



Moderating Effect of Independent Directors on the Relationship between Chief Executive Officers Characteristics and Performance of Listed Deposit Money Banks in Nigeria

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Received: 20-09-2023 Reviewed: 22-09-2023 Accepted: 29-09-2023

Abstract

The study examined the moderating effect of independent directors on the relationship between Chief Executive Officers characteristics and performance of listed deposit money banks in Nigeria. Ex-post facto research design was used and panel data was collected from the audited annual financial statements of thirteen listed DMBs in Nigeria for a period of 2014-2022. Generalized Least Squares (GLS) method of Panel Regression, Fixed and Random Effects was employed in its estimations with the aid of STATA Software Version 14. Performance is dependent variable proxied by Return on Assets and Tobin's Q, the independent variable is CEO characteristics proxied by CEO tenure, CEO gender, CEO age, CEO educational level, CEO financial expertise, CEO duality, CEO political connection and CEO ownership, the moderating variable is independent directors while board size and bank size are the control variables. The study found that CET, CEG, CEE, CFE, CPC, IDD and CEO have significant positive effect on banks performance, CEA has significant negative effect on banks performance while CED has non-significant positive effect on performance of listed DMBs in Nigeria. Also, the study found that independent directors did not only have a positive and significant direct effect on bank performance, but it also moderates the relationship between CEO characteristics and DMBs performance. However, the study recommends that Central Bank of Nigeria should make it mandatory for DMBs in Nigeria to have a board majorly

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composed of independent directors since their presence on board strengthens the relationship between CEO characteristics and banks performance.

Keywords: DMBs, CEO characteristics, independent directors, moderating variable, performance

1. Introduction

Financial performance has always been a recurring research theme, guided by many concerns and it is one of the major signals that are used to draw the attention of investors to a firm. Firm performance may be used to assess the effectiveness of the policies and activities of the management. The information on the performance of the firm is used to make several economic decisions by the stakeholders in the circle of financial reporting (Fauzi et al., 2010). Chief executive officers (CEOs) play a vital role in the firm's strategic decision making. The CEO is an individual who serves as the senior corporate officer, executive or administrator, who oversees the organization and is responsible for its overall operations (Peterson et al., 2003). CEOs are responsible for building and maintaining the culture of the firm, which is linked to the workforce and it is a guide for the decision making of other employees (Wang et al., 2016). However, CEO is one of the main factors that has been evidenced to improve a firm's ability to achieve economic goals and enhanced performance (Peterson et al., 2003). Due to the emerging concept of corporate governance (CG) over the last decades, CEOs nowadays must engage in the firm's decision-making process especially on financial matters (Boal & Hooijberg, 2000). This is because, success or failure of firms is in most cases is attributed to chief executive officers. Chief executive officers take strategic decisions, which are crucial for the firm survival (Ghardallou, Borgi, & Alkhalifah, 2020). Their role is increasingly focused on investment issues for growth in order to initiate a deep organizational transformation, with a view to creating value.

Different factors influence the decision-making process of CEOs, such as the different characteristics of the CEOs that might have an influence on the choices they make. Therefore, several corporate governance codes call for the CEO to have specific qualities and attributes to be able to conduct their duties in a diligent manner. Empirical studies are abound that substantially discussed factors that determine firms' performance in both developed and developing economies. Among these factors, chief executive officers' (CEO) characteristics play a crucial role (Bandiera et al., 2020; Fernandez-Temprano & Tejerina-Gaite, 2020). In addition, CEO characteristics matter for a wide range of corporate decisions (Bernile et al., 2017).

Evidence from prior studies has shown that the effect of CEOs characteristics on firms' performance is mixed and inconclusive. Also, previous empirical studies have examined the effect of CEOs characteristics on firms' performance but no study has examined how independent directors moderates the relationship between CEO characteristics and banks' performance.

In view of the inconsistency in findings, Independent directors is introduced as a moderating variable. This is based on the argument of Baron and Kenny (1986). Moderator is a “variable that affects the direction and/or strength of the relationship between an independent or predictor variable and a dependent or criterion variable (Baron & Kenny, 1986).

However, the study examines the moderating effect of independent directors on the relationship between CEO characteristics and the performance of listed deposit money banks in Nigeria.

2. Literature Review and Hypotheses Development

2.1 CEO Tenure and Performance Nexus

CEO tenure is one of the factors which affects firm performance. Hambrick and Fukutomi (1991) described tenure as the number of years in a position. The impact of CEO tenure is among the most extensively research topics in the literature and a controversial topic in the corporate governance area (Hou et al., 2017). In fact, a debate has recently started on the maximum tenure that the CEOs should stay in office; particularly the usefulness of limits to CEO terms (Limbach et al., 2015). Therefore, studies by Mansoor, Ellahi, Khan, and Rahman (2017), Peni (2014); Peterson, Galvin, and Lange (2012) found that CEOs with long tenure have significant positive effect on firms' performance than short-tenured CEOs while Studies by Nazir, Nazir, and Khan (2018), Nguyen, Miloud, and Zhao (2017), Diks (2016), Singla (2016) and Barka & Legendre (2016) found that CEO tenure has significant negative effect on firms' performance. Moreover, studies by Kusumasari (2018); Serra, Tres, and Ferreira (2016) found that CEOs tenure does not significantly affect firms' performance. Therefore, this study hypothesized that:

H₁: CEO tenure has no significant effect on performance of listed deposit money banks in Nigeria

2.2 CEO Gender and Performance Nexus

CEO gender is often used as a characteristic for firm performance. Marinova et al. (2016) argued that women are more risk-averse and that their focus is more on long-term perspectives in comparison to men. Also, Faccio, Marchica, and Mura (2016) argued that female CEOs are more risk-averse than male CEOs due to the fact that they might choose to reduce the risks in order to fit with their preferences once they become CEOs. They added that female CEOs are less overconfident and therefore reduce the risks. Also, Felix and David (2019) agreed that firms would better perform if they have a female in their management. Empirical literature on CEO gender is diverse with no concrete consensus as to whether male or female CEOs are better. However, Peni (2014) argued that firms with female CEOs perform better than those with male CEOs. In a related development, Khan and Vieito (2013) found that firms managed by female CEOs are associated with better performance compared to the firms managed by male CEOs. We also find that firm risk is smaller when the CEO is a woman. Also, Cullen, Kirwan, and Brennan (2006) confirmed that female CEO shows more devotion and commitment than her male counterpart which resultantly help more in substantiating the firm's

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success, value, and overall corporate performance. Also, Ting, Azizan, and Kweh (2015) found that female CEOs are high in risk takers. However, studies by Ahmed, Bahamman, and Abdulkarim (2021), and Rachagan et al (2014), found that CEOs gender have significant positive effect on firms' performance while Studies by Razali, Azmi, Hwang, and Lunyai (2022), and Eduardo and Poole (2016) found that CEO gender has significant negative effect on firms' performance. Therefore, this study hypothesized that:

H₂: CEO gender has no significant effect on performance of listed deposit money banks in Nigeria

2.3 CEO Age and Performance Nexus

The CEO age is defined as the length of time that a CEO has lived (Peni, 2014). Therefore, older CEOs tend to have more experience, greater risk management and better people skills (Kuo, Wang, & Lin, 2015). Bertrand and Schoar (2003) argued that older CEOs are less aggressive towards capital expenditures, financial leverage, and cash holdings. Similarly, Orens and Reheul (2013) stated that older CEOs are more risk-averse and conservative than younger CEOs. Graham, Harvey, and Puri (2013) supported the findings that older CEOs are less risk-tolerant and added that older CEOs are less optimistic than younger CEOs. Furthermore, younger CEOs are more likely to run firms with high growth rate (Graham et al., 2013). Younger CEOs are also described as making more and riskier financing decisions (Serfling, 2014). Therefore, studies by Meltschakow (2020), Kokeno and Muturi (2016), Yasser, Al-Mamun, and Suriya, (2014) found that CEO age has significant positive effect on firms' performance while Studies by Nguyen, Miloud, and Zhao (2017), Nazir, Nazir, and Khan (2018), and Diks (2016), found that CEO age has significant negative effect on firms' performance. Studies by Razali, Azmi, Hwang, and Lunyai (2022), Poole (2016) and Cornet, Marcus, Saunders and Tehranian (2012) found that CEO Age has nonsignificant effect on the firm performance. Therefore, this study hypothesized that:

H₃: CEO age has no significant effect on performance of listed deposit money banks in Nigeria

2.4 CEO Education Level and Performance Nexus

Another CEO characteristic is the education level. Different educational backgrounds of CEOs can provide the directors with different perspectives, career development and social contacts (Anderson, et al., 2011). CEOs with higher education are more likely to make effective decisions (Naseem et al., 2019) and are more likely to lead companies with high research and development (R&D) spending (Barker and Mueller, 2002). Also, CEOs with an advanced degree tend to outperform CEOs without any advanced degree (Nakavachara, 2019). However, previous empirical studies provide mixed evidence regarding the effect of CEO education on firm performance (Miller et al. 2015; King et al. 2016). Therefore, Studies by Farag and Mallin (2018), Kokeno and Muturi (2016), Wang, Holmes, Oh, and Zhu, (2016) and Yasser, Al-Mamun, and Suriya, (2014) found that CEO education level has significant positive effect on firms' performance while Studies by Kaur and Singh (2018) and Ying and Mei (2014) found that CEO education level has significant negative effect on firms' performance. Also, Razali,

Azmi, Hwang, & Lunyai (2022), nonsignificant negative effect on the firm value while Ahmed, Bahamman, and Abdulkarim (2021) found that CEO educational level has nonsignificant positive effect on firm performance. Therefore, this study hypothesized that:

H4: CEO education level has no significant effect on performance of listed deposit money banks in Nigeria

2.5 CEO Financial Expertise and Performance Nexus

Since deposit money banks are financial institutions, the financial expertise of CEOs is imperative in dealing with the day to day affairs of the banks. CEOs with job-specific experience work more efficiently compared to those that do not have such experience (Hamori and Koyuncu, 2015). Also, a CEO with greater financial experience can provide extra human capital to the firm in light of this experience (Salem et al., 2019). However, financial experience is the most significant feature of the CEO (Custodio & Metzger, 2014). They found that CEO financial experts can raise external funds more easily aside from obtaining support from other firms. In a related development, studies by Shurafa and Mohamed (2016) found that a CEO with accounting expertise is more likely to detect fraud and as such, fraud is less likely to occur. Wegge et al. (2008) find that the experienced CEO strengthens the performance and can manage the business environment adeptly. Also, Jiang et al. (2013) found that a CEO with financial experience will prevent the company from engaging in real earnings management. In contrast, studies by Hamori and Koyuncu (2015) and Ang and Nagel (2009) found that a CEO with financial experience negatively impact on firm's performance. Therefore, this study hypothesized that:

H5: CEO financial expertise has no significant effect on performance of listed deposit money banks in Nigeria

2.6 CEO Duality and Performance Nexus

CEO duality means that the same person holds the CEO and Chairperson position in a company (Krause, Semadeni, & Cannella Jr, 2014, Peni, 2014). The Chairperson is part of the board of directors and is in a higher position than the CEO. Xie, Davidson, and DaDalt (2003) define CEO duality as the situation in which the same person performs the functions of both the CEO and Chairman. Fama and Jensen (1983) argue that the duality of CEO positions, that is, executive director of the company and Chairman of its Board, represents a conflict of interests between ownership and management of which agency theory deals. This, in turn, would impede a board's ability to effectively oversee a CEO's decisions, leaving greater opportunities for the CEO to promote his own personal interests, in order to generate potential losses to the company's shareholders. Previous empirical studies investigating CEO duality's impact on firm performance yields mixed results. Therefore, studies by Meltschakow (2020), Mansoor, Ellahi, Khan, and Rahman (2017), Barka & Legendre (2016), Yasser, Al-Mamun, and Suriya (2014), Peni (2014); Elsayed (2007), and Lin (2005) found that CEO duality has significant positive effect on firms' performance while Studies by Hsu, Lin, Chen, and Huang (2021), Okoro, Udoh, Ben, and Nwosu (2018), Duru, Iyengar, and Zampelli (2016) and Diks (2016) found that CEO duality has significant negative effect on firms' performance. Studies

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by Da Costa and Martins (2019) and Yasser, Al-Mamun, and Suriya (2014) Okwara, Okoro, and Jennifer (2019), Arora and Sharma (2016), and Rodriguez-Fernandez et al. (2014) found that CEO duality does not significantly impact on the firm performance. Therefore, this study hypothesized that:

H₆: CEO duality has no significant effect on performance of listed deposit money banks in Nigeria

2.7 CEO Political Connection and Performance Nexus

Political ties exist among Chief Executive Officers all around the world (Boubakri, Cosset, & Saffar, 2008). Having CEO that have a wide range of connections and networks might be useful to firms in obtaining external resources, access required information and find strategic and financial partners. Politically affiliated firm is one where its directors are previously or presently holding a position in the parliament or local government (Menozzi et al., 2011). Also, a politically connected firm is one in which its CEO is currently serving or formerly served in the government or military (Wu et al., 2012). The resource-dependence theory suggests that CEOs with political connections help a firm to secure resources and better manage a challenging environment (Pfeffer & Salancik, 2003). The political connections of a firm's CEO strengthens the relationship of the main shareholders, board members and executive officers with government officials (Maaloul et al., 2018). Also, firms which are politically connected are more capable of leveraging government assistance or obtaining favors from political leaders (Morck et al., 2005). Also, Fan, Wong, and Zhang (2007) found Firms with politically connected CEOs underperform those without politically connected CEOs. Therefore, Empirical studies by Wang et al. (2018); Maaloulet al. (2018), Unsal (2017); Dicko (2016); Lashitew (2014); Ding et al. (2014) and Boubakri, Cosset and Saffar (2012) have found significant positive effect of politically connected firms on firm financial performance while studies by Niazi, Othman, and Chandren, (2021), Sadiq et al. (2019), Berkman and Galpoththage (2017); Habib et al. (2017), Cheema et al. (2016); Dicko (2016), Saeed et al. (2015); Bliss and Gul (2012); Faccio (2010) have shown the negative effect of politically connected firms on firm financial performance. Therefore, this study hypothesized that:

H₇: CEO political connection has no significant effect on performance of listed deposit money banks in Nigeria

2.8 CEO Ownership and Performance Nexus

CEO ownership stands for the number of entire equity shares controlled by the CEO in a corporation (Farouk & Hassan, 2014). The equity ownership of a CEO is an essential mechanism in supporting the interest of the CEO and other owners (Alves, 2012 Therefore, it is expected that the larger the CEO ownership in the company, the lower the agency conflicts. This will, subsequently, increase the company performance. Previous research shows that managerial ownership is positively associated to firm performance (Morck, Nakamura, & Shivdasani, 2000). If CEO has a high share ownership, they will have less intention to manipulate profits and tend to maximize the firm value. Therefore, studies by Ahmed,

Bahamman, and Abdulkarim (2021) found that CEO ownership has significant positive effect on the firm performance while studies by Razali, Azmi, Hwang, and Lunyai (2022) found that CEO ownership has nonsignificant effect on the firm value. Therefore, this study hypothesized that:

H₈: CEO ownership has no significant effect on performance of listed deposit money banks in Nigeria

2.9 Moderating Effect of Independent Directors

Independent directors are persons who do not have any business or family relationship with promoters, which makes them immune to any conflict of interests with the corporation (Borowski, 1983). Independent directors are directors who have no affiliation with the company except in their capacity as directors (Brown, et al., 2011). Their presence is to bring objectivity to the board decisions and ensure the interest of the company and minority shareholders are protected. From agency theory perspective, the presence of independent directors will help to reduce the agency problem in a company by monitoring the management and ensuring that the interest of the shareholders is protected and also helps reduce the opportunistic behaviour of the management thereby enhancing firm performance (Jensen & Meckling, 1976). Evidence from prior empirical studies has shown that the effect of independent directors on firms' performance is mixed. While theoretically independent directors are supposed to reduce agency problem and enhance performance, some empirical findings have reported contrary results on the influence of independent directors on firms' performance. Studies by Ahmadi, Nakaa, and Bouri (2018), Barka and Legendre (2016); Kao, Hodgkinson, and Jaafar, (2018); Uribe-Bohorquez, Martinez-Ferrero, and Garcia-Sanchez (2018); Terjesen, Aguilera, and Lorenz (2015) found significant positive relationship between independent directors and firms' performance while studies by Mishra (2020) and Kallamu (2016) found significant negative relationship between independent directors and firms' performance. Therefore, this study hypothesized that:

H₉: Independent directors has significant moderating effect on the relationship between CEO characteristics and performance of listed deposit money banks in Nigeria

3. Research Methodology

Ex post facto research design was used and a census sample was employed in order to generate sufficient number of observations that will facilitate the conduct of data analysis. The population of the study is the 16 listed DMBs on the floor of Nigerian stock exchange as at 31st December, 2022. The study extracts panel data from the financial statements of all the 13 listed DMBs in Nigeria that have the required data available for the period 2011–2022. The choice of this period is based on the fact that during this period there was change in the old Nigeria Generally Accepted Accounting Principles (NGAAP) to the new International Financial Reporting Standard (IFRS) in 2012. This institutional reform is expected to improve the financial accounting reporting of DMBs in Nigeria. Also, this period witnessed the collapse of financial institutions in Nigeria which emanated from global economic meltdown and which

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was attributed to the badly functioned subprime mortgage lending to firms and people by the top management officials like CEOs.

3.1 Measurement of Variables and Model Specification

The variables of the study comprise the dependent, independent, moderating and control variables. The definition and measurements of the study variables are presented in Table 1 below:

Table 1
Measurement of Variables

	Variable Name	Symbol	Measurement	Source
Dependent Variables	Return on Assets	ROA	Ratio of net income to total assets	Ghardallou (2022), Mishra (2020), Gupta and Mahakud (2020), Saleh, Shurafa, Shukeri, Nour, & Maigosh (2020)
	Tobin-Q	TQ	Market value of equity plus the book value of total assets minus the book value of equity, divided by the book value of total assets	Ghardallou (2022), Jalbert, Rao, & Jalbert (2002), Rashid, A. (2010).
Independent Variables	CEO Tenure	CET	Tenure is the number of years since he/she was appointed CEO	Ghardallou (2022), Razali, Azmi, Hwang, & Lunyai (2022), Gupta and Mahakud (2020)
	CEO Gender	CEG	Male CEO=1; Female CEO=0	Razali, Azmi, Hwang, & Lunyai (2022), Gupta and Mahakud (2020)
	CEO Age	CEA	CEO age in years	Razali, Azmi, Hwang, & Lunyai (2022), Gupta and Mahakud (2020)
	CEO Educational Level	CEE	CEO educational level is a dummy variable that is equal to one for bachelor degree and above or zero if otherwise	Razali, Azmi, Hwang, & Lunyai (2022), Li, Lin and Zhang (2019), Sitthipongpanich and Polsiri (2015)
	CEO Financial Expertise	CFE	CEO financial expertise is a dummy variable that is equal to one if the CEO has experience in accounting, finance, and economics, or zero if otherwise	Li, Lin and Zhang (2019), Ting et al., (2015)
	CEO Duality	CED	If the CEO holds CEO and Chairman positions simultaneously=1 If the CEO does not hold CEO and Chairman positions simultaneously=0	Hsu, Lin, Chen, and Huang (2021), Da Costa, & Martins (2019), Rashid (Gupta and Mahakud (2020)
	CEO Political Connection	CPC	This study gives the variable a value of 1 if the CEO is politically connected, 0 if not	Razali, Azmi, Hwang, & Lunyai (2022), Saleh, Shurafa, Shukeri, Nour, & Maigosh (2020)
Moderating Variable	CEO Ownership	CEO	Ownership is measured as the ratio of the number of shares owned by a CEO to total shares outstanding.	Razali, Azmi, Hwang, & Lunyai (2022), Sitthipongpanich, Thitima and Polsiri, Piruna (2012),
	Independent Directors	IDD	The ratio of the number of independent directors to the total number of directors.	Mishra (2020), Arora and Bodhanwala (2018), Johl et al., (2015), Prabowo & Simpson (2011),
	Board Size	BOS	Total number of directors on the board of the banks.	Mishra (2020), Prabowo & Simpson (2011),
Control Variables	Bank Size	BAS	Natural logarithm of total assets	Mishra (2020), Ying & Mei (2014),

Source: Researcher Computation 2023

In order to examine the moderating effect of independent directors on the relationship between CEO characteristics and the performance of listed deposit money banks in Nigeria, the following model is specified: The original regression model is specified as follows:

$$Y_{it} = \alpha + \alpha_1 X_{it} + \alpha_2 Z_{it} + \alpha_3 X_{it} * Z_{it} + \epsilon_{it} \text{-----} (1)$$

Where the dependent variable is denoted by Y_{it} of bank i at time t , α is the constant, the coefficients of the independent variable and the moderating variables are denoted by α_1 and α_2 for bank i at time t while α_3 is the coefficient of the interaction effect between X and Z which measures the moderation effect and ϵ_{it} is the disturbance or error term.

From the above general form of the regression equation, the following models are specified as follows:

$$ROA_{it} = \alpha_0 + \alpha_1 CET_{it} + \alpha_2 CEG_{it} + \alpha_3 CEA_{it} + \alpha_4 CEE_{it} + \alpha_5 CFE_{it} + \alpha_6 CED_{it} + \alpha_7 CPC_{it} + \alpha_8 CEO_{it} + \alpha_9 IDD_{it} + \alpha_{10} BOS_{it} + \alpha_{11} BAS_{it} + \epsilon_{it} \text{-----} (2)$$

$$TQ_{it} = \alpha_0 + \alpha_1 CET_{it} + \alpha_2 CEG_{it} + \alpha_3 CEA_{it} + \alpha_4 CEE_{it} + \alpha_5 CFE_{it} + \alpha_6 CED_{it} + \alpha_7 CPC_{it} + \alpha_8 CEO_{it} + \alpha_9 IDD_{it} + \alpha_{10} BOS_{it} + \alpha_{11} BAS_{it} + \epsilon_{it} \text{-----} (3)$$

The hierarchical regression analysis technique will be used to test the moderation effect of the independent directors as the moderator which will be presented in the function of the model. When the moderator is introduced into the regression model, the hierarchical regression models will be as follow:

$$ROA_{it} = \alpha_0 + \alpha_1 CET_{it} + \alpha_2 CEG_{it} + \alpha_3 CEA_{it} + \alpha_4 CEE_{it} + \alpha_5 CFE_{it} + \alpha_6 CED_{it} + \alpha_7 CPC_{it} + \alpha_8 CEO_{it} + \alpha_9 IDD_{it} + \alpha_{10} CET * IDD_{it} + \alpha_{11} CEG * IDD_{it} + \alpha_{12} CEA * IDD_{it} + \alpha_{13} CEE * IDD_{it} + \alpha_{14} CFE * IDD_{it} + \alpha_{15} CED * IDD_{it} + \alpha_{16} CPC * IDD_{it} + \alpha_{17} CEO * IDD_{it} + \alpha_{18} BOS_{it} + \alpha_{19} BAS_{it} + \epsilon_{it} \text{----} (4)$$

$$TQ_{it} = \alpha_0 + \alpha_1 CET_{it} + \alpha_2 CEG_{it} + \alpha_3 CEA_{it} + \alpha_4 CEE_{it} + \alpha_5 CFE_{it} + \alpha_6 CED_{it} + \alpha_7 CPC_{it} + \alpha_8 CEO_{it} + \alpha_9 IDD_{it} + \alpha_{10} CET * IDD_{it} + \alpha_{11} CEG * IDD_{it} + \alpha_{12} CEA * IDD_{it} + \alpha_{13} CEE * IDD_{it} + \alpha_{14} CFE * IDD_{it} + \alpha_{15} CED * IDD_{it} + \alpha_{16} CPC * IDD_{it} + \alpha_{17} CEO * IDD_{it} + \alpha_{18} BOS_{it} + \alpha_{19} BAS_{it} + \epsilon_{it} \text{-----} (5)$$

Where:

ROA denotes return on assets; TQ denotes Tobin's Q; CET denotes CEO Tenure; CEG denotes CEO Gender; CEA denotes CEO Age; CEE denotes CEO Educational Level; CFE denotes CEO Financial Expertise, CED denotes CEO Duality, CPC denotes CEO Political Connection, CEO denotes CEO Ownership, IDD denotes Independent Directors, BOS denotes Board Size; BAS denotes Bank Size, α_0 represents the fixed intercept element; α_{1-19} represents the ratio of change in DV to a unit change in each explanatory variable and moderating variable; and ϵ_{it} is the error term that is factored to satisfy the linear regression model assumption.

4. Result and Discussions

This section presents the study's empirical findings for both descriptive and inferential statistics.

Table 2

Descriptive Statistics

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Variable	Obs.	Mean	Std. Dev.	Min.	Max.
ROA	156	0.232	0.125	0.344	0.568
TQ	156	0.231	0.141	0.112	0.353
CET	156	3.132	1.414	1.146	9.110
CEG	156	0.329	0.117	0.224	0.771
CEA	156	51.41	12.04	45.17	67.53
CEE	156	0.032	0.014	0.026	0.077
CFE	156	0.229	0.117	0.124	0.481
CED	156	0.002	0.001	0.000	0.001
CPC	156	0.321	0.116	0.201	0.421
CEO	156	0.241	0.172	0.251	0.445
IDD	156	0.461	0.041	0.172	0.531
BOS	156	6.032	3.014	7.026	9.077
BAS	156	3.224	0.117	0.224	7.481

Note: ROA = Return on Assets; TQ = Tobin's Q; CET = CEO Tenure; CEG = CEO Gender; CEA = CEO Age; CEE = CEO Educational Level; CFE = CEO Financial Expertise, CED = CEO Duality, CPC = CEO Political Connection, CEO = CEO Ownership, IDD = Independent Directors, BOS = Board Size; BAS = Bank Size.

Table 2 shows the descriptive statistics for the variables with the mean, minimum, maximum and standard deviation of the dependent variable (ROA) being 0.232, 0.344, 0.568 and 0.125, respectively. However, the mean value of 0.232 for ROA shows that 23.2% of profits of the sampled listed DMBs was generated from the banks' assets. The standard deviation is 0.125 depicting a slight variation in the ROA across the sampled listed DMBs in Nigeria. Also, Tobin's Q (TQ) has an average value of 0.231, with a minimum of 0.112 and a maximum of 0.353, and a standard deviation of 0.141. The 0.231 average value of Tobin's Q of the listed DMBs in Nigeria is less than one indicating that the market value of equity of these banks is lower than the book value of equity.

Results from Table 2 shows that the average tenure of CEO is 3 years with a minimum of 4 years and a maximum of 10 years. The male CEOs mainly dominate the Nigeria banking sector with about 77% while 23 percent of the listed DMBs are run by female CEOs. The average age of the CEO is 51 years. The youngest CEO is 45 years of age, and the oldest CEO is 67 years. With regards to their financial experience (CFE), the mean, minimum, maximum and standard deviation are 0.229, 0.124, 0.481 and 0.117, respectively. The mean of 0.229 means that 23% of the CEOs of sampled DMBs had financial experience. From the descriptive statistics, zero percent of the listed DMBs do not have a Chairman who also performs the functions of the CEO. That is, in the listed DMBs, the CEO and the Chairman are two different individuals. The CEO political connection (CPC) had a mean value of 0.321. The mean value of 0.321 shows that about 32% of the CEOs of listed DMBs have some political connection. Also, the descriptive statistics shows that the CEOs holds about 24% of total shareholding. Independent directors account for about 46% of total directors. The result shows that there are, on average, about 6 directors on board. Banks size has an average value of N3.224 trillion with the maximum and minimum values of N7.481trillion and N0.224 trillion respectively while the

standard deviation of N.117 trillion indicates that the assets of the sampled listed DMBs varied moderately.

Table 3
Correlation Matrix

		1	2	3	4	5	6	7	8	9	10	11	12	13	VIF	TOL
1	ROA	1.000														
2	TQ	0.214	1.000													
3	CET	0.472	0.482	1.000											2.68	0.57
4	CEG	0.421	0.329	0.364	1.000										3.74	0.48
5	CEA	-0.348	-0.364	0.537	0.560	1.000									2.66	0.62
6	CEE	0.412	0.621	0.257	0.565	0.247	1.000								3.21	0.55
7	CFE	0.412	0.424	0.366	0.432	0.231	0.427	1.000							2.18	0.43
8	CED	0.507	0.467	0.534	0.461	0.575	0.519	0.462	1.000						2.47	0.41
9	CPC	0.317	0.410	0.522	0.458	0.371	0.432	0.237	0.475	1.000					2.45	0.56
10	CEO	-0.524	-0.413	0.432	0.237	0.427	0.349	0.432	0.547	0.429	1.000				3.16	0.63
11	IDD	0.442	0.480	0.519	0.362	0.218	0.479	0.519	0.516	0.218	0.618	1.000			3.17	0.51
12	BOS	0.455	0.504	0.464	0.218	0.439	0.332	0.287	0.342	0.449	0.341	0.477	1.000		1.35	0.67
13	BAS	0.511	0.423	0.349	0.275	0.270	0.474	0.627	0.442	0.335	0.552	0.481	0.444	1.000	2.41	0.46
	Mean														3.24	
	VIF															

Note: ROA = Return on Assets; TQ = Tobin's Q; CET = CEO Tenure; CEG = CEO Gender; CEA = CEO Age; CEE = CEO Educational Level; CFE = CEO Financial Expertise; CED = CEO Duality; CPC = CEO Political Connection; CEO = CEO Ownership; IDD = Independent Directors; BOS = Board Size; BAS = Bank Size.

A high level and strong form of relationship between dependent and individual independent variables is expected in correlation analysis, whereas a low level and weak form of relationship between and among independent variables is expected. However, Table 3 shows that CET, CEG, CEE, CFE, CED, CPC, IDD, BOS and BAS are positively correlated with performance measures while CEA and CEO are negatively correlated with performance measures. All the correlation coefficients between the pairs of the independent, moderating and control variables are less than ± 0.8 suggesting absent of multicollinearity as recommended by Gujarati and Porter (2009). Also, the VIF values range from 1.35 - 3.74 with a mean VIF of 3.24 which is less than the threshold of 10 as suggested by Hair et al. (2014) and Pallant (2005). Also, tolerance value is between 0.41 and 0.67, greater than the threshold of 0.1 as suggested by Hair et al. (2014) and Pallant (2005) indicating that multicollinearity does not exist among the study variables.

Table 4
Normality Test

Variables	Obs.	W	V	Z	Prob>z
resid	156	0.574815	9.742	4.581	0.00000

Source: Output from STATA 2023

The Shapiro Wilk test for data normality was conducted and the result shows that the Prob>z for all the variables were found to be significant (less than 0.05). Consequently, the null hypothesis which states study data are normally distributed was rejected. However, when using financial data, it is nearly impossible to use normally distributed data because the distribution is unsystematically randomly distributed between and within banks (Wooldridge, 2013). Therefore, non-normality of data does no effect the validity of estimations based on the Gauss-Markov Theorem (Shao, 2003).

Table 5

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Heteroscedasticity Test for ROA and TQ Models

	chi2(1)	Prob.		chi2(1)	Prob.
Variables: fitted values of ROA			Variables: fitted values of TQ		
Breusch-Pagan / Cook-Weisberg	0.16	0.611	Breusch-Pagan / Cook-Weisberg	0.28	0.724

Source: STATA Output, 2023

The Breusch-Pagan/Cook-Weisberg test was used to check for heteroskedasticity. The results of heteroscedasticity test revealed chi2 values of 0.16 and 0.28 and prob. Values of 0.611 and 0.724 which are not significant for both ROA and TQ models. This indicated that homoscedasticity assumption was not violated in the dataset.

Table 6

Model Specification Test for ROA and TQ Models

Model	_hat	—	hatsq
ROA	0.001***		0.274
TQ	0.014***		0.436

Note: ***, ** denotes 1% and 5% level of significance.

The link test was also used to perform the model specification test. The link test is based on the assumption that if a regression is properly specified, the inclusion of an additional independent variable should not be significant, except by chance. From Table 6, the _hat values, which are the models' predicted values, are significant, as expected for the ROA (0.001) and Tobin's Q (0.014) models. Similarly, the _hatsq values for ROA (0.274) and Tobin's Q (0.436) models are not significant, indicating that the models are correctly specified.

Test of Hypotheses

The study applied Generalized Least Square (Fixed-Effect and Random-Effect) models in order to test the study hypotheses as recommended by Wooldridge (2002). Therefore, Hausman Specification test was conducted in order to choose between fixed effects and random effects models.

Table 7

Hausman Specification Test Analysis

	ROA	TQ
Chi ²	6.24	5.34
p-value	0.012	0.001

Source: STATA output 2023

Both fixed effects and random effects tests were run using the Generalized Least Squares (GLS) method and the results revealed a significant difference between FE and RE, allowing the Hausman specification test to be used to determine which model is superior. Table 7 shows the result of Hausman test which revealed a chi² statistic of 6.24 and Prob. of 0.012 for ROA model and chi² statistic of 5.34 and Prob. of 0.001 for TB model. Therefore, the FE model is preferable to the RE model and it should be interpreted.

Regression Results

Table 8

Regression Results for ROA and TQ Models

	ROA Models				TQ Models			
	Direct Relationship		Indirect Relationship		Direct Relationship		Indirect Relationship	
	Coef.	T-statistic	Coef.	T-statistic	Coef.	T-statistic	Coef.	T-statistic
CET	.347	(1.27)***	.274	(1.21)**	.214	(2.21)***	.225	(0.14)***
CEG	.271	(2.52)**	.322	(1.35)***	.211	(0.52)**	.261	(3.16)***
CEA	-.324	(-0.28)**	-.257	(-1.11)***	-.247	(-1.44)**	-.254	(-1.13)***
CEE	.515	(1.17)**	.136	(1.38)**	.381	(0.51)**	.352	(2.11)**
CFE	.226	(2.14)***	.311	(0.51)**	.124	(3.15)***	.273	(0.55)***
CED	.323	(0.25)*	.184	(1.24)*	.347	(2.72)*	.216	(1.28)*
CPC	.224	(0.24)**	.424	(0.17)**	.321	(5.27)**	.348	(1.22)***
CEO	.311	(1.76)**	.451	(1.42)***	.345	(0.46)**	.252	(1.61)***
IDD	.241	(2.15)***	.138	(1.12)**	.327	(1.28)***	.213	(0.21)**
CET*IDD			.174	(2.52)**			.248	(2.11)***
CEG*IDD			.112	(0.58)***			.281	(1.24)***
CEA*IDD			.431	(2.52)***			.222	(1.21)**
CEE*IDD			.442	(0.16)**			.217	(0.16)***
CFE*IDD			.113	(1.21)**			.138	(2.27)**
CED*IDD			.334	(0.18)*			.142	(0.41)*
CPC*IDD			.417	(2.11)**			.312	(0.36)**
CEO*IDD			.315	(1.26)***			.411	(2.19)***
BOS	.247	(0.17)***	1.33	(1.34)**	.218	(1.25)**	2.16	(1.22)**
BAS	.248	(2.32)**	1.61	(1.43)**	.157	(1.76)***	0.21	(1.57)***
CONS	4.251	4.36	3.311	5.754	7.448	2.67	5.224	6.172
R-Squared	Within	0.6512	Within	0.4152	Within	0.7281	Within	0.5328
	Between	0.4342	Between	0.3781	Between	0.5262	Between	0.4741
	Overall	0.4017	Overall	0.6114	Overall	0.4354	Overall	0.4556
F-statistic		31.42***		36.23***		27.18***		30.25***

Note: *, **, *** indicate statistical significance at 10%, 5%, and 1% levels, respectively and the T-statistics are in parentheses ROA = Return on Assets; TQ = Tobin's Q; CET = CEO Tenure; CEG = CEO Gender; CEA = CEO Age; CEE = CEO Educational Level; CFE = CEO Financial Expertise, CED = CEO Duality, CPC = CEO Political Connection, CEO = CEO Ownership, IDD = Independent Directors, CET*IDD = interaction term between CEO Tenure and Independent Directors, CEG*IDD = interaction term between CEO Gender and Independent Directors, CEA*IDD = interaction term between CEO Age and Independent Directors, CEE*IDD = interaction term between CEO Educational Level and Independent Directors, CFE*IDD = interaction term between CEO Financial Expertise and Independent Directors, CED*IDD = interaction term between CEO Duality and Independent Directors, CPC*IDD = interaction term between CEO Political Connection and Independent Directors, CEO*IDD = interaction term between CEO Ownership and Independent Directors, BOS = Board Size; BAS = Bank Size.

Table 8 shows that the F-statistics produces statistically significant values of 31.42 and 27.18 for ROA and TQ models at 0.01 per cent level of significance. These results support the models' overall significance. The overall R-squares are 0.4017 and 0.4354, meaning that the variables considered in the models explain about 40.1 percent and 43.5 per cent change in both ROA and TQ, while the remaining 59.9 percent and 56.5 percent change could be due to other variables not included in the models.

From the regression result in Table 8, CEO tenure (CET) has significant positive effect on banks performance at the 0.01 level; ROA ($\beta = .347, p < 0.01$) and TQ ($\beta = .214, p < 0.01$). The result supports the Agency Theory which presumes that the longer tenured CEO is deemed to understand the economic environment better, and hence, helps to boost the efficiency and performance of a firm (Afrifa & Taurigana, 2015). Also, longer tenure of the CEOs enhances their accountability and inculcate a sense of ownership in them, which helps them in aligning

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their objectives with that of the banks (Gupta & Mahakud, 2020). However, the finding is consistent with the studies by Mansoor, Ellahi, Khan, and Rahman (2017), and Peni (2014); who found that CEOs with long tenure have significant positive effect on firms' performance than short-tenured CEOs while it contradicts studies by Nazir, Nazir, and Khan (2018), Nguyen, Miloud, and Zhao (2017), and Barka and Legendre (2016) who found that CEO tenure has significant negative effect on firms' performance.

Considering the regression result from Table 8, CEO gender (CEG) has significant positive effect on banks performance at the 0.05 level; ROA ($\beta = .271$, $p < 0.05$) and TQ ($\beta = .211$, $p < 0.05$). This means a 1% increase in CEG will result in 27% and 21% increase in performance of listed DMBs measured by ROA and TQ. However, the finding is consistent with the studies by Ahmed, Bahamman, and Abdulkarim (2021), and Rachagan et al (2014), who found that CEOs gender have significant positive effect on firms' performance while it contradicts studies by Razali, Azmi, Hwang, and Lunyai (2022), and Eduardo and Poole (2016) who found that CEO gender has significant negative effect on firms' performance.

Result from Table 8, revealed that CEO age (CEA) has significant negative effect on banks performance at 0.05 level; ROA ($\beta = -.324$, $p < 0.05$) and TQ ($\beta = -.247$, $p < 0.05$). This indicates that the performance of listed DMBs measured by ROA and TQ decreases with the increase in CEO age. This result is based on the fact that older CEOs may be more inclined in advancing their interests and goals and enjoy the peaceful life which may lead to a decline in the performance of the firms headed by older executives. The finding also supports the argument that as CEOs become older, the agency conflicts tend to be more severe, thus reducing firm value. However, the finding is consistent with the studies by studies by Nguyen, Nazir, Nazir, and Khan (2018), Miloud, and Zhao (2017), and Diks (2016) who found that CEO age has significant negative effect on firms' performance while it contradicts studies by Meltschakow (2020), Kokeno and Muturi (2016), Yasser, Al-Mamun, and Suriya, (2014) who found that CEO age has significant positive effect on firms' performance.

Table 8, CEO educational level (CEE) has significant positive effect on banks performance at 0.05 level; ROA ($\beta = .515$, $p < 0.05$) and TQ ($\beta = .381$, $p < 0.05$). This means a 1% increase in CEE will result in a 51% and 38% increase in profitability of DMBs measured by ROA and TQ. However, the finding is consistent with the studies by Farag and Mallin (2018), Kokeno and Muturi (2016), Wang, Holmes, Oh, and Zhu, (2016) and Yasser, Al-Mamun, and Suriya, (2014) who found that CEO education level has significant positive effect on firms' performance while it contradicts studies by Kaur and Singh (2018) and Ying and Mei (2014) who found that CEO education level has significant negative effect on firms' performance.

Also, CEO financial expertise (CFE) has significant positive effect on banks performance at 0.01 level; ROA ($\beta = .226$, $p < 0.01$) and TQ ($\beta = .124$, $p < 0.01$). This means a 1% increase in CFE will result in 23% and 12% increase in performance of listed DMBs measured by ROA and TQ. Therefore, since banks are financial institutions, CEOs financial expertise is imperative for the smooth functioning of banks. The finding is consistent with the finding of Wegge et al. (2008) who found that CEO financial expertise has significant positive effect on firms' performance while it contradicts studies by Hamori and Koyuncu (2015) and Ang and

Nagel (2009) who found that CEO financial expertise has significant negative effect on firms' performance.

From Table 8, CEO duality (CED) has non-significant positive effect on banks performance at 0.10 level; ROA ($\beta = .323$, $p < 0.05$) and TQ ($\beta = .347$, $p < 0.05$). Therefore, the result supports the Agency Theory which predicts that firms that separate the CEO from the chairperson of the board perform better. The finding is consistent with the studies by Da Costa and Martins (2019), Yasser, Al-Mamun, and Suriya (2014), Okwara, Okoro, and Jennifer (2019), Arora and Sharma (2016), and Rodriguez-Fernandez et al. (2014) who found that CEO duality does not have significant effect on firms' performance.

Table 8, CEO political connection (CPC) has significant positive effect on banks performance at 0.05 level; ROA ($\beta = .224$, $p < 0.05$) and TQ ($\beta = .321$, $p < 0.05$). This means a 1% increase in CPC will result in 22% and 32% increase in performance of listed DMBs measured by ROA and TQ. However, the finding is consistent with the study by Wu, Li, Ying, and Chen (2018), Bialowas and Sitthipongpanich (2014), and Li et al. (2008) who found that CEOs political connection has significant positive effect on firms' performance while it contradicts study by Razali, Azmi, Hwang, and Lunyai (2022), Fan, Wong, and Zhang (2014), and Fan, Wong, and Zhang (2007) who found that CEO political connection has significant negative effect on the firms' performance.

Also result from Table 8 showed that CEO ownership (CEO) has significant positive effect on banks performance at 0.05 level; ROA ($\beta = .311$, $p < 0.05$) and TQ ($\beta = .345$, $p < 0.05$). This means a 1% increase in CEO will result in 31% and 34% increase in performance of listed DMBs measured by ROA and TQ. However, the finding is consistent with the studies by Ahmed, Bahamman, and Abdulkarim (2021) and Morck, Nakamura, and Shivdasani (2000) who found that CEO ownership has significant positive effect on the firm performance while it contradicts studies by Razali, Azmi, Hwang, and Lunyai (2022) who found that CEO ownership has nonsignificant effect on the firm value.

Moving to the moderating effect, the study found that Independent directors (IDD) not only have a positive and significant direct effect on bank performance, it also moderates the relationship between CEOs characteristics and bank performance. The coefficient of the interaction is ROA ($\beta = .241$, $p < 0.01$) and TQ ($\beta = .327$, $p < 0.01$). The positive result is based on the fact that banks with more outside directors on their boards are able to improve their performance because there is no personal interest at stake. Also, it is consistent with agency theory which states that having independent directors on the board will help to ensure that the agent acts in the best interests of all principals, thereby protecting other shareholders from the directors' expropriation of the company's assets for their own benefit.

Form Table 8, the coefficients for interactions of CET*IDD, CEG*IDD, CEA*IDD, CEE*IDD, CFE*IDD, CPC*IDD and CEO*IDD are significant and positive except the coefficient for interaction of CED*IDD which is non-significant and positive. This implies that independent directors (IDD) has significant positive moderating effect on the relationship between CET, CEG, CEA, CEE, CFE, CPC, CEO and the performance of listed DMBs

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measured by ROA and TQ while independent directors (IDD) does not moderate the relationship between CED and performance of listed DMBs in Nigeria. However, the significant positive moderating effect of independent directors on the relationship between CEOs characteristics and the performance of listed DMBs may be due the fact that independent directors on the board of these banks limit the self-interested behavior of CEOs in Nigeria banks.

Finally, results in Table 8 show that board size (BOS) and bank size (BAS) have significant positive effect on the performance of listed DMBs in Nigeria. This result is based on the fact that larger board size broadens the pool of competence with more knowledge and skills than smaller boards and may reduce the CEO's dominance while larger banks are better able to negotiate favorable interest rates on financing resulting in increased performance.

5. Conclusion and Recommendations

The study examines the moderating effect of effect of independent directors on the relationship between CEOs characteristics and the performance of listed DMBs in Nigeria. The study found that CET, CEG, CEE, CFE, CPC, and CEO have significant positive effect on the performance of listed DMBs while CEA has significant negative effect on the performance of listed DMBs in Nigeria. The relationship between CED and performance of listed DMBs is non-significant and positive. On the moderating relationship, independent directors (IDD) did not only have a positive and significant direct effect on bank performance, it also moderates the relationship between CEOs characteristics and performance of listed DMBs in Nigeria. In conclusion, the CEO characteristics play an important role in bank performance while independent directors strengthens the relationship between CEO characteristics and the performance of listed DMBs in Nigeria.

However, based on the findings of the study, the study recommends that Central Bank of Nigeria should make it mandatory for DMBs in Nigeria to have a board majorly composed of independent directors since their presence on board strengthens the relationship between CEO characteristics and banks performance.

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