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## **CEO CHARACTERISTICS AND FINANCIAL PERFORMANCE OF LISTED DMBS IN NIGERIA**

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### **Abstract**

This study seeks to investigate the effect of Chief executive officer's characteristic on financial performance of listed deposit money banks in Nigeria. The study adopts correlation and ex-post facto as research design. The population of the study consists of 16 listed deposit money banks in Nigeria and the sample of the study consists of 14 listed deposit money banks in Nigeria. Census sampling technique is employed. Multiple regression model based on pooled ordinary least square robust test is adopted to analyze the panel data obtained from audited financial statements of the sampled listed deposit money banks between 2012- 2021. The study reveals that Chief executive officer's tenure has a negative and significant influence on financial performance, while, Chief executive officer's gender was discovered to have a positive effect on financial performance. It is recommended that the board members should initiate coherent and integrated policies towards reducing tenure ship of the Chief executive officers below the average which will ultimately improve the financial performance of the banks. Also, the board should initiate policy that will always consider female gender in the appointment of Chief executive officer's positions considering the risk appetite of the female Chief executive officer's particularly in risk and financial management of the banks which will also influence the financial performance of the listed deposit money banks in Nigeria.

**Keywords:** CEO characteristics, financial performance

## **1.0 Introduction**

It is imperative to note that financial institution often play significant role towards the development and growth of every economy through effective financial services for corporate bodies, public institutions, small and medium business ventures, individual members of the society among others. Meanwhile, the Nigerian banking industry particularly, the listed Deposit Money Banks (DMBs) often participate in providing financial services to their customers like every other financial institution for the purpose of maximizing profits as one of their major objectives. Although, Mirza and Javed (2013) emphasized that financial investors are often interested in favorable return on their investments which can ultimately be determine through the financial performance of the organization.

Nevertheless, Yahaya and Lamidi (2015) termed and considered financial performance as a measure of the overall well-being of an organization during its financial period. So, financial performance is viewed as the organization ability to acquire new resources, in its daily operation that is technically ascertained by the differences between the net income and the organization's cash operation (Poudel, 2012). Therefore, the management and the board of the banks deemed it necessary to maintained the established policies and guidelines initiated by the relevant authorities towards ensuring standards operations and excellent performance in their services which will ensure the growth the survival tendency of their businesses. Thus, this study seeks to investigate the effect of Chief Executive Officer (CEO) characteristics on the financial performance of listed DMBs in Nigeria. Where, the independent variables are represented by CEO characteristics proxied by tenure and gender Ownership. And the dependent variable is represented by financial performance proxied by return on assets as well as control variable which is represented by firm size.

Considering the role of the CEO characteristics towards ensuring a survival and growth of their business through favorable performance, several scholars attempted to find a link between the CEOs tenure and financial performance of business organization. This is evident from the study of Cheng and Leung (2012) that categorically considered CEO tenure as a factor the influences the managers' ability which further influences the financial outcome of their business directly or indirectly. While, Ali and Zhang (2015), Ali and Zhang (2014) argued that the tenure ship of CEO in an ordinary business environment influences the outcome of the business performance financially. According to Hu et al. (2015) considered CEOs tenure as an attribute that will influence the manner in which an organization will be managed and to also influence the financial outcome of the organization. Alutto and Hrebiniak (1975) opine that the longer the CEOs tenure the more committed the managers will be. Thus, commitment led to higher incentives to perform well. Furthermore, Adams, Almeida and Ferreira (2005) affirmed that CEOs with higher tenure normally gains higher power within the firm, which ultimately lead to better stock performance. On the other hand, Matsa and Miller (2011) argued that CEO's strategies are less likely to change if the tenure increases. Hence, they prefer stability and efficiency over inconsistency. This has been the reason why the CEOs are a convinced about their own strategy or the fact that interests in the firm environment is lost and they stopped reinventing. Martins (2017) reveal that a CEO who has served for a relatively longer period has more power than fresh CEO. Rashid et al.(2018) emphasized that a longer tenure of a CEO could show that the CEO has more of the ownership in the company and less likely to engage in unethical conduct that could ruin the company.

Gender diversity is considered as one of the major issues particularly in the business world recently. Therefore, this really attracted the attention of the scholars to find the connection between CEO gender and financial performance. For example, García and Herrero (2021) claimed that the risk appetite of women in the business community today has an implication the business performance financially. But, other scholars such as Mittal (2018), Kristanti and Herwany (2017) and Darrat et al. (2014) emphasized that CEO gender diversity in connection to firms financial performance could be seen as a controversial issue as far a business is concerned. On the other hand, Barber and Odean (2001) men trade more excessively than woman. They are more confident that their investment will result in profit, regardless the level of knowledge they have on their investment opportunity.

Moreover, men are more likely to pay out dividend than women. The risk aversion also differs. But, Weber, Blais and Betz (2002) asserts that women are more risk averse than men. And they further suggested that their compensation need to be varied accordingly. Also, Carter, Simkins and Simpson (2003) argue that competent women and ethnic minorities should have the opportunity to participate in the board of directors and upper management. They possess some important external networks, information, which could be useful for firms. The problem that arises is that firms do not want to recruit females just because they are female. They have to be sure that it will be beneficial for the company and financial performance. The image of the standard board in the United States, consisting of white, old, and bald directors, has to be changed. People should be more confident that a diverse board does not experience worse performance. Furthermore, Carter, Simkins and Simpson (2003b) and Smith and Verner (2006) discovered that gender diversity need to be examined following its influence on firm's performance. They further expressed that women tend to increase the oversight functions of the board. Moreover, women tend to differ in making investment decisions. Although, Kulich, Trojanowski, Ryan, Alexander Haslam and Renneboog (2011) state that men are more likely to be paid based on performance. Apparently, men have less incentive to perform well than women and therefore need performance related payments. Overall, men are paid more than women.

Jensen and Meckling (1976) state that there is a growing incentive for the CEO to maximize the value of the firm as managerial /CEOs ownership increases. On the other hand, Morck, Shleifer, and Vishny (1988) suggested a non-linear model in which increased ownership by the CEO leads to entrenchment, where the manager will indulge in non-value-maximizing behaviour. Thus, CEO ownership can be seen as a way of aligning interests of shareholders and management and thereby increase the performance of the firm. Zhang et al. (2016) established that CEO ownership in company has connection with some important board decisions such as selections, determination of the members' remunerations and many others. Thus, a CEO with a large ownership stake can also lead to him or her being entrenched and thereby more difficult to be remove (Dikolli et al., 2014).

Hence, this study is motivated by the importance of characteristics of CEOs of listed DMBs in Nigeria because they have a fundamental role of conveying credibility across the firms, attract investment and ensuring confidence throughout the business and therefore, contribute to its improved organizational performance. Furthermore, the CEOs have a strategic role to play in the performance of a firm given the symbolic power entrusted on them by the corporate governance code of 2014 in Nigeria. This necessitates the important of examine the effect of CEOs characteristics on financial performance of listed DMBs in Nigeria. This will enable the researcher

practically advice the management on the basis of the outcome or result generated from the study, and to ultimately contribute to the growth and development of Nigerian economy at large.

It is imperative that banks have been contributing to the growth and development of economy through their well-regulated financial intermediary services towards productive investment, business capital formation, credit creation among others. Hence, the survival and growth of the banks is important. Meanwhile, the management of the banks deemed it necessary to ensure that the all the relevant policies that guide the operation of the banks are strictly adhere to in order to ensure smooth and effective operation of the bank which is often determine through favourable financial performance. Accordingly, the financial well-being of the bank like every other business can be achieved through their ability of management to meet the demands of their customers.

Although, Nigerian government have been making effort to safeguard the banking industry through series of fiscal and monetary reformation policies which include banks liberalization, re-capitalization as well as the globalisation of general financial services through Central Bank of Nigeria CBN (Balogun, 2007). Yet, some banks could not survive due to bad assets qualities, serious illiquidity and poor financial performance among others, which was attributed to mismanagement of resources by the CEOs of the banks, particularly after the world financial and economic meltdown. Also, Omondi and Muturi, (2013) as cited in Kokeno and Muturi, (2016) attributed the challenges of the world economic meltdown to CEOs' wrong business decision in terms of financial risk and fraud among others.

According to Vanguard (2009) 9 banks out of twenty four banks were identified with serious financial crises that lead to poor financial performance which ultimately rendered the banks illiquid due to the CEO negligence and mismanagement of resources, following the CBN financial distress test specifically on listed DMBs in Nigeria as initiated by Sunusi Lamido. Also, in an attempt to comply with the established CBN requirements and reformation policies, some DMBs resorted to merger and acquisition. For instance, (Plantinum Habib bank Plc, Africa Bank and Spring Banks Plc) were merged to form Tier 2 capital and thereafter nationalized among others. Similarly, Punch (2018) and Guardian (2018) reported the way Skye bank of Nigeria Plc acquired by Polaris and how Diamond Bank of Nigeria Plc merged with Access bank of Nigeria Plc. Likewise. Union banks was almost acquired by Titan trust (Premium Time, 2022).

Nevertheless, several studies by scholars like (Brigham & Gapenski, 1994; Outecheva, 2007; Yuksel et al, 2015 Kazemian et al., 2017; Khan et al., 2020; Sunday & Innocent, 2021) among others, attempted to investigate the financial performance of various organizations from different economic sector around the globe.

Moreover, financial performance has remained as unresolved problem from within and outside our society. In this regard, this study seeks to examine the effect of CEO characteristic on financial performance of listed DMBs in Nigeria between the periods of 2012 to 2021. The study considered CEOs tenure gender and ownership as independent variable and financial performance as dependent variable, and firm size as control variables respectively.

It is against this backdrop the following questions shall be raised as follows:

- i. Does CEOs tenure affect financial performance of listed DMBs in Nigeria?
- ii. How does CEOs gender affect financial performance of listed DMBs in Nigeria?
- iii. How can CEOs ownership affect financial performance of listed DMBs in Nigeria?

The broad objective of this study was empirically examined effect of CEO characteristics on financial performance of listed firms in Nigeria. The specific objectives were to:

- i. examine the effect of CEO tenure on financial performance of listed DMBs in Nigeria
- ii. examine the effect of CEO gender on financial performance of listed DMBs in Nigeria
- iii. ascertain the effect of CEO ownership on financial performance of listed DMBs in Nigeria

The hypotheses tested in this study were stated in null form as follows:

H<sub>01</sub>: CEO tenure has no significant effect on financial performance of listed DMBs in Nigeria.

H<sub>02</sub>: CEO gender has no significant effect on financial performance of listed DMBs in Nigeria.

H<sub>03</sub>: CEO ownership has no significant effect on financial performance of listed DMBs in Nigeria.

The outcome of this study would be beneficial to the top management / managers of the listed DMBs in Nigeria as they would use the recommendation of the study to correct and strengthen policies that may be useful to their business organization.

Regulatory bodies such as CBN, NDIC and SEC among others will find the outcome of the study beneficial, as they may wish to use the recommendation of the study to correct certain policies towards the performance of the listed DMBs as appropriate.

Some stakeholders such as the potential investors and existing shareholders may find the recommendation of this study useful in their decision-making process. Also, researchers may also be beneficial of the outcome of this study since it will serve as the basis for any related study that may be conducted particularly on the same subject matter.

This study empirically examined the effect of CEO characteristic on financial performance of listed DMBs in Nigeria for the period of ten years 2012 to 2021. The study has been anchored by CEOs tenure, gender and ownership as independent variable and financial performance as dependent variable, and firm size as control variables respectively.

## **2.0 Literature Review**

### **Review of Empirical Studies**

This focuses on the review of the empirical studies in order to identify and to bridge the existing gaps in the literatures. It is essential to note that the review focused on the specific variables being the proxies of the independent variable (CEOs tenure, gender, CEOs Ownership) in relation to dependent variable of the study financial performance.

### **CEOs Tenure and Financial distress**

Hambrick and Fukutomi (1991) investigated CEO's tenure in relation to organizational financial performance based on the Leadership life cycle theory postulation. And it was concluded that the financial performance has declined in relation to CEO's tenure as the commitment of the CEO to an archaic paradigm increase, and task interest along with information sources gradually declines. However, Geletkanycz and Fredrickson (1993) expressed a contra view to the above.

Similarly, Miller and Shasia (2001) while conducting study on the effect of CEO tenure in relation to financial performance. And found that CEO tenure has positive effects on firms performance following the CEO's life cycle seasons. In addition, Chen, Lin and Yi (2008) investigated the relationship between CEO tenure and firm performance. Therefore, the study reported that firm performance is positively and significantly influenced by CEO tenure.

Furthermore, Wang and He (2009) assert that CEO tenure have a positive and significant relationship with firms financial performance. Van Ness, Miesing and Kang (2010) found that CEO average term of office of the board members has a positive and significant effect on the company financial performance. Similarly, Bhagat, Bolton and Subramanian (2010) also discovered that CEO's term of office has a significant effect on company financial performance measured by Market to Book and ROA.

Then, Prasad et al. (2014) on the other hand, investigated the effect of CEOs compensation on financial Performance of some listed fortune firms in USA between the periods of 2004-2007, and it was found that financial performance is influenced by CEO tenure positively. It is certain, that the study employed both primary and secondary data. Also, the study-maintained logit and multiple regression techniques of analysis. Following the outcome of this study, another similar study in a different environment covering wider periods can be conducted to yield different result. Contrarily, Darrat et al. (2014) in their study asserts that CEOs tenure associated with financial performance negatively.

Accordingly, Derakhshan (2015) confirmed that CEO's tenure have a positive and significant influence on the company's financial performance in their study using a sample of 53 transport companies from 17 public countries in 2000-2011. Also, Bhaiyat and Garrow (2015) conducted a study and focused on the impact of top management team such as CEOs and CFO attributes in relation to their firms' probability of default among listed 642 firms in UK. The study considered the CEO tenure as independent variable among other variables and financial performance is considered as dependent variable of the study. Therefore, a multivariate analysis was employed as an offshoot bivariate analysis that was formed part of the regression analysis of the study. The result of the study found that CEOs tenure of office has negative influence to firm in relation to the firm's performance. However, in a study conducted by Kariuki, Namusonge and Orwa (2015), it was discovered that the linkage between CEOs tenure and financial performance is positive and statistically significant, as evident in their study. Though, both studies were not conducted in banking sector.

On the other hand, Bhabra and Eissa (2017) found CEO tenure to be negative and significantly impacting on the financial performance, in a study conducted between CEOs tenure and financial performance of 706 out of 1850 sampled public and private firms in US between (2013 to 2015). But this research is constraint by the short period covered which will affect the generalization of the outcome of the research.

Conversely, Rono (2018) reported that CEOs tenure and financial performance connected positively and significantly, in a study conducted on Kenya for the period of 2016, using descriptive and cross sectional research design based on secondary data obtained. But if another different technique is applied under different domain the result of the work would have been different.

However, another study conducted by Zahra et al. (2018) while, examining impact of CEOs characteristics on corporate survival of firms in Pakistan during (2009 to 2013), found that CEOs

tenure influences financial performance negatively among the Pakistani's companies, based on secondary data analyzed. There is need to examine the variables of the study in a different environment like Nigeria particularly in banking sector.

While, Altunbas et al. (2018) established that CEO tenure has a positive effect on financial performance of U.S banks between the periods of 2008 to 2010. Using secondary data based on regression analysis. On the other hand, the period cover by the study is very short and the result cannot be generalized.

Although, in a study conducted by Naafs (2019) it was discovered that financial performance has no significant influence by CEOs tenure. The study also employed secondary data extracted from the financial statement of the sampled firms. And the study considered multiple regressions suitable for the analysis of the study. In that regard, the outcome of the study has no any policy implication as far as the study is concern.

Also, Gerasimova (2021) affirmed that CEOs tenure has no relationship with firms performance financially based on the outcome of his study conducted amongst commercial banks of 28 countries 2014-2018. The study sampled 121 banks from different regions, (North America, Europe and Asia- Pacific region). And OLS panel multiple regression techniques were used to analyze secondary data obtained from the study. Meanwhile, it was concluded that the outcome of the study has no policy implication since the CEOs tenure has no significant effect on the risk failure tendency of banks. Although, the findings of the research may not be the same if similar work is done in Africa particularly in Nigeria.

Nonetheless, in another study by Chowdhury and Doukas (2022) CEOs tenure was found to have a significant influence on firms positively. Additionally, Muien et al. (2022) studied the effect of CEOs reputation in relation to firm's financial performance in Pakistan for the period of 2006 to 2017. And 285 non- financial Pakistani firms were sampled for the study. Secondary data were collected from the Pakistani stock exchange. And Regression analysis techniques have been employed. Upper echelon theory was employed to anchor both the independent variables (CEOs tenure among other variables) as well as financial performance representing the dependent variable of the study. And conclude that there is a positive and significant connectivity as far as CEOs tenure and financial performance are concern.

### **CEOs Gender and Financial performance**

It is important to note that over the years, males have predominantly occupied the largest firm's CEO positions. More recently, females have breached this glass ceiling and increasingly take on CEO responsibilities. The relationship between gender and financial performance is a relatively new area of inquiry. Female directors sitting on the board have a higher expectation regarding their responsibility and role on the board which brings about better monitoring of the board.

Based on empirical findings Welbourne (1999) states that women CEO are positively related with firm financial performance as it was observed from long term study which indicate that having women on the top management team results in high earnings and greater shareholders wealth. Barber and Odean (2001) found that men trade more excessively than women. They further argued that they more confident that their investment will yield profit, regardless of the level of knowledge they have on their investment opportunity. Thus, male CEOs are relatively associated positive to firm financial performance. On the other hand, Erhardt, Werbel and Shrader (2003) reported that

based on fortune 500 firms, found evidence that firms with a higher number of female executives have higher profitability relative to their average sector profitability.

Also, in a studies conducted by Smith and Verner (2006) and Carter et al. (2003c) both found a positive relationship between gender diversity and firm financial performance, as it was found that women tend to increase the oversight functions of the board. Moreover, women tend to differ in making investment decisions. While, Francoeur, Labelle and Bernard (2008) discovered that firms operating in complex environments with female managers are positively associated financial performance of organization. But, Krishnan and Parsons (2008) posit that firms operating in complex environments and have female managers are associated with positive abnormal share returns. However, Paul (2009) in his study revealed that top management women associated with better financial performance than firms that focus on innovation strategies. Similarly, in a study conducted in Singapore by Kang, Ding and Charoenwong (2010) opined that there is a significant positive relationship between women directors and financial performance, where it was observed that as the number of appointed women directors increases the firms value also increases in return.

Diplock, Wilderotter and Kilaas (2011) assert that CEOs gender diversity has a significant positive relationship with corporate financial performance. Accordingly, Darmadi (2011) reported that women board of directors have a significant influence on financial performance. Julizaerma, and Sori (2012) found a significant and positive relationship between gender and firms' financial performance. In another study conducted by Dezsö and Ross (2012) it was conveyed that there is a positive relationship between gender diversity and firm financial performance. While, Ujunwa (2012) reported a negative relationship between CEO gender diversity and financial performance. On the hand, Carter, Souza, Simkins and Simpson (2010) established that there was no evidence of any significant relationship between CEO gender diversity and financial performance of firm.

But, Abudullah and Ku Ismail (2013) revealed a negative association between gender diversity and financial performance in their study on board diversity in 100 top non-financial firms in Malaysia, using the 2007 annual reports of the companies, where ROA and Tobin's Q represented the financial performance, using multivariate analyses. On the other hand, Jalbert, Jalbert and Furumo (2013) discovered that CEO gender is significantly and positively related to financial performance, using annual Forbes CEO data for the period of 1997-2006, in his effort to investigate the relationship between CEO gender and financial performance. Conversely, Pathan and Faff (2013) opined that excessive proportion of female sitting on the board could adversely affect the possibility of catching up with more capable male in the board. This influence is stronger within firms with low market power and smaller in size. In another study by Alexander et al. (2015) it was discovered that there is a positive and significant relationship between board gender diversity and firm financial performance.

Additionally, Naafs (2019) in his study conducted to access the relationship between CEOs characteristics and firm performance during financial crisis of non-financial firms trading in S & P 1500 Index, during the financial crisis of 2004 – 2009. It was shown that CEOs gender has a negative effect on firm's performance during financial crisis. The study employed multiple regression analysis in analyzing the data obtained. Also, another study conducted in Nigeria by Lawrence et al (2021) concluded that CEOs gender has a negative effect on financial performance of 59 listed manufacturing firms in Nigeria.

Considering the fact that most of the studies were conducted from outside country except that of the study seeks to consider listed DMBs in Nigeria. In the same vein, the period covered by most

of the studies ranges between the periods of 1999-2015. Thus, this study will cover Ten years 2012- 2021.

### **CEO Share Ownership and Financial Performance**

It is imperative that numerous studies examined the relationship between CEO ownership and firm performance, example Griffith (1999) discovered that CEO ownership has a significant effect on financial performance. Also, Kim et al. (2001) found a positive significant relationship between the CEO ownership and financial performance. Similarly, Coles, McWilliams and Sen (2001) examine the relationship between CEO ownership and financial performance using economic value added (EVA) and market value added (MVA) respectively and discovered positive relationships in each case. In addition, Cui and Mak (2002) investigate the relationship between CEO ownership and financial performance using tobins Q and established that both positive and negative, relationship depending on the level of CEO ownership.

Long et al. (2013) documented from their study on employee share option scheme and financial performance. They argued that the ownership of a firm is a main governance structure that influences firm financial performance especially in Western Europe where over 50% of quoted companies have large stockholders who own more than 50% of such firms. But, Krivogorsky (2006) investigated the relationship between CEO ownership and financial performance using ROE and ROA to measure financial performance and discovered that that there is no strong relationship between CEO ownership and financial performance in each case.

Kholief (2008) investigated the effect of agency cost theory on the relationship between CEO characteristic and corporate financial performance in Egyptian stock market for the year-end 2006. It was found that managerial ownership a significant and positive relationship with corporate financial performance. In another similar study conducted by Hornstein (2013) among Chinese listed firms, it was argued that that the higher the managerial ownership level in a firm, the lower the probability of CEO turnover, where the CEOs' behaviours were controlled and influenced by the board's disciplinary measures, hence, the CEOs were effectively monitored and less likely to be removed due to improved financial performance. Since, at a high degree of managerial ownership, managers' interests were aligned with those of the shareholders, hence it reduces CEO turnover. Mirza and Javed (2013) investigated the relationship between CEO ownership and corporate financial performance of the listed Pakistani corporate firms in Karachi stock exchange for the period of 2007 to 2011. It was discovered that CEO ownership has a positive and significant association firm's financial performance of listed Pakistani corporate firms in Karachi.

Another study conducted by Tsegba et al. (2014) it was discovered that CEO Ownership reduces agency costs as it aligns the managerial interests with that of the shareholders, however, higher ownership by the mangers could lead to the entrenchment of the management which will ultimately affect financial performance and weaken the governance mechanisms of the corporation. But, Bloom et al. (2014) revealed that CEO ownership is negatively effecting on the firm productivities of some selected countries. But, Vintilă and Gherghina (2014) examined the effect of corporate governance mechanisms and CEO characteristics on U.S listed companies' financial performance, using management ownership as independent and dependent variable represented by financial performance proxy with Tobin's Q, return on assets, return on equity, price to book value and price earnings ratio respectively. It was found that there is a positive relationship between management ownership and price-earnings ratio, and also revealed a negative relationship between the CEO

tenure and financial performance represented by Tobin's Q, return on assets, return on equity, price to book value and price earnings ratio respectively.

Furthermore, Alexander et al. (2015) found that CEO ownership have a positive and significant influence on financial performance. However, Deitiana and Habibuw (2015) examine the factors that determine financial performance of property and real estate companies listed on the Indonesia Stock Exchange during the period of 2007 – 2012. Secondary data were sourced from annual financial statement of the sample companies in other to analyze the hypotheses of the study with the help of Eviews 7.2 through multiple regression. And it was discovered that CEO characteristics using managerial ownership represented by block holder ownership have no influence on financial performance of the selected listed property and real estate companies listed in Indonesia.

Following the period and domain gap observed from the previous literatures, this study intends to employ the CEO ownership as one of the independent variables investigated the relationship between CEO ownership and financial performance of listed DMB's in Nigeria for the period of 2009- 2018.

### **Theoretical Review**

The choice of the Upper Echelon Theory in addressing organization performance problem in relation to CEOs attributes has become necessary as far as the listed DMBs in Nigeria is concern, following the assertion of the some scholars for example, (Hambrick, & Mason, 1984) provides a new direction on the research on corporate decision making, by proposing that managers' personal characteristics are reflected in the decisions taken by the firms. The aforementioned Theory proposed the use of several demographic characteristics, namely; tenure, gender and share ownership as a proxy for the CEO characteristics being the drivers of decision making.

Furthermore, Weinzimmer (1997); Hambrick and Mason, 1984) and Kariuki, Namusonge and Orwa (2015) stress that the Upper Echelon theory lead credence to the fact that CEO characteristics is linked to various organizational actions, programmes, processes and performance in terms of research and development spending, innovation, internationalization, development of business strategy and organizational performance. They further state that the presence of the upper echelon theory, managerial decisions and actions are usually influenced by top managers' intellectual, qualification, and experience, psychological and societal settings due to bounded rationality. Moreover, the theory explains the present study in the sense that the independent variable CEO, tenure, gender and share ownership used in the study are demographic characteristics would directly or inversely influence the performance of listed DMBs in Nigeria.

Considering the logical application of the reviewed theories in relation to the variables of this study, the researcher adopt upper echelon theory as the underpinning theory which will anchor both the independent and dependent variables of the study that include the CEO tenure, gender and share ownership in relation financial performance respectively.

### **3.0 Methodology**

#### **Research Design**

Correlational and ex-post facto research design is considered suitable for the study, where the correlation allows the researcher examines relationship between the explanatory and explained variables of the study. And the ex-post facto allows the researcher use utilize data from any relevant source, so as to meet the objective of the study.

**Population and Sample of the Study**

The study population constitute of fourteen 14 listed DMBs in Nigeria and the census sampling technique is suitable for the study as shown from the table below:

Table 1

*Population and Sample Size of the Study*

<b>S/N</b>	<b>Study Population (14)</b>	<b>Sample Selected (14)</b>	<b>Date of Listing</b>
1	Access Bank Nig Plc.	Access Bank Nig Plc.	1998
2	Eco Bank of Nig Plc.	Eco Bank of Nig Plc.	2006
3	First City Monument Bank Nigeria Plc	First City Monument Bank Nigeria Plc	2004
4	Fidelity Bank Nig Plc.	Fidelity Bank Nig Plc.	2005
5	First Bank Nig Plc.	First Bank Nig Plc.	1971
6	Guarantee Trust Bank Plc.	Guarantee Trust Bank Plc.	1996
7	Stanbic IBTC.	Stanbic IBTC.	2012
8	Sterling Bank Nig Plc.	Sterling Bank Nig Plc.	1993
9	Union Bank of Nig Plc.	Union Bank of Nig Plc.	1971
10	Unity Bank of Nigeria Plc.	Unity Bank of Nigeria Plc.	1971
11	United Bank for Africa Plc.	United Bank for Africa Plc.	1970
12	Wema Bank Nig Plc.	Wema Bank Nig Plc.	1990
13	Zenith Bank Nig Plc.	Zenith Bank Nig Plc.	2004
14	Jaiz Bank Nig Plc.	Jaiz Bank Nig Plc.	2012

**Sources: Field Work (2022)**

**Sources and Method of Data Collection**

Secondary data is considered suitable for this study to achieve the objective of this study, and it is obtained from the annual audited financial statement of listed Nigerian DMBs through Nigeria Group Exchange link, covering the period of fifteen years (2012- 2021).

**Techniques for Data Analysis**

This study employed Ordinary Least Square (OLS) multiple regression technique to enable the researcher analyses the secondary data in order to examine the effect of CEO characteristics on financial performance of the listed DMBs in Nigeria, where the descriptive analyses, as well as all other relevant test; regression and post regression analysis are conducted with the aid of STATA output.

**Variable Measurement and Model Specification**

The study will be considered 14 listed DMB’s in Nigeria as sampled above for the period 2012 to 2021. The formula used for measuring of all the variables of the study was presented in the table 3.1 below:

**Table 2**

Variable definition, Measurement and sources

<i>Variables Acronyms</i>	<i>Variables Measurement</i>	<i>Sources</i>
<b>Dependent Variable</b>		
Return on Assets (ROA)	Profit before interest and tax/ Total Assets.	Pandey (2001), Menacer (2014), Anarfo (2015)
<b>Independent variables</b>		
CEO tenure (CTEN)	Number of years that the CEO holds the current position in the firm	Kariuki et al (2015)
CEO gender (CGEND)	This is measured by a dummy variable, '1' if female CEO sits on the board, otherwise '0'	Schubert, Brown, Gysler, and Brachinger, (1999)
CEO ownership (COWN)	CEO ownership is measured by the ratio of CEO shares to total shares of the board	Terrance, Mercedes, Canri, and Steven (2007)
<b>Control Variable</b>		
Firm's Size (FSZ)	Natural log of total assets	Opoku, Adu and Anarfi (2013) Rajha and Alslehat (2014)

**Source: Authors compilation, 2023**

**Model Specification and Variables Measurement**

This study will adapt model used by Bertrand and Mullainathan (2001) which encapsulates the relationship between the independent variables represented by CEO characteristics as: CEO's tenure (CTEN), CEO's gender (CGEN) and CEO's share ownership (COWN) with dependent variable proxied by return on asset (ROA) with a firm's size (FSZ) measured by Natural log of total assets and is specified as thus:

$$ROA_{it} = \beta_0 + \beta_1 CTEN_{it} + \beta_2 CGEN_{it} + \beta_3 COWN_{it} + \beta_4 FSZ + \epsilon_{it}$$

Where:

ROA= return on assets over the period

it = Panel data subscript

$\beta_0$  = Intercept

$\beta_0$ -  $\beta_4$ = Coefficient of the explanatory variable

CTEN: CEO tenure over the period

CGEN = CEO gender over the period

COWN= CEO share ownership over the period

$e$  = error term

#### 4.0 Result and Discussion

This focuses on descriptive statistics and regression result of the study. Also, the chapter discusses the various robustness tests conducted for the purpose of ensuring that the sampled data meets the assumptions of the regression analysis. The chapter ends by discussing result of the study, key findings and policy implications of the findings.

#### Descriptive Statistics

The descriptive statistics is presented in table 4.1. The calculated minimum, maximum, mean, standard deviations of the variables used in the study are presented.

**Table 3**  
*Descriptive Statistic*

Variables	Obs	Mean	Standard Dev	Min	Max
ROA	140	0.1199	0.1006	-0.0245	0.4845
CTEN	140	2.4664	1.8791	0	7
CGEN	140	0.5785	0.4956	0	1
COWN	140	0.0832	0.0595	0	0.21
FSZ	140	0.754	0.0706	0.4546	0.8271

**Source:** STATA output (2023)

Table 3 presents descriptive statistic for both dependent and independent variables of the study respectively. From the table, the observation of the study is 140, that is, the study banks are (14) over a period of 10 years. It can be seen that the average value of return on asset stood at 0.1199 which ranges from a minimum of -0.0245 to a maximum of 0.4845. Also, the standard deviation value stood at 0.1006, which shows that the data is normally distributed as there is not dispersion of data shown.

More so, CEO tenure (CTEN) has an average value of 2.4664 with standard deviation value of 1.8791 which proved that normality of the data as there is no dispersion in the data arrangement. The value ranges from the minimum of 0 to maximum of 7. This indicates that the longest serving CEO during the period of this study was 7 and the least serving CEO was less than one year during the period covered. CEO gender (CGEN) is represented with an average value of 0.4956 that also ranges between the minimum and maximum value of 0 and 1 respectively, where 1 represents a female and 0 represent otherwise. It is also, discovered that CEO ownership (COWN) normal share contribution stood at 0.0832 which represent 8% of the total shares of the individual bank

which also ranges from 0 to 21% with no dispersion of data as evident from the value of the standard deviation, which shows the normality of the data.

**Correlation Matrix**

Table 4 shows the correlations between independent and dependent variables and among the independent variables themselves. The values are gotten from the Pair-wise correlation of two-tailed significance. It shows the correlation matrix with the top values showing the correlation coefficient among all variables and the asterisk (\*) beside the Pearson correlation coefficient showing the two-tailed significance of these coefficients.

**Table 4**  
*Correlation Matrix*

	ROA	CTEN	CGEN	COWN	FSZ
ROA	1				
CTEN	-0.0894 0.2935	1			
CGEN	0.1271 0.1345	0.0803 0.3457	1		
COWN	0.0062 0.9418	0.0399 0.6394	0.0429 0.6145	1	
FSZ	-0.3499* 0.0000	-0.0677 0.4266	0.2750* 0.001	-0.0504 0.5541	1

**Sources:** STATA output (2023)

Table 4 reveals that there is a relatively weak positive and insignificant correlation among ROA and other variables namely; CEO gender (CGEN), and CEO ownership (COWN) based on coefficient value of 0.1271 and 0.0062 and P- value of 0.1345 and 0.9418 respectively, except CEO tenure (CTEN) with a negative weak but insignificant correlation based on coefficient value of -0.0894 and p- value of 0.2935. Although ROA has a significant negative and weak correlation with Firm size (FSZ) being a control variable of the study.

It is glaring that the correlation pattern among the independent themselves indicates that there is none of the explanatory variables is approaching 0.8. This shows that the variables are free from multicollinearity problem that may affect the outcome of the regression result. Though, this may not be enough to conclude that there is no harmful multicollinearity exists among the independent variables of the study until the Variance Inflation Factor (VIF) and the Tolerance Values (1/VIF) are found not exceeding the expected limit or ranges of values specified by their rules of thumbs, being advanced techniques for measuring multicollinearity between the regressors.

**Table 5**  
*Summary of PCSE Regression Result*

Variables	Coefficient	Z- Value	P-Value	VIF	Tolerance Value
CTEN	-0.007412	-1.83	0.068	1.02	0.9839
CGEN	0.052308	3.27	0.001	1.10	0.91173
COWN	-0.035579	-0.29	0.775	1.01	0.99303
FSZ	-0.61423	-4.34	0	1.10	0.91278
R2					0.20
F- Start					8.22
F- Sig					0.000
Hetttest					0.0000
Hausman					0.0107

**Source:** STATA output (2023)

$$ROA_{it} = \beta_0 + \beta_1 CTEN_{it} + \beta_2 CGEN_{it} + \beta_3 COWN_{it} + \beta_4 FSZ_{it} + \mu_{it}$$

Table 5, From the table the heteroskedasticity test revealed Chi2 value of 0.000 which signifies evidence for an inequality in the spread of data in the model of the study. Meanwhile, It was using the PCSE regressions result to ensure BLUE. This was determined through the outcome of Hausman specification test and suggested for PCSE. Regression due to the presence of heteroskedasticity. Furthermore, Variance Inflation Factor shows smaller value than 10 Where the corresponding Tolerance Value shows persistently shows smaller value than 1 which indicate absence of multicollinearity effect in the independent variables of the study. Moreso, The Cumulative R<sup>2</sup> of 20% being the multiple coefficients of determination indicated as the percentage of total variation in dependent variable that is jointly explained by the independent, moderating as well as the control variables used in the study. Therefore, this implies that the 20% of the variation of the dependent variable of the study is determined by other variables of the study such as independent variable, moderating variable and controlled variable of the study. This outcome is also validated by F-Start 8.22, and F- Sig 0.00 which signifies the fitness of the model.

### Hypotheses Testing

**H<sub>01</sub>: CEO tenure has no significant effect on financial performance of listed DMBs in Nigeria.**

The table 4.6 shows that CEO tenure has a negative coefficient value of -0.0074115 and p- value of 0.068 which is significant at 10%. This implies that for every one unit increase of CEO tenure there will be a reduction in the ROA by 0.1%. Hence, that provides evidence for not accepting the null hypothesis which states that CEO tenure has no significant effect on ROA of listed DMBs in Nigeria.

**H<sub>02</sub>: CEO gender has no significant effect on financial performance of listed DMBs in Nigeria.**

The table 4.6 also, revealed CEO gender with a positive coefficient value of 0.05230 and p- value of 0.001 at 1% level of significant. This shows that any decision that would lead to an appointment of a female CEO will lead to an increase in the ROA of listed DMBs in Nigeria by 5%. That provides evidence for not accepting the null hypothesis which states that CEO gender has no significant effect on ROA of listed DMBs in Nigeria.

**H<sub>03</sub>: CEO share ownership has no significant effect on financial performance of listed DMBs in Nigeria.**

The table 4.6 has shown CEO share ownership with a negative coefficient value of -0.035579 and insignificant p-value of 0.775. This result shows that as CEO share ownership increase by ₦1 there will be no change in the ROA of the listed DMBs in Nigeria. Meanwhile, it shows that the null hypothesis which states that CEO gender has no significant effect on ROA of listed DMBs in Nigeria will be accepted.

**Discussion of Result and Findings**

Following the result generated from the model of this study, CEO tenure has a negative and significant effect on financial performance of the listed DMBs in Nigeria is in lined with the outcome of Bhabra and Eissa (2017), Zahra et al. (2018). But contrary to the views of Rono (2018), Altunbas et al. (2018) , Naafs (2019) and Gerasimova (2021) among others. This outcome has further validated the under-pinning theory of the study.

The findings also revealed that CEO gender is positively and significantly influencing ROA of listed DMBs in Nigeria. Thus, the result supported the views of Julizaerma, and Sori (2012) and Alexander et al. (2015). But, in contrast with the views of Abudullah and Ku Ismail (2013), Naafs (2019), Lawrence et al (2021) among others. In same vein, the outcome is also in support of the theory adopted for the study which considered CEO characteristics as essential for financial performance of the organization.

**Policy Implications of the Study**

The only policy implication with regards to the outcome of hypotheses of this study is that the board members should initiate coherent and comprehensive policies towards reducing tenure ship of the CEO which has a negative implication to the financial performance of the banks.

Also, following the outcome of the study which revealed a positive and significant relationship between CEO gender and financial performance of the listed DMBs in Nigeria, is that the board should initiate policy that that will give priority to female in the appointment of CEOs positions, considering the risk appetite of the female CEOs particularly in risk and financial management of the banks.

**5.0 Conclusion and Recommendation**

It was established that CEO tenure has a negative and significant effect on financial performance of listed DMBs in Nigeria and CEO gender has a positive and significant effect on financial performance of listed DMBs in Nigeria. Therefore, it was recommended that. the board members should initiate coherent and integrated and policies towards reducing tenure ship of the CEO below

the average which will ultimately improve the financial performance of the banks. Also, the board should initiate policy that will always consider female gender in the appointment of CEO positions considering the risk appetite of the female CEOs particularly in risk and financial management of the banks which will also influence the financial performance of the listed DMBs in Nigeria.

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