AN ANALYSIS OF THE IMPACT OF BOARD COMPOSITION ON COMMERCIAL BANKS' PERFOMANCE IN ZIMBABWE (2006 TO 2015).

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ABSTRACT

Corporate governance matters continue to be at the heart of bank failures and subdued performance in the Zimbabwe financial sector. This research examined the relationship between board composition and commercial banks' performance in Zimbabwe. In addition the research sought to analyze the impact of board size on bank performance, ascertain the influence of board independence, find out whether multiple directorship affects bank performance, explain the relationship between composition of the audit committee and bank performance, examine the association between board gender diversity and performance and to find out if specific educational qualifications in finance and or accounting of board members affect performance. The research employed econometric models complemented by a survey so that more information could be revealed. Regression analysis on the data was carried out using Minitab software version 10 while qualitative data was collected by way of questionnaires. The findings of the study revealed that board size and educational qualifications in finance were positively related with performance whereas board independence was negatively related. Multiple directorships, composition of audit committee and gender diversity were insignificant in terms of their impact on performance. The research concluded that board size, board independence and educational

qualifications had a significant impact on bank performance while multiple directorships, composition of audit committee and gender diversity were insignificant. The research recommended that a reasonably big board of at least eleven board members for commercial banks was necessary with at least five members coming from finance or accounting background while there is need for an optimum combination of executive and non-executive directors to secure value for banks rather than excessively independent boards.

Key words

Board size, Board Independence, Composition of audit committee, Female Directorship, Multiple Directorship, Financial Qualifications.

Introduction

This part basically introduces the background to the study, statement of the problem, objectives of the research, research questions and hypothesis to be tested. In addition this chapter discusses the justification of the research, the scope and limitations of the study.

Background to the Study

The concept of corporate governance in banks has become a priority on the policy agenda of both developed and developing countries. Several events are responsible for the heightened interest in corporate governance. The subject of corporate governance assumed more significance following the collapse of high profile companies in the United States of America such as Enron, World Com and the 2007-8 global financial crises which resulted in the closure of banks like the Lehman Brothers. The collapse of these companies and crisis in the subprime market in the US and the associated liquidity crunch had a contagion effect on financial institutions and banks in many countries. Bear Sterns was taken over by JP Morgan with the support of the Federal Reserve Bank of New York. Freddie Mac and Fanny Mae, two governments sponsored enterprises that function as important intermediaries in the US mortgage market were taken into government conservatorship when their capital positions deteriorated. In 2005 Fannie Mae had announced that it had overstated earnings by $6.3 billion because it misapplied more than 20 accounting standards relating to loans, investment securities and derivatives. In the United Kingdom Northern Rock was nationalized. Several banks failed in Europe and the US while others received government recapitalization. Central to these stories is the assumption that somehow corporate governance is to blame- that is, the system of checks and balances meant to prevent abuse by executives failed. It is often alleged that that corporate governance arrangements did not serve their purpose to safeguard against excessive risk taking in a number of financial services. In some cases risk management systems failed due to corporate governance procedures as information about exposures did not reach the board and even senior levels of management.

In Africa bank failures related to corporate governance are also apparent. In Uganda for example, the factors responsible for poor corporate performance especially in banks emanated from lack of transparency, accountability and poor ethical conduct (Kibirango, 1999). Commercial banks

failures in Uganda have been linked to self-inflicted causes resulting from bank owners; International Credit Bank (ICB), Greenland Bank (GBL) and Coop Bank were afflicted with the one-man management syndrome of corporate governance. It is alleged that there was no separation between senior management and the board of directors in ICB and GBL. In Nigeria corporate governance gained importance following a failure of a number of financial institutions and questionable business practices. Prior to 2004, the Nigerian banking system could not deliver on its defined roles and was characterized by inadequate capital base, gross insider abuses that resulted in huge non-performing insider related loans and poor corporate governance among other issues. These factors prompted the Central Bank of Nigeria to undertake a massive transformation of the banking industry to establish a banking system that would drive Nigeria's economic growth and development. The three major governance issues that attracted the attention of the regulators in Nigeria were related party transactions, conflict of interest and creative accounting.

Locally the Zimbabwean banking sector has faced several challenges over the past decade. The country experienced a chain of bank collapses in 2003-4 at the height of the economic meltdown and inflation. By the end of 2004, ten banking institutions were placed under curatorship, two were liquidated and one discount house was closed. The Reserve Bank of Zimbabwe alleges that the financial sector had poor corporate governance structures characterized by improperly constituted boards of directors, poor board oversight, inexperienced management and undue influence or dominance by a few shareholders. For example the Central Bank alleges that Barbican bank collapsed because of poor corporate governance practices such as the absence of separate and independent boards for each subsidiary and the holding company and the domineering by the chief executive who was one of the major shareholders. Royal bank which had commenced commercial banking operations on 8 May 2002 was placed under curatorship on 4 August 2004 after it was determined that it was insolvent. The directors are alleged to have engaged in malpractices which included granting of insider loans, illegal foreign currency dealing, siphoning off depositors funds and poor corporate governance practices.   So most of the institutions that were closed or placed under curatorship faced similar accusations. In 2011 the Reserve Bank of Zimbabwe placed Renaissance Merchant Bank under curatorship for six months citing among other reasons the systematic abuse of depositors' funds, a high level of nonperforming insider and related party exposures. Further investigation by the Reserve Bank revealed the disintegration of corporate governance structures at the bank.   In 2012 Genesis Investment Bank was closed and Interfin Banking Corporation was placed under curatorship. These events once again brought into sharp focus the debate around corporate governance issues within the sector as the problems faced by these banks echoed 2003-4 banking collapses though on a minor scale this time. Thus while other observers blame the recent bank failures on structural problems within the economy, others view this as symptomatic of poor corporate governance especially among the locally owned institutions. Though corporate governance cannot be the only factor causing bank failure, the fact that it is regularly cited among reasons for bank failure makes it worthy while to investigate the

issues of corporate governance in the Zimbabwean banking sector. Statement of the Problem
Over the years a number of banking institutions have been put under curatorship or liquidated altogether in Zimbabwe as has been highlighted above. However, it is also important to point out that not all banks are struggling to the extent described above. Some banks particularly foreign owned banks like Barclays, Standard Chartered and Stanbic as well as local banks like CBZ bank have shown considerable stability over the years. The corporate governance structures of these banks are often cited as being sound In some cases such as the Renaissance bank, Trust bank, and Royal bank; these banks were part of larger family controlled business groups and are alleged to have been abused as a tool of maximizing the family interests rather than the interests of all shareholders and other stakeholders. The Reserve Bank of Zimbabwe alleges that poor corporate governance was a major factor in all the failed banks. It argues that weak corporate governance manifested in the form of weak internal control systems, override of internal control measures, absence of or non-adherence to limits of authority, disregard for cannons of prudent lending, absence of risk management processes and insider abuses. Despite reforms limiting owner managed   banks and those encouraging adoption of good corporate governance practices the banking sector in Zimbabwe has been rocked by instability in recent times for example liquidity issues at Kingdom bank, curatorship of Interfin in 2012,the liquidation of Genesis bank and the closure of Royal bank. In all these cases poor corporate governance practices are alleged to have played a role in magnifying the problems at these banks. Therefore this study seeks to analyse the impact of board composition on bank performance. The variables of interest are board size, influence of independent directors, multiple directorship, and composition of audit committee, gender diversity and demographic factors such as age, industry specific experience and educational qualifications.   The effectiveness of the board is influenced by these factors. When the board is effective it is expected to drive the company towards better financial achievement. The board of directors is the first level if supervision over the activities of the banks and its management. The board is ultimately responsible for the activities and results of the bank, for maintenance of stability and financial soundness.   It is therefore worthy while to analyze board composition and how it has impacted on the performance of banks in Zimbabwe.

Objectives of the Research
The overall objective of the study is to analyze the impact of board composition on firms' financial performance using evidence from commercial banks in Zimbabwe. The study seeks to achieve the following objectives:
Investigate the relationship between board size and bank performance
Ascertain the influence of independent board of directors on bank performance
Find out whether multiple directorship affects bank performance
Explain the relationship between composition of   the audit committee and bank performance
Examine the association between board gender diversity and bank performance.
To find out if specific educational qualifications in finance and or accounting of board members

affect bank performance.

1.4 Research Questions

1. Does board size affect bank financial performance?

2. Is there a relationship between the proportion on non-executive (independent) directors on the board and bank performance?

3.   Do multiple directorships impact on bank performance?

4. What is the relationship between the composition of the audit committee and bank performance

5. Does board gender diversity have any impact on bank performance?

6. Do demographic factors such as educational qualifications in finance of board of directors impact bank performance?

1.5 Hypothesis

The study developed the following testable hypothesis:

(Ha: alternative hypothesis)

Ha_1: There is a significant positive relationship between board size and bank performance.

Ha_2: There is a significant positive relationship between the proportion of non-executive directors and bank performance.

Ha_3: There is a significant negative relationship between directors who hold multiple directorship and bank performance.

Ha_4: There is a significant positive relationship between the proportion of non-executive directors on audit committee and bank performance.

Ha_5: There is a significant positive association between board gender diversity and bank financial performance.

Ha_6: There is a significant positive relationship between proportion of board members with financial qualifications and bank performance.

Literature Review

Board Size and Bank Performance

Board size can simply be defined as the total number of directors that a corporate organization has on its board. Lawal(2012) puts forward the argument that board size impacts on the quality of debate and comprimises its ability to make optimal corporate decisions. Jensen(1983) points out that large boards leads to coordination problems and hence are less effective. This view is shared by Yermack(1996) who argues that co-ordination, communication and decision making problems impacts negatively on the performance of the company as the number of directors increase. In light of the above arguments small size   boards are seen to promote effective and genuine intellectual deliberation as argued by Lawal 2012.

Proportion of Independent directors

Board independence has become a relevant issue in the corporate governance agenda. The board consist of two types of directors that is outsider (independent) and insider or executive directors.

Bhagat and Jeffris(2002) suggest that independent directors can play a role and help implement the principles of effective corporate governance that protect the rights of shareholders. Independence is viewed by the degree to which a director is free from conflict that might comprise his or her ability to act in the best intersts of the firm. The Reserve Bank of Zimbabwe guidelines define an independent non-executive director as one who is not a shareholder or representative of a shareholder and has not been employed by the bank or its related companies for the preceding three financial years. The bank supports the appointment of suitably qualified independent directors that provide the necessary checks and balances. Board independence can be an effective tool to deter fraudlent financial reporting as argued by He et al(2009). However, Andres and Vallelado(2008) present the argument that too much a greater number of non-executive directors could be to the detriment of board. .

Multiple Directorship

The number of positions that directors can accept remains a topical issue in Zimbabwe and around the world. The Reserve Bank of Zimbabwe guidelines of 2004 prohibit multiple directorship in the banking industry. This can be argued in terms of the "busyness hypothesis" by Ferris et al (2003) which states that a number of directorial appointment can make directors overcommitted thus reducing their ability to monitor management effectively on behalf of the shareholders.

Audit committee

Corporate governance mechanisms and practice support that the audit committee must be independent. Carcello and Neal(2003) argue that good financial reporting is linked with audit committee independence. For example Australian Corporate Governance principles require that companies must have an independent audit committee with a minimum of three independent directors. Klein(2006) is of the view that an audit committee may comprise both independent and dependent directors though she considers an audit committee as independent if the majority of the members are independent

Board gender diversity

Anasrapoulus et al(2002) considered the presence of women in boards and concluded that their presence improved board variety and discussion. Gender representation gained prominence following the release of Higgins report on good corporate governance in the UK. Gender representation is embraced as part of the broad principle of board diversity as put by Milken and Martins(1996)

Financial Qualifications

After the accounting scandals and financial crisis, regulators have noted the need for more financial experts on boards. Hambrick (1984) argued that organizational outcomes, strategic choices and performance partly reflect the managerial background characteristics of the board. It is in this light that directors' educational qualifications are considered important for effective interpretation and utilization of information generated by management. As such Kilpatrick(2009) criticizes boards for often lacking the financial expertise that make them effective. As a result board often do not understand and therefore cannot control the level of financial risk in a timely

and effective manner.

Research Methodology

The research design used for this study is the descriptive research design. Descriptive research is a process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subjects in the study. Thus a descriptive study determines and reports the way things are. The descriptive study design was adopted as the research was based on the state of affairs already existing in the field. The main focus of the study was quantitative although some qualitative approaches were used to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study.

Population

For this study the population consisted of all the commercial banks registered in Zimbabwe.

Sample Design and Sample Size

Purposive sampling was used in carrying out this study so that only commercial banks with complete information from 2005 to 2012 were included in the study.

Data Collection Instruments

The study used both primary and secondary data sources in gathering data for analysis. The primary data source was obtained from the used questionnaires consisting of both open and close-ended questions. Secondary data was collected from published annual reports and websites of the selected companies. The secondary data provided a reliable source of information needed by the researcher to investigate the phenomenon and seek efficient ways for problem solving situations. Primary data collection involved self-administration of questionnaires. The researcher dropped the questionnaires physically at the respondent's work places while in other cases they were sent via emails to those who were comfortable availing their emails.

Variables

Dependent Variable (Bank Performance)

.For this study the researcher employed return on assets as the measure of performance. ROA has been used in many studies on board performance (Zajac and Westphal, 1996; Shrader et al, 1997; Kiel and Johnson, 2003; Carter et al, 2003). ROA indicates what management has achieved given the resources (assets). It is directly related to management's ability to efficiently utilise corporate assets, which ultimately belong to shareholders.

Explanatory Variables

The explanatory variables include size of the board, proportion of independent directors on the board, multiple directorship, audit committee composition, number of women on the board and the number of members with financial qualifications on the board. The definitions and measurements of the variables are as follows:

Specifications of Empirical Research Model

Model Specification

To estimate the impact of corporate governance mechanisms on the financial performance of

sample commercial banks in Zimbabwe the following general empirical research model is developed:

To estimate the impact of corporate governance mechanisms on the financial performance of sample commercial banks the following general empirical research model is developed.

$$Y_{it} = \beta_o + \sum \beta_K X_{it} \varepsilon_{it}$$

Where:

Y_{it} represents the dependent variables (ROA and Non Performing Loan Ratio) of bank i for time period t.

β_o is the intercept.

β_k represents the coefficients of the X_{it} variables.

X_{it} represents the explanatory variables (Board Size, Proportion of Independent directors, Multiple directorship, Composition of audit committee and Female directors)

The above general empirical research model is changed into the study variables to find out the impact of corporate governance mechanisms on banks financial performance as follows

$$ROA_{it} = \beta_0 + \beta_1(BSIZE_{it}) + \beta_2(B\ IND) + \beta_3(MD) + \beta_4(COMP\ AUDIT) + \beta_5(FD)\beta_6(ED) + \varepsilon_{it}$$

Dependant Variables

ROA_{it} Return on Asset for i^{th} bank and time period t

INDEPENDENT VARIABLES

$BSIZE_{it}$ Board size for i^{th} bank and time period t

B IND   Board Independent members for i^{th} bank and time period t

MD   Multiple Directorship for i^{th} bank and time period t

COMP AUD   Composition of Audit Committee

FD   Female Directors for i^{th} bank and time period t

ED   Educational Qualifications in Finance

Methods of Data Analysis

In this study to analyse the collected data both descriptive, correlation and multiple linear regression data analysis method were employed. The descriptive statistics was used to quantitatively describe the important features of the variables using mean, maximum, minimum and standard deviations.

The correlation analysis was used to identify the relationship between independent and dependent variables using Pearson correlation analysis. The correlation analysis only shows the degree of association between variables and does not permit the researcher to make causal inferences regarding the relationship between variables. Therefore, multiple linear regression analysis was also employed to test the hypothesis and to explain the relationship between

corporate governance variables and return on assets. Qualitative analysis was used for qualitative data collected through the questionnaire. SPSS 16 software was used for analysis and the results presented through tables.

Normality Testing

Normality of the variables was examined using the Anderson-Darling Normality test and the White test.

Multicollinearity Test

The issue of multicollinearity may arise if two or are variables were to be highly correlated. It may affect the estimation of the regression parameters (Hair et al, 2010). Multicollinearity was tested by examining the correlation matrix.

DATA ANALYSIS AND PRESENTATION

.. The first section is the descriptive statistics which summarises the main features of the study variable such as mean, maximum, minimum and standard deviation. The second section is the correlation analysis which shows the degree of association between the study variables. The third section focuses on the regression results of the regression model.

4.1 Descriptive Statistics of the Study Variables

This section discussed the summary statistics of each variable of the study. The variables are the dependent and independent variables. The dependent variable used in this study to measure the sample commercial banks performance is return on asset while the explanatory variables are board size, proportion of independent non-executive directors, multiple directorship, proportion of independent non-executive directors on audit committee, board gender diversity and board members educational qualifications in finance. The descriptive statistics for all variables are presented below in table 1.

Table 1

Descriptive Statistics

Variable	N	Mean	Median	TrMean	StDev	SEMean
BSIZE	18	11.000	11.000	11.000	1.414	0.333
BIND	18	7.611	8.000	7.562	1.539	0.363
MD	18	5.722	6.000	5.687	1.018	0.240
COMPAUD	18	2.07	1.00000	1.00000	0.02357	0.00556
FD	18	0.889	1.000	0.875	0.583	0.137
ED	18	2.944	3.000	2.938	0.639	0.151
ROA	18	0.0797	0.0395	0.0745	0.0785	0.0185

Table 2

Variable	Min	Max	Q1	Q3
BSIZE	8.000	14.000	10.000	12.000
BIND	5.000	11.000	6.750	9.000
MD	4.000	8.000	5.000	6.000
COMPAUD	0.90000	1.00000	1.00000	1.00000
FD	0.000	3.000	0.750	1.000
ED	2.000	4.000	2.750	3.000
ROA	-0.0051	0.2475	0.0233	0.1606

As presented in table 1, the average value of return on asset for the sample Zimbabwean commercial banks is 7,97% (mean = 0,0797) with a maximum and minimum value of 24.75% and -0.51% respectively. The standard deviation is 7.85% from the average value.

It is confirmed in the table above that the average board size for the sample commercial banks is about 11 members (mean = 11.00) with a maximum of 14 and minimum of 8 directors. The standard deviation indicates that for the sample commercial banks board size varies by 1.414 from the average value of 11. The standard deviation of 1.414 suggests that there is no wide dispersion in the board size of the sample commercial banks.

In terms of proportion of independent non-executive board member, the board of sample commercial banks has a maximum of 11 members and a minimum of 5 members on the board.

As can be seen from the table above, the average directorship positions held by a director of the sample commercial banks was 6(5.722).

The average number of independent non-executives on the audit committee is 2 (mean = 2.07). The minimum percentage for the sample banks was 90% and the maximum was 100%. The majority of audit committees of the bank were composed of independent non-executive directors. In terms board gender diversity, the average board of the sample commercial banks had 1 female member as a director (mean = 0.889) with a minimum of 0 and maximum of three female board members. This suggests that the diversity of sample Zimbabwean commercial bank boards is low.

It could also be seen from the table above that the average board has 3 members with educational qualifications in finance at graduate or post graduate level. The number of directors with finance 1 accounting qualifications range from a minimum of 2 to a maximum of 4 members.

Correlation Analysis of the Study Variable

This section of the study present the results and discussions of the Pearson correlation analysis. In order to identify the relationship among the variables of corporate governance and financial performance Pearson correlation coefficients were used. The correlation coefficients shows the extent and direction of the linear relationship between corporate governance variables and financial performance of the sample Zimbabwe commercial banks. Since the correlation analysis shows only the degree of association, it is followed by multiple regression analysis.

Correlation Analysis of ROA and Corporate Governance Mechanisms

Below in table 3 the correlation matrix shows the relationship of the return on asset with board size, proportion of independent directors, multiple directorship, composition of the audit committee, board gender diversity and board members educational qualifications in finance.

Table 3

	BSIZE	BIND	MD	COMPAUD	FD	ED
BIND	0.540					
MD	0.000	-0.261				
COMPAUD	-0.176	0.099	-0.068			
FD	0.428	0.015	0.044	-0.048		
ED	0.260	-0.382	0.156	-0.412	0.614	
ROA	0.262	-0.423	0.123	-0.388	-0.051	0.465

Table 3 point out board size, multiple directorship, board members educational qualifications in finance are positively correlated with return on asset.   However, board size and educational qualifications in finance are significantly correlated with return on asset.   Board gender diversity in terms of female directorship show an insignificant correlation with return on asset.   Even though it's not significant board gender diversity shows a negative coefficient contrary to expectations.

According to the correlation reported in table 3 the Pearson correlation coefficients of board size, proportion of independent non-executive board members, multiple directorship, composition of the audit committee, board gender diversity and board members educational qualifications in finance are   0.262, -0.423, 0.123, -0.388,-0.051and 0.465 respectively.   From this it can be understood that proportion of independent non-executives on the boards, and board members educational qualifications in finance as well board size have a strong association with return on asset.   In contrast female directorship has a negative but weak association with return on asset. In can also be pointed out that no high correlation is found among the independent variables which eliminates the problem of multicollinearity since all the co-efficient are lower than 0.8.Since correlation analysis shows only the direction and degree of association between variables, it does not allow the researcher to make causal inferences regarding the relation between the identified variables.   Thus the main analysis is left for regression analysis that overcomes the shortcomings of correlation analysis.

Analysis of Qualitative Data
Diagnostic Tests of the Data Set

Before the regression model was run, the data was tested for the classical linear regression model assumptions.

Linear regression requires the absence of a problem of multi-collinearity between independent

variables in the model. Kennedy (1985) provides r=0.8 to decide on a serious problem of collinearity between independent variables in the model. The correlation matrix shows the Pearson correlation between the different independent variables is moderate. This implies the absence of multi-collinearity problem between the variables.

Durbin –Watson test was also carried out to find out if there was no autocorrelation in the data. The Durbin-Watson statistic was 2.27 which as a rule of thumb should be 2 so there is no serial autocorrelation in this data.

Anderson-Darling normality test, known as the A^2 statistic was also carried out using MINITAB software. The underlying null hypothesis was that the variables under consideration were normally distributed. The computed A^2 was 0.245 and p-value 0.723 which was reasonably high. Therefore the research did not reject the null hypothesis that the residuals from ROA –Corporate governance relationship are normally distributed (see Appendices)

All the tests carried out of classic linear regression model assumptions for ordinary least squares estimation prove that the results from the regression in this study are consistent, free from bias and efficient since the holds.

The results of the regression model are summarized below in table 4.3.

Table 4:Regression Analysis

Predictor	Coef	Stdev	t-ratio	P
Constant	0.1460	0.6820	0.21	0.834
BSIZE	0.04677	0.01337	3.50	0.005
BIND	-0.03985	0.01304	-3.06	0.011
MD	-0.00811	0.01274	-0.64	0.537
COMPAUD	-0.2660	0.6118	-0.43	0.672
FD	0.07721	0.03069	2.52	0.529
ED	0.03469	0.03439	1.01	0.035

s = 0.05074   R-sq = 73.0%   R-sq(adj) = 58.2%

The regression equation is

ROA = 0.146 + 0.0468 BSIZE - 0.0399 BIND - 0.0081 MD - 0.266 COMPAUD

                0.0772 FD + 0.0347 ED

As shown in the table the R^2 for the model is 73.0% variation in return on asset was explained by independent variables used in the study while 27% of variation in return on asset is due to other factors not included in this study.   The R^2 result indicates the overall goodness-of-fit   of the model used in this study.   After modification the explanatory power of the model, the adjusted R^2 value was 58.2% which indicates that 58.2%of the return on asset was explained by the explanatory variables in the model. The adjusted R^2 measures how well the model fits the data by taking into account the loss of degrees of freedom associated with adding the extra variables hence this model fits the data.

In addition, the F statistics shows the overall significance of variables in other words the

significance of the model slope parameters jointly.   The F-statistic of the model was 4.95.

Board Characteristics: Results and Discussion

Board Size

The study found a positive and statistically significant association between boards size (BSIZE) and return on asset at 5% level of significance.   This implies that as the number of board members of commercial banks increase, their performance also increase.   Therefore large boards are appropriate for the effective monitoring and controlling banks management and thus reducing agency costs.

Proportion of Independent Directors on the Boards

The proportion of independent directors on the board is negatively correlated with return on asset with a co-efficient of -0, 03985 and is statistically significant at 5 percent level of significance. The result indicate that the increase in the proportion if independent non-executive directors on the board decreases bank operation and performance of commercial banks. .   The result rejects the proposed alternate hypothesis that there is a significant positive relationship between the proportion of non-executive directors and bank performance.

Multiple Directorship and Bank Performance

Hypothesis 3 expected that multiple directorship (MD) is negatively associated with banks financial performance.   Although multiple directorship has a negative coefficient it is statistically insignificant at 5% level of significance. This basically means multiple directorship has no meaningful impact on bank performance as measured by return on asset and hence the alternative hypothesis is rejected.

Composition of the Audit Committee (COMP AUD)

The composition of the Audit Committee in terms of independent versus executive director has a positive coefficient of -0.2660 and is statistically insignificant at 5 percent level of significance. The implication is that the composition of the audit committee does not affect bank performance hence the alternative hypothesis is rejected. .

Board Gender Diversity (FD)

The regression result show that female directorship has a positive coefficient with return on asset though insignificant. The alternative hypothesis predicts that the number of female directors on the board is positively associated with financial performance.   Thus the insignificant co-efficient of the percentage of women does not support this alternative hypothesis.   The reason for this result could be due to relatively small proportion of board members who are women (as indicated in the descriptive analysis section), which limits their monitoring effect.

Board Members Educational Qualification in Finance and Accounting.

Board members with qualifications in finance and accounting has a positive effect on return on assets of the sample commercial banks with a positive co-efficient of 0, 16768.   The result indicate increasing the proportions of directors with financial acumen ship at graduate or postgraduate level has a significant positive impact on the financial performance of commercial banks.   The result suggest that presence of qualified and financially literate directors on the

board plays an important role in the monitoring and controlling duties of the board.   This is in line with the alternative hypothesis which expected a positive relationship.

Conclusions

This study investigated the impact of board composition on bank performance using seven Zimbabwean commercial banks with a data set covering 9 years period from the year 2004 to 2012.   Based on the results of descriptive statistics, correlation and regression analysis the researcher made the following conclusions.

The regression result show that board size has a significant positive effect on return on asset. . Accordingly, the researcher concludes that board size significantly positively influence sample commercial banks financial performance as measured by return on asset. The results are in line with the findings of Maki and Li (2001) who found a positive relationship between board size and bank performance. .

Proportion of independent directors significantly negatively influences the financial performance of sample commercial banks as confirmed by regression analysis with a negative coefficient of -0.03985 and a p-value of 0.011 which is significant at 5% level of significance. .   Therefore the research concludes proportion of independent directors has a negative effect on bank financial performance as measured by return on asset. The findings of the study are in line with those of Agrawal and Knoeber (2006) who found a negative relationship between board independence and firm performance.

According to the regression result the composition of the audit is statistically insignificant and therefore has no influence on bank performance.   The findings of this research are in line with the insignificant association that Klein (1998) and Hsu (2008) found in their studies. Makand Kusnadi (2005) also failed to find any significant relationship between audit composition and firm performance.

There was no statistically significant relationship between board gender diversity and return on asset as shown by regression results.   The possible explanation could be due to small numbers of female directors observed in the descriptive statistics which does not permit them to be powerful enough to make a difference in performance.

Board member's educational qualification in financial and or accounting significantly and positively influence the performance of sample commercial banks as reported by both regression analysis and qualitative analysis.   The presence of directors with financial qualifications plays an important role in carrying out the boards monitoring responsibility and controlling duties.   Thus, board members educational qualifications in finance has a significant positive effect on banks financial performance. The findings of the study support the findings of Harnnifa and Cooke (2002) and Yermack (2006) who identified a positive relationship between accounting education of board and firm performance.

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