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Does Board Size Matter?

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ABSTRACT

This study aims to investigate the relationship between board size and firm performance of non-financial institutions in Jordan. The study employs the panel data of 57 non-financial institutions of the industrial and services sector over the period 2012–2023. Firm performance is measured by return on assets ROA. While board composition was explained by board size, non-executive directors (NEDs), and a number of board meetings. Firm age, leverage and firm size were added to our model as control variables. Our results reveal that board size, non-executive directors (NEDs), firm age, and firm size have a positive significant impact on firm performance, whereas the number of board meetings and leverage have a negative significant impact on firm performance. This paper will contribute to the ongoing debate on the relationship between the board composition and firm performance. Therefore, the current study extends previous literature by providing empirical evidence about the relationship between board size and firm performance. Particularly in developing countries, there is relatively a little researched area. Jordanian firms are needed to consider the significance of the board size especially, for the non-financial institutions that can help them in designing the board strategies to enhance their performance. Therefore, Jordanian data will offer new empirical evidence in an emerging market, which will provide a better understanding of the relationship between board characteristics and firm performance.

Keywords: Non-Financial Institutions, Board size, Firm Performance, Jordan, Panel Data Analysis