

BOARD CHARACTERISTICS AND CORPORATE CREDIT POLICIES OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study examined the effects of board characteristics on corporate credit policies of quoted deposit money banks in Nigeria for the period of ten (10) years from 2014 -2023. Ex-facto research design was employed, while secondary data were employed on all the fourteen (14) listed Deposit Money Banks in Nigeria. The independent variables are Board size, women on the Board, Non-Executive Directors and Board meeting while the dependent variables are cash and credit policies. Data collected were analysed with descriptive statistics, correlation and OLS multiple regressions analysis. The findings showed that Board size and Board meetings have insignificant positive effects on credit policies of Quoted Deposit Money Banks in Nigeria, while the number of women on the Board and the number of Non-Executive Directors on the Board have positive significant effect on the effectiveness of credit policies of Quoted Deposit Money Banks in Nigeria. The study recommended that Board size, while having a positive but insignificant effect on credit policy, should emphasize quality, diversity, and engagement. Female representation and non-executive directors significantly enhance policy effectiveness, promoting balanced and independent decision-making. Although board meetings had an insignificant impact, improving their quality can enhance policy outcomes. Emphasis on skill diversity and informed discussions can lead to more effective credit policy frameworks.

Keywords: *Corporate Governance, Credit Policies, Deposit Money Bank.*

INTRODUCTION

Corporate financial policies are essential for an organization's financial stability, shareholder value maximization, and sound financial decision-making. These policies cover systems such as borrowing, lending, and payment, forming the backbone of market efficiency and financial stability (Adeyemi & Ojo, 2022). Key components—leverage, dividends, earnings management, and investments—are shaped by corporate governance structures and ownership patterns (Eze & Chukwu, 2023; Ibrahim & Musa, 2022). Shareholders influence management decisions, fostering financial growth and operational efficiency.

In Nigeria, Deposit Money Banks (DMBs) operate within a rapidly evolving financial landscape where capital structure and risk management are governed by sound corporate policies. Credit and cash policies, in particular, play a pivotal role in managing liquidity and minimizing non-performing loans (NPLs) (Okoro, Adekunle, & Nwachukwu, 2023). Governance structures, especially board characteristics, critically impact strategic financial decision-making. Independent board members enhance oversight and reduce conflicts of interest, promoting sustainable financial policies (Hermalin & Weisbach, 2003; Yermack, 2006). Moreover, industry expertise among board members improves risk management and financial resilience (Erhardt, Werbel, & Shrader, 2003).

Board diversity, especially gender inclusion, has proven to support better decision-making and introduce risk-averse strategies, aiding in cash flow and liquidity management (Adams & Ferreira, 2009; Elimimian et al., 2020). However, the size of the board must be balanced—while larger boards bring diverse insights, they may hinder timely decision-making (Adekoya & Akinmoladun, 2020). Regular and structured meetings are also necessary for timely policy execution (Conger et al., 1998; Ogunleye, 2019).

Non-executive directors (NEDs) play a crucial role in enforcing accountability and curbing excessive risk-taking, ultimately supporting sound credit policies (Fama & Jensen, 1983; Ayodele et al., 2020). Governance effectiveness in Nigerian banks is closely tied to their ability to manage NPLs and

liquidity, both of which are essential for financial stability (Beck, Demirgüç-Kunt, & Merrouche, 2013; Jiménez, Salas-Fumás, & Saurina, 2006; Acharya et al., 2017).

The Central Bank of Nigeria (CBN) regulates over 20 licensed DMBs, including top-tier banks like GTBank and Access Bank, which contribute significantly to financial inclusion and economic growth (CBN, 2023; NDIC, 2023). Despite their advancement, challenges such as technological disruption and financial risks persist (Adewale & Olaniyi, 2021). Understanding how board dynamics influence corporate policies is thus vital for enhancing financial performance in the Nigerian banking sector.

Statement of the Problem

Strong governance frameworks such as the *Companies and Allied Matters Act* (CAMA, 1990) and the *Central Bank of Nigeria Code of Corporate Governance* (CBN, 2006) were established to protect shareholders and resolve agency conflicts in Nigeria. Despite these efforts, Nigerian Deposit Money Banks (DMBs) continue to face financial challenges such as liquidity crises and rising non-performing loans. These issues are often tied to weak governance structures, particularly poor board characteristics (Priya & Nimalathan, 2013; Mohamed & Khairy, 2016; Osazuwa et al., 2016).

One major concern is board size. While larger boards may offer diverse expertise, they can also lead to communication breakdowns, slow decision-making, and inefficient responses to liquidity or credit risks (Adams & Ferreira, 2009). Similarly, poor board composition can hinder the evaluation of creditworthiness and impair risk mitigation strategies, exacerbating non-performing loan issues.

Though international studies such as those by Tariq and Hafinaz (2018) emphasize the role of corporate governance in dividend policy, and Nigerian studies like Abu et al. (2016) explore board characteristics and financial performance, little research has focused specifically on how board structure influences cash (liquidity risk) and credit (non-performing loans) policies in Nigerian DMBs. Key variables such as gender diversity, the presence of non-executive directors (NEDs), and frequency of board meetings remain underexplored. For instance, while gender diversity is believed to promote prudent financial decisions (Adams & Ferreira, 2009), its impact within Nigerian banks is unclear. Similarly, the effectiveness of NEDs and board meeting frequency in shaping sound financial policies remains debatable (Baysinger & Butler, 1985; Kakanda et al., 2016). Therefore, further empirical research is needed to understand how board characteristics influence corporate credit policies decisions in Nigerian DMBs, especially in shaping credit and liquidity strategies.

Objectives of the Study

The main objective of this study is to examine the effects of board characteristics on corporate credit policies of quoted deposit money banks in Nigeria. The specific objectives are to:

- i. investigate the effects of board size on the credit policies of Quoted Deposit Money Banks in Nigeria.
- ii. examine the effect of women on the Board on the credit policies of Quoted Deposit Money Banks in Nigeria.
- iii. determine the influence of Non-Executive Directors on the credit policies of Quoted Deposit Money Banks in Nigeria.
- iv. investigate impact of Board meetings on the credit policies of Quoted Deposit Money Banks in Nigeria.

Research Hypotheses

H₀₁: Board size has no significant effect on the credit policies of quoted deposit money banks in Nigeria.

H₀₂: Women on the board have no significant effect on the credit policies of quoted Deposit Money Banks in Nigeria.

H₀₃: Non-executive directors have no significant influence on the credit policies of quoted Deposit Money Banks in Nigeria.

H₀₄: Board meetings have no significant impact on the credit policies of quoted Deposit Money Banks in Nigeria.

Scope of the Study

This study investigates the impact of board features on corporate credit policies of Quoted Deposit Money Banks (DMBs) in Nigeria from 2014 to 2023. The ten-year period offers a recent and comprehensive data set, selected to align with the study's commencement in 2024. The research is geographically limited to Nigeria and focuses solely on DMBs operating within the country, acknowledging the unique regulatory, economic, and sociocultural environment of the Nigerian banking sector. The study carefully distinguishes between non-control and control variables. Non-control variables include four key board attributes: board size, frequency of board meetings, proportion of women on the board, and number of non-executive directors. Control variables encompass firm size, leverage, and inflation. Data for the analysis is drawn from financial disclosures, governance reports, and other relevant documents. The study concentrates on one corporate credit policies.

LITERATURE REVIEW

Board Characteristics

Board characteristics refer to various attributes and structures of a company's board of directors that influence corporate governance, decision-making, and overall firm performance. These characteristics are reflected in the financial statements and include elements such as board size, composition, independence, diversity, expertise, and leadership structure (Amahalu & Ezechukwu, 2017; Bunea & Dinu, 2020). They are critical to interpreting a firm's quality of accounting information and performance over time.

Daily and Dalton (1992) define board characteristics as structural elements of the board—such as its size and leadership setup—that affect how organizations function and make decisions. A key element is board independence; independent directors play an essential role in offering unbiased oversight and minimizing managerial excesses (Fama & Jensen, 1983). Boards with higher independence are linked to improved performance and more effective governance practices (Yermack, 1996).

Diversity within the board, including gender, age, ethnicity, and professional backgrounds, fosters broader perspectives and better decision-making, enhancing innovation and stakeholder satisfaction (Carter et al., 2003; Erhardt et al., 2018). Similarly, expertise and knowledge on the board enable strategic support and oversight, particularly in complex business environments. Boards with financial and industry-specific experience show stronger performance outcomes (Hillman & Dalziel, 2003; Zahra & Pearce, 1989).

Leadership structure—specifically whether the CEO and board chair roles are combined or separated—also plays a significant role. While separation supports stronger oversight (Cadbury Committee, 1992), a unified role may promote decisive leadership (Daily & Dalton, 1994). Overall, understanding and strategically managing board characteristics can lead to enhanced accountability, better governance, and long-term stakeholder value.

Board Size

Board size, defined by the total number of directors on a firm's board, remains a critical component of corporate governance due to its impact on decision-making, monitoring, and overall company performance. Larger boards are traditionally considered beneficial due to increased expertise and a decreased likelihood of CEO dominance (Angahar & Mejabi, 2014). However, conflicting opinions suggest that excessively large boards may suffer from coordination difficulties and reduced effectiveness (Jensen, 1993). Organizational behavior theory also posits that productivity may decline in larger groups due to communication barriers and lack of cohesion.

The optimal board size depends on firm-specific factors. For instance, Yermack (2012) highlights that larger boards may result in complexity and conflicts of interest, thereby hindering decision-making. Conversely, smaller boards may foster faster and more cohesive oversight. Hermalin and Weisbach (2012) argue that industry characteristics, firm size, and regulatory conditions can moderate this relationship, indicating that both small and large boards can be beneficial under different circumstances. Further empirical studies affirm that board size influences governance mechanisms such as CEO monitoring and corporate innovation. Agrawal and Knoeber (2014) found that larger boards may

provide better oversight, while Zhang et al. (2018) emphasized their contribution to enhanced innovation through diversity and breadth of experience. As such, determining the appropriate board size involves balancing effectiveness with the board's ability to respond to contextual variables and ensure sustainable firm performance.

Number of Women on the Board

The inclusion of women on corporate boards has emerged as a vital issue in governance research, reflecting the need for diversity and inclusivity in leadership. Women are considered to bring specific strengths such as risk aversion, financial expertise, and ethical decision-making, which can enhance board performance (Azmi & Barrett, 2013). Several empirical studies, including those by Adams and Ferreira (2009), Campbell and Minguez-Vera (2008), and Farrell and Hersch (2005), suggest that gender-diverse boards positively affect market valuation and firm performance.

Nonetheless, the findings on this subject remain mixed. While some studies report improved outcomes, others find no significant or even negative relationships between female representation and firm performance. For example, Watson (2002) indicates that when adjusting for industry and firm age, female-led businesses perform similarly or even better than male-led ones. In contrast, Rose (2007) and Adams and Ferreira (2009) report limited or negative associations, suggesting that gender diversity alone may not guarantee improved performance unless supported by sound governance structures. Recent literature also connects gender diversity to enhanced corporate social responsibility (CSR) and innovation. Carter et al. (2018) and Smith et al. (2019) demonstrate that gender-diverse boards are more responsive to social and environmental concerns and are more likely to engage in innovative activities. However, the persistent under-representation of women in boardrooms (Erhardt et al., 2018) indicates a need for regulatory interventions, such as quotas or board diversity mandates (Terjesen et al., 2018), to address systemic barriers and achieve a more equitable corporate landscape.

Number of Non-Executive Directors on the Board

Non-executive directors (NEDs), often referred to as independent directors, play a pivotal role in enhancing board oversight and mitigating management entrenchment. Defined as directors not involved in day-to-day operations and free from conflicts of interest, their main strength lies in providing unbiased perspectives and holding executives accountable (Ogbechie & Koufopoulos, 2010). The appointment of NEDs is typically based on experience and competence, and they often bring specialized knowledge and external networks that can improve strategic outcomes. Empirical findings on their impact are also mixed. Dehaene et al. (2001) found a positive relationship between the number of external directors and return on equity, supporting the argument that NEDs enhance investor confidence and firm value.

However, other scholars, such as Priya and Nimalathan (2013), argue that during economic downturns, NEDs' conservative approaches may raise costs and reduce firm value. Despite this, Agrawal and Knoeber (1996) and Adams and Mehran (2003) contend that firms with more independent directors often achieve superior performance due to stronger governance and oversight capabilities. These findings suggest that while NEDs can contribute positively to firm outcomes, their effectiveness depends on firm context, crisis conditions, and governance culture.

Credit Policies

Credit policies are fundamental components of corporate financial management, serving to regulate the extension of credit to customers and manage accounts receivable. These policies play a vital role in maintaining liquidity, mitigating credit risk, and achieving a sustainable balance between cash flow and sales growth. The formulation of effective credit policies is shaped by both external and internal variables.

Externally, customer-specific attributes such as creditworthiness, past payment behavior, and financial health are central to assessing credit risk. Companies often tailor credit terms based on customer segments and their risk profiles (Petersen & Rajan, 2018). Macroeconomic factors also exert significant influence. For instance, during economic booms, firms may adopt lenient credit policies to

drive sales and gain market share. Conversely, in downturns, firms tighten credit to limit default risk and protect liquidity (Bolton & Freixas, 2018).

Internally, factors such as a company's cash flow status, working capital needs, and overarching strategic goals determine how flexible or stringent credit terms should be. Firms with limited liquidity are likely to adopt conservative credit policies, while those with sufficient cash reserves may offer generous credit to encourage customer loyalty and revenue growth (Graham & Harvey, 2018).

Effective credit management contributes positively to firm performance by enhancing customer satisfaction, increasing competitiveness, and boosting revenue. Allowing credit can attract more customers and drive profitability (Mian, 2018). However, these benefits are counterbalanced by the inherent risks. Poorly structured credit policies can lead to increased bad debts, customer defaults, and liquidity problems (Altman & Saunders, 2018). Excessive leniency in credit granting may strain working capital and hinder a company's ability to meet its own obligations or pursue growth opportunities.

To manage these trade-offs, companies must develop balanced credit policies that integrate risk management with business growth strategies. This involves establishing stringent criteria for credit evaluation, closely monitoring receivables, and enforcing efficient collection practices (Keegan et al., 2018). By aligning credit management practices with corporate objectives and risk appetite, firms can enhance financial performance and long-term value creation. Credit policy effectiveness is commonly measured by the ratio of non-performing loans to total loans, reflecting how well a firm manages credit risk within its lending portfolio.

Theoretical Framework

Agency Theory

Agency Theory is underpinning this Study. Agency theory offers a strong framework for investigating the connection between corporate financial policies and board composition, especially in Nigerian listed deposit money institutions. Jensen and Meckling (1976) first proposed the theory, which examines the principal-agent problem in which shareholders, the principals, assign decision-making power to management, the agents. Because managers might not always operate in the best interests of shareholders, especially when it comes to financial policy issues like cash and credit management, there is an inherent conflict. According to agency theory, the board of directors is essential in preventing agency conflicts because it keeps an eye on management and makes sure that company financial policies serve the interests of shareholders. Important governance tools to improve decision-making and impose accountability include certain board attributes including size, gender diversity, non-executive representation, and meeting frequency. For example: Board Size: A properly organised board size makes it easier to strike a balance between different viewpoints and efficient decision-making. Boards that are too big, nevertheless, could weaken accountability. Women on the Board: By bringing different viewpoints to the table, gender diversity improves board discussions and can lead to better supervision of credit policies. Non-Executive Directors: By offering objective supervision, independent directors play a critical role in lowering managerial opportunism. Board Meetings: Regular meetings allow for prompt assessment and modification of financial policies and indicate proactive governance. In Nigeria, where there is apparent poor accountability and financial mismanagement seems common corporate governance problems, agency theory provides an engaging lens through which to examine how board composition affects financial policy. The idea highlights the necessity of robust governance frameworks to reduce the possibility of managers acting in self-serving ways, especially in publicly traded banks that manage substantial sums of public capital and support economic stability. Agency issues are common in corporate financial policies, such as credit management. In order to maximise short-term performance at the price of long-term stability, managers may embrace risky lending policies or hoard funds for personal gain. According to agency theory, the board's oversight function makes sure that these regulations are designed to optimise shareholder value and reduce agency expenses.

Empirical Review

Using data from Bahraini companies listed on the Bahrain Bourse for 2019 and 2020, Mujeeb and Mustafa's (2023) study investigated the effects of board of directors (BOD) attributes, including board independence, size, frequency of meetings, and gender diversity, on business performance. BOD features and firm performance were found to have negligible associations, indicating that businesses may need to execute BOD mechanisms properly and that the impact of BOD mechanisms on firm performance may be moderated by other factors. In addition to alerting politicians, firms' owners and stakeholders, and researchers to the need to increase directors' involvement in enhancing corporate performance, particularly in developing nations, the study argues that further regulations and policies are necessary to promote the efficacy of board members.

The relationship between corporate governance practices and the competitiveness, sustainability, and greenness of Philippine firms was examined by Lim et al, (2023). They assessed the relationship between board composition and company performance using a two-step system generalised method of moments (GMM). Board size, independence, CEO duality, management shareholding, and multiple directorships were among the attributes that were analysed. They used Tobin's Q ratio and return on assets (ROA) to gauge success. The findings demonstrated a negative correlation between business performance as measured by ROA and board size, numerous directorships, and leverage. Nonetheless, there was a statistically significant positive correlation between ROA and business size. It's interesting to see that leverage had a positive correlation with performance as measured by Tobin's Q ratio, but company size had a negative one. This study emphasises the value of robust corporate governance procedures in enhancing business performance, which has significant ramifications for practitioners and policymakers in the Philippines.

A study by Naim and Aziz (2022) examined how board composition affected the success of 348 companies that were listed between 2012 and 2018 on the National Stock Exchange of India. They analysed the data using regression techniques and discovered that while the proportion of shares pledged by promoters has a negative effect on business performance, board size and the percentage of shares held by promoters have a beneficial impact. The association between board composition and company success was shown to be moderated by market capitalisation. According to the study, a mid-cap company's board should have eight members, while a large-cap companies should have seven to eighteen. Although the findings cannot be broadly applied, they might be relevant to the manufacturing and service sectors.

Noja, Thalassinou, Cristea, and Grecu (2021) investigated how board composition affected the financial performance and risk management disclosure of European financial services firms. They examined 144 businesses from 25 European nations in 2019 using information from Thomson Reuters Eikon. According to their results, a particular board structure, gender diversity, excellent management abilities, and the ideal board size are all essential for better financial performance and efficient risk management. However, using econometric tools like SEM and GMMs oversimplifies the intricate linkages between board characteristics, risk management, and financial performance, and depending only on Thomson Reuters Eikon data introduces biases or mistakes.

Anisa, Rizky, and Yanzil (2021) investigated how cash holdings in Indonesia were impacted by corporate governance factors such board independence and size. They examined 2,742 firm-year observations, or data from 373 companies across seven industries that were listed on the Indonesia Stock Exchanges between 2008 and 2017. According to the study, the overall number of board members raises the company's cash holdings and has a favourable correlation with board size. On the other hand, cash holding was not significantly impacted by board independence. The independent board significantly reduced cash holdings, especially in companies with a dual CEO, according to the study, indicating the significance of corporate governance for efficient management supervision and business transparency. The intricacy of the connections between corporate governance factors and cash holdings, as well as biases in the data collection process, may limit the study's useful conclusions.

A study by Mbonu and Amahalu (2021) examined how board composition affected the capital structure of insurance firms that were listed between 2011 and 2020 on the Nigeria Stock Exchange. They looked at how the debt-to-equity ratio was affected by firm size, liquidity, and revenue growth. 14 listed insurance companies were chosen for the study using purposive selection, and panel data from

their annual reports was examined. The findings demonstrated that whereas liquidity and revenue growth had large negative effects on the debt-to-equity ratio, business size had a considerable beneficial effect. In order to maintain an ideal capital structure, the study advised insurance companies to concentrate on developing a solid asset basis. However, the findings' accuracy and generalisability may be constrained by the use of selective selection and dependence on panel data from yearly reports. From 2005 to 2016, Tahir, Rahman, and Masri (2020) studied the determinants influencing dividend payment policy in Malaysia. Board diversity, board independence, CEO duality, and financial leverage were found to have a negative or statistically insignificant association with dividend payout policy, but board size, average age of board members, and board tenure had a significant positive link. The study also demonstrated that companies with diverse boards were more likely than those with non-diverse boards to pay dividends, and they also tended to pay greater dividends. The findings indicated that dividend distribution policy is significantly impacted by board diversity, especially for companies with more agency issues. The study could not offer strong justifications for the associations found, and its sample size was tiny and restricted to non-financial companies. All things considered, the study provided information about the worldwide discussion surrounding board characteristics and their effects on businesses.

The impact of credit policy and corporate governance on the delinquency management of microfinance banks in Southwest Nigeria was examined by Abdulai et al. (2020). The study used analytical methods such static panel regression estimates and data from microfinance institutions' Annual Financial Statements spanning seven years, from 2012 to 2018. The findings indicated that while board composition had a negative and negligible impact on delinquency, board size had a negative and significant impact. The management of delinquencies was positively and significantly impacted by credit standards and terms. The study found that whereas credit policy has a favourable and significant impact on delinquency management, corporate governance has a negative influence. Further rationale or sensitivity analysis was recommended because the results regarding the detrimental impact of board size on delinquency rates were thought to be contradictory. Additionally, the study was criticised for failing to take into account other pertinent factors that can have an impact on delinquency management.

METHODOLOGY

An ex-post approach was chosen because this study is based on secondary data collected in prior years. The information was taken from previous years' audited financial accounts of the various institutions. The population of this study consists of all the fourteen (14) Deposit Money Banks listed on the Nigerian. All the 14 DMBs are used as the sample size. The study employed the secondary data gathering method, and the data source was the annual report of DMBs for the 2014–2023 timeframe.

Variable Measurement and Sources

Variables	Symbol	Definition and Measure	Expected Sign	Sources
Dependent Variables				
Credit Policies	CRP	Percentage of Non- performing Loan divided by Total Loans		Ghosh, (2015).
Independent Variables				
Board Size;	BS	Total number of members of the board of directors	+/-	Coles et al., (2018)
Women on the Board	WOB	Number of women on the board divided by the total number of directors (%)	+/-	Adams & Ferreira, (2019)
Non-Executive Directors on the Board	NEDB	Number of Non-executive directors divided by the total number of directors (%)	+/-	Adams & Ferreira, (2019)
Board Meetings	BM	Total number of Board meeting held both physical and virtual.	+/-	Adams & Ferreira, (2019)

Control Variables				
Firm Size	FSIZE	Total assets	+	Hashmi et al., (2020)
Leverage	LEVE	Ratio of total debt divided by total equity (%)	+	Hashmi et al., (2020)
Inflation	INFL	Natural Log of Annual inflation rate (%)	-	Olaniyi 2021

Source: Author’s Compilation (2024)

Model Specification

The original model as depicted by the study of Anisa et al. (2021) is presented as:

$$CASH_{it} = \alpha_{it} + B_1 BSIZE_{it} + B_2 BIND_{it} + B_3 FSIZE_{it} + B_4 LEVE_{it} + B_5 ROE_{it} + B_6 DIVI_{it} + B_7 INFL_{it} + B_4 GDP_{it} + \epsilon_{it} \dots \dots \dots (1).$$

For this study the model was modifications to:

$$CRP_{it} = \alpha_0 + \alpha_1 BS_{it} + \alpha_2 WOB_{it} + \alpha_3 NEDB_{it} + \alpha_4 BM_{it} + \alpha_5 FSIZE_{it} + \alpha_6 LEVE_{it} + \alpha_7 INFL_{it} + U_i \dots (2)$$

Where:

CRP = Credit Policies

BS = Board Size;

WOB = The Number of Women on the Board;

NEDB = The Number of Non-Executive Directors on the Board;

BM = Board Meetings;

FSIZE = Firm Size

LEVE = Leverage

INFL = Inflation

$\beta_1 - \beta_6$ = Regression Coefficients

μ = Error Term

i represents the bank and t the year.

The study employed Ordinary least square multiple regression analysis is the main technique used for data analysis.

RESULTS AND DISCUSSION

Dependent Variable: CRP

Method: Least Squares

Date: 12/13/24 Time: 16:20

Sample: 1 140

Included observations: 140

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BS	0.013903	0.012306	1.129773	0.2606
WOB	0.546026	0.153381	3.559932	0.0005
NEDB	0.164850	0.080809	2.039989	0.0433
BM	0.022789	0.048247	0.472337	0.6375
FSIZE	-0.124607	0.016529	-7.538886	0.0000
LEV	-0.207396	0.084438	-2.456186	0.0153
INFL	0.005730	0.053612	0.106878	0.9150



C	0.432244	0.095289	4.536142	0.0000
R-squared	0.392005	Mean dependent var	0.193643	
Adjusted R-squared	0.359763	S.D. dependent var	0.104436	
S.E. of regression	0.083564	Akaike info criterion	-2.070966	
Sum squared resid	0.921746	Schwarz criterion	-1.902872	
Log likelihood	152.9676	Hannan-Quinn criter.	-2.002657	
F-statistic	12.15816	Durbin-Watson stat	0.739746	
Prob(F-statistic)	0.000000			

Source: Researcher’s Computation Using E-Views 12.0, 2024

The analysis, as indicated by the f-statistic value of 12.15816, which is significant at a p-value of 0.00 and a Durbin Watson value of 0.73. According to F statistics and p-value, there is proof that board characteristics have a linear impact on corporate financial policies of quoted deposit money banks in Nigeria proxy by credit policies.

H₀₁: Board size has no significant effect on the credit policies of Quoted Deposit Money Banks in Nigeria

The Board Size (BS) coefficient is 0.013903, indicating a little but positive correlation between the credit regulations and board size. The t-statistic is 1.129773, the p-value is 0.2606, and the standard error is 0.012306. The link is statistically insignificant because the p-value is higher than the standard significance thresholds of 0.05. This suggests that the credit policies in the existing model are not greatly impacted by changes in board size. This suggests that we agree with the null hypothesis, which states that board size has a positive but negligible impact on the loan policies of quoted deposit money institutions in Nigeria.

H₀₂: The number of women on the Board has no significant effect on the credit policies of Quoted Deposit Money Banks in Nigeria.

The coefficient for Women on Board (WOB) is 0.546026, demonstrating a strong positive link with the credit policies. The t-statistic of 3.559932 and p-value of 0.0005 suggest this link is statistically significant at the 1% level. This shows that increasing female representation on the board positively improves the lending policy. This finding coincides with research demonstrating the value of diversity in decision-making and governance, indicating the vital role women play in board dynamics. This suggests that the credit policies of listed deposit money banks in Nigeria are significantly improved by the presence of women on the Board.

H₀₃: The number of Non-Executive Directors on the Board has no significant effect on the credit policies of Quoted Deposit Money Banks in Nigeria.

The Non-Executive Directors on Board (NEDB) coefficient is 0.164850, indicating a moderately favourable impact on the credit policies. This link is statistically significant at the 5% level, according to the t-statistic of 2.039989 and the p-value of 0.0433. In line with governance standards that prioritise independence in board composition, this outcome emphasises the significance of non-executive directors in offering oversight and strategic input. We accept alternative hypothesis that the credit policies of quoted deposit money banks in Nigeria are significantly improved by the number of non-executive directors on the board.

H₀₄: Board meetings has no significant effect on the credit policies of Quoted Deposit Money Banks in Nigeria

Board Meetings (BM) has a coefficient of 0.022789, which suggests a weak yet positive correlation. The p-value of 0.6375 and the t-statistic of 0.472337 indicate that this effect is not statistically significant. This suggests that the credit rules are not significantly impacted by the number of board meetings alone. Qualitative aspects like meeting content or productivity, however, may be important and call for more research. We adopt the null hypothesis, according to which board meetings

have a favourable but negligible impact on the credit policies of Nigerian listed deposit money institutions.

Discussion of Findings

Board Size and Credit Policies

The analysis reveals that board size has a positive but statistically insignificant effect on credit policy development in Nigerian DMBs. Although larger boards may offer a broader array of perspectives and oversight capabilities, this does not automatically translate into better credit policy outcomes (Adebayo et al., 2020). A weak correlation coefficient of 0.01 between board size and credit policies implies that other qualitative elements—such as the skills and engagement level of board members—may be more significant than size alone (Abdulai et al., 2022).

Conflicting results in literature support this interpretation. For instance, Uwuigbe and Fakile (2012) argue that larger boards are often plagued by inefficiencies and agency problems, leading to reduced decision-making effectiveness. Conversely, Abdulai et al. (2022) suggest that increased board size enhances oversight and reduces portfolio risk. However, without qualitative enhancements, merely expanding board size may not improve governance outcomes (Owolabi & Adeoye, 2019). Thus, effective credit policy is not solely dependent on the structural size of the board, but on its composition and functionality.

Women on the Board and Credit Policies

Unlike board size, the presence of women on the board shows a significant positive relationship with credit policy quality in Nigerian banks. With a correlation coefficient of 0.27, gender diversity appears to enrich decision-making processes by incorporating diverse perspectives and promoting inclusive governance (Okafor et al., 2021). Empirical studies support this view, highlighting that female board members tend to exhibit risk-averse behaviour and promote more prudent lending policies (Adams & Ferreira, 2009).

In the Nigerian context, women have contributed meaningfully to the enhancement of governance practices and risk management (Okike & Adegbite, 2022). This aligns with stakeholder theory, which emphasizes that diverse boards are better positioned to address a wide array of stakeholder needs, including those of regulators and borrowers. However, while the correlation is positive, the effect size remains modest, suggesting that gender diversity alone may not be sufficient. Abdulrahman and Adekunle (2018) recommend that women on boards should also play strategic roles within credit policy committees to maximize their influence.

Non-Executive Directors and Credit Policies

The presence of non-executive directors (NEDs) is another vital aspect of board governance in DMBs. NEDs are generally expected to provide independent oversight and protect shareholder interests. Empirical evidence indicates that NEDs have a positive impact on financial performance and governance outcomes (Akpan & Rima, 2012). However, in this study, a weak negative correlation of -0.16 was found between NEDs and credit policies.

This suggests that while NEDs contribute to governance integrity, their limited operational involvement may hinder their ability to significantly influence credit-related decisions (Agbo et al., 2022). Olatunji and Ojeka (2011) further warn that overburdening NEDs or lacking domain-specific knowledge can diminish their effectiveness in credit governance. Hence, although NEDs enhance oversight, their actual impact depends on their availability, expertise, and active participation in policy-making.

Board Meetings and Credit Policies

Board meetings are essential for strategic oversight, yet the study finds a slightly negative correlation of -0.13 between board meeting frequency and credit policy effectiveness. While frequent meetings are typically associated with improved governance, the quality of discussions and engagement of members often determine their actual impact (Jensen, 1993; Lipy, 2016).



This result echoes the findings of Eze and Egbunike (2020), who emphasize that meeting frequency without substance does not enhance policy outcomes. Additionally, Raheja (2005) and Zaman et al. (2015) argue that other board characteristics—such as experience and committee composition—may be more influential. Ineffective or poorly structured meetings may dilute the strategic contributions of the board, leading to sub-optimal credit policies.

CONCLUSIONS AND RECOMMENDATION

In line with the findings from the study, the following conclusion are made:

- i. Board size has positive insignificant effect on the credit policies of Quoted Deposit Money Banks in Nigeria.
- ii. The number of women on the Board has positive significant effect on the credit policies of Quoted Deposit Money Banks in Nigeria.
- iii. The number of Non-Executive Directors on the Board has positive significant effect on the credit policies of Quoted Deposit Money Banks in Nigeria.
- iv. Board meetings has positive insignificant effect on the credit policies of Quoted Deposit Money Banks in Nigeria.

Following a careful examination of the information gathered for this investigation, we suggest the following actions.

- i. Although Board Size had a positive but insignificant effect on credit policy formulation and implementation, it is recommended that banks assess the qualitative aspects of board size. Having the right mix of expertise and ensuring that board members are engaged in credit-related decisions can improve policy outcomes. Banks may also consider increasing board diversity in terms of skills, knowledge, and experience to better address credit policy challenges supported by Nguyen et al. (2015).
- ii. The number of women on the board has a positive significant effect on the effectiveness of credit policies. To enhance the effectiveness of credit policies, quoted deposit money banks should continue to encourage gender diversity on their boards. Research suggests that diversity fosters more balanced decision-making, which can lead to more effective and equitable credit policy frameworks that serve a wider range of stakeholders supported by Pathan and Faff (2013).
- iii. Non-Executive Directors have a positive significant effect on the formulation and execution of credit policies. Banks should continue to leverage the independent perspectives of non-executive directors, who bring valuable external insights to the boardroom. By actively involving non-executive directors in policy development, banks can ensure a more objective approach to credit policy design and execution supported by Chen and Al-Najjar (2012).
- iv. While Board Meetings had a positive but insignificant effect on credit policy formulation, it is recommended that banks improve the quality of board meetings. The focus should be on engaging directors in deeper discussions regarding credit risk management, loan portfolios, and market conditions. Ensuring that meetings are productive and that directors are well-informed will help banks develop more robust credit policies that align with current economic realities supported by Vafeas (1999).

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