

The role and impact of boards have been studied by scholars of different disciplines such as law, economics, finance,

sociology, strategic management and organisation theory (Kiel & Nicholson, 2003). This work is anchored on Agency theory.

**Agency Theory:** Agency theory is credited to Stephen Ross, being responsible for the origin of the economic theory of agency, and Mitnick, (2013) for the institutional theory of agency, though the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions (Mitnick, 2013). Agency theory emphasizes the problems that arise in companies due to the separation of principal and agent. Therefore, this theory emphasizes the reduction of this problem. This theory helps to implement the various governance mechanisms to control the action of agents in companies. In their thesis, Berle and Means (1932) stated that ownership of modern US corporations is dispersed, leading to the separation of ownership and control. In a corporation, ownership is held by individuals or groups in the form of shares, and these shareholders (principals) delegate authority to managers (agents) to conduct the business on their behalf (Jensen and Meckling, 1976; Ross, 1973). The main question, however, is whether these managers are acting for the owners or for themselves.

## METHODOLOGY

**Research Design:** An ex post facto design was chosen for this study as the researcher relied on historical (secondary) accounting data obtained from accounts of active companies listed on the Nigerian Stock Exchange (NSE) for the period 2011-2020 (ten years).

**Study population and sample:** The target population of the study is fifty-two (52) companies listed on the Nigerian Exchange Group as of March 1, 2021. However, the sample size of the study consists of thirty-five (35) Nigerian listed financial services companies by targeted sampling procedure (see Appendix A for list)

**Sources and method of data collection:** Applying a quantitative secondary data collection method by collecting relevant data from Nigerian Stock Exchange Fact Book, Financial reports of companies from audited annual financial reports, income statements and financial statements from accounts of Nigerian companies.

**Method of Data Analysis:** The multiple regression analysis using Ordinary Least square (OLS) was adapted to test the effect of Board Leadership Capacity on Firm's Economic Sustainability of listed Financial Services companies in Nigeria.

**Specification of the model:** In order to determine the impact of the leadership capacity of the board of directors on the economic sustainability of the company, the following model was developed:

$$\text{TOBQ} = f(\text{BMET}, \text{BODI}, \text{BOGD}, \text{FSIZ}, \text{FIRA}) + \varepsilon \dots\dots 1$$

$$\text{TOBQ}_{it} = \beta_0 + \beta_1 \text{BMET}_{it} + \beta_2 \text{BODI}_{it} + \beta_3 \text{BOGD}_{it} + \beta_4 \text{FSIZ}_{it} + \beta_5 \text{FIRA}_{it} + \varepsilon_{it} \dots\dots 2$$

**Where:**

TOBQ = Tobin's Q  
 BMET = Board meetings (Board Diligence)  
 BODI = Board Independence,  
 BOGD = Board Diversity

FSIZ = Firm Size

FIRA = Firm Age

$\varepsilon$  = error term,

$i$  = Cross-section of active Financial Services companies quoted in the NSE,  $t$  = Period which is (10) years review.

$\beta_0$  = Intercept coefficient,

where  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5,$  and  $\beta_6$  represent Coefficient for each of the independent variables.

## DATA ANALYSIS AND INTERPRETATION

Table 2 shows the count (total number of data/observations) for each of the variables, mean (average), median (the middle value after sorting from highest to lowest values), standard deviation, maximum values, and minimum values. The results in Table 4.1 provided some insight into the nature of the selected Nigerian quoted Financial Services companies that were used in this study. The measures of central tendency are indicated in the mean and median values, while the measure of dispersion is indicated in the value of standard deviation (how far the observation is from the sample average). First, it was observed that on the average, over the ten (10) year period (2011-2020), the sampled listed Financial Services companies in Nigeria were characterized by positive mean value of firm performance (0.753) proxy as Tobin's Q(TOBQ). This is an indication that the listed companies used for this study recorded a positive market value over the period covered by this study and this is encouraging for a growing economy like Nigeria. Similarly, it was also observed that on the average, over the ten (10) year period (2011-2020), all the explanatory variables (BMET, BODI, BOGD, FSIZ and FIRA) used for this study were characterized by positive mean values of 5.198, 63.947, 16.291, 7.921 and 19.393 respectively. This is an indication that the listed companies used for this study have reports indicating board characteristics of one form or the other, over the period covered by this study and that such engagement positively influence the market value of such companies. Table 3 which presents the normality statistics for the variables specifically shows the skewness and kurtosis of the data. Skewness measures the degree of asymmetry of the observations while Kurtosis is a measure of the height and sharpness of the central peak relative to that of a standard bell curve. As for Tobin Q (TOBQ), Board meetings held in the year under review (BMET), Board Diversity (BOGD), Firm Size (FSIZ) and Firm Age (FIRA) the skewness data are all 0 (zero) as this indicates that the distribution is symmetric around its mean. While Board Independence (BODI) has a value of 0.542, this indicates that the values are positively skewed. The kurtosis value for the above-stated variables is less than 1(one) and 1 is less than 3 (0 - 3) is indicative of platykurtic. This is interpreted as negative kurtosis (flattened curve) which is indicative that more values of the observation are less than the variable average. These are significant at 1% except the value of Board Independence (BODI) which is not significant even at 10%. Lastly, in Table 3, which tests for normality or the existence of outliers or extreme values among the variables, shows that all the variables are not normally distributed and this is significant at 1% level of significance. This means that the variables bear outliers which will likely distort our conclusion and produce spurious results. Therefore, the test fails to accept the hypothesis of normality which is the null since the p-value is less than 0.05 thereby indicating significance. This is true for all variables except Board Independence (BODI) which actually posted an insignificant

p-value. Failing the normality tests therefore implies that the data does not fit the normal distribution.

This also implies that the least-square regression model may not produce the best linear unbiased estimation.

**Diagnostic Test to Check for Multicollinearity Problem, using Correlation Matrix:** Multicollinearity is a near perfect/high correlation between any two (2) independent variables. It is a problem of cross-sectional data and our data have cross sectional characteristics as it cuts across thirty-five (35) listed Financial Services companies in Nigeria. When there is multicollinearity, all the t-values, F-statistics value becomes invalid and the  $R^2$  of the regression result becomes unreliable. The study on trying to diagnose for the presence of multicollinearity in the data used, as well as evaluating the association among the variables adopted, employed the Pairwise correlation coefficient (correlation matrix), Variance Inflation Factor (VIF) analysis and heteroscedasticity Test. The results obtained are presented in Table 4, 5 and 6 below. Correlation statistics are used to determine the bivariate linear relationship between two continuous variables. Correlation measures the strength and direction of the association. Correlation in terms of strength can either be weak, strong or moderate. Once the absolute value is  $\geq 90\%$  it is said to be strongly correlated. If the absolute value is  $\leq 30\%$ , it is said to be weakly correlated, but if the absolute value is between 30 – 89 it is said to be moderately correlated. The positive or negative direction is depicted by the positive or negative signs respectively. From the pairwise correlation statistics shown above, the association between TOBQ (dependent variable) and the independent variables which are also the variables of interest (BMET, BODI, and BOGD) have been revealed to have (-0.085[9%], -0.083[8%], and 0.202[20%]), absolute values to the nearest whole number respectively. This indicates that the relationship between TOBQ and all the independent variables are all weakly associated since their absolute values are all less than 30%. However, the association between TOBQ and BMET, BODI, and FIRA are negative and also weakly associated. While the relationship between TOBQ and BOGD, FSIZ and FIRA are positive but weakly associated respectively. The weak association between TOBQ and BOGD, and FSIZ are though significant at 5% level of significance. For the control variables FSIZ and FIRA the result indicates that the relationship between TOBQ and FSIZ are positive but weakly associated as indicated by scores of 0.195[20%]. While the association between TOBQ and FIRA indicated a score of -0.061[6%]. The next diagnostic test is the Variance Inflation Factor of the explanatory variables known as multicollinearity test. This is conducted to further check if the independent variables are highly correlated with one another. The mean VIF revealed a value of 1.32 and this is less than 5. This implies there is no multicollinearity problem on our explanatory variables. Here no two explanatory variables are perfectly correlated. This means that there is no multicollinearity problem in our model. Multicollinearity between explanatory variables may result in wrong signs in the estimated model coefficients and may bring about the bias of the standard errors of the coefficients.

## Table 6: Heteroscedasticity Test

This is a diagnostic test to test the stability and the risk in the result. This is otherwise known as constant variance test, which is an assumption of linear regression.

**Table 1. Study Variables and Methods to Measure Them**

Variable	Type	Code	Measure
Tobin's Q	Dependent	TOBQ	Firm Value (Market Capitalization + Total Liabilities - Cashflow/ Total Assets)
Board Diligence	Independent	BMET	Number of Board meetings held by the board of directors in a year
Board Independence	Independent	BODI	Percentage of non-executive directors to total board size (Non-Executive Director/Total Board Size *100%)
Board Diversity	Independent	BOGD	Percentage of female directors to total board size (No. of female directors/Total Board Size *100%)
Firm Size	Control Variable	FSIZ	Firm Size (Natural Log of Total Assets in thousands)
Firm Age	Control Variable	FIRA	Firm Listing Age (Difference between current year and year of listing in the stock exchange +1)

Source: Researcher's compilation (2022).

**Table 2. Descriptive Statistics of the variables from Financial Services Companies in Nigeria Summary statistics**

	N	Mean	Median	St. Dev	max	min
TOBQ	338	.753	.758	.326	3.164	.015
BMET	344	5.198	5	1.773	16	2
BODI	344	63.947	63.636	12.579	93.75	25
BOGD	344	16.291	12.917	11.748	50	0
FSIZ	338	7.921	7.458	1.005	9.939	6.545
FIRA	338	19.393	15	12.448	52	3

Source: Researcher's computation (2022).

**Table 3. Normality Statistics of the Data Used for the Study**

Skewness/Kurtosis tests for Normality----- joint -----

Variable	Obs	Pr (Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
TOBQ	338	0	0	.	0
BMET	344	0	0	.	0
BODI	344	0.542	0.387	1.13	0.569
BOGD	344	0	0.297	13.88	0.001

**Table 4. Pairwise Correlation Matrix of the Variables Used for the Study Pairwise correlations**

Variables	-1	-2	-3	-4	-5	-6
(1) TOBQ						
(2) BMET	-0.085	0.322*	1			
	0.118	0				
(3) BODI	-0.083	-0.159*	0.013	1		
	0.13	0.003	0.804			
(4) BOGD	0.202*	-0.023	0.081	-0.099	1	
	0	0.674	0.133	0.066		
(5) FSIZ	0.195*	0.599*	0.339*	-0.101	0.125*	-0.344*
	0	0	0	0.063	0.021	0
(6) FIRA	-0.061	0.334*	0.202*	0.006	0.048	-0.155*
	0.264	0	0	0.908	0.381	0.004

\* Shows significance at the 0.05 level

Source: Researcher's computation (2022) using Stata 13.0 statistical package.

**Table 5: Variance Inflation Factor Test Result of the Variables Studied**

Variable	VIF	1/VIF
FSIZ	2.20	0.454877
BODS	1.70	0.589878
FIRA	1.27	0.785749
BMET	1.22	0.819338
BODI	1.07	0.938947
BOGD	1.05	0.956716
Mean VIF	1.32	

The Ordinary Least Square regression assumes that the variance of the error term is constant. If error terms do not have constant variance, they are said to be heteroscedastic meaning differing variance. Breusch-Pagan / Cook-Weisberg test for Heteroscedasticity rule states that:

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity  
Ho: Constant variance Variables: fitted values of to Tobins Q

chi2(1) = 19.15  
Prob > chi2 = 0.0000

**Table 7. Fixed Effect Generalized Least Square (GLS) Regression Regression results**

tobq	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
BMET	-0.001	0.010	-0.12	0.908	-0.020	0.018	
BODI	0.001	0.001	0.55	0.581	-0.002	0.004	
BOGD	0.004	0.002	2.11	0.035	0.000	0.007	**
FSIZ	-0.264	0.138	-1.91	0.057	-0.536	0.008	*
FIRA	0.012	0.008	1.44	0.152	-0.004	0.028	
CONSTANT	2.659	0.973	2.73	0.007	0.744	4.574	***
Mean dependent var	0.753		SD dependent var		0.326		
R-squared	0.083		Number of obs		338.000		
F-test	2.956		Prob > F		0.000		
Akaike crit. (AIC)	-75.370		Bayesian crit. (BIC)		-37.140		

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 8 Random Effect Generalized Least Square (GLS) Regression**

tobq	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
BMET	-0.006	0.009	-0.69	0.493	-0.025	0.012	
BODI	0.000	0.001	0.28	0.777	-0.002	0.003	
BOGD	0.004	0.002	2.51	0.012	0.001	0.007	**
FSIZ	0.094	0.045	2.11	0.035	0.007	0.182	**
FIRA	-0.003	0.003	-1.04	0.300	-0.009	0.003	
CONSTANT	0.189	0.326	0.58	0.562	-0.450	0.829	
Mean dependent var	0.753		SD dependent var		0.326		
Overall r-squared	0.177		Number of obs		338.000		
Chi-square	29.547		Prob > chi2		0.001		
R-squared within	0.061		R-squared between		0.301		

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 9. Hausman Test**

	Coef.
Chi-square test value	12.335
P-value	.195

Source: Researcher’s computation (2021)

The Breusch-Pagan / Cook-Weisberg test for Heteroscedasticity revealed that the hypothesis is significant and so the error variance is not constant. This is shown in the chi2 result at 1 degree of freedom, chi2 (1) = 19.15 and a p-value of Prob > chi2 = 0.0000. Which indicates that the variance is not constant at 1% level of significance. There exists significant Heteroscedasticity. This negates one of the assumptions of regression, thereby indicating that regression analysis results may be spurious or be biased. Due to the foregoing, the Generalised Least Square (GLS) technique is employed. The GLS technique is a technique for estimating the unknown parameters in a linear regression model when there is a certain degree of correlation between the residuals in a given regression model. The GLS estimator of the coefficients of linear regression is a generalization of the Ordinary Least Square (OLS) estimator. It is used in situations whereby the OLS estimator is not the Best Linear Unbiased Estimator (BLUE). As has been demonstrated the diagnostic test score indicated a significant Heteroscedasticity, evidence of autocorrelation and the hypothesis for normality was rejected which violates the Gauss-Markov theorem for linear statistics estimation. Whereby the assumptions of Gauss-Markov theorem are not satisfied, the GLS is employed as the Best Linear Unbiased Estimator (BLUE) (Marco, 2017).

**Testing of Hypotheses Formulated for Listed Financial Services Companies Firms in Nigeria**

The model for this study is stated as follows:

$$TOBQ = f(BMET, BODI, BOGD, FSIZ, FIRA) + \epsilon \dots\dots 1$$

$$TOBQ_{it} = \beta_0 + \beta_1 BMET_{it} + \beta_2 BODI_{it} + \beta_3 BOGD_{it} + \beta_4 FSIZ_{it} + \beta_5 FIRA_{it} + \epsilon_{it} \dots\dots 2$$

In other to examine the impact relationships between the dependent variable Tobin Q (TOBQ) and the independent variables (BMET, BODI, BOGD, FSIZ and FIRA) and to also test the given formulated hypotheses, the study used a panel multiple regression analysis, using fixed and random effect regression analysis, owing to the fact that the data had both time series (2011-2020) and cross-sectional properties (35 listed Financial Services companies in Nigeria). Fixed effect result is presented in table 7, random effect is presented as table 8. Note that the rule is that the decision to interpret either fixed or random result will be determined by Hausman test. Hausman test conducted for this study is presented as table 9. The Hausman test performed shows a statistical chi-square value of 12.335 with a probability value of 0.195. This probability value is not statistically significant because the P value is greater than 10%. Therefore, the rule applies that if the p-value is significant (i.e., P-value < 10%), interpret the result as fixed effects, otherwise use the result as random effects, and from our Hausman result, our P-value is not significant.

Based on this result, the random effect result is interpreted for analysis. Hausman test performed shows a statistical chi-square value of 12.335 with a probability value of 0.195. This probability value is not statistically significant because the P value is less than 10%. Therefore, the rule applies that if the p-value is significant (i.e., where P value is 10%), interpret the result as fixed effects, otherwise use the result as random effects, and from our Hausman result, our P-value is not significant. Based on this result, the random effect result is interpreted for analysis. The Random Effects Generalized Least Squares (GLS) regression analysis found that 338 observations were used (this simply means the sample size) and a chi-square of 29.547 and a p-value of 0.001, indicating that the model is valid for this study with a significant value of 1%. This explains the degree at which the independent variables have effect on the dependent variable at 1% significance level. For generalized least squares (GLS) regression analysis with random effects, use both R-squared within and R-squared between such that the average of the

total R-squared is 0.177. This is an indication that all independent variables together account for about 17% of the systematic variation in performance (market value) represented as Tobin q (TOBQ) of our sampled companies over the 10-year period (2011-2020). 83% of the systematic variations are captured by the error term.

## DISCUSSION OF FINDING

### Summary of Findings

**Board Meetings and Firm's Economic Sustainability:** Board Meetings (BMET) score was found to have an insignificant inverse effect on Firm's economic sustainability of Financial Services companies in Nigeria. Based on our study, null hypothesis should be accepted while the alternate hypothesis should be rejected.

**Board Independence and Firm's Economic Sustainability:** Based on our findings, Board Independence (BODI) score was found to have a positive insignificant influence on Firm's economic sustainability of Financial Services companies in Nigeria. Evident from the analysis, the study accepts the null hypothesis and rejects the alternate hypothesis. Consequently, this concludes that there is insignificant effect of Board Independence on Firm's economic sustainability for Financial Services companies in Nigeria.

**Board Diversity and Firm's Economic Sustainability:** Board Diversity (BOGD) as explanatory variables was found to have a significant positive effect on Firm's economic sustainability of Financial Services companies in Nigeria given a 5% significance level. Based on the significant results obtained it concludes that the null hypothesis is rejected.

### Conclusion

The results revealed that Board Diversity (BOGD) have significant effect on Firm's economic sustainability of Financial Services companies in Nigeria at 5% level of significance. On the contrary Board Meetings (BMET), and Board Independence (BODI) revealed an insignificant effect on Firm's economic sustainability of Financial Services companies in Nigeria

### Recommendations

In line with the findings emanating from the study, the following recommendations are given:

- Control and checks/review mechanisms should be put in place which should be line with company policies, procedures and standards. This would keep the need for number of meetings low as reports could be generated to view compliance and take corrective action thereby reducing the need for frequent meetings.
- Board Diversity should be encouraged in other to introduce capacity for leadership in the board as this cut across gender, age, Professional qualification, work experience and cultural diversity implying that board leadership compositions that are heterogeneous have the advantage of adding more value and optimising firm's economic advantage.

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- APPENDIX A: Listed Financial Services companies are making up the population of the study**
1. Abbey Mortgage Bank
  2. Access Bank
  3. African Alliance Insurance
  4. AIICO
  5. Axa Mansard
  6. Consolidated Hallmark
  7. Cornerstone Insurance
  8. Custodian & Allied Insurance
  9. Fidelity Bank
  10. First Bank Holding
  11. First City Monumental Bank
  12. Guaranty Trust Bank
  13. Guinea Insurance
  14. International Energy Insurance
  15. Lasasco Assurance
  16. Linkage Assurance
  17. Mutual Benefit Assurance
  18. Nem Insurance
  19. Niger Insurance
  20. Prestige Assurance
  21. Regency Alliance Insurance
  22. Royal Exchange
  23. Sovereign Trust
  24. Stanbic IBTC Holding
  25. Standard Alliance Insurance
  26. Sterling Bank
  27. Sunu Assurance
  28. Union Bank of Nig
  29. United Bank for Africa
  30. Unity Bank
  31. Universal Insurance
  32. Veritas Kapital Assurance (Unity Kapital Assurance)
  33. Wapic Insurance,
  34. Wema Bank
  35. Zenith Bank
- \*\*\*\*\*