

Globalizing the Board and Financial Performance : Evidence from Nigerian Banks

[Uwuigbe Olubukunola](#)^{1*}, [Uwuigbe Uwalomwa](#)¹, [O. Iyoha Francis](#)², [Omankhanlen Alex Ehimare](#)³

Affiliations

- Associate Professor, Department of Accounting, College of Business and Social Sciences, Covenant University, Nigeria
- Professor, Department of Accounting, College of Business and Social Sciences, Covenant University, Nigeria
- Department of Banking and Finance, College of Business and Social Sciences, Covenant University, Nigeria

DOI: [10.17010/ijf/2016/v10i9/101481](https://doi.org/10.17010/ijf/2016/v10i9/101481)

Abstract

The board of directors is crucial and very important in a business control structure. The value of boards in decision making and increasing the wealth of shareholders depends on how well directors perform their functions. However, the role of foreign independent directors (FIDs) in a firm can never be over emphasized. It is expected that they can improve the advisory role of boards because of direct information about international markets. This study, therefore, investigated if there is a significant difference between the performance of firms with and those without FIDs. The paper observed that a non- significant relationship existed between the tested parameters. This non-substantial difference is likely to be due to the fact that international directors have a tendency to adjust to the socio-organizational values of the location in which they function from. The study, therefore, recommends that FIDs should be encouraged because of their different backgrounds. This will enable them to add to the firm's values and various skills which some domestic board members do not possess. In order to encourage both minority and majority foreign investors, foreign board members should be allowed on boards for assurance that the corporation is being managed by professionals in their best interests.

Keywords

Foreign Director, Performance, Monitoring, Banks, Investment

G34, M14, M41

Paper Submission Date: January 10, 2015 ; Paper sent back for Revision : February 7, 2016 ; Paper Acceptance Date : March 11, 2016.

Full Text:



(PDF views: 4)

References

1. Adams, R., Hermalin, B.E., & Weisbach, M.S. (2008). The role of boards of directors in corporate governance: A conceptual framework and survey (Unpublished Working Paper). National Bureau of Economic Research.
2. Coval, J., & Moskowitz, T. (1999). Home bias at home: Local equity preference in domestic portfolios. *Journal of Finance*, 54, 2045-2073.
3. Djankov, S., & Hoekman, B. (2000). Foreign investment and productivity growth in Czech enterprises. *World Bank Economic Review*, 37, 49-64.
4. Fama, E.F., & Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26, 301-325.
5. Fich, E. (2005). Are some outside directors better than others? Evidence from director appointments by Fortune 1000 firms. *Journal of Business*, 78, 1943 - 1972.
6. Jackson, S.E., & Alvarez, E.B. (1992). *Diversity in the workplace : Human resources initiatives*. New York : The Guilford Press.
7. Johnson, J.L., Daily, C.M. & Ellstrand, A.E. (1996). Boards of directors: A review and research agenda. *Journal of Management*, 22 (3), 409-424.
8. Karpagam, V., & Murugesan, S. (2014). Impact of corporate governance practices and firm performance: An empirical study. *Indian Journal of Finance*, 8 (12), 34-45. DOI: 10.17010//2014/v8i12/71691.
9. Kilduff, M., Angelmar, R., & Mehra, A. (2000). Top management-team diversity and firm performance: Examining the role of cognitions. *Organization Science*, 11 (1), 21-34.
10. Knyazeva, A., Knyazeva, D., & Masulis, R. (2011). Local director talent and board composition (Working Paper). University of Rochester.
11. Lerner, J. (1995). Venture capitalists and the oversight of private firms. *Journal of Finance*, 50, 320-318.
12. Oxelheim, L., & Randøy, T. (2003). The impact of foreign board membership on firm value. *Journal of Banking and Finance*, 27(12), 2369-2392
13. Rogers, M. (2005). Corporate governance and financial performance of selected commercial banks in Uganda. *Journal of Accounting Research*, 33, 231-262.
14. Rose, C. (2007). Does female board representation influence firm performance? The Danish evidence. *Corporate Governance: An International Review*, 15(2), 404 - 413.
15. Ruigrok, W., & Kaczmarek, S. (2008). Nationality and international experience diversity and firm performance: Country effects (Working Paper). University of St Gallen, St Gallen.
16. Sanda, A. U., Mukaila, A. S., & Garba, T. (2005). Corporate governance mechanisms and firm financial performance in Nigeria. Final Report Presented to the Biannual Research Workshop of the AERC, Nairobi, Kenya, pp. 24-29.

17. Schwizer, P., Soana, M., & Cucinelli, D. (2012). The relationship between board diversity and firm performance: The Italian evidence (Working Paper). Department of Banking and Insurance, Faculty of Economics, University of Parma.
18. Uwuigbe, O. R. (2013). Corporate governance and share price: Evidence from listed firms in Nigeria. *African Research Review*, 7 (2), 129-143.
19. Uwuigbe, U., Uwuigbe, O., & Daramola, P. (2014). Corporate governance and capital structure: Evidence from listed firms in Nigeria stock exchange. *Journal of Accounting and Management*, 4 (1), 5-14.
20. Zahra, S. A., & Pearce, J. (2007). The implications of board of directors' composition for corporate strategy and performance. *International Journal of Management*, 5 (2), 229-236.

DOI: <http://dx.doi.org/10.17010/ijf%2F2016%2Fv10i9%2F101481>