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Board Expertise and Firm Performance of Listed Deposit Money Banks in Nigeria

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Abstract

This paper examined the effect of board expertise on financial performance of ten sampled commercial banks in Nigeria from 2013 to 2022. The regressor is board expertise measured by accounting expertise, managerial expertise, and legal expertise. The study included both firm size and financial leverage into the model as control variables. Data for the study were drawn from the annual reports of the sampled commercial banks within the reviewed periods. Meanwhile, the panel regression approaches was adopted since the variables exhibited both time series and cross sectional characteristics. The Hausman test confirmed that, the Random effect model is the most efficient model for the study. Further, accounting expertise, managerial expertise, and legal expertise exerted positive significant effect on sampled commercial banks in Nigeria. Consequently, the paper concludes that, accounting, managerial and legal expertise is major positive predictors of the financial performance (cum ROI) of sampled commercial banks within the reviewed periods. Hence, the paper submits that, directors with accounting and legal background should be given more opportunities to become members of the board room considering the instrumental roles they play in the Nigerian banking industry. Lastly, those at the management cadre should be given more opportunity to up-skill since managerial expertise serve as one of the most critical factors which influences the performance of the sampled commercial banks in a positive light.

***Keywords**: Board Expertise, accounting expertise, managerial expertise, and legal expertise, Firm Performance*

1.0 Introduction

The board of directors is a collective body that should act in the best interest of shareholders. The board requires the combination of executive and non-executive directors to pursue the shareholders' interest. The non-executive directors on the board will not be able to exercise their duties effectively, unless they are independence from management and ensure they provides unbiased business judgment.(Sharifah, Syahrina & Julizaerma).

The board of director is the supreme decision-making organ within an organization. It plays an important role in approving major firm strategic and financial decisions such as mergers and acquisitions, capital structure, dividend policy and monitoring the CEO performance (Makhlouf, 2017). Boards also act as an intermediary between owners and management. Board skill is a measure of the proportion of board members with qualifications or experience (Badu, 2020). The existence of an effective board of directors is important for the proper functioning of the firm and in enhancing firm value (Hassan & Miller, 2017). Therefore, every publicly listed company in Nigeria is expected to be headed by an effective and skilled board to offer strategic guidance, lead and control the company and be accountable to its shareholders. The board is composed of executive and non-executive directors with diverse skills or expertise in order to ensure that no individual dominates their decision-making process.

There is much evidence that the board of directors' skills as organizational tools are recognized as the main driver of a firm's success, but there is little understanding of how these skills help the organizational planning and development of strategies. Numerous studies (Al-Madhoun & Analoui, 2003; Khan & Ghouri, 2011; Tonidandel, Braddy, & Fleenor, 2012) acknowledged that board of directors skills are a source of competitive advantage. So, improper use of the skill could lead to poor corporate governance which can be costly to the company and even to society as a whole. The formation of a corporation needs to be directed and controlled by appointed people called the Board of Directors (BOD). The BOD is a group of people appointed by shareholders, whose main responsibility is to protect the firm assets and manage the company's performance (Kennon, 2011).

The BODs play a very important role in a corporation's decision-making process and their decisions could affect the survival and direction of the company. This board is burdened with a huge responsibility for the whole economy because "a small leak will sink a big ship" (Radlach. 2018), the presence of expertise in Accounting, law, and management in corporate entities affects firm performance. It follows that the professional skills of the board members are very important for decision making which consequently affects firm performance. Mohamud (2017), suggested that formal education allows individuals to gain knowledge and skills, and earn credentials valued by others in the business community while Carcello (2006) noted that repetition to exposure and the extensive effects of experience increases the knowledge and skills of experts, this is essential to practice good corporate governance (CG).

Practicing good corporate governance is an effective tool to help the firm to achieve better performance. This enhances the increase in the return on investment of the shareholders. ROI (Return on Investment) is a concept of performance in any form of investment. For shareholders, the ultimate goal of the company is expressed in ROI. ROI is an indicator that shows to which extent a specific business produces gain from the use of capital. It shows the extent to which the

amount invested in a particular action returns as profit or loss. Thus, it enables efficient assessment of an amount invested or, in other words, ROI allows measuring the result in relation to the means used to obtain it. ROI is calculated as the ratio between the operating profit obtained after the action of investment and the total amount invested (or the total investment costs), (Mariana, Marinela, & Luiza, 2016). In the study by Zona and Zattoni, (2007), titled 'Beyond the black box of demography: board processes and task effectiveness' using a cross-sectional sample of Italian firms. The study found that with regards to board networking performance, use of knowledge and skills there is a positive influence on board task performance, whereas they found only weak support for the hypothesized positive. They indicated that the higher the use of knowledge and skills, the higher the level of board service, monitoring and networking. This by extension has a positive effect on firm profitability (or ROI). Based on this, there is a need to evaluate the effect board expertise on firm performance.
The multiple cases of institutional failure across the globe in recent times have brought the attention of stakeholders to the makeup of corporate governance. The consequences of ineffective governance systems have severally led to corporate failures which not only affect the shareholders but also, the employees, suppliers, consumers and nations as a whole. This ineffective corporate governance can be attributed to the absence of some skills among the Board of Directors, these skills are highly needed to monitor the management performance and reduce agency problems.

Wahid (2012), highlighted the unfortunate consequence that resulted from the corporate scandals that stormed the United States which led to the collapse of Enron, WorldCom, Dot-Com Bubble, Tyco and Xerox together with the subsequent liquidation of HIH insurance in Australia in the year 2001 and Parmalatin Italy which is known as the biggest bankruptcy in Europe with estimated loss totalling $20 billion among others.

Dalwai (2015), observe that a lack of knowledge and skill on the part of the board caused the collapse of Enron and WorldCom. Empirical evidence (Al-Janadi, 2018), suggests that one key determinant of board monitoring of the financial statement process is accounting skill. For instance, Assenga (2018), observed the importance of having directors with accounting knowledge on the firm board. In a similar agency theoretical context some studies, for example, Aguilera (2015), observed that having board members with accounting experts can help to improve the financial reporting process. In summary, the empirical evidence reveals that directors serving on a corporate board must have accounting skill and legal skills. The absence of this may affect the ability to monitor management, and hence increase the level of agency conflict.

Specifically in Nigerian organizations such as Cadbury (Nig.) Plc. Afribank Plc, Lever brothers (Nig.) Plc. and Oceanic Bank in Nigeria in 2009 among others necessitated the need for further investigation of the skills of directors need on the firm board. These series of corporate disasters are ascribed to the failure on the part of the inefficiency of corporate governance to mitigate the effective utilization of organizational resources and increase the value of firms. It is against this backdrop that the Nigerian corporate world has taken steps to align its corporate governance mechanism with international best practices by following the IFRSs framework to strengthen stakeholder confidence (Gonzalez, 2014). The collapse of these multinational companies in most

cases is traceable to the board of directors' skills and abilities (Olaoti, 2016). Many practitioners have clamoured for this corporate board's skills and abilities before they are appointed.

Considering several studies done outside and inside Nigeria, few studies were done in most developed countries and also few related studies were carried out in developing countries but no study was done in Nigeria on the board skills and firm profitability. Despite all studies, few studies were on board attributes and board diversity other than board expertise and this created a big gap that needs to be filled. Therefore, this study intends to look inside the box on what happens in the board decision-making process and also establish the effect of board skills on firm profitability. This suggests that the board supplements top management with vital advice and counsel. There is a need to change board composition as the environment of the firm changes (Boeker & Goodstein, 1991; Lang & Lockhart, 1990). The main objective of this study is to evaluate the relationship between the board of directors' skills and firm profitability. The specific objective includes to:

i Evaluate the relationship between accounting skills and return on investment.

ii Determine the relationship between managerial skills and return on investment.

iii Determine the relationship between legal skills and return on investment.

2.0 Literature Review

2.1 Conceptual Review

Accounting expertise and Return on Investment

According to Masud, Bae, Manzanares, and Kim (2019), accounting skills help the board oversee the accounting systems, ensure transparency regarding financial reporting and the accountability of financial statements and prevent internal control by the firm. As an expert on accounting and auditing, an accountant on the board helps to monitor the management's capacity and capability regarding financial decisions, while also providing experience-based opinions regarding the firm's financial statements. Moreover, accounting experts play the role of an arbitrator between internal and external auditors, reducing the number of agency conflicts within the firm. The presence of accounting experts on the board has also received regulatory and institutional attention around the world. The ability to understand the statement of financial performance, statement of financial position and statement of cash flow of an organization is needed in the board of directors.

Shareholders must look out for it before appointing the board of directors. It helps the directors progress in their careers and whenever decisions are to be taken based on the financial information. Understanding the relationship between knowledge of personal financial issues and corresponding financial behaviour is increasingly recognized as an area of critical financial importance. Chen and Volpe (2018) established a link between financial knowledge and financial decisions, though it was tenuous at best as the decisions were purely hypothetical.
A common response to this lack of accounting knowledge is the prescription of education (Scott, 2010), with the general assumption that improved knowledge, will result in more effective financial decision-making.

Some evidence indicates that the relationship between knowledge and behaviour is more complicated as improved knowledge does not automatically result in improved behaviour (Braunstein & Welch, 2012). Perry and Morris, (2015) suggested that psychological factors, such as locus of control, may mediate the impact of financial knowledge on behaviour. The present data suggest that financial knowledge is important, but questions remain as to the exact nature of knowledge's impact on overall financial well-being. Theoretically, knowledge of how financial markets operate should result in individuals making more effective borrowing decisions (Liebermann & Flint-Goor, 2016). This is generally supported by the available literature as numerous studies indicated that well-developed financial skills are necessary for effective money management (Carswell, 2009; Collins, 2007; Haynes-Bordas, Kiss, & Yilmazer, 2009; Scott, 2010).

However, the majority of these studies are positively related. Hilgert, Hogarth, and Beverly (2003) examined the correlation between financial knowledge and actual behaviour among the general population in the United States. They measured knowledge using the 28-question Financial IQ measure that is included in the Survey of Consumer Finances, which deals with aspects of cash-flow management, credit management, savings, investments, mortgage information, and other financial-management topics (Hilgert et al., 2003). The researchers noted significant correlations between credit management scores and scores on the composite measure of financial knowledge. Lusardi and Mitchell, (2006) analyzed retired households, indicating that greater knowledge was associated with planning and succeeding in retirement planning, as well as investing in complex assets such as stocks. Further research by Lusardi and Mitchell (2007) indicated that more knowledgeable Americans thought more about retirement. To this point, the discussion has emphasized objective financial knowledge. It is important to address the possible impact of subjective financial knowledge (or self-assessed knowledge) as well. Research by Courchane, (2005) indicated that self-assessed knowledge was one of the most significant factors in determining financial behaviour. However, research has made it clear that people do not always have a full understanding of their level of financial knowledge (Courchane, 2005).

Consequent upon the above, the paper hypothesizes:

$H0_1$: Accounting expertise does not affect return on investment of sampled commercial banks significantly.

Managerial expertise and Return on Investment

According to Corporate Finance Institute (2022), managerial expertise can be defined as certain attributes or abilities that an executive should possess in order to fulfil specific tasks in an organization. They include the capacity to perform executive duties in an organization while avoiding crisis situations and promptly solving problems when they occur. The business literature acknowledged the importance of management expertise as an important construct for a firm's performance (Shaikh et al., 2017; Wijaya & Irianto, 2018). The resource-based view (RBV) of the firm by Wernerfelt, (2014) also considers managerial expertise as the bedrock of the firm's better performance and competitive advantage. The theoretical arguments are that resources that are valuable, rare, inimitable, and non-substitutable (VRIN), drive the firm's comparative advantage.

Managerial expertise can be one such resource for the firm to drive its growth and sustainable process.

Managerial expertise can be developed through learning and practical experience as a manager. The skills help the manager to relate with their fellow co-workers and know how to deal well with their subordinates, which allows for the easy flow of activities in the organization. Good managerial expertise are vital for any organization to succeed and achieve its goals and objectives. A manager who fosters good managerial skills is able to propel the company's mission and vision or business goals forward with fewer hurdles and objections from internal and external sources. According to Singh (2008), management and leadership skills are often used interchangeably as they both involve planning, decision-making, problem-solving, communication, delegation, and time management.
Good managers are almost always good leaders as well. In addition to leading, a critical role of a manager is to also ensure that all parts of the organization are functioning cohesively. Without such integration, several issues can arise and failure is bound to happen. Management skills are crucial for various positions and at different levels of a company, from top leadership to intermediate supervisors to first-level managers.

$H0_2$: Managerial expertise does not affect return on investment of sampled commercial banks significantly.

Legal expertise and Return on Investment
Board members come to the board with different backgrounds and different sets of skills. One type of skill that is especially pertinent to legal-sensitive disclosure policy is legal skill (Wen, 2008). Legal skills on the board are associated with strong anti-corruption and transparent accounting mechanisms within the organization (Masud, Bae, Manzanares, & Kim, 2019). Lawyers play a critical role in controlling corruption within a corporation, by explaining the legal repercussions of any corporate action and thus, serving as a "gatekeeper" (Ferguson, 2017). According to Ferguson. (2017), "Lawyers may act as compliance officers or ethics officers by creating, enforcing and reviewing their client's compliance program". Any withholding of information or misrepresentation is associated with considerable legal risk, therefore directors with legal skills, who understand legal liabilities and the public effects of corporate behaviours, are thus associated with less information withholding or misrepresentation, leading to higher information quality (Wen, 2008).

Lawyers are considered highly competent, professional people whose legal background enables them to effectively deal with sensitive political and social information, such as corruption, CSR and environmental performance (De Villiers, Naiker, & Van Staden, 2011; Harris, and Valihura, 2017). The role of these lawyers is to support their firms or clients by formulating and exercising due diligence mechanisms regarding corruption control and prevention (Masud, Bae, Manzanares, and Kim, 2019). A report by Arnold and Porter (2013) on the lawyer's role in the fight against corruption vividly stated that a lawyer's professionalism can help enhance the anti-corruption movement around the world.

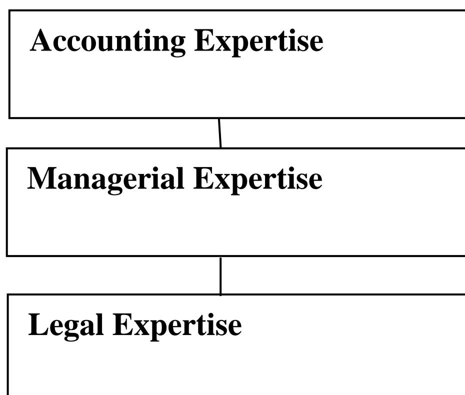
$H0_3$: Legal expertise does not affect return on investment of sampled commercial banks significantly.

Return on Investment

According to Mariana Zamfir Marinela Daniela Manea and Luiza Ionescu (2016), the investment decision is a strategic decision and it is an integral part of the general policy of the company. Investments are means to secure the company's development in the medium and long term. The term investments have been defined by many authors over time. Note that investments are considered "resources deployed in the hope of achieving benefits during a long period of time" or money or other resources expended in the hope that in the future they will bring higher amounts of money or other benefits will occur (Mieilă, 2019). ROI (Return on Investment) is a concept of performance in any form of investment. For shareholders, the ultimate goal of the company is expressed in ROI. ROI is an indicator that shows to which extent a specific business produces gain from the use of capital. It shows the extent to which the amount invested in a particular action returns as profit or loss. Thus, it enables efficient assessment of an amount invested or, in other words, ROI allows measuring the result in relation to the means used to obtain it.

ROI is calculated as the ratio between operating profit obtained after the action of investment and the total amount invested (or the total investment costs). The result is a percentage of the relation obtained multiplied by 100. ROI is used by investors to select an investment project of several possible. As well it can be used after the completion of the investment, to measure its profitability. ROI is an indicator frequently used in performance analysis and decision-making. (Mariana, Marinela & Luiza, 2016).

Independent Variables **Dependent Variable**



Source: Researcher's Concept, (2023)

2.2 Theoretical Framework

Agency Theory

This is also known as the Principal-Agent theory; it was first introduced by Alchian and Demsetz in 1972 and subsequently refined by Jensen and Meckling. It has its roots in law, accounting, economics, and finance (2016). The interaction between the principals, such as shareholders, and the agents, such as firm executives and managers, is described as the agency hypothesis (Drury, 2021). The interaction between the principals, such as shareholders, and the agents, such as firm executives and managers, is described as the agency hypothesis (Drury, 2021). In banks, the shareholders or members are the principals, and the managers or governing boards are the agents. Both the managers and the board committee members are accountable for making sure the bank's activities are properly managed to increase shareholder returns, make the best use of members' deposits, and reduce any risks that may result from their actions. In this theory, shareholders who are the owners of the bank, hire the agents who are the managers to carry out the work of credit management on their behalf (Drury, 2021).

The principal-agent theory explains the conflict of interest that exists between the shareholders, hereby referred to as the principals, and the managers and debt holders, here referred to as the agents (Jensen & Meckling, 2016), because a principal-agent relationship is a contract that the principal engages the agent to perform some duties on their behalf, agency conflict may arise when the agents in executing the duties of the principal are affected by their welfare interest which impairs them from acting at the best interest of the principal. Agency conflict in commercial banks is largely attributed to moral hazard, earnings retention, risk aversion and time horizon and if not controlled, may arise in poor loan performance (Balungi, 2018). Given that a principal-agent relationship is a contract under which the principal appoints the agent to carry out specific tasks on their behalf, agency conflict may develop when the agents' welfare interests interfere with their ability to carry out the principal's instructions in the best interest of the principal. At commercial banks, moral hazard, earning retention, risk aversion, and time horizon are the main causes of agency conflict in commercial banks. If agency conflict is not managed, it may lead to subpar loan performance (Balungi, 2018). Therefore, commercial banks must implement effective governance structures that provide balanced performance incentives for their managers. To manage credit risks properly, bank managers need to be fairly compensated, trained, and driven by the shareholders.
The capital, which is the capital structure made up of equity and debt, is invested by the shareholders (or principals) of the banks. On the other hand, bank managers (agents) create credit risk management plans to enhance loan performance and boost investment returns (Orichom & Omeke, 2020). Critics of agency theory and its applications to credit risk management issues focus on issues such as erroneous assumptions about managers' motivations and actions; ineffective recommendations deduced from the theory; and questionable legal interpretations of credit risk management made on its basis (Segrestin & Hatchuel, 2011). The presumptions used in the modelling of distinct agency connections serve as the key determinants of the agency theory's application boundaries. Simple assumptions about the nature of interactions between individuals do not account for all the intricacies of human behaviour. Simple assumptions are useful for mathematical modelling but are unrealistic when describing human behaviour (Kultys, 2016).

2.3 Empirical Review

Israr and Shuhymee (2021), studied the effect of managerial skills on the performance of small- and medium-sized enterprises. The study investigates the mediating effect of strategic planning on

the relationship between managerial skills and the performance of small- and medium-sized enterprises (SMEs) in Punjab, Pakistan. The stratified proportionate probability sample method was used to select the 265 SMEs. The study applied a structural equation model (SEM) to analyze the proposed research hypotheses by using PLS-SEM. This research examines the direct and indirect effects of strategic planning on the performance of SMEs using the SEM test. The results indicate the positive effect of managerial skills on SMEs' performance and also suggested that strategic planning mediates the relationship between managerial skills and SMEs' performance. In addition, the role of managerial skills in the usage of the company's resources is highly influential through strategic planning. Strategic planning has been found to impact significantly and positively on the relationship between managerial skills and the performance of SMEs in Punjab, Pakistan. The findings suggested that, in devising appropriate strategies for SMEs, the effect of managerial skills on the utilization of the firm's resources can be more effective to the firm's performance. In short, the utilization of a firm's resources through proper planning is essential for the sustainability of SMEs.

Badu (2020), Studied Board Composition and Firm Performance, this study uses panel data of 137 firms listed on stock exchanges in Ghana and Nigeria over a period of seven years. System Generalized Method of Moments, Baron and Kenny, (1986) approach and Sobel test were adopted as estimation techniques for the study. The study reveals that board independence, skills and gender diversity are positively and statistically related to firm performance. The result of the study reveals that board size, skills and independence are positively related to board monitoring intensity. The study further reveals that the relationship between board independence and board skills and firm performance is mediated by board monitoring intensity. However, board monitoring intensity partially mediates the relationship between board size and firm performance.

Akinwole and Ajide (2020), studied Board Characteristics and Firm's Financial Performance in Nigeria, the study examined the effect of board size and its independence on the performance of listed entities in Nigeria. It further determined the effect of board diligence and board diversity on the performance of quoted firms in Nigeria. The study covered ten years (2009–2018) and made use of secondary data sourced from published annual reports and accounts of 35 purposively selected listed companies on the Nigerian Stock Exchange (NSE). The Pooled Ordinary Least Square (OLS) and generalized least square method of regression techniques were employed in analyzing the data obtained. Findings from the study revealed that a significant negative relationship exists between earnings per share and board size and between earnings per share and board diligence but no significant relationship exists between earnings per share and board independence. The study concluded that board size and board diligence have an impact on the performance of quoted companies in Nigeria, while board independence and gender diversity do not affect the performance of quoted firms in Nigeria. It was recommended small board size of diverse educational backgrounds and wide experiences of members, and regular meetings to discuss matters that concern the performance of firms.

Farhan, Tabash, AlMaqtari and Yahya (2020), studied Board composition and firms' profitability. The study analysis is based on 82 companies, covering ten years, from 2008 to 2017. The least squares regression model is used for analyzing the data. One accounting-based measure (return on

assets, ROA) and one marketing-based measure (Tobin Q) are used as proxies for firms' profitability. Leverage, firms' size and age are used as control variables. The findings reveal that the board of directors' composition as measured by the percentage of independent board members negatively and significantly affects the firm's profitability measured by ROA. On the other hand, the board of directors' composition positively and significantly affects profitability measured by Tobin Q. Furthermore, firms' size and age positively and significantly impact profitability. This topic is largely neglected by researchers of Indian origin at home and abroad. The present study provides insight for pharmaceutical companies to consider the high level of professionalism of their board members. Greater board independence could bring more expertise, improving profitability. Accordingly, the current research has implications for board members of pharmaceutical companies, especially government-owned ones.

Bonface, Malenya and Musiega (2019) evaluate the 'Effect of Managerial Expertise on Organizational Performance of Investment Banks in Kenya: A case Study of Old Mutual Acquisition of Faulu Kenya Micro-Enterprise'. The research study incorporated the use of descriptive research design and the population of the study comprised 287 staff and bank management of Old Mutual and top management of the 80 outlets of Faulu Kenya micro-finance. The study adopted a stratified random sampling approach to select a sample of 286 and a researcher-administered questionnaire was used to facilitate the acquisition of primary data. The study also adopted multiple correlation and chi-squire in data analysis concerning relationships between the variables. Statistical package for social sciences (SPSS) software was used to analyze the data. Findings revealed a statistically significant positive relationship between managerial expertise and the performance of investment banks in Kenya($r=0.702$; $p=0.05$)
Yameen, Farhan and Tabash (2019), examined the impact of the board of directors' composition on firms' profitability, focusing on the Indian hotel industry. Panel data analysis of 39 hospitality firms covering the period 2014 to 2016 revealed that the board of directors' composition negatively influences the profitability of Indian hotels.

Masud, Bae, Manzanares, and Kim (2019), studied board directors' expertise and corporate corruption disclosure: The moderating role of political connections; This study investigates the relationship between the presence of external experts on a board and CCD, as well as the moderating effect of political connections, on the positive role of legal experts in CCD. The study combines agency, resource dependence and stakeholder theories to show how resourceful directors on the board can promote corruption disclosure. Using data on listed firms in the Bangladeshi financial sector, the study analyzes 247 firm-year observations from 2012 to 2016. The results of a multiple regression analysis indicate that accounting experts, legal experts, political connections and corporate media visibility each have a positive and significant influence on CCD. Moreover, the moderating effect of political connections on the relationship between legal experts and CCD is negative and significant due to their higher political influences. The study has significant implications for corporate governance and policies concerning the development of the economy while reducing corruption

Simiyu, and Ombaba. (2018), examine if board processes affect the firm performance of state-owned sugar companies in Kenya. Exploring the role of using knowledge and skills, this study

looked at the effect of the use of knowledge and skills on the financial performance of state-owned sugar companies in Kenya. The study was guided by the resource dependence theory. The study employed a descriptive survey design that used both quantitative and qualitative approaches. The target population was all 38 board members of state-owned sugar companies in Kenya. The study used both primary and secondary data. The primary data was collected using questionnaires while secondary data was collected using the data collection schedule. Data were analyzed using both descriptive and inferential statistics. Descriptive statistics included frequencies, mean, variances and standard deviation while inferential statistics included Pearson's product moment of correlation and multiple regression analysis. Tables and figures were used to present the analysis output. Inferential statistical regression and correlation were done to establish the effect of board governance processes on the financial performance of state-owned sugar companies in Kenya. The findings of the study established that the use of knowledge and skills positively and significantly affects financial performance (β=.280; $p<0.05$). The results of the study are of great significance to policy-making and practice, since it will help to develop, policies for the firms to use to enhance corporate governance and therefore financial performance. The study will also be of help in theory and literature by providing updated empirical literature regarding board processes from the developing countries perspective on the sugar industry in particular. Lastly, the study will form a basis for further studies on corporate governance more so on board processes in future.
Makhlouf, Laili, Basah and Ramli (2017), Also studied the board of directors' effectiveness and firm performance: evidence from Jordan; The study used a panel data approach over a period of five years from 2009 to 2013, with a sample of 120 non-financial firms listed on Amman Stock Exchange, these firms represents around 56% of Jordanian listed firms. In terms of the effect of the board of directors on firm performance, five characteristics of the board of directors are identified: board of directors' independence, the board size, board meetings, leadership structure and board of directors' ownership. The firm performance was assessed by (ROA) as an accounting-based performance measure and Tobin's Q (TQ) as a market-based indicator. The findings indicate that the independence of the board of directors and the board of directors' ownership has a positive impact on firm performance. The results also find that the smaller board size enhances the firm performance. Further analysis shows that the findings fail to reveal any significant impact of the frequency of board meetings and leadership structure on firm performance. The study contributes to the literature on board of directors' effectiveness and firm performance in developing countries, especially in Jordan. This study provides useful information that is of great value to policymakers, academics and other stakeholders.

Jasson, and Govender. (2017), also studied measuring return on investment (ROI) and risk in training – a business training model, they emphasise the need to seek development and enhance their human capital as one of the sources of sustainable competitive advantage. Smart investment in scarce and critical skills development by means of training is expected to enhance human capital, however, the challenge lies with the uncertainty of whether the return on these investments are measured and whether training risks are managed by businesses. Evidence suggests that less than 10% of what is learned in training courses is applied effectively back at work to enhance performance and business results. This conceptual paper presents a business model to measure the return on investment (ROI) and risks of training. The proposed model adapts and builds on the Kirkpatrick-Phillips training evaluation model, adding a sixth, risk evaluation step and specifying

measurement factors for each step. The message of the article is that although the evaluation of trainee satisfaction, learning, application, impact and ROI is imperative and must be measured; ignoring the measurement of risk factors such as learning barriers and challenges may jeopardize the ability of leaders and managers to predicting how investments in human capital development will impact business results.

Mohamed, Ahmad, and Khai (2016) investigated the impact of corporate governance practices on the profitability of the Top 100 Malaysian companies. They used board size and board of directors' independence to explain the practice of corporate governance, return on equity and return on assets to measure profitability. Descriptive, correlation and regression analysis were used to establish and examine research hypotheses, revealing that the board of directors' size was significantly and negatively associated with return on assets, but insignificantly correlated with return on equity.
Hanssens and Pauwels (2016), evaluate demonstrating the value of marketing; this challenge is exacerbated by the fact that marketing uses attitudinal (e.g., brand awareness), behavioural (e.g., brand loyalty), and financial (e.g., sales revenue) performance metrics, which do not correlate highly with each other. Thus, one metric could view marketing initiatives as successful, whereas another could interpret them as a waste of resources. The resulting ambiguity has several consequences for marketing practice. Among these are that the scope and objectives of marketing differ widely across organizations. There is confusion about the difference between marketing effectiveness and efficiency. Hard and soft metrics and offline and online metrics are typically not integrated. The two dominant tools for marketing impact assessment, response models and experiments, are rarely combined. Risk in marketing planning and execution receives little consideration, and analytic insights are not communicated effectively to drive decisions. The authors first examine how these factors affect both research and practice. They then discuss how the use of marketing analytics can improve marketing decision-making at different levels of the organization. The authors identify gaps in marketing's knowledge base that set the stage for further research and enhanced practice in demonstrating marketing's value.

According to Adnan (2016), in their study, the Impact of Educational Level of Board of Directors on Firms' Performance, they attempt to fill the gap by investigating the association between board diversity and firm performance of 26 government-linked companies (GLCs) and 26 non-government-linked companies (non-GLCs) in Malaysia. The study used characteristics of education diversity and tested firm performance as measured by return on equity (ROE) and return on asset (ROA). It is predicted that education diversity has a negative association with both ROA and ROE. a final sample of 196 GLCs and non-GLCs listed on the Bursa Malaysia from 2007 to 2010 was used. It was analyzed using a quantitative method employed by Statistical Package for Social Science (SPSS) which compared the educational diversity of boards with firm performance. Multiple regression analysis was also used to estimate the relationships proposed in the hypothesis. The finding reveals that only education diversity in GLCs supported the hypothesis but not for non-GLCs. In conclusion, this study established that education diversity on board would diminish firm performance, especially in GLCs because their culture in appointing successful directors emphasizes network with governance characteristics rather than education characteristics.

Fuzi, Abdul and Julizaerma (2016), studied Board Independence and Firm Performance, The board of directors is a collective body that should act in the best interest of shareholders. The board requires a combination of executive and non-executive directors to pursue the shareholders' interests. The non-executive directors on the board will not be able to exercise their duties effectively unless they are independent of management and ensure they provide unbiased business judgment. Independent directors are the person entrusted by shareholders to represent them and will help to reduce agency problems. Further, the Code of Corporate Governance and regulators recommend the composition of board members should be balanced and consist of independent directors. However, mere compliance with the recommendations is not enough if the independent directors fail to exercise their functions effectively. A study has been carried out in a few countries by examining board independence and firm performance. The results showed a mixed association between the proportions of independent directors and firm performance. Although the companies comprise the highest number of independent directors, it would not assure to enhance firm performance. Thus, the existence of independent directors on the board should be monitored in order to bring positive shareholder values.

Alfayo (2015), studied the effect of managerial expertise on the organizational performance of investment banks. The authors investigate the effect of managerial expertise on the performance of investment banks in Kenya and compare it with pre-acquisition performance. Empirical studies done in this area have majorly been done in the West and have not been conclusive on the nature of the relationship between pre and post-acquisition performance. It is agreeable that acquisitions continue to enjoy significance as strategies for achieving organizational growth although their impact in creating shareholders value remains debatable, moreover, most of the research done has aggregated data on the combined areas of mergers and acquisitions. Despite the presence of fluctuating market conditions, companies and shareholders continue to invest in acquisitions even though acquisitions have mixed returns. In the model, the acquiring firm makes decisions on the level of integration and degree of replacement of the targets' top management and development capability to manage the post-acquisition integration process by building business measures that increase the value of the combined business entity more than the sum of its separate units. The research study incorporated the use of descriptive research design and the population of the study comprised 287 staff and bank management of old mutual and top management of the 80 outlets of Faulu Kenya micro-finance. The study adopted a stratified random sampling approach to select a sample of 286 and a researcher-administered questionnaire was used to facilitate the acquisition of primary data. The study also adopted multiple correlation and chi-squire in data analysis concerning relationships between the variables. Statistical package for social sciences (SPSS) software was used to analyze the data. Findings revealed a statistically significant positive relationship between managerial expertise and the performance of investment banks in Kenya.

3.0 Methodology

The study adopted ex-post facto research design. The study focused on quoted deposit money banks in Nigeria exchange group. The study makes used of secondary data collected from annual financial reports of quoted deposit money banks in Nigeria exchange group. The population of the study is made up of 14 quoted commercial banks in Nigeria. However, ten commercial banks were sampled covering the periods of 10 years from 2012 – 2022.

Operationalization of Variables

Variables	Measurements	Source
Dependent Variable Return on Investment	Net Income Divided by Total Shares	Zamfir, Manea, & Ionescu, (2016)
Independent Variables		
Accounting expertise	Dummy variable. If there is a director with management skills on the board is 1, if there is none 0.	Masud, Bae, Manzanares, and Kim (2019).
Managerial expertise	Dummy variable If there is a director with Accounting skills on the board is 1, if there is none 0.	Singh (2017).
Legal expertise	Dummy variable If there is a director with Legal skills on the board is 1, if there is none 0.	Masud, Bae, Manzanares, and Kim (2019).
Control Variables		
Firm Size	Natural logarithm of total assets	Masud, Bae, Manzanares, & Kim (2019).
Firm Leverage	Ratio of debt to assets	Masud, Bae, Manzanares, & Kim (2019).

Source: Researcher's Concept (2023)

Model Specification

This study was adapted the model from the study of Masud *et al.* (2019)

CCD = *f*(ACCTE, LEGE, POLTC, CORVIS)

Where

CCD = Corporate Corruption Disclosure

ACCTE = Accounting Expertise

LEGAL = Legal Expertise

POLTC = Political Connection

CORVIS = Corporate Visibility

The model will be modified to suit the variables to be used. Hence the model for the study will be anchored on the objective.

ROI = *f* (MGTS, ACCTS, LEGS, SIZE, LEVE) ---1

This can be econometrically expressed as

$$ROI_{it} = \beta_0 + \beta_1 MGTS_{it} + \beta_3 ACCTS_{it} + \beta_4 LEGS_{it} + \beta_5 SIZE_{it} + \beta_6 LEVE_{it} + \mu \text{------}2$$

Equations 1 and 2 are the linear regression model used in testing the null hypotheses.

Where:

ROI = Return on Investment
ACCTS = Accounting Skills
MGTS = Management Skills
LEGS = Legal Skills
SIZE = Firm Size
LEVE = Firm Leverage
β_0 = Constant
$\beta_1 \ldots\ldots \beta_6$ = is the coefficient of the regression equation
μ = Error term
i = is the cross-section of firms used
t = is the year (time series)

Decision Rule

Accept Null if P-Value is greater than 5% otherwise reject Alternate

4.0 Results and Discussions

This section of this paper details the regression result alongside the policy implications of each results. Meanwhile, the model was subjected to some preliminary checks.

4.1. Preliminary Test

To ensure that, the regression estimates are fit for prediction and policy formulation, the datasets were first subjected to some preliminary analysis checks. Each test estimates are presented thus:

4.1.1. Descriptive Statistics

The descriptive statistics as presented in table 2 accounted for the average, median, maximum, minimum and standard deviation values.

Table 2: Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
			Regressed			
ROI	6.522079	4.682823	14.26284	2.219902	3.527401	100
			Regressors			
ACCTS	0.990000	1.000000	1.000000	0.000000	0.100000	100
LEGS	0.940000	1.000000	1.000000	0.000000	0.238683	100
MGTS	0.990000	1.000000	1.000000	0.000000	0.100000	100

Control Variables						
LEVE	0.793464	0.859951	1.025728	0.104088	0.189902	100
FSIZE	21.33294	21.23198	23.10027	19.15879	0.702649	100

Source: E-Views Version 9.0 (2024)

From table 2, the sampled commercial banks reported 100 observations justifying that, none of the variables were missing. In terms of degree of volatility, the regressed (ROI) reported average value of 6.52% but deviated by 3.53%. This suggests that, ROI clustered around its average value and do not exhibit sign of high disparity. Again, the highest ROI value recorded within the reviewed period is 14.26% while the least ROI which the whole sampled commercial banks recorded is 2.22%.

Similarly, the regressors (accounting skills, management skills and legal skills) reported average values of 0.990000, 0.940000 and 0.990000 but deviated by 0.100000, 0.238683 and 0.100000, respectively. This suggests that, the regressors (accounting skills, management skills and legal skills) clustered around their average values and do not exhibit sign of high disparity. Again, their highest and lowest values fall within 1 and 0, respectively since the study adopted the binary approach such that, If there is a director with management skills or accounting skills or legal on the board is denoted 1 but if there is none, the score is 0.

Lastly, the control variables (leverage and firm size) reported average values of 00.793464 and 21.33294, respectively but deviated by 0.189902 and 0.702649, respectively. This suggests that, the control variables (leverage and firm size) clustered around their average values and do not exhibit sign of high disparity. Again, their highest values fall within 1.025728 and 23.10027, respectively. This further confirmed that, the sampled commercial banks are highly equity intensive. Meanwhile, their least values falls within 0.104088 and 19.15879, respectively

4.1.2. Correlation Analysis

According to Ighosewe, Akan and Agbogun (2021), a correlation analysis is a preliminary check that is used to determine the extent of direction of relationship among variables. They added that, though it is not a test of multi-collinearity, high or low correlation coefficients say 70% above or below are pointer of either presence or absence of multi-collinearity. According to them, the two confirmatory tests to attest to either presence or absence of multi-collinearity are variance inflation factors and tolerance value. Consequently, the correlation analysis and the two confirmatory tests are presented thus in table 3 and 4, respectively.

Table 3: Correlation Analysis

	ROI	MGTS	LEVE	LEGS	FSIZE	ACCTS
ROI	1.000000					
ACCTS	0.786771	1.000000				
LEGS	0.377809	-0.034361	1.000000			
MGTS	0.310078	-0.025392	0.008799	1.000000		
LEVE	-0.547300	-0.049236	-0.128097	0.061161	1.000000	
FSIZE	0.567710	-0.010101	-0.034361	-0.025392	-0.049236	1.000000

Source: E-Views Version 9.0 (2024)

From table 3, the degree to which return on investment is correlated with accounting skills is positive and strong (r_{ACCTS}=0.786771). By implication, higher ROI is associated with greater accounting skills. By extension, the more directors have more accounting skills, the higher the performance (cum ROI). Also, managerial and legal skills exhibited moderate positive relationship with ROI. By extension, the more directors have more managerial and legal skills, the higher the performance (cum ROI). Similarly, the larger the firm size in terms of asset base, the higher the performance (cum ROI). By implication, commercial banks with larger asset base will report higher performance (cum ROI) than commercial banks with lower asset base. This may be traced to economies of scale and scope. However, if banks are highly geared, investment potentials of such firms may be hampered especially during periods of economic crises which in turn moderately reduce such commercial banks.

Further test confirmed that, none of the regressors reported high correlation. This suggests that, the possibility of multi-collinearity problem is very low. To confirm this assertion, the multi-collinearity tests were introduced. They are presented thus:

Table 4: Multi-collinearity Tests

Variables	VIF	TOV=1-VIF
ACCTS	1.2875	0.7767
LEGS	2.1709	0.4606
MGTS	1.1695	0.8551
LEVE	3.2119	0.3113
FSIZE	3.9898	0.2506
Average	**2.3659**	**0.5309**

Source: E-Views Version 9.0 (2024)

From table 4, ACCTS, LEGS, MGTS, LEVE and FSIZE reported VIF values of 1.2875, 2.1709, 1.1695, 3.2119 and 3.9898, respectively. Also, the average VIF value for all the five variables is 2.3659. Since the VIF values for the variables are far below 10, it suggests that, the dataset is free from multi-collinearity problems. To further reaffirm this, the tolerance values are above 0.10. This validated that, the datasets are devoid of multi-collinearity problems.

Regression Estimate

This sub-section placed careful attention on the logged regressed data on the data with the intent of reducing scaling problems and also addresses variable mis-representation issue. Also, the regression estimate in table 5 is presented alongside other preliminary analysis such as Heteroskedasticity test, Ramsey Reset test and Hausman test. They are therefore presented thus:

Table 5: Other preliminary Tests

Other preliminary Tests	F-statistic/Chi-square	P-value	Decision
Heteroskedasticity Test	0.519972	0.9914	Homoskedastic
Ramsey Reset Test	9.783986	0.0816	Model Well Specified
Hausman Test	0.007872	0.9300	Random Effect Model

Source: E-Views version 9.0 (2023)

The Heteroskedasticity test evidenced that, the model is homo-skedastic. Again, the Ramsey reset test confirmed that, the model is well-specified and none of the variables are omitted. The Hausman test confirmed that, the Random effect model is not most appropriate model fit for the study. This suggests that, the fixed effect model is not fit for the study. Consequently, the robust random effect model is presented in table 6:

Table 6: Robust Random Effect Model

Dependent Variable: ROI				Date:	04/15/24
Total panel (balanced) observations: 100 (Sample: 2013 to 2022; Periods Included: 10)					
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**	**Decision**
C	3.2061	0.2086	15.3726	0.0000*	Positive & Significant
ACCTS	0.4905	0.1381	3.5503	0.0006*	Negative & Insignificant
MGTS	0.5289	0.1270	4.1638	0.0001*	Positive & Significant
LEGS	0.5662	0.0931	6.0796	0.0000*	Positive & Significant
FSIZE	0.0647	1.2295	0.9473	0.3459	Positive & Significant
LEVE	0.3046	0.1184	2.5717	0.0117**	Positive & Significant
R^2	0.7526	Adj. R^2		0.7181	High Predictive Power
S.D.Dep. var	3.5274	Durbin-Watson stat		1.8404	No serial Correlation
F-statistic	10.2385	Prob(F-statistic)		0.0000*	Positive & Significant

Note: * denotes 1% significant level while ** denotes 5% significant level
Source: Eviews 9.0 (2024)

Table 4 reported R-Squared value of 0.872695 suggests that the model has a high predictive power. More so, the Durbin Watson statistics of 1.840362 suggests that, the model is free from serial correlation. Meanwhile, the F-statistics reported a probability value of 0.000 <5%. This suggests that, on the overall, board expertise has a high statistical significant effect on the ROI of sampled commercial banks within the periods under investigation. This further underscores the need for all commercial banks in Nigeria to have directors with managerial, accounting, and legal expertise. This will help them to be abreast with managerial, financial, and legal issues which affect the going concerns of quoted commercial banks in Nigeria. The findings further revalidate the rationale behind the current bank recapitalization exercise developed by the Central Bank of Nigeria on 28th March, 2024.

Furthermore, having controlled for both financial leverage and firm size, accounting expertise exerted positive significant effect on financial performance of sampled commercial banks within the periods($\beta 1= 0.4905$ & P-value = 0.0006<5%). By implication, accounting expertise are a major predictor of financial performance of sampled commercial banks within the periods under review. The study further stressed the need for directors to possess accounting expertise. The study further reaffirmed that, directors with accounting expertise will know proper budgetary allocations that should be given to each unit, reduce lost, pilferage among other issues. Again, the study laid much claim that, accounting skills help the board oversee the accounting systems, ensure transparency regarding financial reporting and the accountability of financial statements and prevent internal

control by the firm (Masud, Bae, Manzanares, & Kim, 2019). As an expert on accounting and auditing, an accountant on the board helps to monitor the management's capacity and capability regarding financial decisions, while also providing experience-based opinions regarding the firm's financial statements. Moreover, accounting experts play the role of an arbitrator between internal and external auditors, reducing the number of agency conflicts within the firm. The presence of accounting experts on the board has also received regulatory and institutional attention around the world. The ability to understand the statement of financial performance, statement of financial position and statement of cash flow of an organization is needed in the board of directors.

Again, managerial expertise exerted positive significant effect on financial performance of sampled commercial banks within the periods ($\beta1$= 0.5289 & P-value = 0.0001<5%). By implication, managerial skills are a major predictor of financial performance of sampled commercial banks within the periods under review. The study further stressed the need for directors to possess managerial skills. The study further reaffirmed that, directors with managerial skills will know when to invest, the best financing mix, timing and the amount of dividend to pay shareholders as dividend. Also, those with managerial skills know when firms should de-invest should such decision hampers the sampled commercial banks.

As in the case of managerial expertise, having controlled for both financial leverage and firm size, legal expertise exerted positive significant effect on financial performance of sampled commercial banks within the periods($\beta1$= 0.5289 & P-value = 0.0001<5%). Justifiably, lawyers are considered highly competent, professional people whose legal background enables them to effectively deal with sensitive political and social information, such as corruption, CSR and environmental performance (De Villiers, Naiker, & Van Staden, 2011; Harris, and Valihura, 2017). The role of these lawyers is to support their firms or clients by formulating and exercising due diligence mechanisms regarding corruption control and prevention (Masud, Bae, Manzanares, and Kim, 2019). A report by Arnold and Porter (2013) on the lawyer's role in the fight against corruption vividly stated that a lawyer's professionalism can help enhance the anti-corruption movement around the world.

5.0 Conclusion and Recommendations

This paper examined the effect of board expertise on financial performance of ten sampled commercial banks from 2013 to 2022. The regressor is board expertise measured by accounting expertise, managerial expertise, and legal expertise. The study included both firm size and financial leverage into the model as control variables. The panel regression approaches was adopted since the variables exhibited both time series and cross sectional characteristics. Consequent upon the various findings, the paper concludes that, accounting, managerial and legal expertise are major positive predictors of the financial performance (cum ROI) of sampled commercial banks within the reviewed periods. Hence, the following submissions were made:

i. Directors with accounting background should be given more opportunities to become members of the board room considering the instrumental roles they play in the Nigerian banking industry.

ii. Those at the management cadre should be given more opportunity to up-skill since managerial expertise serve as one of the most critical factors which influences the performance of the sampled commercial banks in a positive light.
iii. Directors with legal background should be given more opportunities to become members of the board room considering the instrumental roles they play in the Nigerian banking industry.

Contribution to Knowledge

The study contributed to the board expertise extant studies by developing a robust model that evidenced that, accounting expertise, managerial expertise and legal expertise are critical predictors of financial performance of commercial banks in Nigeria.

Limitation and Suggestions for Future researches

The study was only limited to examining three expertise proxies without including board diversity which is also a critical factor which influences financial performance of quoted commercial banks in Nigeria. On this note, the paper submits that, future researches should consider the inclusion of board diversity in their model. Again, the paper only considers a single financial performance measure. Since financial performance of the banking industry cannot be factored only by return on investment only, future researches should include other financial performance proxies such as return on assets, return on equity into their model.

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