

Board of Directors Characteristics and Credit Union Financial Performance

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Abstract : We examine the effect of board characteristics on the performance and asset quality of credit unions in Australia, using a large sample covering the period 2004-2012. Credit unions are unique in that they are customer-owned financial institutions and directors are democratically elected by members, which is distinctly different from other financial institutions, such as commercial banks. We find that board remuneration, board expertise, and attendance at board meetings have significantly positive impacts on credit union performance and asset quality, while board members who hold multiple directorships (busy directors), have a significant negative impact on credit union performance. Financial performance also improves with larger boards and long-tenured directors in credit unions. All of these relations hold after we control for alternative measures of performance, credit union characteristics and endogeneity problem.

Keywords : credit unions, corporate governance, board of directors, financial performance, Australia, asset quality

Conference Title : ICAFM 2015 : International Conference on Accounting and Financial Management

Conference Location : Istanbul, Türkiye

Conference Dates : May 21-22, 2015