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An Empirical Analysis of Board Structure and Financial Performance of Hospitality firms in Nigeria

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ABSTRACT

This study investigated the relationship between board structure and corporate performance. its specific objective was to investigate the relationship between board size and return on asset of listed hospitality firms in Nigeria. The study adopted the triangulation approach while adopting the causal and ex-post facto research design. Data was gathered from secondary sources. Data were sourced from annual reports of the companies available at the Nigerian stock Exchange (websites). The population of the study consist of hospitality firms in Nigeria Exchange Group as at December 2020, they are nine (9) in number. The population for this study is listed hospitality firms in Nigeria. The sampling technique used was purposive sampling technique where by nine (9) of the listed firms were chosen for the study for the periods 2012-2020. Data were subjected to several tests to ascertain robustness and reliability of results. One model was developed and tested. Descriptive analysis, regression and correlation analysis were used for analyzing the data gathered and testing of hypothesis. These were done with the aid of Statistical package for social sciences (SPSS) software. The study result indicated that Board Size has a weak, significant and positive relationship with return on asset of listed hospitality firms in Nigeria. The study concluded that board structure has a significant relationship with financial relationship, though the relationship is a weak one, thus the need for cautions approach in constituting governing council boards. The study recommended that: Hospitality firms should ensure that their board size is of manageable size. In other words, they should have a small board size as this would reduce that amount of expenses incurred in maintaining the board as this could affect their financial performance.

Keywords: Board Size, Board Structure, Financial Performance, Hospitality firms, Nigeria

INTRODUCTION

In recent times, the hospitality industry globally has suffered severe decline in financial performance in the wake of global pandemic (COVID 19), as such the need for measures that will help them mitigate this situation including the issue of corporate governance and in particular a well and effective board structure (Adegboyegun & Igbokoyi, 2022). According to Proshare (2020), travel and tourism sector are among the most affected sectors of the pandemic, with flights grounded, hotels closed, workers have either lost their jobs or on furlough, and travel restrictions put in place in virtually all countries around the world. This is as a result of how coronavirus has seriously disrupted the industry which has caused major losses. In financial terms, the aviation industry recorded $830bn in revenues in 2019, globally commercial airlines

are expected to generate combined revenues of about $872bn the full year 2020. However, with the advent of the pandemic, the sector saw that the virus caused a loss of about $113 bn in 2020 (Proshare, 2020).

Within Africa, the impacts were huge. In Nigeria, it was projected that there will be 3.5m fewer passengers resulting in a revenue loss of $0.76 bn and risking the loss of 91,380 jobs and $ 0.65bn contribution to Nigeria's GDP. Morocco, 8.1m fewer passengers resulting in $1.3bn revenue loss, risking 372,081 jobs and $3.4bn contribution to GDP (Proshare, 2020). However, in reality the losses were more than what was projected. Nnodim (2021) documented that the tourism industry in Nigeria lost 770,000 jobs as a result of the outbreak of the COVID-19 pandemic and its effect across the country, according to the World Travel and Tourism Council. Furthermore, it stated that in monetary terms, about $4.5tn was lost by the industry globally due to the impact of the deadly virus.

Contrasting the situation with that of Pre Covid 19 in Nigerian hospitality and Tourism sector, Bello and Bello (2021) documented that the growth rate of Nigeria's hospitality industry in pre Covid-19 era is unprecedented. For instance, Hotels been one of the critical industries in the Nigeria hospitality industry attracted significant investment put at over US$3 billion in the last three years (PricewaterhouseCoopers, 2017; Bello, 2018).). In terms of contribution to the GDP, hotel industry contributed N1.7billion ($US 5.5 million) put at 4.8% to the Nigeria's Gross Domestic Product (GDP) in 2016 (Ekwujuru, 2016; Jumia Travel, 2017). The industry generated 651,000 jobs directly in 2015 put at 1.6% of total employment in the country and another 1.6% in 2016 worth N661,000. The Fast-food industry, another component of the sector generated annual revenue of N230 billion and taxes in excess of a billion naira to the Nigeria industry (Bukola, 2017). In addition, over 500,000 people were employed by this subsector at the processing and retailing level in Nigeria in 2017. In sum, the value of the hospitality industry in Nigeria was estimated at N1.4 trillion as at year ending 2019 (Bello & Bello, 2021). Despite the attractive and stabilized outlook of the Nigeria hospitality industry in the pre Covid-19 era, the emergence and resurgence of this disease were observed to have drastically affected the hospitality industry in Nigeria just as it has affected all other sectors in Nigeria as past literature have shown (Ohia et al., 2020; Jacob et al., 2020; Adenomon & Maijamaa, 2020; Ozili, 2020; Olapegba et al., 2020; Bello & Bello, 2021). In all of these, the losses have resulted in continually financial decline that is projected to take reasonable time to recover unless strong governance structures and government intervention is in place (Adegboyegun & Igbokoyi, 2022).

Financial performance is the company's financial condition over a certain period that concerns about collection and use of funds measured by various indicators of capital adequacy ratio, liquidity, leverage, solvency and profitability. The company's ability to manage and control its resources is term financial performance (Veena & Patti 2016). Financial performance measures how well a firm uses its resource to make a profit and it is a vital tool to several stakeholder in a firm. Financial performance therefore is crucial to any business organization's survival and continuous patronage by investors, potential investors, creditors and other stakeholders in the business world. These stakeholders include creditors, bond holders, investors, employees and management. The various groups have its own interest in tracking the financial performance of a firm through the financial statement.

Financial statements are financial records covering cash follows, statement of financial position profit - loss and capital charges that become information for corporate managers in taking the company's financial statements are the financial condition of a company comprising the statement of financial position and other financial information which include; cash flows and retained earnings. Akinyomi (2017), there are centered ratio used in measuring the company's financial performance, average which are; liquidity ratio, efficiency ratio, leverage ratio, solvency ratio and profitability ratio etc. The aim of the report is to provide stakeholders with accurate and reliable financial statements that provide an overview of the firm's financial performance. Hence for a corporate organization especially the hospitality firms in Nigeria, a sound board structure has to be on board to manage a firm as to attend a good financial performance

Board structure of an organization is the organization's core strata that is very crucial and important to the entity's survival. Board structure is an elected and or appointed members who have the authority or power to overseeing that the objectives or predetermined goals of the company are achieved through the establishment of good policies and programmes that are effective and efficient. Apart from that, for the board structure and its sub-committee to fulfill its function of monitoring management they meet frequently. Boards that meet frequently have time to set strategy and monitor management. They are likely to perform their duties in the best interest of the shareholders. Furthermore, the board structure (BODS) is a fundamental component of the corporate government system, (Ironkwe & Emefe, 2019), its main function is to be like between the proprietors and the management, to orient, supervise and counsel the relation of the latter with all other interested parties.

They also ensure the continuity of the delicate balance between the shareholders and the need for growth of the company (Akpan & Amran, 2014). In a bid to take a clue from the past while leaning backwards to project a better future, several regulatory bodies across the globe developed standards and regulations on best practice for corporate governance activities. Prominent among such tenets are issues pertaining to CEO duality, directors shareholding, board size among others (Adegboyegun & Igbokoyi, 2022). However, previous works have addressed the influence of the board structure on firm performance, but majority of the studies are done in developed economies such as the United States of America (USA) and the United Kingdom (UK) and few in developing economies such as Nigeria. Adegboyegun and Igbokoyi (2022), Ironkwe and Emefe (2019), Nigeria. India; Arora and Sharma (2016), Borlea et al., (2017). While majority of these are foreign based research studies, hence a very little interest on board structure (BOD) and financial performance of the listed hospitality firms were done in Nigeria. Those within Nigeria were majorly done within the sectors of insurance, banking, manufacturing etc, but leaving out the hospitality and Tourism sector especially in the wake of the global pandemic. In attempt to bridge the cap, this study on board structure and financial performance of listed hospitality firms in Nigeria covering recent years of 2012 – 2020 in order to achieve these objectives.

Conceptual Framework

According to Kombo and Tromp (2006), a concept is an abstract or general idea inferred or derived from specific instances. A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. In this study, the conceptual framework as been shown in figure 1.1 shows the relationship of the independent and dependent variables. The independent variable of the study includes Board Structure with its dimension as Board Sizes, while the dependent variable is Financial performance with its measure as Return on Assets (ROA).

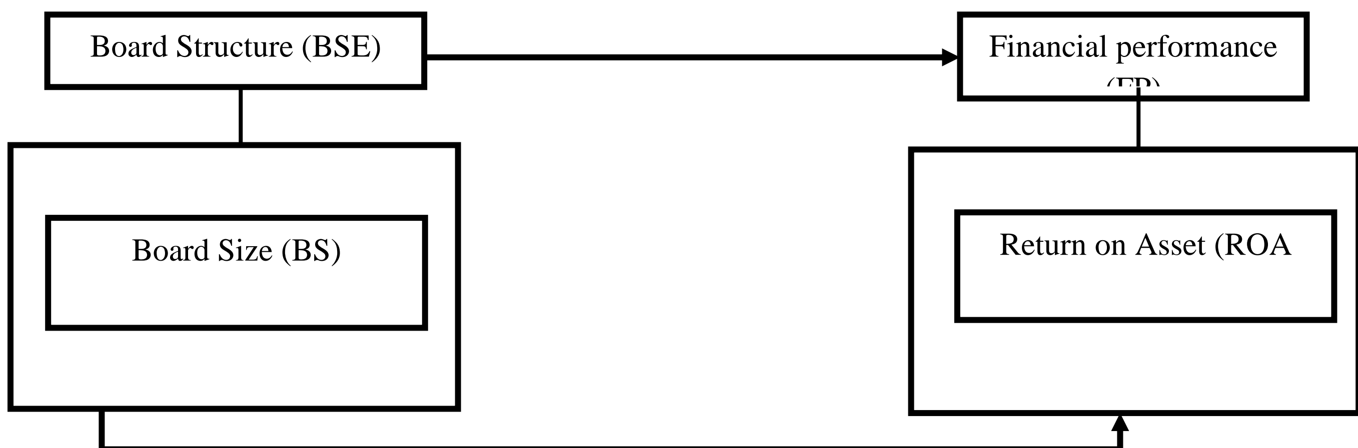

Figure 1. Conceptual Framework

Source Borlea et al., (2017), Wahha and Zaima (2015).

Aim and Objective of the study

The aim of the study was to investigate the relationship between board structure and financial performance of listed hospitality firms in Nigeria. Its specific objective include the following

- To evaluate the relationship between board size and return on asset of listed hospitality firms in Nigeria.

Research Questions

The study attempts to find answers to the following specific question:

- What is the relationship between board size and return on asset of listed hospitality firms in Nigeria?

Research Hypotheses

- $\mathbf{H_{o1}}$ There is no significant relationship between board size and return on asset of listed hospitality firms in Nigeria

REVIEW OF RELATED LITERATURE

Board structure contains the composition of the Board of Directors (BODs) which is a fundamental component of the corporate governance, its main function is to be the link between the properties and the management to orient, supervise and counsel and counsel the relation of the letter with all other interested parties (Ward & Handy 1988). More also the individuals at the highest level of management are responsible for the functioning of the company. These high-level members of the company are called directors Section 567 of the Company and Allied Matter Act defines directors as including any person occupying the position of directors by whatever name called. While section 224(1) provides that directors of a company registered under the act are persons duly appointed by the company to direct and manage the business of the company. Collectively, all directors as a group and the supreme acting authority of the company are called board structure. Board structure is key important instrument and a central institution in the internal governance. Mechanisms of a company (Arosa et al., 2010). Board structure (BS) of a corporate organization directs and control the management of a company and it is accountable to the shareholders. The board is responsible for the formulation and review of the company's policies, strategies, objectives, annual budget, monitoring implementation for corporate performance and ensuring that appropriate governance is in place Dar et al, (2011). They are to report to the shareholders on their stewardship. The board consists of executives (employees of the company) and non-executive directors and of which a non executive directors should preside over the board as the chairman.

Rimon, et al., (2014) put it that a non-executive director is the one that is not involved in the day to day management of the organization, but he is involved in the decision making and the planning policies. Non-executive members are the shareholders representatives on the board. The board structure can be called the brain of the company. They are responsible for taking all the big decisions and making policy changes. These decisions are taken in special meetings of the board held together called Board meetings. According to Dinegold et al. (2001) boards are expected to perform not just the monitoring of management but provide strategic directions, especially in term of crisis. For the board to execute its functions effectively, studies concur on the significance of a competent board that contributes to the firm. The contemporary board structure is in charge to monitor the performance of top management to ensure that they act according to the best interests of the owner (O'connel & Crdmer, 2010).

Furthermore, the board of directors (BODs) appoints the management who oversees the daily activities of the company. The management as the agent of the board structure and its team members are employees of the organization and a representative among them is chosen as the chief executive officer (CEO). The management, in coordinating the daily activities of the organization sets up the operational procedure and guidelines in form of operational manual and hence the internal control measures. The management, consequently reports to the board structure through the chief executive officer (CEO). Also, there is a growing belief on the part of institutional investors that board structure, as legally the highest authority in the company, are in a position to exert a significant impact on firm (Sonnenfeld, 2012); Kiel and Nichelson, (2005); Westphal and Bednar, (2005). More also, it is argued that the character of companies

in the coming years will be decided in large measure by how well boards of directors can improve their effectiveness. The need for corporate governance is for the defence of every shareholders and to encourage stakeholder's interest and awareness with the business activities of the firm.

Corporate governance tends to encourage fairness, transparency and accountability in companies and with external mechanisms (including laws and regulations) and internal enterprise (mostly optional) can be applied to good management reducing information asymmetry problems, increasing the confidence and shareholders and thereby reduce agency costs and causes best dividend policy. Governance implies rules, regulations, structures, processes, cultures and systems that achieve the goals of accountability, transparency, justice and the rights of beneficiaries. Generally, corporate governance is corporate control and guidance system in one company. Baghani et al. (2014), maintained that it's a system that determines controls and guides the relationship between the company and its stakeholders.

Board Size

Board size is concerned to be a crucial characteristics of the board structure. Large boards could provide the diversity that would help companies to secure critical resources and reduce environmental uncertainties (Ironkwe & Emefe, 2019). Board size refers to the number of directors on the board both executive and non-executive. However, there are two types of board size, small size and large size. The day to day running of the company is the sole responsibilities of board structure therefore the size of the board could have a significant impact on the performance of the company. It is argued that within a certain range, the larger the board the more effective. It is in its statutory function of monitoring management. While there may be no one-size-fit-all recommended. Yarmack (1996), draws on previous literature to support the need to limit membership of board to Ten (10) people, with preferred size of Eight (8) or Nine (9). However, another evidence by Sanda et al., (2005) is consistent with a recommendation for a board size of Ten (10). Large board size encourages diversity in skills, gender experience and race of board members (Dalton & Dalton, 2005). One demerit of a large board is that its slows down decision making process (Yarmack, 1996). When the board is large, it resulted in time consuming and meaningless discussion. Moreover, large board can be less efficient (Hermalin & Weisbach, 2003). This supports the view of Cheng (2008) that it is difficult to organize a meeting and reach agreement quickly with large boards. Furthermore, large board increases agency cost or monitoring expenses poor communication and co-ordination and all directors may not be carried along.

According to Jensen (1993), it is argued that a small board size positively affect a firm's performance, further argued that organizations encourages smaller board size so as to reduce cost. With smaller board members of an entity are brought closer together, easily reach and more easily and able to reach an agreement (Delton et al; 1999). Consequently, it reduces the possibility of free-riding and is more effective at monitoring top managers as a result of lower coordination costs. Board size should be of significant size in relation to an entity's operations. According to SEC (2006), board structure should be selected in such a way that it will maintain its independence, integrity and also ability of members to attend meetings. Mark and Kusnadi (2005) reported that small size boards are positively related to high firm value. In a study carried out in Nigeria by Sanda et al., (2010) reported that value is positively correlated with size, as opposed to large boards. This confirmed that large boards are less effective and are easier for CEO to be control. Talking about board size, empirical evidence has shown that properly constituted board size with the right mix of non-executive directors tend to contribute more to performance than boards with a predominance of inside directors (Bhagat & Black, 2001).

A closely related issue is the participation of non-executive directors on the main committee of the board. John and Senbet (1998) argued in favour of a committee structure that gives the non-executive directors a key role especially in the audit, remuneration and appointment committees. In Nigeria, the new code of corporate governance provides that the non-executive directors should be in the majority, and that a non-executive director should chair the remuneration committees, the membership of which should comprise wholly or mainly of outside directors. Small boards are presented as knowledgeable and are well informed boards in directing firm's fact in that such boards have smooth channels of communications that can help them to discuss firm's issues easily (Alabdullah et al; 2014). Consistent with this view, larger

boards are found to have a weak supervision tool to enhancing firm's performance (Zabri et al; 2016). Furthermore, larger boards were less experienced in making benefit decisions that can affect firm's performance positively. Likewise, large boards showed more competence and experience in enhancing firm's value (Mohapatra, 2017). The results reported by Abdulsamed et al; 2018 have confirmed the fact that small boards were more qualified and competent in organizing firms operations. The importance of board size is influencing firm performance is evidenced by number of empirical studies in recent years (Fuzi et al., 2016, Alves, 2014).

Cole et al; (2008), found a positive correlation between the board size and corporate performance. Their findings agree with the resources dependency theory that larger boards size may improve performance put forward in the board discussion. On the other hand, Makhlouf et al; (2018), and Sarpong, Danguah et al; (2018) shows insignificant correlation between board size and company performance. Consistent with resource dependency theory, it is assumed that corporations with a large board structure perform better than others. Agency theory supports grand boards in monitoring manager's activities, since such boards are expected to hire experienced professional and specialized directors (Torchia & Calabro, 2016, Tulung & Ramdoni, 2018). Hence grand boards may enhance financial performance and restrain any opportunistic decisions that affect shareholders' wealth, (Rubino- et al; 2017). In line with this argument, Singh et al; (2018) found that, larger boards were more cohesive and effectives in enhancing firm's performance compared with smaller boards. Additionally, a positive link is documented between board size and financial performance with the Turkish context (Ciftci et al; 2019). Likewise, large boards showed more competence and experience in enhancing firms' value.

Concept of the Financial Performance

The financial performance is concerned with the whole health status of the company financial or otherwise or financial performance measures how well a firm uses it resources to make a profit and it is a vital tool to several stakeholders in a firm. The analysis of the performance of a firm is usually a bench on financial performance indicators, however a boarder view to the evaluation by the inclusion of non-financial performance indicators such as corporate social responsibility, organizational reputation, innovation technology etc. This research work would only take financial performance in consideration. Black et al., (2002) revealed that the company with a good system of corporate governance always reported better financial performance than those without good corporate governance. In the same Vein Jensen and Meckling (1976) shared the same view that good corporate governance system result in high financial returns. Firm performance is described by Dess et al. (2006); and Wachira (2014) is attributed to the effectiveness of the firm as the myriad of inner performance outcomes normally as a result of more effective process. However, in this study the proxy for the criterion variable is Return on Assets (ROA) which is discussed in the next heading.

Return on Assets (ROA)

According to Brigham and Houston (2001), return on asset (ROA) is calculated by comparing available net profit for common shareholder total assets. Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. Return on assets (ROA) gives an idea as to how efficient management is at using its assets to generate earnings. Calculating by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as Return on Investment, Return on Assets (ROA) is also a measure of performance widely used in the governance literature for accounting – based measures (Weir & Laung 2001). It is a measure which assess the efficiency of assets employed (Bonn et al., 2004) and shows investors the earnings the firm has generated from its investment in capital assets. Efficient use of a firm's assets is best reflected by its rate of return on its assets. Return on assets is an indicator of short-term performance which is calculated as net income divided by total assets. Since managers are responsible for the operation of the business and utilization of the firm's assets. ROA is a measure that allows users to assess how well a firm corporate governance system is working in securing and motivating efficiency of the firm's management.

Theoretical Framework

Stakeholders Theory

Stakeholder theory was first described by Dr. F. Edward Freeman, a professor in the year 1984 which addresses morals and values in managing an organization. The stakeholder theory is one of the various approaches that try to explain or rationalize strategy of organizations. It has its main underpinning on the emphasis placed on the role of stakeholders of a firm in the pursuit of its objectives. Stakeholder's theory attempts to articulate a fundamental question in a systematic way; which groups are stakeholders deserving or requiring management attention, and which are not? (Englewood 1997). Muhsin et al., (2016), the theory assumes that firms are meant to recognize their responsibility to all those who are affected by all their operations. These individuals have a direct or indirect relationship with the firms, this means that they either can affect the firm or the firm can affect them (Freeman et al., 2004). This implies that it knowledge's the dynamic and complex relationships between organizations and their stakeholders and that these relationships involve responsibility and accountability (Gray et al., 1996). Stakeholder analysis enables identification of those social interest group to whom the business might be considered accountable, and therefore to whom an adequate account of its activities would be deemed necessary (Woodward & Woodward, 2001). The stakeholders of a firm are viewed as being a critical factor to the survival of the organization. Managers must manage the organization for the benefit of the stockholders, ensuring that their rights are taken care of and they participate in decision making process (Fridman & Miles, 2006). The scholars argued that this is critical to the long term survival of the corporation. In a broader view, the concept of stakeholder view can be expressed in the sense that the role and purpose of the organization is not anymore guided by profit making and maximization of shareholders' wealth, but also to defend an image and values respecting the special relationships that arise and develop between it and all its stakeholders (Friedman & Miles, 2006). Amongst the stakeholders there are certain important stakeholders that are referred to as key stakeholders. These stakeholders could be shareholders, investors, regulators important customer, suppliers, creditor and the likes. The relevance of this study is that management should try and build and framework that will be responsive to the concerns of managers and also meet the needs of all stakeholders. The agency theory was developed by Jensen and Meoklin (1976). The theory states the relationship between principals such as shareholders and agents such as a firm's senior managers.

Review of Empirical literature

Igbekoyi, et.al. (2021) examined the relationship between female directors and corporate social performance of banks in Nigeria between 2010 and 2018. The study which used descriptive statistics and the feasible generalized least square regression revealed that female gender inclusion on boards has a positive relationship with corporate social responsibility expenditure.

Aladejebi (2021) studied the connection between board gender diversity and performance of banks in Nigeria between 2015 and 2019. The study which used trend and correlation analysis revealed that gender diversity has no significant effect on bank performance.

In China, Luo et al. (2021) examined the relationship between cultural diversity within corporate boards and corporate innovation effectiveness premised on government intervention between 2008 and 2016. The study employed the two-stage least squares technique for analysis revealing that board cultural diversity has a positive relationship with corporate innovation effectiveness as far as the government interference is low.

Mohsni et.al. (2021) studied the moderating effect of culture on the relationship between board gender diversity and firm performance in 27 developing countries between 2005 and 2016. Adopting the panel regression analysis, it was revealed that gender diversity reduces firm risk and increases performance of firms.

Ji et al. (2021) empirically examined the relationship between board diversity and firm risk across 37 countries between 1999 and 2017. Employing the OLS technique, the study divulged that board diversity reduces firm risk.

Khaoula and Moez (2019) studied the moderating effect of board characteristics on firm value and tax planning in Europe between 2005 and 2012 using the Generalized Least Squares technique. They discovered that board diversity had a negative effect on firm value and tax planning.

Okeyide (2018) studied the relationship between board diversity and performance between 2004 and 2013. The study used the OLS technique for analysis revealing that board gender diversity had an insignificant effect on performance while ethnic diversity had a positive effect on performance.

Ogboi et al. (2018) equally studied the nexus between board diversity and bank performance in Nigeria between 2011 and 2015. The study which used the generalized least square estimation method divulged that gender diversity has a positive effect on firm performance.

Ilaboya and Ashafoke (2017) investigated the relationship between board diversity and performance of banks between 2010 and 2015. The study which used the OLS technique revealed that while gender diversity has a negative effect on performance, ethnic and nationality diversity has no effect on bank performance.

Illaboya and Obaretin (2015) examined the relationship between board size and financial performance used a time series data from 166 firms quoted in the Nigerian Exchange Group from 2005 to 2012 in the food and beverage sector using OLS for analysis the study revealed a positive relationship between board size and financial performance.

METHODOLOGY

The study adopted the triangulation approach while adopting the causal and ex-post facto research design. Data was gathered from secondary sources. Data were sourced from annual reports of the companies available at the Nigerian stock Exchange (websites). The population of the study consist of hospitality firms in Nigeria Exchange Group as at December 2020, they are nine (9) in number. The population for this study is listed hospitality firms in Nigeria. The sampling technique used was purposive sampling technique where by nine (9) of the listed firms were chosen for the study for the periods 2012- 2020. Data were subjected to several tests to ascertain robustness and reliability of results. One model was developed and tested. Descriptive analysis, regression and correlation analysis were used for analyzing the data gathered and testing of hypothesis. These were done with the aid of Statistical package for social sciences (SPSS) software.

Model specification

The following model was used in conducting the regression analysis

$$Y = \beta_0 + \beta_1 \times_1 + \in_{it}$$

Where β_0 is constant of the model, and β_1, is the coefficient of the independent variable. Y represented the financial performance that was measured using ROA.

$\times_1$= board size (Bsize)

$\in$= is the error term which is assumed to be normally distributed with means zero and constant variance.

β_1= coefficient of independent variable $\times_1$

β_0= is a constant (intercept)

RESULTS AND ANALYSIS

Descriptive statistics

Table 4.1 Descriptive Statistics of the variables

	N	Sum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
BDSize	81	685.0000	8.456790	1.8100372	3.276	-.570	.267	-.091	.529
ROA	81	579.3900	7.152963	8.1030776	65.660	3.041	.267	12.697	.529
Valid N (listwise)	81								

Source SPSS Window Output, Version 21.0 (2022)

Board size has a mean of 8.457 while ROA has a mean of 7.1523 and they have rational dispersions. Their standard deviations are also articulately significant with financial performance, ROA suggests a higher variation with 8.1031 than board size with 1.810. From the sum and mean as depicted in Table 4.3, it is sufficient to reason that listed hospitality companies' emphasis on financial performance is as a result of high consideration of the influence of the components of board structure on financial performance as an attainable solution that can generate several benefits for the hospitality companies with profound logical results.

Testing of Hypothesis

Relationship between board size and Return on Asset

H_{o1} There is no significant relationship between board size and return on asset of listed hospitality firms in Nigeria

Table 4.2 Influence of board size on Return on Asset

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.234[a]	.055	.043	1.1482370	.055	4.563	1	79	.036

a. Predictors (Constant), LBDSIZE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.016	1	6.016	4.563	.036[b]
	Residual	104.157	79	1.318		
	Total	110.173	80			

a. Dependent Variable LROA

b. Predictors (Constant), LBDSIZE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.812	1.125		3.388	.001		
	LBDSIZE	-1.133	.530	-.234	-2.136	.036	1.000	1.000

a. Dependent Variable LROA

Source SPSS 21.0 window output (2022)

Decision for hypothesis one, the significant .036 is less than 0.05, there is a significant effect of board size on return on asset. The regression helps us to conclude with the R (coefficient of correlation) that there is 23.4% direct relationship between board size and return on asset. R-squared value of 06% shows that board size can affect return on asset to a minimal degree. The ANOVA Table explains the fitness of the model as shown by. The F-ratio in the model is 4.563, which is significant at $p < 0.05$. This implies that there is a significant evidence to extrapolate that board size is linearly related to return on asset. There is also a standardized coefficient of -234 which is negative as corresponding P value (sig.) of 036 which is less than alpha (0.05). Therefore, we conclude that board size significantly influence return on asset of listed Hospitality companies in Nigeria.

DISCUSSION OF FINDINGS

From the result obtained it can be summarised that board Size has a weak, significant and positive relationship with return on asset of listed hospitality firms in Nigeria, this is evidence in its p value (p value = .036). The result indicated that board structure has positive and significant relationship with financial performance of listed hospitality firms. Furthermore, the result showed that R (coefficient of correlation) value of 0.234 that there is 23.4% direct relationship between BS and return on asset. R-squared value of 6% shows that board size can affect return on asset to a minimal degree. In other words, 6% of the variation of financial performance in terms of return on assets is accounted for by board size aspect of board structure of listed hospitality firms in Nigeria. In addition, with a standardized coefficient of -234 signify that board size has a negative influence on return on asset. The implication of this that a 1% rise in board size would result in a -234 percent decrease in return on asset of the listed hospitality firms in Nigeria.

This result implies that when the number of directors on the board both executive and non-executive are adequately constituted by the listed hospitality firms in Nigeria engaging in the day to day running of the company could have a significant impact on the performance of the company. In other words, the return on asset (ratio that measure management's efficiency in utilizing the resources of a company) would increase and vice versa. The findings here are in line with earlier works of (Illaboya & Obaretin ,2015; Adesanmi et al., 2018) whose study results indicated that board size as part of corporate governance mechanisms have a significant relationship with financial performance of firms across different sectors as their studies focused. The findings here however deviate from that of Vu and Nguyen (2017), whose study finding revealed that there is an inverse relationship between board size and firm performance.

CONCLUSIONS AND RECOMMENDATIONS

In view of the finding of the study, it is concluded that board size has a weak, significant and positive relationship with return on asset. In line with the findings the following recommendation is put forward for consideration by the appropriate authorities:

1. Hospitality firms should ensure that their board size is of manageable size. In other words, they should have a small board size as these would reduce that amount of expenses incurred in maintaining the board as this could affect their financial performance.
2. Efforts should be channeled towards adjustment in the board size for the companies as way to improve board of director's involvement in the management of the firms rather than board ownership or board composition. This is because result showed that board size is the dimension that significantly relates with the financial performance measures studied for the hospitality firms

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