International Journal of Academic Accounting, Finance & Management Research(IJAAFMR)
ISSN: 2643-976X
Vol. 9 Issue 10 October - 2025, Pages: 14-26

The Role of Independent Directors on Board of Directors' Performance: Evidence from Keystone Bank Limited, Abuja

Michael Ikupolati[1], Shehu, Mohammed[1], Dorathy Uduak Achumba[1]

Department of Business Administration, Leadership and Strategic Management. The University of America, California, USA[1]

Abstract*: This study examines how independent directors affect the functioning of the boards of directors of twenty-one (21) Keystone banks in Abuja between 2021 and 2024. The study's particular goals were to determine how the performance of the board of directors of Keystone banks in Abuja was affected by the tenure, compensation, number, interlocking, expertise, and demographics of independent directors. In order to analyze the data set, the study used descriptive statistics, a correlation matrix, and ordinary least square regression techniques. The study's conclusions showed that the performance of Keystone Bank board directors is positively and significantly correlated with the director's term, compensation, experience, and demographics. The performance of the board as determined by Return on Assets (ROA) was also found to be negatively and negligibly impacted by the number of independent directors and interlocking directorship. This finding implies that an improvement in the traits of these independent directors will have a major impact on the performance of the board of directors as a whole. An independent director with a longer term will have more information and experience about Keystone Bank's strategy, which will improve oversight and performance. Paying highly qualified independent directors will draw and keep them, which can lead to enhanced decision-making, ethical behavior, motivation, and a diversity of knowledge.*

Keywords: CBN; Corporate Governance; Gender diversity; Keystone Bank; Financial Performance

1.0 Introduction

In order to guarantee responsibility, openness, and moral conduct in the banking industry, independent directors are essential (Gallagher, 2015). The rules, procedures, and practices that regulate how businesses are run are referred to as corporate governance. In order to guarantee openness, responsibility, and efficient decision-making within the company, it includes the interactions between shareholders, the board of directors, management, and other stakeholders (Zubair, Adams & Aniagolu 2022). Fundamentally, corporate governance seeks to create a structure that upholds moral conduct, safeguards the interests of shareholders, encourages strong financial results, and advances the company's long-term viability and prosperity. Both public and private firms must prioritize governance since it has a significant impact on how well they function overall and how they are perceived. It protects the interests of shareholders and other stakeholders by ensuring that businesses are run ethically and responsibly (Adams & Balogun, 2020).

Investors, clients, partners, staff, and the industry all benefit from strong corporate governance. The core of corporate governance, which serves as the guardian of shareholders' interests and directs the company's strategic course, is the board of directors, which includes both inside and outside directors. Effective corporate governance is largely dependent on the board's makeup, chair, independence, experience, and decision-making procedures. The selection and appointment of senior executive management, including the CEO, is one of the board of directors' primary governance functions and responsibilities. This guarantees that the company is run by competent people who can guarantee good corporate governance; (ii) establishing the strategic direction of the company and approving important business decisions to make sure that the activities of the company align with the long-term interests of its stakeholders and shareholders; (iii) monitoring the company's adherence to pertinent laws and regulations; (iv) keeping an eye on the company's financial performance and risk management practices; (v) establishing board committees, such as the audit and compensation committees, to supervise particular functions and advisory boards or committees for advice; and (iv) serving as a liaison between management and shareholders. The beneficial effects of independent directors on boards and financial performance have been shown in several research. Both private and public companies can benefit greatly from having independent board directors. First of all, because they have an independent viewpoint, independent board directors provide unbiased counsel. Since they are not connected to the company's management or major owners, they are able to offer objective opinions and suggestions (Bamanga & Adams, 2023). This guarantees that decisions are made with the best interests of the business and its stakeholders in mind and helps prevent groupthink. Second, independent directors contribute specific knowledge. They frequently have a wealth of expertise, industry knowledge, and strategic direction. Making educated judgments, analyzing risks, and reviewing corporate plans can all benefit greatly from this knowledge. Their varied viewpoints can challenge the existing quo and offer new ideas, which can improve decision-making (Schweitzer et al., 2016). In addition, independent directors are less likely than insiders to have conflicts of interest. This independence encourages openness in boardroom discussions and decision-making procedures and protects against possible self-serving actions. Additionally, it helps keep the board's power balance intact and guarantees that important choices are in line with the long-term objectives of the business and its shareholders. Furthermore, having independent directors raises the company's legitimacy.

Customers, investors, and other stakeholders may feel more confident due to their reputation and outside viewpoints. Relationships with outside parties may improve as a result of increased confidence in the company's governance procedures. Last but not least, outside directors give access to useful networks. Their wide range of professional contacts may provide access to possible alliances,

teamwork, and commercial prospects. Additionally, these networks can help in accessing capital markets, hiring top people, and learning about the sector. The issue of who should have more authority on a corporate board—independent or dependent directors—comes up when discussing appropriate corporate governance. Although both are important in decision-making, board dynamics may suffer as a result of their discrepancies. Effective governance requires finding the ideal balance between the two (Great policy triumphs, 2019). Boards of directors may find themselves in a predicament when inside directors also occupy managerial positions within the organization. They can make well-informed decisions since they have access to internal information. However, that feeling and information can also cause competing interests or impair judgment. However, if outside directors have significant influence and control over the board, boards and chairmen worry that they may lose strategic control (Paul & Adams 2024). Nigerian commercial banks, including Keystone Bank Limited, have had numerous difficulties over the years that have resulted in financial difficulties. Weak corporate governance, insider abuses and transactions, ongoing boardroom disputes, and significant money laundering are a few of the difficulties. Keystone Banks also have to deal with issues like independent director tenure, compensation, the percentage of engaged independent directors, directorship interlocking, hiring non-banking industry experts as independent directors, and the traits of the engaged individual as an independent director. In light of these circumstances, the purpose of this study is to investigate how independent directors contribute to the board of directors' performance at Keystone Bank Limited in Abuja. The study will specifically look into how the size, tenure, compensation, interlocking, and demographics of independent directors affect the board of directors' overall effectiveness.

2.0. Literature Review

2.1 Conceptual Framework

2.1.1 Keystone Bank Limited

On August 5, 2011, the Central Bank of Nigeria (CBN) awarded Keystone Bank Limited (Keystone Bank or the Bank) a Commercial Banking License. After the CBN revoked Bank PHB Plc's banking license, Keystone Bank purchased all of the former Bank PHB Plc's assets, deposit obligations, and some other liabilities from the Nigeria Deposit Insurance Corporation (NDIC). The Asset Management Corporation of Nigeria (AMCON) purchased Keystone Bank's shares shortly after the bank was granted a commercial banking license. AMCON held the shares until March 2017, when it sold the bank to the Sigma Golf-Riverbank Consortium, which was made up of Riverbank Investment Resources Limited and Sigma Golf Nigeria Limited (Chima, 2017).

After Keystone Bank Sierra Leone Limited and Global Bank Liberia Limited were fully divested in December 2022 and January 2023, respectively, KBL Insurance Limited is the bank's surviving subsidiary (Punch Newspaper Reporters, 2025). The Bank operates one cash center and 157 branches throughout Nigeria (CBN, 2017). According to AMCON (2017), Keystone Bank provides banking services to individuals, small and medium-sized businesses (SMEs), public institutions, and major organizations. In Nigeria, the bank is a major supplier of financial services. The bank had US$1.916 billion (NGN:307.5 billion) in total assets as of December 2012, and its shareholders' equity was worth roughly US$213.3 million (NGN:34.23 billion) (Keystone, 2017). Previously, the Federal Government of Nigeria's Asset Management Corporation of Nigeria (AMCON) owned the bank. In March 2017, the Asset Management Corporation of Nigeria (AMCON) sold the bank to Sigma Golf River Bank Consortium, which now owns it. The Keystone Bank Group is made up of the bank and its offshore and onshore subsidiaries. Keystone Insurance in Lagos, Nigeria, and Global Bank Liberia in Monrovia, Liberia, are two of the bank's subsidiaries (James, 2017). The bank operates a network of more than 150 commercial offices and locations across all of Nigeria's states, according to its website. James (2017) QuickSave, QuickSave Plus, Paytime Accounts, Partner Plus, Active Dom/Dom Extra, Growbiz Account, Future Account, NIDA, and others are among the goods it makes available to the general public.

2.1.2 Board of Directors in Keystone Bank

The board of directors typically has the following duties: choose qualified executive officers, assess them, and pay them appropriately; review and approve the management-developed strategy, which entails approving the institution's overall risk appetite; keep an eye on environmental control; make sure the appropriate corrective actions are taken to address the situation; make sure the institution complies with legal and regulatory requirements; choose qualified board members; and create rules to regulate the board's structure and organization. The best interests of the shareholders and other stakeholders should guide the directors' performance of these duties. In addition to a number of executive and non-executive directors, Lady Ada Chukwudozie serves as chairman of Keystone Bank's board of directors (Ngozi, 2024). Senator Farouk Bello, Fola Akande, and Abdul-Rahman Esene are among the non-executive directors. The CEO and Managing Director is Hassan Imam. The Central Bank of Nigeria (CBN) has reorganized the board to improve the bank's operations and encourage long-term growth. In 2024, the Bank received the African Industrial and Development Conference and Awards' (AIDCA) Retail Bank of the Year award. According to Thisdaylive (2024), the bank won the 2018 International Bankers' Award Ceremony's Nigeria's Most Innovative Retail Bank of the Year and Africa's Best Customer Service Provider awards, respectively (Vanguard 2018).

2.2 Theoretical Review

2.2.1 The Executive Cognition Theory

The study is predicated on the executive cognition theory, which examines how people learn to multitask and prioritize their tasks successfully. The high-level cognitive processes known as executive cognitive functions, such as planning, monitoring, activating, switching, and inhibiting—need the guidance and supervision of lower-level processes. According to this hypothesis, senior managers in a company eventually develop extraordinary mental skills like concentrated attention, memory recall, and the capacity to identify and resolve complicated problems. According to Brown et al. (2017), these business executives employ these cognitive abilities to comprehend difficult circumstances, make wise decisions, and lead their companies to success. This lends credence to the idea that a director's tenure affects their success and adherence to a company's strategies. Longer tenure may help independent directors gain more firm-specific information (Patro et al., 2018) and improve their cognitive function, which will enable them to perform their monitoring duties more effectively. According to existing research, independent directors on audit committees who possess greater firm-specific expertise conduct thorough examinations of contracts with clients or suppliers and aid in preventing and reducing irregularities like early revenue recognition and unrecorded account payables that give a false impression of the company's performance and financial status (Okaily et al., 2019). As a result of the increased confidence and dependability of the information provided by the firm with improved governance quality, the number of financial analysts monitoring the firm increased (Lehmann, 2019).

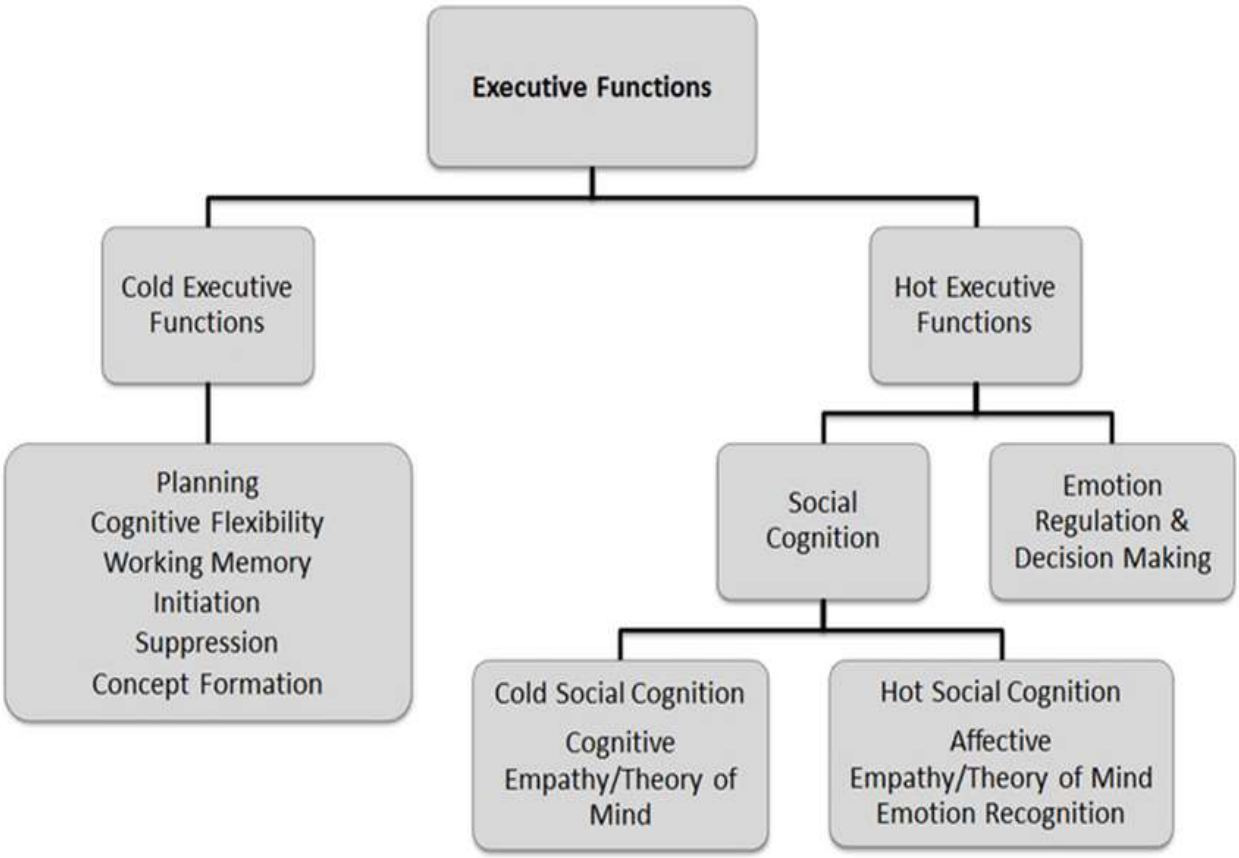

Figure 1 Executive Cognition Theory
SOURCE: Framework of executive function processes, adapted from (Zimmerman *et al.*, 2016)

2.3 Empirical Review

Tenure of Independent Directors and Performance of the Board of Directors

Kennedy et al. (2018) investigate the connection between Kenyan listed companies' financial difficulty and board tenure. Panel regression analysis was used in the study, along with pooled regression and random effects, on a sample of 57 Kenyan listed companies from 2007 to 2016. According to the study, there is a significant and negative correlation between board tenure and financial success (β=-0.091; $p<0.01$).

Guoping et al. (2024) conducted an empirical investigation of the relationship between stock price crashes and the term of financial independent directors. By examining the impact of tenure on financial performance and updating empirical literature from a developing nation, the study advances theory. Using listed businesses from 2014 to 2020 as the research sample. The empirical findings indicate a strong positive relationship between stock price collapses and the term of independent directors.

The Number of Directorship of Independent Directors and Performance of the Board of Directors

In order to describe the corporate governance in regional development banks, (Tulung & Ramdani, 2018) look for a relationship between board independence, board size, and performance. The findings indicated a positive correlation between bank performance, board size, and board independence.

Melville & Merendino (2019) investigate how the size of the board of directors affects the structure and performance of the company. They also look for a correlation between the two and assess the usefulness and relevance of agency theory in the particular setting of Italian corporate governance. It was discovered that, for smaller board sizes, board size improves firm performance.

The Renumeration of Independent Directors and Performance of the Board of Directors

Otekunrin et al. (2018) used a few general insurance companies as a case study to investigate the connection between directors' pay and company performance. The data collected from the companies under investigation was analyzed using regression analysis. The findings demonstrated a strong correlation between the firm performance of the general insurance companies under investigation and the yearly salary of its directors.

Soni & Singh (2020) investigate the patterns and trends in the compensation of directors employed by India's top 30 listed firms throughout the last 18 years, from 2002 to 2019. After adjusting for the sample firms' size, governance, leverage, and risk, it attempts to determine both short-term and long-term correlations between the director's compensation and firm success. The findings support a short-term reciprocal relationship between company performance metrics and directors' compensation.

Expertise in the banking sector affects the performance of the board of directors

Adams *et al.* (2017) use panel data from the non-life insurance sector in the United Kingdom to investigate the relationship between board-level financial expertise and six performance metrics. It was discovered that the performance outcomes of insurers are positively impacted by the combined influence of financial professionals.

Jin and Mamatzakis (2018) investigate how China's commercial banks performed between 2008 and 2016 in relation to boardroom competency. The findings suggest that improved bank performance appears to be linked to greater financial experience.

Interlocking directorship on the performance of the board of directors

Nam & An (2018) investigate the effect of a network of interlocking directors on firm valuation and performance using a panel dataset derived from 7307 firm-year observations from 2000 to 2014. Interlocking director networks were found to have a large and unfavorable impact on company values as evaluated by Tobin's Q and performance as measured by total factor productivity and return on assets.

Farwis & Nazar (2019) examined the association between director interlock and firm success in Sri Lanka. Empirical research revealed a strong inverse relationship between firm success and directors interlocking.

Demographic Characteristics of Independent Directors board of directors Performance

Kaur and Singh (2018) looked into the relationship between the performance of the company and the traits of the CEO and independent directors. The results indicate a favorable correlation between the performance of the company and the attributes of the CEO and independent directors. In their 2019 study, Khadash & Washali examined how the board composition of banks and insurance firms affected their performance and discovered that the BOD composition was a significant factor in determining how well the companies performed. A close examination of the referenced research shows a gap in which researchers obviously limit the proxies for the performance of independent directors to companies that are not Keystone banks in Abuja. Additionally, the focus on one or a maximum of two board performance proxies has allowed for incongruous results from earlier research. By using and combining six independent director proxies, that is, tenure, compensation, interlocking, external expertise, demographics, and number of directorships. This study attempts to close these gaps by assessing the role of independent directors and their impact on the performance of the banks' boards of directors. It is projected that the tenure, compensation, interlocking, expertise, demographics, and number of directorships of independent directors can affect the Keystone board of directors' overall performance based on the literature described above. These led to the development of the following hypotheses;

H_1: independent director's tenure significantly affects the performance of Keystone board of directors.

H_2: independent director's size significantly impacts on the performance of Keystone board of directors.

H_3: independent director's remuneration significantly contributes to the performance of Keystone board of directors.

H_4: Expertise of the independent director's significantly affects the performance of Keystone board of directors.

H_5: interlocking of independent directors influences the performance of Keystone board of directors.

H_6: independent director's demographic characteristics has a significantly relationship with the performance of Keystone board of directors

Based on the literature, the major elements of this study were established theoretically, conceptually and empirically. Figure 2 displays a model for the study that shows, tenure, number of directors, renumeration, expertise, interlocking directorship and demographic characteristics as the explanatory variables and board of directors' performance as the dependent variable

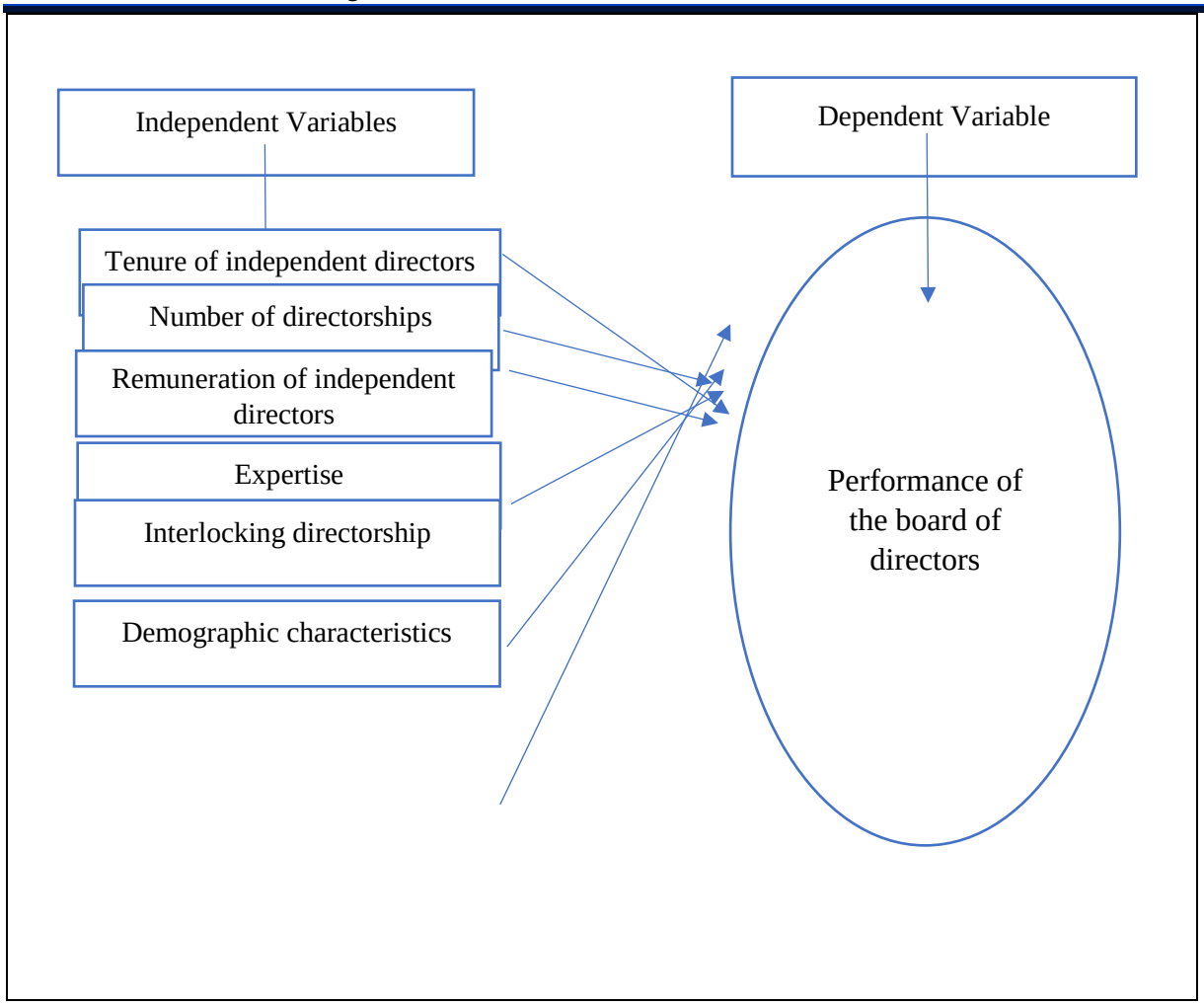

Figure 2: Conceptual Model of Tenure, number of directors, renumeration, external expert, interlocking directorship and demographic characteristics and board of directors' performance

The aforementioned model illustrates the connection between the independent and dependent variables. Each independent variable's distinct arrow illustrates how each of the six independent factors influences the dependent variable separately. The link between the dependent variable and the six independent factors is also depicted in the picture. It suggests that the functioning of the independent board of directors of the Heritage Bank in Abuja, Nigeria, will be impacted by the actions or inaction of each of the six.

Dependent variable (DV): A profitability metric called return on assets (ROA) shows how well a company may use its assets. It assesses how well a company's management makes money off of all the assets included on the financial position statement. The higher the number, which represents ROA as a percentage, the more adeptly a company's management generates profits through balance sheet management. Businesses with lower profit margins typically have more assets than those with higher profit margins. The easiest way to evaluate returns on assets (ROA) is to compare similar businesses; for example, a company with many assets may have a lower ROA than a related company with fewer assets and the same profit margin, which could written as;

$$ROA = \frac{Profit\ Before\ Tax}{Total\ Assets\ or\ Average\ Assets}$$

Independent Variable (INDV)

For the purpose of this study, we will look at the following variables as precursors for this research with quantifiable indicators as follows:

i. Independent director tenure: The duration of a person's service as an independent director on a bank's board is referred to as the tenure of independent directors. It determines how long someone can serve before resigning or having to run for office again. There is conflicting research on the complex subject of independent directors' tenure and how it affects their

performance. Longer tenure may increase competence and improve monitoring, according to some studies, but it may also undermine independence and result in less efficient governance, according to other research.

ii. Independent director compensation: The amount paid to independent directors for their services as board members who are not involved in the company's management and who are not bound by any financial or material ties that can impair their neutrality is known as independent director compensation. The majority of research has found that independent director compensation and board performance generally have a significant, positive association, especially when linked to financial performance.

iii. Number of directorships of independent directors: The number of banks that have non-executive directors who are thought to be separate from the company's management and major shareholders is known as the number of directorships of independent directors. There is a complicated and inconclusive relationship between the number of independent directorships and board performance. More independent directorships may result in better company performance, according to some research, although other studies show a negative or non-linear relationship.

iv. Expertise in the banking industry: An external expert is a person or group with specialized knowledge, abilities, or experience who enters into a contract with the business to help gather adequate, relevant audit evidence or to offer counsel to support, refute, or validate important decisions made during the assignment.

v. Interlocking directorship: A person who serves on the boards of two or more different companies has an interlocking directorship, also referred to as an interlocking directorate. Depending on a number of variables, there may be a positive or negative correlation between board member performance and interlocking directorships. Interlocking can result in less monitoring and possible conflicts of interest, even if it can also offer invaluable experience and access to resources.

vi. The success of independent directors is greatly influenced by their demographic features. The directors are affected differently by demographic traits such as age, gender, and race. Even if diversity in age and gender is being highlighted more and more, other elements like education, experience, and professional background also have a big impact on how they see the world and contribute**.**

3.0 Research Methodology

3.1 Research Design

In order to produce enough observations to make data analysis easier, this study used the ex post facto research approach. The 21 Keystone Banks in Abuja that were listed as of December 31, 2024, make up the study's population. Panel data for the study is taken from the financial statements of all 21 Abuja banks that have the necessary data for the 2021–2024 timeframe. This time frame was selected because a bank change occurred during this time. Due to shortcomings in corporate governance, the Central Bank of Nigeria (CBN) dissolved its board and management. A change in leadership resulted from this intervention. It is anticipated that this institutional reform will enhance Keystone banks' financial accounting reporting in Nigeria. Additionally, around this time, Nigerian financial institutions collapsed as a result of the global economic meltdown, which was ascribed to poor subprime mortgage lending practices by top management officials, such as independent directors, to businesses and individuals.

3.2 Measurement of Variables

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

Table 1: Measurement of Variables

Variables	Variable Name	Symbol	Measurement	Source
Dependent (Independent director performance)	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)
Independent Variables	Tenure	TEN	Tenure of number of years of independent directors since their appointment	Ghardallou (2022), Razali, Azmi, Hwang, & Lunyai (2022), Gupta and Mahakud (2020)
	Remuneration	REM	Sum of IND' salary (Fixed Component)	Edeh (2020)

	Number of directors		NUM	Number of independent directors	Melville & Merendino, 2019;
	Interlocking directors		INT	If the IND holds directorship and Chairman positions simultaneously=1 If the IND does not hold IND and Chairman positions simultaneously=0	Hsu, Lin, Chen, and Huang (2021), Da Costa, & Martins (2019), Gupta and Mahakud (2020)
	External experts		EXT	IND financial expertise is a dummy variable that is equal to one if the IND has experience in accounting, finance, and economics, or zero if otherwise	Li, Lin and Zhang (2019), Ting et al., (2015), Chiou-Yann et al. (2024)
	Demographic Characteristics	Gender	GEN	Male = 2, Female = 1	Razali, Azmi, Hwang, & Lunyai (2022), Gupta and Mahakud (2020)
		Age	AGE	Age of independent director in years	Razali, Azmi, Hwang, & Lunyai (2022), Gupta and Mahakud (2020)
		Education	EDU	IND 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)

3.3 Model Specification

This study adopted a multiple regression econometric model was specified in equation. By definition, a multiple regression econometric is one that seeks to explain change or variation in the value of bank performance on the basis of changes executive compensations using a cross sectional data. The assumption underlying the use of this statistical method is that, the dependent variable is a linear function of the independent variables. Accordingly, a functional relationship between board of director' performance (ROA) and the selected explanatory variables (that is, independent directors' proxies measured as tenure (TEN), number (NUM), remuneration (REM), interlocking (INT), external experts (EXT) and characteristics (CHA) is shown below:

$$ROA = f(TEN, NUM, REM, INT, EXT, CHA) \quad (3.1)$$

and

$$y_{it} = \beta_0 + \beta_1 TEN_{it} + \beta_2 NUM_{it} + \beta_3 REM_{it} + \beta_4 INT_{it} + \beta_5 EXT_{it} + \beta_6 CHA_{it} + \mu_{it} \quad (3.2)$$

Where;

y_{it} = dependent variable (board of director' performance denoted by ROA)

β_0 = constant term

$\beta_1 - \beta_6$ = coefficient of the explanatory variables

ROA = Performance of the board of directors

TEN = Tenure of the directors

NUM = Number of directorships

REM = remuneration of the directors

INT = Interlocking directors

EXT = Expertise

CHA = Characteristics of the directors

μ_{it} = Error term of the model

4.0 Results

This study utilized multiple regression techniques to examine the role of independent directors' tenure, number, remuneration, interlocking, expertise and characteristics on board performance in Keystone banks in Abuja, Nigeria. The Variance Inflation Factor (VIF) and Tolerance statistical techniques were conducted to check for multicollinearity. Descriptive statistics was employed to provide summary of the variables of interest, Pearson correlation matrix was adopted to investigate the inter-relationship between the variables while multiple linear regression was used to assess the effects of the explanatory variables on the board of directors' performance. The analyses were conducted using EViews (version 10) Statistical Software.

The descriptive summary was used to describe the nature of the variables of interest and the test of normality for the data. The descriptive statistic results showed that Return on Assets (ROA) on the average was N2.73 with a standard deviation value of 1.16. Characteristics (CHAR) was on the average of 3.0 with a standard deviation value of 1.11. Expertise (EXT) on the average was .714 with a standard deviation value of 0.463. Number of independent directors (NUM) on the average was 3.0 with a standard deviation value of 0.845. Remuneration of the independent directors on the average was #425,572 with a standard deviation value of #132,607.9. The tenure of the independent director was 4 years with a standard deviation of 1.43. The Jarque-Bera statistic coefficient of the variables revealed that number of independent directors, remuneration, return on assets and tenure of the directors were normally distributed while the categorical variables, that is, demographic characteristics, expertise and interlocking were not normally distributed. The results were presented in Table 2 below.

Table 2: Descriptive Summary of Independent Directors and Performance of Keystone Bank Board of Directors

	CHA	EXT	INT	NUM	REM	ROA	TEN
Mean	2.66667	0.714286	0.619048	2.71429	425572.0	2.731048	3.952381
Median	3.00000	1.000000	1.000000	3.00000	415636.0	2.569000	4.000000
Maximum	5.00000	1.000000	1.000000	4.00000	768221.0	5.064000	7.000000
Minimum	1.00000	0.000000	0.000000	1.00000	210135.0	1.074000	2.000000
Std. Dev.	1.11056	0.462910	0.497613	0.84515	132607.9	1.157823	1.430950
Skewness	0.24106	-0.948683	-0.490290	0.06235	0.674439	0.690989	0.819266
Kurtosis	2.30862	1.900000	1.240385	2.23320	3.530208	2.621241	2.872050
Jarque-Bera	1.46216	1.20875	1.550562	5.52809	21.83802	14.79666	23.63511
Probability	0.32842	0.421922	0.416943	0.04794	0.039891	0.040725	0.030674
Sum	56.0000	15.00000	13.00000	57.0000	8937013.	57.35200	83.00000
Sum Sq. Dev.	24.6667	4.285714	4.952381	14.2857	3.52E+11	26.81108	40.95238
Observations	84	84	84	84	84	84	84

Source: Output from EVIEWS (VERSION 10)

Table 3: Correlation Matrix of Independent Directors and Performance of Keystone Bank Board of Directors

	ROA	EXT	INT	NUM	REM	CHAR	TEN
ROA	1						
EXT	0.695*	1					
INT	-0.283	0.662**	1				
NUM	-0.507	-0.219	0.604**	1			
REM	0.529*	0.459	0.599*	0.244	1		
CHAR	0.619*	-0.440	0.348	0.648**	-0.340	1	
TEN	0.578*	0.534*	0.427	0.536*	0.513*	-0.262	1

*=significant at 0.05; **= significant at 0.01

Source: Output from EVIEWS (VERSION 10)

Correlation matrix measures the degree of linear inter-relationship between the response and explanatory variables. The result of the correlation matrix provided in Table 3 shows that expertise

of the independent director was significantly positive and strongly related with performance of the board of directors' measure by Return on Assets (ROA = 0.695). This means that an increase in expertise of the independent directors will lead to an increase the performance of the board by 69.5%. Interlocking directorship (INT) was negative and weakly correlated with the board performance measured by return on assets (ROA= -0.283). This implies that increase in interlocking directorship will lead to reduction in return on assets by 28.3%. The correlation results also showed that number of directors (NUM) was significantly negative and moderately

correlated with the board's overall performance measured by return on assets (ROA =-0.507). This implies that increase in the number of independent directors will lead to a decrease in the board's performance by 50.7%. Renumeration of the directors has a moderate, positive and significant relationship with board performance (ROA = 0.529). The implication of the result is that, an increase in the directors' remuneration will lead to 52.9% increase in the board performance. In the case of demographic characteristics of the independent directors, result shows that there was a strong positive and significant relationship with Return on Assets (ROA = 0.619). This means that
an increase in characteristics might lead to an increase in performance of the board by 61.9%.

Table 4: Multiple Linear Regression Result

Model	Unstandardized Coefficients		Std Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	3.701	1.746		2.120	.052		
TEN	0.221	.199	.274	4.114	.028	.880	1.137
NUM	-.0745	.346	-.054	-1.213	.735	.832	1.201
REM	0.754	.321	.163	3.601	.008	.719	1.390
EXT	0.521	.623	.208	3.837	.017	.856	1.169
INT	-0.217	.702	-.523	-0.733	.561	.582	1.717
CHAR	0.259	.312	.249	4.832	.019	.593	1.686

$R = .509$
$R^2 = .257$
Adj. $R^2 = .255$
F-statistic = 11.809
Prob (F-Statistics) = 0.034231
Durbin Watson = 1.34532

Source: Output from EVIEWS (VERSION 10)

Result provided in Table 4 indicated that, the director's tenure, remuneration, expertise and demographic characteristics has a positive and significant impact on Keystone bank board directors' performance. The coefficient of multiple linear regression β = 0.22, 0.754, 0.521 and 0.259 and P – value = 0.028, 0.008, 0.017 and 0.019 respectively confirms these results. The result also revealed that, the number of independent directors and interlocking directorship had a negative and insignificant impact on the board's performance. This result is affirmed with a multiple linear regression coefficient and probability values of β = -.0745 and -0.217 and P – value = 0.735 and 0.561 respectively.

Result also indicated that the correlation coefficient (R) = 0.509 show that there is a moderate and positive association between the six explanatory variables and the board's performance. The coefficient of determination result (R^2) = 0.257 indicated that the six proxies of independent directors' roles has explains only 25.7% of the changes in board of directors' performances in Keystone bank, Abuja. It is also observed from Table 4 that the coefficient of determination (adj. R^2) value of 0.255 that is, after adjusting for the proxies, about 26% of the systematic variations in the board of directors of the bank performance was jointly explained by the independent directors' proxies while the remaining 84% was captured by the error term. The F-statistic value of 11.81 and its associated probability value of 0.034 showed that there is a significant linear relationship between independent directors' tenure, number, remuneration, expertise, interlocking and characteristics and board of directors' performance

To check for multicollinearity problem, a Variance Inflation Factor (VIF) and tolerance statistic was conducted and the aggregated VIF mean value of 1.383 which did not exceed 10 and tolerance values which were above 0.1, revealed the absence of multicollinearity problem in the model as stated by Field (2009). Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes, in the estimated model coefficients, and the bias of the standard. Also, the Durbin Watson value of 1.34532 revealed the presence of serial autocorrelation in the regression results but it was ignored in the study due to the nature of data employed.

5.0 Discussion of Findings

Tenure of independent directors: (The Coefficient (β) = 0.221, t_{cal} = 4.114 and p-value = .028). This result implies that there exist a positive and significant relationship between tenure of independent directors and performance of the bank's board of director. A one-unit increase in duration will lead to a .221 unit increase in board of directors' performance. This means that if the independent directors' tenure increases, the performance of the board of directors will also improve. The studies by (Livnat *et al.,* 2021) and (Bonini *et al.,* 2021) are in agreement with our findings. Fun *et al.* (2023) in a study to examine the impact of tenure of independent directors on

performance found that short-tenured independent directors are preferred and their relationship is significantly moderated by institutional ownership. Conversely, studies by (Kennedy et al., 2018; Ombaba & Kosgey, 2018) however found that board tenure was negatively and significantly related to financial performance.

Number of independent directors: (The Coefficient (β) = -.0745, t_{cal} = -1.213 and p-value = .735). This result implies that there exist a negative and insignificant relationship between number of independent directors and performance of Keystone bank's board of director. A unit increase in the number of independent directors will lead to a .0745-unit reduction in the performance of the board of directors. This finding is similar to (Melville & Merendino, 2019; Ramaiah *et al.*, 2022; Mahalwala, Sharma & Ahuja, 2023) study on investigating the impact of more independent directors on the financial performance confirm that the higher the percentage of independent directors on the board, the higher the corporate performance measured with return on assets. Our study is however not in support of the findings from (Sutarmin & Andesto, 2022; Moussa, 2019) whose study concluded that the higher the number of board members, the lower the quality of credit is and, consequently, the credit risk increases. Similar as finding different from Mishra (2020) who found that proportion of independent directors is negatively related to firm profitability.

Remuneration of the independent director: (The Coefficient (β) = .0745, t_{cal} = 3.601 and p-value = .008). The result reveals that there exist a positive and significant relationship between remuneration of independent directors and performance of Keystone bank's board of director. A unit increase in the amount of remuneration of independent directors will lead to a 0.745-unit improvement in the performance of the board of directors. Our findings is in accordance with the study by (Edeh 2020; Wang & Ni 2023; Eklemet & Gyamera, 2024) that assessed the effect of directors' remuneration on a bank's performance. The study revealed that directors' remuneration, audit committee independence, and the remuneration committee are positively and significantly related to the bank's performance. The findings from our study is however in disagreement with Ahmad & Zik-Rullahi (2024) whose findings reveal that highest paid director has a negative and significant relationship with financial performance of banks in Nigeria.

Expertise of the independent directors: (The Coefficient = 0.521, t_{cal} = 3.837 and p-value = .017). This result shows that there exist a positive and significant relationship between expertise of the independent directors and performance of Keystone banks' board of director. Improvement in the directors' expertise by one-unit will result in 0.521 increase the board of directors' performance at Keystone bank. This finding is consistent with (Gilani *et al.*, 2021; Adams & Jiang, 2020; Adams *et al*, 2017; Magoma *et al.*, 2024), whose result reveal that independent directors' financial expertise positively and significantly influences board performance. This implies that an increase in the proportion of board members with financial and accounting backgrounds increases bank performance. On the other hand, Boadi *et al.* (2023) found a negative association between the expertise of the board members and their performance.

Interlocking directorship: (The Coefficient (β) = 0.217, t_{cal} = -0.777 and p-value = .561). This result indicates that there exist a negative and insignificant association between interlocking directorship of independent directors and performance of Keystone bank's board of director. A one-unit increase in the number of interlocked independent directors will result to a .217 unit decrease in board of directors' performance. Our finding is corroborated by studies from (Farwis & Nazar 2019; Igo & Inini 2024; Ajab & Kent 2024; Ogbeide & Adediran, 2023) that examined board of director interlock with listed insurance firms' financial performance in Nigeria. Findings interlock directorship had a negative and non-significant impact on the insurance firms' financial performance. The study by Drazkowski *et al.* (2024) contradicted our findings, The study argued that directors with multiple interlocks are better equipped to share resources, strategies, and market knowledge, which can lead to improved loan portfolio management.

Characteristics of the Independent Director: (The Coefficient (β) = 0.259, t_{cal} = 4.832 and p-value = 0.019). This result reveals that there exist a positive and significant correlation between the demographic characteristics of independent directors and performance of Keystone bank's board of director. A one-unit increase in the number of male or female, level of education, ethnic, nationality and age of the independent directors will result to a .259 unit improvement in board of directors' performance. The findings from our study is consistent with Elnahass *et al.* (2023) who investigates how gender, academic education, and nationality affects board's performance. It was discovered from their research that banks with female directors on the board are positively associated with bank stability. Directors holding high educational qualifications (PhD) are positively associated with bank stability. But, conversely, foreign directors on the board are significantly and negatively associated with bank stability. In another study by (Jin & Mamatzakis, 2018), their study found that educational background and management experience have a negative effect on the performance.

6.0 Concluding Remark

The results of this study indicate that the overall performance of the board of directors of Keystone banks in Abuja is positively correlated with the tenure, compensation, experience, and demographics of the independent directors. The upshot of this finding is that the board's performance will increase if these four proxies get better. The traits of independent directors have a big impact on the board of directors' overall performance. An independent director's knowledge and experience of Keystone Bank's strategy can be improved with longer tenure, which can lead to improved performance and monitoring. Pay should be adequate to draw in and keep highly qualified independent directors, as this can lead to enhanced decision-making, ethical behavior, motivation, and a diversity of knowledge. Even though gender diversity is frequently encouraged, having more women on the board is thought to be a significant aspect that can affect how well the board performs. Similarly, the performance of the banks' board of directors has been found to be impacted by factors such as the independent directors' age, nationality, degree of education, and years of experience. In

summary, by clarifying the function of independent directors in promoting the board of directors' sustainable performance, this study adds to the growing body of research on the performance of the banking industry. Since higher compensation can boost motivation, it follows that independent director compensation is typically positively correlated with board performance. While demographic traits like gender, age, education, and ethnicity can have a big impact on board performance by introducing varied viewpoints, strengthening problem-solving skills, and improving market understanding, board competence is essential for resource procurement and strategic oversight.

Reference

Adams, M., & Jiang, W. (2017). Do Financial Experts on the Board Matter? An Empirical Test from the United Kingdom's Non-Life Insurance Industry. *Journal of Accounting, Auditing & Finance, 35(1),168-195*. https://doi.org/10.1177/0148558X17705201

Adams, S.O., Balogun, P.O. (2020). Panel Data Analysis on Corporate Effective Tax Rates of Some Listed Large Firms in Nigeria, *Dutch Journal of Finance and Management*, 4(2), 1-9. https://doi.org/10.21601/djfm/9345.

AMCON (2017). Finally, AMCON Sells Keystone Bank for N25bn to New Investors. This Day. 21 March 2017. Archived from the original on 6 April 2017. Retrieved 6 April 2017.

Bamanga, M.A., Adams, S.O. (2023). Predictive Modeling of Nigeria's Currency in Circulation Using X-12 Autoregressive Integrated Moving Average Method, *Dutch Journal of Finance and Management* 5(01),1–11. https://doi.org/10.21601/djfm/9345.

Brown, J.A. Anderson, A., Salas, J.M., & Ward, A.J. (2017). Do Investors Care about Directors Tenure? Insights from Executive Cognition and Social Capital Theories, *Organization Science*, 28(3), 471-494. https://doi.org/10.1287/orsc.2017.1123

CBN (2017). Central Bank of Nigeria, Commercial Banks. *Cenbank.org*. Retrieved 29 August 2017.

Chima, O. (2017). Nigeria: Afribank, Spring Bank, Bank PHB Nationalised. *This Day (Lagos).* Retrieved 29 August 2017.

Chiou-Yann, L., Chun-Ru, W. & Nguyen, B. T. T. (2024). Board expertise, background, and firm performance. *International Journal of Financial Studies* 12: 17.

Da Costa, Y. C. L., & Martins, O. S. (2019). CEO duality and corporate performance: evidence in the Brazilian capital markets. *Revista de Administração da Universidade Federal de Santa Maria*, 12(3), 403-417.

Farwis, M. & Nazar, M.C (2019). Interlocking Directorate and Firm Performance of Listed Companies in Sri Lanka, *Asian Journal of Research in Banking and Finance*, 9(3), 1-12.

Gallagher, K. P. (2015). Ruling capital: emerging markets and the reregulation of cross-border finance. *Choice Reviews Online*, *53*(01), 53–0344. https://doi.org/10.5860/choice.189976

Ghardallou, W. (2022). Corporate Sustainability and Firm Performance: The Moderating Role of CEO Education and Tenure. *Sustainability*, 14(6), 3513.

Ghardallou, W., Borgi, H., & Alkhalifah, H. (2020). CEO characteristics and firm performance: A study of Saudi Arabia listed firms. *The Journal of Asian Finance, Economics and Business*, 7(11), 291-301.

Great policy successes. (2019). In *Oxford University Press eBooks*. https://doi.org/10.1093/oso/9780198843719.001.0001

Guoping, D., Guifen, M. & Yue, X. (2024). Research on the Impact of Independent Directors' Tenure on Stock Price Crashes, *Academic Journal of Business & Management*, 6(10), 256-262. https://doi.org/10.25236/AJBM.2024.061037

Gupta, N. and Mahakud, J. (2020). Ownership, bank size, capitalization and bank performance: Evidence from India. Cogent Economics & Finance, 8(1), 1 – 39. https://doi.org/10.1080/23322039.2020.1808282

Jin, C., & Mamatzakis, E. (2018). Board competence and bank performance in China, *Economics Bulletin*, 38(2), 681–688.

Hsu, S., Lin, S. W., Chen, W. P., & Huang, J. W. (2021). CEO duality, information costs, and firm performance. *The North American Journal of Economics and Finance*, 55, 101011

Kaur, R., & Singh, B. (2018). CEOs' characteristics and firm performance: A study of Indian firms. Indian Journal of Corporate Governance, 11(2), 185-200.

Kennedy B., Mwengei O., Kosgey, D. (2018). The Relationship between Board Tenure and Financial Performance. The Allegiance Hypothesis, *International Journal of Modern Research in Engineering & Management (IJMREM)*, 1(5), 14 – 21.

Keystone (2017). Audited December 2012 Financial Statement (PDF). Keystonebankng.com. Archived from the original (PDF) on 7 April 2014. Retrieved 15 October 2017.

Khadash, K., & Washali, A. (2019). Board diversity and its impact on corporate performance of public companies listed in Amman Stock Exchange: The case of banks and insurance companies. *Jordan Journal of Business Administration*, 15(4), 467-487

Lehmann, N. (2019). Do corporate governance analysts matter? Evidence from the expansion of governance analyst coverage, *Journal of Accounting Research,* 57 (3), 721–761. https://doi.org/10.1111/1475-679X.12254

Li, D., Lin, A. & Zhang, L. (2019). Relationship between Chief Executive Officer characteristics and corporate environmental information disclosure in Thailand. Frontiers of Engineering Management, 6, 564–574. https://doi.org/10.1007/s42524-019-0067-7

Melville, R. & Merendino, A. (2019). The Board of Directors and Firm Performance: Empirical Evidence from Listed Companies. *Corporate Governance*, 19(3), 508-551. https://doi.org/10.1108/cg-06-2018-0211

Mishra, S. (2020). Do independent directors improve firm performance? Evidence from India. *Global Business Review*, 0972150920917310

Nam, H. J., & An, Y. (2018). The Effect of Interlocking Directors Network on Firm Value and Performance: Evidence from Korean-Listed Firms. *Global Economic Review*, 47(2), 151-173.

Ngozi E. (2024). Profile: Meet Chioma Mang, Keystone bank's new Executive Director. *Nairametrics*. Lagos, Nigeria. Retrieved 18 January 2024.

Okaily, J. A., Dixon, R., & Salama, A. (2019). Corporate governance quality and premature revenue recognition: Evidence from the UK, *International Journal of Managerial Finance*,15(1),79–99.https://doi.org/10.1108/ijmf-02-2018-0047

Otekunrin, A. O., Nwanji, T. I., Ajayi, S. A., Awonusi, F. D., Falaye, A. J., & Eluyela, D. F. (2018). Directors' Compensation and Performance of Selected Quoted Firms. *Journal of Social Sciences and Public Policy*, 10(2), 38-58.

Patro, S., Zhang, L. Y., & Zhao, R. (2018). Director tenure and corporate social responsibility: The Tradeoff between experience and independence, *Journal of Business Research*, 93(12), 51–66. https://doi.org/10.1016/j.jbusres.2018.08.033

Paul C. & Adams, S.O. (2024). The Effect of E-Government Development Indices (EGDI) on Corruption Perception Index in Sub-Sahara Africa: A Panel Data Analysis, *African Journal of Science, Technology Innovation and Development.* 16(1), 17-25 https://doi.org/10.1080/20421338.2023.2247904

Punch Newspaper Reporters, Our (2025). Court orders forfeiture of 6.3bn Keystone Bank shares to FG. Punch Newspapers. Retrieved 25 February 2025.

Razali, M. W. M., Azmi, A. A. binti U., Hwang, J. Y. T., & Lunyai, J. (2022). Chief Executive Officer (CEO) Characteristics and Firm Value: Evidence from Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 12(9), 1462 – 1477. http://dx.doi.org/10.6007/IJARBSS/v12-i9/15049

Schweitzer, J., Groeger, L., & Sobel, L. (2016). The design thinking mindset: an assessment of what we know and what we see in practice. *Journal of Design Business & Society*, *2*(1), 71–94. https://doi.org/10.1386/dbs.2.1.71_1

Saleh, M. W., Shurafa, R., Shukeri, S. N., Nour, A. I., & Maigosh, Z. S. (2020). The effect of board multiple directorships and CEO characteristics on firm performance: evidence from Palestine. *Journal of Accounting in Emerging Economies*, 10(4), 637-654.

Soni, T. K., & Singh, A. (2020). Directors' remuneration, corporate governance and firm performance linkages: Evidence from the emerging country [Special issue]. *Corporate Ownership & Control*, 18(1), 382-392. http://doi.org/10.22495/cocv18i1siart12

Terjesen, S., Aguilera, R. V., & Lorenz, R. (2015). Legislating a woman's seat on the board: Institutional factors driving gender quotas for boards of directors. *Journal of Business Ethics*, 128(2), 233-251

Ting, I. W. K., Azizan, N. A. B., & Kweh, Q. L. (2015). Upper echelon theory revisited: The relationship between CEO personal characteristics and financial leverage decision. *Procedia-Social and Behavioral Sciences*, 195, 686-694.

Thisdaylive (2024). Keystone Wins Retail Bank of the Year 2024 Award – THISDAYLIVE. www.thisdaylive.com. Retrieved 14 October 2024

Tulung, J. E., & Ramdani, D. (2018). Independence, size and performance of the board: An emerging market research. Corporate Ownership & Control, 15(2-1), 201-208. http://doi.org/10.22495/cocv15i2c1p6

Vanguard (2018) https://www.vanguardngr.com/2018/08/keystone-bank-shines-at-international- banker-awards-wins-in-2-categories/

Zubair, M.A., Adams, S.O., Aniagolu, K.S. (2022). Economic Impact of Some Determinant Factors of Nigerian Inflation Rate, *Universal Journal of Finance and Economics*, 1(1), 51 – 72. https://doi.org/10.31586/ujfe2022.208