



GLOBAL BUSINESS MANAGEMENT REVIEW

<http://e-journal.uum.edu.my/index.php/gbmr>

How to cite this article:

Karaye, A.I., A. Zaluki, N.A. & Badru, B.O. (2021). Literature gap on corporate governance mechanisms and bank asset quality. *Global Business Management Review*, 13(2), 53-67. <https://doi.org/10.32890/gbmr2021.13.2.4>

LITERATURE GAP ON CORPORATE GOVERNANCE MECHANISMS AND BANK ASSET QUALITY

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Received: 16/10/2020

Revised: 25/12/2021

Accepted: 28/12/2021

Published: 30/12/2021

ABSTRACT

The paper proposes a framework that captures the impact of board capital on bank assets quality (BAQ) in the Nigerian banking industry. The paper reviews literature on various corporate governance mechanisms that are instrumental to BAQ, specifically banks' non-performing loans (NPLs). Based on the review, this study finds that common variables examined by literature are board size, independence and gender. The study also reveals that limited studies exist on the role of human and social capital of the banks' board of directors. Therefore, evaluating boards' human and social capital is likely to capture wider-range of boards' resources, abilities, and chances of exercising control over the rising NPLs figures. In view of this emphasis, this study advocates the use of agency and resource dependence as well as the human capital theories to examine boards' influence on NPLs. This is because the human and social capital of the board of directors play vital role in the resources needed by directors to function effectively and develop strategies needed for banks to ensure that their loan portfolios are of good quality.

Keywords: Corporate governance, bank asset quality, human capital, social capital, non-performing loans, Nigeria.

INTRODUCTION

In the aftermath of the global financial crisis in 2008, many countries around the globe suffered from sky-rocketing NPL (Baudino & Yun, 2017). The adverse consequences of rising NPL are far ranging. The bank NPL does not produce interest income, but rather increases financing costs and leaves banks more vulnerable to shocks (Baudino & Yun, 2017; Jassaud & Kang, 2015). This happens when the creditor on negotiated terms fails to repay the interest and/or principal as at when due (Beck et al., 2005). Therefore, for this reason, regulators and market participants have paid special attention to bank governance world over. This is because poor CG has been attributed to the deterioration in BAQ (Ballester et al., 2020). Similarly, in the Nigerian banking industry, poor CG had been recognized as the major impediment of cases of financial distress that led to the collapse of many banks (Mukolu & Blessing, 2014; Nwagbara, 2012). In an examination carried out by the Central Bank of Nigeria (CBN¹) on ten banks that nearly collapsed due to bad liquidity position and high NPL, poor CG has been identified as a significant contributor (Sanusi, 2010; CBN, 2010). For instance, the weightiness of the NPL is very large on the Nigerian banks. These loans were initially 9.3% in 2006 but increased to 37.25% in 2009. Although the figure dropped to 14.81% in 2017, however, it is notwithstanding 11.67% in 2018. Despite the decline in the percentage figures, it is noteworthy to present that these figures are sharply above the industry average of five per cent (5%) set by the CBN. Similarly, the above percentage figures reflect the overall health of the banking sector in Nigeria and propel that banks have difficulty collecting interest and principals on their credit. In fact, these events generate panic among depositors and shareholders regarding their investments and deposits. On this note, one may argue that regulators and other stakeholders in the banking industry panicked because of the increase in banks' NPL. The answer to this could be based on the role played by the banking sector in all the sectors of the economy of a particular country. In addition, the quality of bank asset is instrumental to the fragility of the whole financial system and it represents one of the financial stability indicators. Based on the importance of BAQ, extant literature has established that a good CG initiative that would guarantee the sustainability of the banking system needs to be put in place by banks. However, what constitutes a good CG system is yet to be understood. On this note, this study reviews literature on CG mechanisms that are examined on banks NPL and goes further to propose a CG framework that can be instrumental to the effective functioning of the banking system. The proposed framework may perhaps be investigated on BAQ. By applying the proposed framework, the results may be of enormous importance to regulators and other stakeholders in the banking industry. The paper is further subdivided into five (5) sections: introduction, literature review, framework, conclusion, and references.

LITERATURE REVIEW

Agency theory contend that companies are frequently characterized by conflicting goals amongst shareholders and management. Managers often exploit their power over company operations to improve their short-term benefit at the cost of shareholders' long-term benefits (Fama & Jensen, 1983). However, the existence of more vigilant directors can decrease such costs of agency through close monitoring of the company management (Dalton et al., 2003; Hillman & Dalziel, 2003). Directors that monitor the affairs of the company's management intensely are likely to request

¹ The CBN is the apex bank and regulatory authority that issues and revokes licence for all commercial banks in Nigeria.

explanations for strategic initiatives of the management and criticize any initiatives that seems to be misguided (McNulty & Pettigrew, 1999). Minton et al. (2014) indicate that poor board governance stimulates excessive risk-taking and institutes the main contributing factor to the global financial crisis (GFC) of 2007/2008. Therefore, literature provide succinct evidence of a solid association between vigilant board and BAQ (Grove et al., 2011; Guo et al., 2012; Huang, 2010; Lu & Boateng, 2018; O’Sullivan et al., 2016; Zagorchev & Gao, 2015). However, very little is known on how strategic boards (board capital) influence BAQ.

Board Size and BAQ

Evidence has shown that banks that need more advice get higher benefit from large boardrooms (Coles et al., 2006). Large boardrooms can consist of more impressive directors (Certo, 2003), which is considered one of the vital factors related to resource dependence (Pfeffer & Salancik, 2003). Given that large boardrooms can produce more directors with higher knowledge and experience and offer good advice (Dalton et al., 1999). Large boardrooms are also likely to comprise experts on explicit issues such as loan performance. Thus, large boardrooms are more likely to consist of more knowledgeable and experienced directors with the required expertise to accomplish better policies that may reduce the rising NPL ratio. In a large boardroom, there is a higher tendency to have directors exposed more to the effects of bad loans administrations. Board members with such bad loans’ exposure are more likely to counsel other directors in the boardroom regarding related NPL issues and other measures that can improve the BAQ. Table 1 provides evidence of existing literature on board size and BAQ.

Table 1

Summary of Literature on Board Size and Bank Asset Quality.

Authors	Context/Period	Methods	Key Findings	Measurements	DV
Hunjra et al. (2021)	Asia (2010-2018)	GMM	Negative Significant	NPL/GL	Risk Taking
Fiador and Sarpong-kumankoma (2021)	Ghana (2006-2016)	Regressions	Negative Significant	NPL/GL	Asset Quality
Lu and Boateng (2018)	UK (2000-2014)	Pooled OLS, FE, RE	Negative	NPL/TL, LLP/GL	Credit Risk
Elbahar (2016)	GCC (2003-2012)	OLS Regression	Negative Significant	NPL (+90 Days past due)/Total Assets	NPL
O’Sullivan et al. (2016)	Chicago (1999-2009)	OLS Regression	Negative Significant	Non-Performing Assets/Total Assets.	NPAR
Maria et al.	Pakistan	GMM	Negative	Non-Performing	NPL

Authors	Context/Period	Methods	Key Findings	Measurements	DV
(2016)	(2005-2013)		Significant	Loans	
Surifah (2013)	Indonesia (2007-2009)	Regressions	Negative Significant	Non-Performing Loans	NPL
Poudel and Hovey (2013)	Nepal (2005-2011)	Regressions and Correlations	Negative Significant	The ratio of NPL/Total Loan.	NPL
Adusei et al. (2014)	Ghana (2006-2010)	OLS Regression	Negative Significant	Non-Performing Loans/Gross Loans	NPL
Quaresma et al. (2013)	14 Countries (2006-2009)	Correlations	Negative Significant	Impaired Loans/Total Loans.	IL/TL (NPL)
Guo et al. (2012)	Columbia (1990-2003)	Regression Analysis	Negative Significant	NPAR/TA	NPA, LLR
Grove et al. (2011)	USA (2005-2008)	Regressions	Negative Significant	NPA/TL.	Loan quality
Huang (2010)	Taiwan (1996-2006)	Regression Analysis	Negative Significant	NPLR/TL.	NPL.
Liang et al. (2013)	China (2003-2010)	OLS, GMM	Negative Insignificant	Problem Loans/Total Loans.	NPL
Doğan and Ekşi (2020)	Turkey (2012-2018)	GMM	Positive Significant	NPL/TL	NPL
Rehman et al. (2016)	Pakistan (1998-2009)	Regressions	Positive Significant	Non-Performing Loans	NPL
Ahmad et al. (2016)	Pakistan (1996-2007)	Regressions	Positive Significant	Non-Performing Loans	NPL
Tahir et al. (2020)	Pakistan (2005–2015)	FE, 2SLS	Positive Insignificant	NPL	Loan Quality
Nyor and Mejabi (2013)	Nigeria (2005-2011)	Regression Analysis	Positive Insignificant	As reported in the bank's annual report.	NPL
Dong et al. (2017)	China (2003-2011)	Pooled OLS, GMM	Positive Insignificant	NPLR/TL	NPL

From the table it can be seen that a number of studies reported a negative significant association between board size and BAQ (e.g., Hunjra et al., 2021; Fiador & Sarpong-kumankoma, 2021; Adusei

et al., 2014; Elbahar, 2016; Grove et al., 2011; Guo et al., 2012; Huang, 2010; Maria et al., 2016; O'Sullivan et al., 2016; Poudel & Hovey, 2013; Quaresma et al., 2013; Surifah, 2013). This implies that the bigger the size of the bank boards the smaller the risk of NPL within the banks. These findings uphold de Andres and Vallelado (2008), and Klein (2002), argument that larger board size should be preferred than a smaller size board because of the likelihood of specialization diversity for more effective monitoring and resource provision functions. On the contrary, other studies found a positive significant relation between board size and BAQ (Doğan & Ekşi, 2020; Ahmad et al., 2016; Rehman et al., 2016). This shows that banks with larger board size generate large NPL in respect of the banks. The finding is in support of the notion that smaller sized boards are more effective and efficient than the larger sized boards (Fama & Jensen, 1983; Lipton & Lorsch, 1992; Yermack, 1996). Based on the mixed findings, this study investigates further the effects of board size on BAQ considering its scarce nature in Nigerian banking literature.

Board Independence and BAQ

Directors on the board are usually called to monitor the affairs of the chief executive officer (CEO). It is widely accepted that boardrooms that are highly independent are likely to be more effective in monitoring processes and evaluating the performance of management through questioning them objectively about the improper credit issuance, which consequently deteriorates the BAQ (Kesner & Johnson, 1990; Lu & Boateng, 2018). Given the possible importance of BAQ, such evaluation and questioning by highly independent directors should curtail management's decisions on any initiative that may lead to increasing the ratio of the NPL. This is because, in terms of focusing on improving the quality of the bank assets, an independent director exhibits more concern pertaining to the bank's attitude toward curtailing NPL (Dong et al., 2017). Studies firmly recommend that the more the proportion of highly independent directors on board, the better the effective level of monitoring in the boardroom. This is because CEOs have no power against independent board members, as the independent directors' career is not under the CEOs' control. Table 2 provides the empirical studies conducted on board independence and BAQ.

Table 2
Summary of Literature on Board Independence and Bank Asset Quality.

Author (s)	Context/Period	Methods	Key Findings	Measurements	DV
Fiador and Sarpong-kumankoma (2021)	Ghana 2006-2016	Regressions	Negative Significant	NPL/GL	Asset Quality
Hunjra et al. (2021)	Asia 2010-2018	GMM	Negative Significant	NPL/GL	Risk Taking
Doğan and Ekşi (2020)	Turkey (2012-2018)	GMM	Negative Significant	NPL/TL	NPL
O'Sullivan et al. (2016)	Chicago (1999-2009)	OLS Regression	Negative Significant	Non-Performing Assets/Total	NPA

Author (s)	Context/Period	Methods	Key Findings	Measurements	DV
				Assets.	
Rehman et al. (2016)	Pakistan (1998-2009)	Regressions	Negative Significant	Non-Performing Loans	NPL
Ahmad et al. (2016)	Pakistan (1996-2007)	Regressions	Negative Significant	Non-Performing Loans	NPL
Zagorchev and Gao (2015)	USA (2002-2009)	Regressions	Negative Significant	Non-Performing Assets/Total Assets	NPA
Huang (2010)	Taiwan (1996-2006)	Regression Analysis	Negative Significant	NPLR/TL.	NPL
Tahir et al. (2020)	Pakistan (2005–2015)	FE, 2SLS	Negative Insignificant	NPL	Loan Quality
Dong et al. (2017)	China (2003-2011)	Pooled OLS, GMM	Negative Insignificant	The ratio of NPL/Total Loans	NPL
Liang et al. (2013)	China (2003-2010)	OLS, GMM	Negative Insignificant	Problem Loans/Total Loans.	NPL
Maria et al. (2016)	Pakistan (2005-2013)	GMM	Positive Significant	Non-Performing Loans	NPL
Adusei et al. (2014)	Ghana (2006-2010)	OLS Regression	positive Significant	Non-Performing Loans/Gross Loans	NPL
Lu and Boateng (2018)	UK (2000-2014)	Pooled OLS, FE, RE	Positive	NPL/TL, LLP/GL	Credit Risk
Surifah (2013)	Indonesia (2007-2009)	Regressions	Positive Insignificant	Non-Performing Loans	NPL
Poudel and Hovey (2013)	Nepal (2005-2011)	Regressions	Positive Insignificant	NPL/Total Loan.	NPL
Nyor and Mejabi (2013)	Nigeria (2005-2011)	Regression Analysis	Positive Insignificant	As reported in the bank's annual report.	NPL

From the table, it can be seen that a number of studies reported a significant negative association between board independence and BAQ (e.g., Fiador & Sarpong-kumankoma, 2021; Hunjra et al., 2021; Doğan & Ekşi, 2020; Ahmad et al., 2016; Huang, 2010; O’Sullivan et al., 2016; Rehman et al.,

2016; Zagorchev & Gao, 2015). The negative influence implies that more non-executive directors lead to a lower NPL ratio, thereby enhancing better loan quality. This suggests that an independent director can improve BAQ by curtailing the rising NPL ratio through more effective management oversight. On the contrary, others find a significant and positive association between an independent board and BAQ (Adusei, Akomea, & Nyadu-Addo, 2014; Maria, Mehmood, & Kashif, 2016). The positive sign indicates that an increase in the number of independent directors on board leads to a corresponding increase in the bank NPL. This shows that the relationship between board independence and BAQ remains inconclusive. Therefore, this study further examines the impact of independent directors' on BAQ.

Female Directors and BAQ

Gender differences in the board play a critical role in the board decision-making process (Berger et al., 2014). For instance, women are widely behaved to be careful, cautious, nervous, vigilant, and law-abiding (Aliyu, 2016; Capezio & Mavisakalyan, 2016), while men are regarded by many as having to exhibit a higher tendency of making more risky choices (Byrnes et al., 1999). Diversity and heterogeneity are representative of the multiple perspectives that each member of the board brings to the decision-making process and strategies of the business. The association between the board of directors and risk-taking in the banking industry receives relatively, little attention from financial economists. There is, however, general agreement among practitioners and scholars that the immediate causes of the GFC are due to significant risk exposure and volatile assets used to fund mainly short-term market borrowing with slight or no board oversight (Bebchuk et al., 2010). Ward and Forker (2015) reveal that boards with larger representation of females exhibit higher financial management, particularly with respect to the quality of loan book in the austerity period following GFC. Similarly, Lu and Boateng (2018) reveal that females' membership on the bank's board may possibly improve the BAQ. Table 3 presents the studies conducted on female directors and BAQ.

Table 3

Summary of Literatures on Female Directors and Bank Asset Quality.

Authors	Context/Period	Methods	Key Findings	Measurements	DV
Dong et al. (2017)	China (2003-2011)	Pooled OLS, GMM	Female (-)	NPL Ratio/TL	NPL
Lu and Boateng (2018)	UK (2000-2014)	Panel Regressions	Female (-)	NPL/TL, LLP/GL	Credit Risk
Elbahar (2016)	GCC (2003-2012)	OLS Regression	Female (-)	NPL (+90 Days Past Due)/TA	NPL
Žigraiová (2016)	Czech (2001-2012)	GMM, 2SLS	Female (-)	NPL/TL	NPL

Authors	Context/Period	Methods	Key Findings	Measurements	DV
Dong et al. (2014)	China (2003-2011)	OLS Regressions	Female (-)	NPL/TL	NPL
Fiador and Sarpong-kumankoma (2021)	Ghana 2006-2016	Regressions	Female (+)	NPL/GL	Asset Quality
Stefanelli and Matteo (2012)	Italy (2006-2008)	OLS	Female (+)	NPL, LLP, Default Rate	Loan Quality
Farag and Mallin (2017)	Europe (2004-2012)	System GMM	Female (+)	Ratio of Impaired Loan/Gross Loan	IL/GL
Ward and Forker (2015)	Northern Ireland (2002-2010)	OLS Regressions	Female (+)	Loan Book Quality	LBQ
Palvia et al. (2015)	USA (2007-2010)	Logistic Panel Regression	Female (-)	Bank Failures	Bank Risk-Taking
Berger et al. (2014)	Germany (1994-2010)	Panel Regression	Female (-)	RWA/TA, HHI (log)	Bank Risk-Taking
García-Sánchez et al. (2017)	9 Countries (2004-2010)	GMM	Female (+)	(NPL, Loan Charge-Offs)	(LLP, LCO)
Talavera et al. (2018)	China (2009-2013)	Regressions	Negative Insignificant	NPL/TL	NPL
D'Amato and Angela (2017)	Italy (2006-2012)	GMM	Negative Insignificant	Ratio of NPL/TL	NPL

A number of studies also reported a significant and negative association between a female board member and NPL. For instance, Dong et al. (2017), reports that proportion of female board directors appears to be associated not only with higher profit and cost efficiency, but likewise with little bank risk. Again, Dong et al. (2014), demonstrates that a larger number of women on the board are helping to strengthen the risk management of banks and reduce their NPL ratios. Similarly, Elbahar (2016), shows that gender diversity affects negatively the relation with NPL. In support, women on board have also been identified as having a negative and significant effect on credit risk (Lu & Boateng, 2018),

whereas, in the Czech banking sector, Žigraiová (2016) finds mixed evidence of the impact of female directors on risk.

The findings imply that board diversity is more related to better BAQ and lower risk-taking propensity. Therefore, a higher female representative on board highly impacted on the BAQ and hence reduces behavior on risk-taking (Qian et al., 2015). The findings are in-line with the contention that females board members are more risk-averse especially in terms of financial decision-making processes (Jianakoplos & Bernasek, 1998). Conversely, another strand of the literature reports a significant positive association between female directors and BAQ (e.g., Fiador & Sarpong-kumankoma, 2021; Farag & Mallin, 2017; García-Sánchez et al., 2017; Stefanelli & Matteo, 2012; Ward & Forker, 2015). The positive influence implies that appointing a female director on board may likely deteriorate the BAQ.

Foreign Directors and BAQ

Foreign directors' contributions are enormous in that, apart from financial matters, they provide technical collaborations and managerial expertise, increase innovation and creativity. However, scholars (e.g., Adams et al., 2010; Masulis et al., 2012) posit that foreign directors' presence on boards may weaken the board's effectiveness because of the substantial costs of on-site oversight visits and meetings attendance they may involve in. The foreign directors may likely not be well known with the country's local settings, which makes them find it more difficult to execute their roles of monitoring as a component of CG mechanism. This could be attributed to either barrier posed by regulations, culture, or lack of enough knowledge about the local markets. Adams et al. (2010), and Masulis et al. (2012), declare that foreign directors have a lower attendance rate in board meetings and that companies with more foreign directors tend to have lower ROA. Conversely, Liang et al. (2013), contend that the foreign directors on Chinese bank boards contribute enormously towards better performance by bringing the latest technological innovations and techniques for managerial skills.

Similarly, Oxelheim and Randøy (2003), and Choi et al. (2007), report a significantly higher value for companies with board members outside Anglo-American directors, particularly members from Norway or Sweden, and from Korea as in the case of Choi et al. (2007). In line with this study, Doğan and Ekşi (2020), find a positive association between foreign director and BAQ. The positive coefficient support Adams et al. (2010), Dong et al. (2017), Masulis et al. (2012) arguments that foreign directors may not be familiar with the local systems. Therefore, it means that such directors may not be in a better position to exert effective monitoring that may improve BAQ. At the same time, Ben Saada (2018) reports a significant negative association between foreign directors proportion on board and BAQ. This implies that extensive experience of the foreign directors, as well as their foreign markets knowledge with their abilities in terms of networking, can enhance the levels of BAQ. Thus we form this proposition:

P₁. The proportion of foreign directors on board are negatively related to BAQ

Table 4

Summary of Literatures on Foreign Directors and Bank Asset Quality

Authors	Context/Period	Methods	Key Findings	Measurements	DV
Dong et al. (2017)	China (2003-2011)	Pooled OLS, GMM	Foreign (+)	NPL Ratio/TL	NPL
Doğan and Ekşi (2020)	Turkey (2012-2018)	GMM	Foreign (+)	NPL/TL	NPL
Ben Saada (2018)	Tunisia (2011-2015)	GLS	Foreign (-)	Credit Risk	NPL

BODs Capital and BAQ

The composition of directors in the boardroom is one of the critical elements of the board's ability that impact the bank outcomes. Hillman and Dalziel (2003) contend that the resources provisions for the company are board's capital function, and this capital comprises of the human capital (expertise, reputation, experience) and social/ relational capital (external contingencies and network ties) of the BODs. The quality of the bank asset is more likely to benefit from directors' human capital (i.e. prior experience and education) because directors' human capital enhances the ability of the board to perform effectively in management by monitoring and providing advice (Khanna et al., 2014). Studies show association between board capital and the company's performance (de Villiers et al., 2011; Hillman & Dalziel, 2003). Table 5 presents studies on board capital that are carried out mostly in the developed economies;

Table 5

Summary of Literature on BODs Capital (Human & Social and Bank Asset Quality).

Authors	Methods	Key Findings	IV's	DV
Žigraiová (2016)	2SLS	Negative	Director's (PhD)	Risk-Taking (NPL)
Vicente and Luis (2010)	Panel Regression	Negative	Human Capital (Masters, doctorate, or Abroad)	Loan Portfolio (NPL)
Smith (2014)	Two-way ANOVA/ ANCOVA	Positive/Negative	Board Capital: (Expertise and Connections)	Inherent Risk Assessments.
Reeb and Zhao (2013)	2SLS	Positive	Board (Networking, and Experience)	Capital Disclosure Quality

Few studies have associated the board's human capital directly with company outcomes. The literature demonstrates that the educational level of the directors can influence the credibility and prestige of a board (Johnson et al., 1993). The addition of highly educated and experienced directors, as indicated in Certo (2003), improves the credibility of a board and the company's legitimacy. The educational level indicates human resources, expertise, ability base, or intellectual competence, as indicated in Barro and Lee (2013). A highly educated board helps businesses because the board is more capable of advising and overseeing the management. Several researches indicate that the educational level of directors is positively linked to the success of an organization through their experience and successful monitoring (Chen, 2014; Dalziel et al., 2011; Reeb & Zhao, 2013; Vicente & Luis, 2010; Žigraiová, 2016). A highly educated board with improved control and advice roles leads to a well-governed board system. By offering more efficient oversight and advice, a highly trained board complements CG (Haniffa & Cooke, 2002).

Žigraiová (2016), investigates the effect of the composition of the management board in the banking institutions and its impacts on the risk-taking of the Czech Republic throughout 2001-2012. The study finds that a larger directors proportion holding MBA raises bank risk-taking. Conversely, board members holding Ph.D. degrees in large banks improve bank stability. In a related study, Vicente and Luis (2010) document that, board chairmen particularly those with graduate studies (masters or doctorate), significantly reduced the level of NPL. Furthermore, they discover a significant and negative association between board chairman with graduate education and relevant experience and NPL.

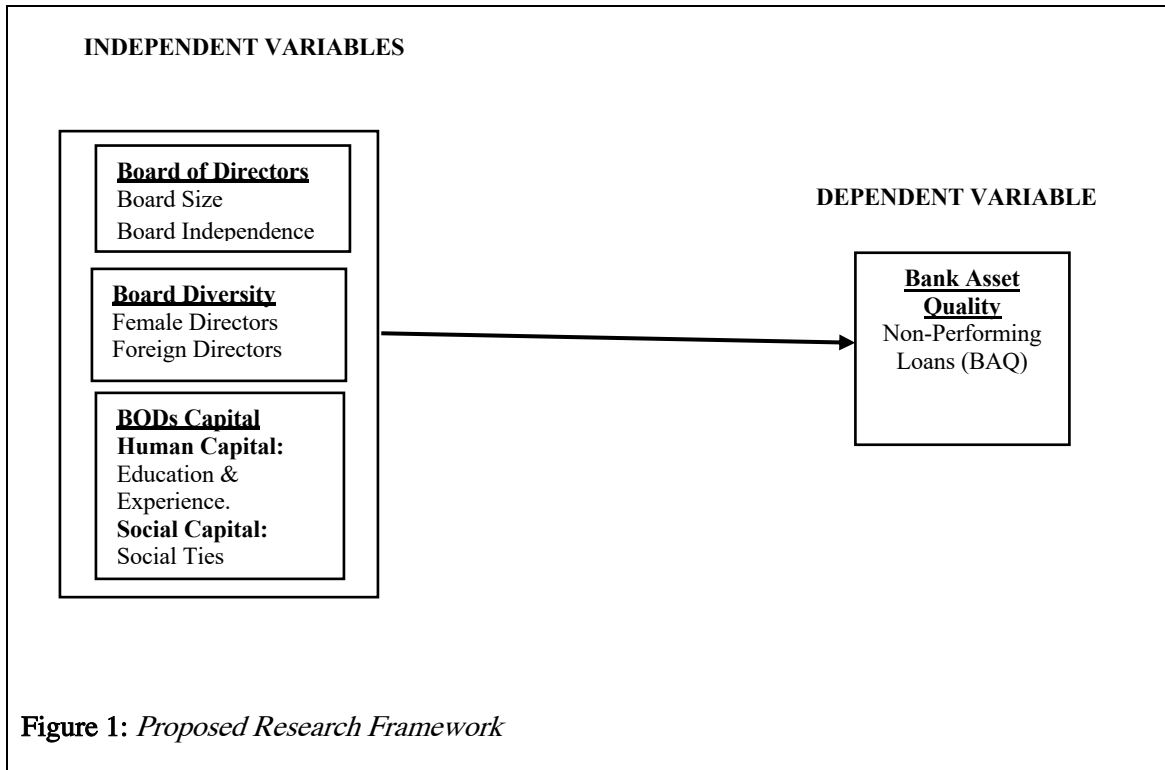
Similarly, Smith (2014), also realizes that board capital (i.e., expertise and connections) are positively associated with auditor assessments of the board effectiveness and future performance of the company and is highly associated negatively with inherent risk assessments. In argument, Reeb and Zhao (2013) specify that board capital (networking, education, experience) is significant and positively associated with disclosure quality. However, based on the above findings the director's human and social capital can improve the level of BAQ and enhance bank efficiency. Thus, the following proposition is formed:

P₂: Board human capital is negatively related to BAQ.

P₃: Board social capital is negatively related to BAQ.

Proposed Framework

The proposed framework as depicted from the diagram in figure 1 adopts a conceptual approach and proposes a human capital framework comprising three (education, experience, social ties) core vital factors that are effective in facilitating human capital in order to promote BAQ. Organizations are becoming knowledge-based and focusing on effective human capital utilization for improved performance in order to gain a competitive advantage and be able to compete both nationally and worldwide (Kwon, 2009). This article emphasizes the relevance of human capital framework in Nigeria, which may likely be the key to the solutions to all problems in the financial sector, promote economic development and improve the quality of bank asset.



CONCLUSION

This paper highlighted the gaps in human capital literature in Nigeria and provided solutions using a proposed framework for human capital that includes features like education, experience, and network ties. According to data gathered from existing literature in the form of papers and articles, human capital literatures are lagging, particularly in Nigeria, where no study on human capital and BAQ in the banking industry has been undertaken to the best of our knowledge. As illustrated by Kudonoo and Tsedzah (2015), this lag has been linked to a dearth of competent human capital in west Africa, where Nigeria reside. Therefore, there is a scarcity of human capital literature in Africa, notably in Nigeria. The ones that are available focus on the differences between Western management theories and African societies, rather than on BAQ (Kudonoo et al., 2012; Kudonoo & Tsedzah, 2015).

This study is important for the Nigerian banking industry because it clearly demonstrates the notion of human capital using an example from a proposed framework that might potentially increase productivity, sustain success, and improve BAQ. This research could be one of the first to integrate human capital, resource-dependence, and agency theories to illuminate the value of human capital in an emerging economy. It has also made a unique addition to African literature by employing existing literatures to construct a conceptual paper. Although this paper adds to theory and practice, one major study limitation is that the researchers relied solely on published data, which has limitations such as total reliance on publishers' views, which may not be the absolute reality on the ground. This paper only proposes the big picture of board capital and BAQ. It needs further empirical study to evaluate

the theory with the real case. Therefore, future research can replicate this study and test the effects of board capital on BAQ in order to see how well the concept works in African context. This study also focuses on a particular decision, that is, BAQ. Further studies could explore the influence of board capital on other company's outcomes.

ACKNOWLEDGMENT

In the name of Allah, the Most Merciful, the Most Gracious. Allah (SWT), the Creator, the Most Compassionate, deserves all praise and thanks for providing me with the chance and strength to perform this monumental task. Professor Dr. Nurwati A. Ahmad-Zaluki and Dr. Bazeet Olayemi Badru, my supervisors, deserve my heartfelt thanks and gratitude. They are not just my bosses, but also my mentors and a mother as well as a big brother indeed, to whom I owe a duty of gratitude. They are outstanding scholars and intellectual role models from whom I have learned a great deal and benefited the art of research work. May Allah shower you with blessings. I must be grateful to my school Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, for their unmeasurable contribution to this work.

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