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Board of Directors Decisions and Performance of Deposit Money Banks: An Analytical Approach

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ABSTRACT: The study examines the relationship between Board of Directors Decisions and Performance of Deposit Money Banks: An analytical approach in Nigeria for the period 1990–2018. The study measured Ordinary share capital, Debenture, Investment in subsidiaries, and Loans /advances as proxies for Board of Directors decisions while Return on Equity was used as proxies for Performance of deposit money banks for the said periods under review. In the course of the study, data were obtained from the website of Central Bank Statistical bulletin and annual report of Nigerian Deposit Insurance Corporation (NDIC). The Augmented Dickey Fuller (ADF) test option was used to test for unit root. The ARDL and Bounds test were used to estimate the short and long run relationships. This study found that at short run, the board of director's decisions on financing and investment decisions has positive relationship with return on equity, but are not significant predictors of return on equity. However, at long run the director's decisions on financing options i.e. ordinary share capital and debenture, investment in subsidiaries and granting of loans have a long run relationship with return on equity of deposit money banks in Nigeria for the period 1990-2018. Strong credit risk administration/procedures should be religiously followed especially (know your customer) and complied with by credit risk managers in all deposit money banks in Nigeria. Ordinary share capital should be a source of financing at the short run. These were some of the recommendations proffered, to the Government, monetary authorities, Central Bank of Nigeria, researchers and Deposit Money Banks in Nigeria.

KEYWORDS: Board of Directors, Ordinary Share Capital, Investment in Subsidiaries, Performance.

INTRODUCTION/BACKGROUND OF THE STUDY

In a firm hierarchy, the board of directors forms the highest executive body and as such is tasked with making strategic decisions aimed at capitalizing on the firm's market value. They manage companies in a manner whereby the business shareholders are afforded long standing and steady gains. They similarly ensure stability by keeping balance amid the investors and the need for growth of the firm (Ibenta and John, 2015; Akpan and Amran, 2014)

The boards of directors are an important organ that creates, develops, leverage, and manage the firm's resources thus influencing its performance (Ho and Williams, 2003). The board of directors as believes by Williams (2001) are responsible for the structuring relevant strategies and policies on how to obtain and best utilize the required resources of a business. He maintained that a firm`s board of directors can sway the formation of business investment strategies, policies and ultimate performance of an organization.

In emerging economies, severe episodes of collapse have been observed in which banks and likewise firms of other sectors has folded. Nigerian Banks for examples: Society General Bank Ltd, Mainstream Bank, Oceanic Bank, AfriBank, Bank of the North, Savannah Bank Plc. With the folding of these Nigerian banks and the operations of some of the banking operators, concerns have emerged in regards to the need in strengthening corporate governance in banks. This will ensure a well-organized functioning banking system which is also effective and by such boost confidence from the public (Soludo, 2004).

STATEMENT OF THE PROBLEM

In 2009, the apex bank (CBN) removed the board of directors of five commercial banks (Afribank Plc, Intercontinental Bank Plc, Union Bank of Nigeria Plc, Oceanic International Bank Plc and Finbank Plc) sighting reasons such as undue high level of non-performing loans attributable to non-adherence to bank's credit risk management. Nigerian banking industry had a situation where the directors of five commercial banks were dissolved due to decisions taken that affected the health of the bank. The CBN

went further to state that these bank directors' actions were detrimental to the interest of their depositors and creditors. Hence the directors of those banks were removed and seized to be directors of those banks.
A study carried out on the relationship of Board of Directors characteristics and firm´s financial performance, using large sample of U.S firm's from 2005-2009 discovered that the degree of insider director positively influence firm performance. However, another study by adopting a multiple regression technique examined how board decisions (characteristics) influences performance of listed Nigerian deposit money banks. The study revealed that the performance of these banks is in no way significant influence by their executive directors.
This study intends to investigate the relationship between board of director's decisions and performance of deposit money banks in Nigeria. The variables for this study which makes it unique from other studies is the introduction of variables such as decisions on financing (ordinary share capital, debenture) and investments decisions (investments in subsidiaries) and management of resources (decisions on granting of loans) for the period 1990 to 2018.

OBJECTIVES OF THE STUDY

The study objective is to determine the relationship between board of director's decisions and the performance of deposit money banks in Nigeria. Other specific objectives include;

i. Determine whether there is a significant relationship between ordinary share capital and Return on Equity of Deposit Money Banks in Nigeria;
ii. Ascertain whether there is a significant relationship between Debenture and Return on Equity of deposit money banks in Nigeria;
iii. Determine the relationship between the investments in subsidiaries and Return on Equity of DMB in Nigerian banking industry ;and
iv. Establishing the relationship between Loans and Advances and Return on Equity of deposit money banks in Nigeria.

RESEARCH QUESTIONS

The following research questions are formulated to find out the link between the dependent and independent variables.

i. What is the relationship between ordinary share capital and Return on Equity of Deposit Money Banks in Nigeria?
ii. Does decisions on Debenture influence Return on Equity of deposit money banks in Nigeria?
iii. To what extent is the significant relationship between investments in subsidiaries and Return on Equity of DMB in Nigerian banking industry
iv. What extent does Loans and Advances influence Return on Equity of deposit money banks in Nigeria?

HYPOTHESIS

Based on the study questions, the following hypotheses are hereafter formulated in their null forms;

i. There is no significant relationship between ordinary share capital and Return on Equity of Deposit Money Banks in Nigeria.
ii. No significant relationship exists between Debenture and Return on Equity of deposit money banks in Nigeria.
iii. Investments in subsidiaries does not significantly influence and Return on Equity of Deposit Money Banks in Nigerian.
iv. Significant relationship does not exist between Loans and Advances and Return on Equity of deposit money banks in Nigeria.

SIGNIFICANCE OF THE STUDY

The following are some of the significance of this study.

i. It will enable the Central Bank of Nigeria to formulate corporate governance policies that would enhance sound financial practices in the banking industry in Nigeria.
ii. Deposit Money Banks will be better informed of decisions that are performance driven and to reduce non-performance driven decisions.
iii. DMB will be better informed of the need to adopt quality credit risk administration that would enhance better performance.
iv. Policy makers will be aided with informed decision on corporate governance that will aid banks performance in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Board of Directors and Performance

The concepts of the board of directors was derived from the attributes or incentives variable that play a significant role in monitoring and controlling managers and can be described as a bridge between company management and shareholders (Dalton et al, 1998). The board constitutes a firms highest decision making unit, as the board is obligated to protect and maximize stakeholders' wealth, supervise firm performance, and assess managerial efficacy.

The main duty of the board is perceived to be the ratification and monitoring of decisions, overseeing the actions of managers/ executives.

Performance

Performance can be described as a measure that reveals the position of an organization. It helps to tell how far and well an organization has improved relative to its profitability as through its service delivery. The study by Abaenewe, Ogbulu and Ndugbu (2002), used Return on Asset (ROA) and return on equity (ROE) as proxies for performance, nonetheless, it should be noted that a firms' profitability is not the only performance indicator of an organization. Thus this study considers ROA as a measure of performance of Deposit Money Banks in Nigeria since it appraise the firms value, which reveals its worth in the market.

Executive (Inside) Directors and Financial Performance

In the works of Fama and Jensen (1983) they theorized that the most influential members of a firm are the internal directors or executive directors due to their cogent firm specific knowledge. Similarly, recent research show that inside directors are valuable in enhancing a board's advisory and monitoring functions leading to effective performance of an organization (Raheja 2005; Adams & Ferreira 2007). Executive directors simply refer to as inside directors.

Independent Non- Executive Directors and Financial Performance

Non-executive directors are outside directors who are independent of the firm. They are so-called independent directors since they have neither personal nor business relationships with the company (Ogbechie & Koufopoulos, 2010). In other words, non-executive directors are representatives or members of the immediate family of a shareholder and who has no business relationship with the company for the past three years or more and who has the ability to control or significantly influence the board or management of the company.

Responsibilities of Board of Directors

The Board of Director's are primarily responsible for the success or failure of a corporate entity. The principal role of the board is to make certain that immediate and long term health and prosperity of the bank is maintained (Tennyson 2016).

The following are some responsibilities of Board of Directors.

- **Determination Of Bank Objectives:** One very important responsibility of the board is the formulation and establishment of objectives, mission and vision statement to ensure proper direction of business of banking.
- **Formulating Bank Policies:** BOD formulates policies towards planning a strategy aimed at achieving stated goals. To make profit through legitimate means could be one of the policies of a bank. Policies may be established not only by the BOD but also by committees, officers and employees in any department of the bank. The policies may vary on particular matter for each area of the banks operation as areas differ in economic growth activities, needs and peoples tastes and attitudes.
- **Supervision of Loans and Investments:** The BOD creates committees to monitor and supervise loans and investments, they still have the responsibility of overseeing and ensuring that lending and investment activities are carried out in sound banking principles, laws and regulations imposed by the regulatory and supervisory authorities.
- **Maintaining Integrity:** Responsible board members follow conflict of interest policies as set out in the organization's by-laws. They maintain confidentiality regarding sensitive matters and other private board matters.

Selected Banks and their Board Composition in Nigeria

NAME OF BANK	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	TOTAL NO.
DIAMOND BANK PLC	5	8	13
FIRST BANK PLC	5	8	13
GUARANTY TRUST BANK	6	7	13
ZENITH BANK	7	6	13
FIDELITY BANK	10	5	15

ZENITH BANK	7	6	13
UNITY BANK	6	7	13

(**Source:** Published Annual Reports of the banks)

THEORETICAL REVIEW

The stewardship theory: Donaldson and Davis, cited in Akingunola, Olusegun and Adedipe (2013), expounded that managers (Directors) are acceptable stewards who constantly work to achieve significant degree of profit and investors' profits (ROE). This theory emanates from the supposition that managers are motivated by achievement. Non-executive directors on the board serve this purpose better.

The stakeholder's theory: Stakeholder's theory is an extension of the agency view which expects the BOD to take care of the interests of shareholders. Nevertheless, this constricted view on investors has been reviewed and it is now expected that boards likewise address the interests of other stakeholder groups, as well as interest groups associated with social, environmental and ethical considerations (Freeman, 1984; Donaldson & Preston, 1995. Freeman, Andrew, Wicks, Bidhan & Parmar, 1991).

Agency theory: This theory sees stakeholders as the principals and management as their agents. Sanda, Mikailu and Garba (2005) further clarified that the occurrence lopsidedness in information can compel agents to chase interest which may be disadvantageous to the principals' interest. The process of joining these two interests can kindle a conflict amidst interest groups. Incongruent from stakeholder theory, managers in agency theory only boost principal's objective instead of optimizing multiple objectives.

Empirical Review

Horváth and Spirollari (2012) in their study observed the relationship among Board of Directors characteristics and firm´s financial performance, using large sample of U.S firm's from 2005-2009 uncovered that the level of insider director influences positively firm's performance.

Another researcher, Otuya and Ofeimun (2017) examined the Effects of Board Globalization and Financial Performance of Nigerian Banks; they used the ordinary least square (OLS) regression. The research outcome reveals that the level of riskiness in banks negatively affects it financial performance. This means that as a firm increases it financial risk through lending, its financial performance is negatively affected.

Odudu, Okpeh and Okpe (2016) studied how board characteristics influences performance of listed commercial banks in Nigeria. Secondary data were sourced from the annual reports and accounts of the sampled banks and analyzed using a multiple regression technique. Outcome should that the executive directors lacked any significant influence on performance on the banks.

Oyerinde (2014) reviewed corporate governance alongside bank performance by examining the level to which corporate governance added to the Nigerian financial crisis specifically in the banking sector amid the years 2000-2010. By using ROE and net interest income as pointers of bank performance, the pre and post consolidation reforms of banks were analyzed using panel data. The outcome of his findings averred that insider loan is negatively related to bank performance.

In another study conducted by Adusei (2011), the work tested the relationship amid board structure and bank's performance. The study used data from 26 banks operated in Ghana from 2005-2009. The result indicates that the relationship amid board of directors' size and banks' performance created mixed results. Thus it was discovered that, whereas the correlation between banks' performance and BODs size is negative as measured by ROE, which is used as performance indicator; contrarily, the evidence favours a positive relationship among banks' performance and the cost/income ratio.

METHODOLOGY

Data Collection

The data for this study was gotten from the website of the Central Bank of Nigeria (CBN) statistical bulletin and website of NDIC annual reports of insured banks in Nigeria for the period 1990 to 2018 (28 years).

Research Design

The study adopts a quantitative design as it is meant to collect and analyze given data on the relationship among two variables, namely, Board of Director's decisions and Performance of DMB in Nigeria.

Model Specification

Model specification is a scientific expression used to measure the economic relationship amid variables (dependent and independent variables). In this case we specify a functional and econometric models for the dependent and independent variables of the study.

ROE= f(OS,DE,SUB,LO)………….(1)

Assuming a linear relationship amongst the variables, the econometric relationship of the functional form is written as follows;

ROE= β0 + β1lnOS + β2ln DE + β3ln SUB +β4lnLO +U…….(2)

Where:

ROE= Return on Equity

OS= Ordinary shares

LnOS= natural log of ordinary shares

DE= Debentures

lnDE= natural log of Debentures

SUB=Investments in subsidiaries

lnSUB= natural log of investment in subsidiaries

LO= Loans and advances

lnLO= natural log of loans

U= stochastic error term

B0, = constant

b1, b2, b3, b4, = coefficients and are the parameters to be estimated

Pre-Test

The following pre-test will be conducted to ascertain the validity and global acceptability of the variables used as candidates for the selected model.

Test for Stationarity (Unit Root Test)

The test for stationarity of data is an assumption of an econometric model. It would reveal whether the data is stationary at level, first difference or whether it's a mixed order of integration. This result will give direction of the statistical tool to use to evaluate the parameters.

Test for Autocorrelation

Short Run estimation (Autoregressive Distributed Lag)

Test for Long run relationship (Bounds Test)

These tests would reveal whether there exists a long run relationship amid the dependent and independent variables.

Data Presentation, Analysis and Interpretation

The data collected on ROE, ordinary share capital, debentures, investments in subsidiaries and loans / advances of all commercial banks in Nigeria from the various sources will be presented, analyzed and interpreted in this section.

DATA PRESENTATION

Table 1: Showing Annual Roe, Ordinary Shares (Os), Debentures (De), Subsidiaries (Sub), Loans and Advances (Lo) for the Period 1990 To 2018

YEARS	ROE (%)	OS (N'000)	DE(N'000)	SUB(N'000)	LO(N'000)
1990	63.2	3.7	0	0	25.2
1991	26.4	4.3	0	0	29.9
1992	9.7	3.8	0.2	0.2	38.8
1993	33.9	4.4	0.2	0	42.6
1994	12.62	5.4	0.3	0.1	84.7
1995	44.84	6.5	0.8	0.2	122.8
1996	56.78	8.7	0.5	0.4	153.2
1997	96.56	17.7	0.8	0.4	214.8
1998	86.08	25.6	0.5	1.7	244.7
1999	80.59	31.5	0.4	1.4	311.7
2000	99.45	44.2	0.3	1.6	429.3
2001	114.3	75.2	0.2	2.2	714.5
2002	41.63	101.3	0	3.8	805.3
2003	29.11	122.7	2.8	8.8	1012.4

2004	27.23	142.3	3	9.6	1278.6
2005	4.81	172.3	4	13.6	1584.5
2006	17.36	170.5	3.7	19	2096.3
2007	23.07	153	79.8	38.9	3861.5
2008	22.12	210.9	76.1	84.5	6051.7
2009	-64.72	219.51	343.47	155.97	7385.8
2010	163	249.71	391.8	156.29	6359.6
2011	0.28	220.21	146.37	226.04	6098.5
2012	22.2	192.4	160.55	207.77	7034.1
2013	19.14	239.16	309.98	239.21	8761.19
2014	14.7	301.18	767.78	313.83	11633.02
2015	16.93	257.22	683.33	311.59	11656.36
2016	12.56	287.27	985.57	335.82	14283.11
2017	4.7	305.26	1314.99	390.15	13851.83
2018	9.73	340.08	1251.42	444.11	12974.85

The above table has shown that in 1990, ROE was 63.2%, in same year, the Ordinary shares N3.7 billion, there was no debenture and no investment in subsidiary, the loans and advances given was N25.2billion.

In year 2000, while ROE increased to 99.45%. In same year, the Ordinary share capital rose to N44.2 billion, debenture N0.3billion, investment in subsidiary N1.6 billion, the loans and advances rose to N429.3billion.

In year 2010, while ROE increased to 163%. In same year, the Ordinary share capital rose to N249.71 billion, debenture rose to N391.8 billion, investment in subsidiary also increased to N156.29 billion, the loans and advances rose to N6,359.6billion.

Table 2: Showing data in their logged form

LOGGED FORM OF ROE, OS,DE,SUB AND LO					
Years	Lnroe	Lnos	Lnde	Lnsub	Lnlo
1990	4.1463043	1.3083328			3.226844
1991	3.273364	1.458615			3.3978585
1992	2.2721259	1.3350011	-1.6094379	-1.6094379	3.6584202
1993	3.523415	1.4816045	-1.6094379		3.7518543
1994	2.5352829	1.686399	-1.2039728	-2.3025851	4.4391156
1995	3.8031006	1.8718022	-0.2231436	-1.6094379	4.810557
1996	4.0391842	2.163323	-0.6931472	-0.9162907	5.0317443
1997	4.5701646	2.8735646	-0.2231436	-0.9162907	5.3697074
1998	4.4552771	3.2425924	-0.6931472	0.5306283	5.500033
1999	4.3893746	3.4499875	-0.9162907	0.3364722	5.7420412
2000	4.599655	3.7887248	-1.2039728	0.4700036	6.062156
2001	4.7388266	4.3201512	-1.6094379	0.7884574	6.571583
2002	3.7288211	4.6180864		1.3350011	6.6912149
2003	3.3710818	4.8097424	1.0296194	2.1747517	6.920079
2004	3.3043193	4.9579375	1.0986123	2.2617631	7.153521
2005	1.5706971	5.1492371	1.3862944	2.6100698	7.3680242
2006	2.8541687	5.1387353	1.3083328	2.944439	7.6479292
2007	3.1385331	5.0304379	4.3795235	3.6609943	8.258811
2008	3.0964822	5.3513841	4.3320483	4.4367515	8.7080945
2009		5.3913978	5.8390998	5.0496637	8.9073145
2010	5.0937502	5.5203002	5.9707515	5.0517133	8.7577208
2011	-1.2729657	5.3945816	4.9861377	5.420712	8.7157981

2012	3.1000923	5.2595765	5.0786054	5.3364317	8.858525
2013	2.9517804	5.4771328	5.7365078	5.4773418	9.078087
2014	2.6878475	5.7077081	6.6435032	5.7488514	9.3616029
2015	2.8290872	5.5499317	6.5269779	5.7416882	9.3636072
2016	2.5305172	5.6604225	6.8932202	5.8165753	9.566833
2017	1.5475625	5.7211639	7.1815843	5.9665313	9.5361726
2018	2.2752139	5.8291809	7.1320342	6.0960723	9.4707681

Researchers e-views logged output values

Test For Stationarity (Unit Root Test)

The Augmented Dickey Fuller (ADF) test option was used to test for the stationarity of the data. The following results were obtained using e-views.

Table 3: Showing Order of Stationarity-Unit Root Test

VARIABLES	ADF TEST STATISTIC AT		CRITICAL VALUES	ORDER OF INTEGRATION
	LEVEL	1ST DIFF		
LnROE	-4.646204		-3.711457 -2.981038 -2.629906	1 (0)
LnOS		-3.745635 Prob. 0.0362	-4.339330 -3.587527 -3.229230	1 (1)
LnDE		-2.279378 Prob. 0.0252	-2.685718 -1.959071 -1.607456	1(1)
LnSUB		-5.256176	-3.752946 -2.998064 -2.638752	1(1)
LO		-3.436066 Prob. 0.0184	-3.699871 -2.976263 -2.627420	1(1)

Significance at 10%, Significance at 5%, Significance at 1%.

The test outcome above shows the order of integration of the dependent and independent variables. While LnROE are stationary at level i.e. 1(0), ordinary share capital (LnOS), Debentures (LnDE), investments in subsidiary (LnSUB), and loans (LnLO) in their natural logs are all stationary at first difference i.e. 1(1).

The Auto Regressive Distributed Lag (ARDL) estimation option would hereafter be used to estimate the equation.

Interpretation of Results

The results of the ARDL, Bounds test Co-integration, Autocorrelation; results will be interpreted to define the level of relationship that exists to enable acceptance or rejection of the stated hypothesis.

Short Run ARDL Result

The table below shows the test result obtained from the e-views 10 software indicating the short run relationship between the dependent variables and the independent variables.

Table 4: Short Run Results

Dependent Variable: LROE			
Method: ARDL			
Date: 11/13/20 Time: 05:21			

Sample (adjusted): 1995 2018				
Included observations: 21 after adjustments				
Maximum dependent lags: 2 (Automatic selection)				
Model selection method: Akaike info criterion (AIC)				
Dynamic regressors (2 lags, automatic): LOS LDE LSUB LLO				
Fixed regressors: C				
Number of models evaluated: 162				
Selected Model: ARDL(1, 2, 0, 1, 1)				
Note: final equation sample is larger than selection sample				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LROE(-1)	-0.428986	0.192662	-2.226629	0.0478
LOS	1.557724	1.684722	0.924617	0.3750
LOS(-1)	0.529885	2.325662	0.227842	0.8239
LOS(-2)	-3.105947	1.762133	-1.762607	0.1057
LDE	-0.258300	0.390694	-0.661131	0.5221
LSUB	-0.257892	0.938799	-0.274704	0.7886
LSUB(-1)	0.608493	0.716283	0.849514	0.4137
LLO	4.240538	1.928575	2.198793	0.0502
LLO(-1)	-3.757251	2.286508	-1.643227	0.1286
C	3.517697	9.890062	0.355680	0.7288
R-squared	0.751293	Mean dependent var		3.075238
Adjusted R-squared	0.547806	S.D. dependent var		1.365239
S.E. of regression	0.918060	Akaike info criterion		2.972645
Sum squared resid	9.271172	Schwarz criterion		3.470037
Log likelihood	-21.21278	Hannan-Quinn criter.		3.080592
F-statistic	3.692090	Durbin-Watson stat		1.906498
Prob(F-statistic)	0.022665			
*Note: p-values and any subsequent tests do not account for model selection.				

The short run result in table 4, shows an R-squared of 0.751293% and adjusted R-squared of 0.547806%. The R-squared of 0.751293% implies that the independent variables are 75% best fit and good candidates that predict the movement of dependent variable, however the adjusted R-squared accounts for 54%. Thus OS, DE, SUB and LO are best fits to predict or influence the direction of ROE in Nigerian for the date under review.

In table 4 above, the short run results shows that, at lag 1, the OS has a positive relationship with ROE with 0.529885%, thus a 1 percent increase in the decision to obtain capital through Ordinary shares will lead to a growth in ROE. The probability value of 0.8239 which exceeds the critical value of 5% implies that OS does not significantly influence the direction of ROE. Thus the null hypothesis is accepted.

At lag 1, DE, has a negative relationship with ROE with -0.258300%, thus a 1 percent growth in the decision to obtain capital through debentures will result to a -0.258300% decrease in ROE. The probability value of 0.5221 which exceeds the critical value of 5% implies that DE does not significantly influence the direction of ROE. Thus the null hypothesis is accepted.

At lag 1, the SUB has a positive relationship with ROE with 0.608493%, thus a 1 percent upturn in the decision to Invest in subsidiaries will result to a growth in ROE by 0.608493%. The probability value of 0.4137 which exceeds the critical value of 5% implies that SUB does not significantly influence the direction of ROE. Thus the null hypothesis is accepted.

At lag 1, LO has a negative relationship with ROE with -3.757251%, thus a 1 percent growth in the decision to grant loans and advances will result to a -3.757251% decrease in ROE. The probability value of 0.1286 which exceeds the critical value of 5% implies that LO does not significantly influence the direction of ROE. Thus the null hypothesis is accepted.

These short run results aligns with the stakeholders theory which asserts that BODs are not necessarily interested in short-sighted on stakeholders' interest and it is now expected that boards do consider the interests of other interested party such as interest groups associated with social, environmental and ethical considerations (Freeman, 1984; Donaldson & Preston, 1995. Freeman, Andrew, Wicks, Bidhan & Parmar, 1991).

It also agrees with **Agency theory,** in which shareholders are seen as the principals and management as their agents. Sanda, Mikailu and Garba (2005) further elucidated that irregularities in information can cause agents to go after interest of detrimental outcome to the principal's interest. The course of joining these two interests could create a struggle amid the interest groups. Managers only optimize principal's objective rather enhancing multiple objectives.

Table 5: Long run Bounds Test Result

ARDL Long Run Form and Bounds Test				
Dependent Variable: D(LROE)				
Selected Model: ARDL(1, 2, 0, 1, 1)				
Case 2: Restricted Constant and No Trend				
Date: 11/13/20 Time: 05:35				
Sample: 1990 2018				
Included observations: 21				
F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	10.29045	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37
Actual Sample Size	21		Finite Sample: n=35	
		10%	2.46	3.46
		5%	2.947	4.088
		1%	4.093	5.532

Table 5 above shows the bounds test outcome of the long run relationship amid ROE and the independent variables; OS, DE, SUB and LO.

The bounds test result as revealed in table 5 revealed an F –statistic value of 10.29045% which exceeds the upper bound of 3.49 % at 5% level of significance using the actual sample size after adjustment. The null hypothesis is rejected at 5% level.

These results indicates that there exists, long run relationship amid decisions taken on ordinary share capital, debentures, investments in subsidiaries and loans of commercial banks for the 1990-2018 in Nigeria.

This position agrees with the stewardship theory by Donaldson and Davis (2013) that directors are good agents who thoroughly work to realize high level of profit and shareholders returns.

Autocorrellation-Durbin Watson

The outcome of the Durbin Watson show a 1.906498% for the equations ROE, this means that there is a lack of presence of autocorrelation in the data. Thus, the global criterion for the test of the presence of autocorrelation is met as one of the regression assumptions.

DISCUSSION OF FINDINGS

The findings above show that at short run, the BODs decisions on financing through ordinary shares and investment in subsidiaries has positive relationship with ROE but is not significant predictors of ROE. This result aligned with De-Vuyst & Ooghe (2001)) whose study found a significant positive association between the number of independent external directors and ROE likewise return on asset.

However, the Decision on financing option through debenture and decision on issuance of loans and advances has a negative relationship with ROE.

This accounts for why when debentures and loans are given out to bank customers there is always default in payment, and insider related credit or loans which are often not paid back leading to bank failures. This situation agrees with the Agency theory**,** which posits that shareholders are perceived to be the principals and management as their agents. Sanda, Mikailu and Garba (2005) further elucidated that irregularities in information can cause agents to go after interest of detrimental outcome to the principal's interest. So directors are after their interest and not the concern of the bank owners.

However, at long run the director's decisions on financing options i.e. ordinary share capital and debenture, investment in affiliates and granting of loans have a long run relationship with ROE of commercial banks in Nigeria. This outcome agrees with the stakeholder theory which asserts that BODs are not necessarily interested in short-sighted on investors' interest alone and it is now assumed that boards do consider the interests of other stakeholder groups as cited by Freeman (Freeman, 1984; Donaldson & Preston, 1995. Freeman, Andrew, Wicks, Bidhan & Parmar, 1991). This over time leads to high ROE and performance of commercial banks in Nigeria?

SUMMARY, CONCLUSION AND RECOMMENDATION

This section summarized, made conclusion and proffers recommendations on decisions made by board of director's and performance of commercial banks in Nigeria for the period 1990 to 2018.

Summary

The discoveries of the study showed that at short run the decisions of BODs on financing through ordinary shares and investments in subsidiaries has positive relationship with ROE, while decision on financing through debentures and issuance of loans or credits to bank customers have negative relationship and insignificant predictors of ROE. This position aligns with a previous study by Priya & Nimalathasan (2013) outs that the independent non-executive director actions are responsible for reduction in firm performance and this may affect firm performance negatively. However, at long run the director's decisions on financing options i.e. ordinary share capital and debenture, investment in affiliates and granting of loans have a long run relationship with ROE of deposit money banks in Nigeria.

Conclusion

We have seen so far that the decisions taken by BODs in the banking industry for the period reviewed showed that their decisions at the short run does not significantly predict the movement of ROE. Thus decisions like sourcing for capital through the concern of ordinary shares, debenture, investments in subsidiary and granting of loans does not significantly cause the movement of ROE. It implies that other than those four variables, variables that are not encompassed in this study are responsible for the movement of bank's performance.

In time however, it was discovered that the strategic decisions of BODs on sourcing for capital through the matter of ordinary shares, debenture, investments in subsidiary and granting of loans has a long run relationship with the movement of ROE.

Recommendations

Given the results of this study, recommendations would be made to major stack holders like the Central Bank of Nigeria, Commercial Banks, Monetary Authorities, Government, researchers, and scholars as follows;

- Strong credit risk administration/ procedures should be religiously followed especially (know your customer) and complied with by credit risk managers in all deposit money banks in Nigeria with the view of reducing non-performing loans.
- Ordinary share capital should be sourced as a financing option especially at the short run period
- There should also be in existence, a proper internal control structure and self-governance regulations so as to detect early rule violations and also monitor systemic problems for early remediation and solutions.
- Deposit money banks in Nigeria should have in their board's persons of skills, expertise, and experience who would like to protect their integrity, reputation and professional competence.

- Banks should engage in the development and implementation of strategic training for board members and senior bank managers in accordance with current practices.
- An effective legal framework should be developed by the legislature to regulate and specify the rights and responsibilities of a bank, its directors, and shareholders.

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