

**M.A. Zavertiaeva**

International Laboratory of Intangible-driven Economy (IDLab), HSE University,  
Perm, Russia

**D.A. Kirpishchikov**

International Laboratory of Intangible-driven Economy (IDLab), HSE University,  
Perm, Russia

**A.D. Kireecheva**

International Laboratory of Intangible-driven Economy (IDLab), HSE University,  
Perm, Russia

**E.S. Chekmareva**

HSE University, Perm, Russia

**E.V. Akulich**

HSE University, Perm, Russia

## **The impact of board members from banks with revoked licenses on the performance of the Russian companies<sup>1</sup>**

**Abstract.** This study examines how directors associated with the Russian banks with revoked licenses affect the performance of non-financial companies. Since 2013, the Central Bank of Russia has pursued improvements in the financial sector. It is also implementing a «blacklist» of individuals with unsatisfactory business reputations. Focusing on directors of banks with revoked licenses, we examine whether their corporate governance actions may negatively affect company performance when they are included on boards. Using a sample of Russian public companies from the MICEXBMI index and banks during 2013–2020, and with Heckman selection models, we find that firms that appoint more than one director from banks with revoked licenses experience significant declines in market-to-book (M/B) ratios and return on assets (ROA). The effects vary according to the cause of revocation: law reasons reduce ROA (operational inefficiency), while financial reasons reduce M/B (investor distrust). Contrary to expectations, affiliation with state-owned or systemically important banks does not mitigate these effects. These findings highlight the spillover effects of banking sector instability on firm performance in emerging markets.

**Keywords:** *business reputation; board of directors; license revocation; emerging markets; connections of board members.*

JEL Classification: G30, G34.

For reference: **Zavertiaeva M.A., Kirpishchikov D.A., Kireecheva A.D., Chekmareva E.S., Akulich E.V.** (2026). The impact of board members from banks with revoked licenses on the performance of the Russian companies. *Journal of the New Economic Association*, 1 (70), 302–326 (in English).

DOI: 10.31737/22212264\_2026\_1\_302-326

EDN: LWPAYA

### **1. Introduction**

On June 24, 2013, Elvira Nabiullina became the head of the Central Bank of Russia (CBR). One of the tasks of regulating the banking sector was to increase the transparency of its operation and to eliminate unscrupulous and unstable actors. As of July 1, 2013, there were 894 banks in Russia. By the beginning of 2025, their number more than halved to 314. According to Sergey Shvetsov, Member of the Public Council

<sup>1</sup> The publication was prepared within the framework of the Academic Fund Program at HSE University (grant №25-00-066 Identifying the Effects of Unsatisfactory Business Reputation of Bank Top Management on Organizational Performance).

under the Ministry of Finance of the Russian Federation, corporate governance is one of the primary causes of problems in financial organizations. The importance of corporate governance of banks is recognized not only in Russian practice. After the global financial crisis of 2007–2008, attention to corporate governance issues in banks and, in particular, to the Boards of Directors (BoD) increased significantly. Trends of intensification of board activities and the convergence of board requirements in different countries were identified (McCahery, Vermeulen, 2014).

One of the tools used by the CBR to upgrade the quality of banks' corporate governance is the so-called «blacklist» compiled by the CBR. As of end-2020, this list includes 7,182 top managers, shareholders and members of the Board of Directors of financial organizations whose business reputation is considered unsatisfactory. One of the reasons for being on the list is to be a member of the Board of Directors of a bank under resolution, and the consequences include deprivation of the right to join the Board of Directors or top management of financial organizations for 10 years, as well as to acquire large stakes in these organizations<sup>2</sup>. Thus, the Central Bank assumes that membership in the Board of Directors of banks with revoked licenses negatively affects the business reputation of bankers and forms undesirable patterns of strategic decisions.

Although directors of banks with revoked licenses are blacklisted, there is currently no prohibition against their appointment to corporate boards. On the one hand, banks operate under specific conditions and, therefore, the members of the board of directors of banks may implement different management strategies when they work in companies. In addition, the knowledge of the financial system that such directors may be useful in the choice of the strategy for the company. On the other hand, director's participation in the board of a bank that was or will be unstable may have formed negative behavioral patterns that he replicates when working in other banks or firms. There is no empirical research in the literature on the impact of directors with poor business reputations developed during their service in a bank board on the performance of real economy companies. Although the literature analyzed the impact of the business reputation of BoD members, it has primarily analyzed firms using different methods of measuring reputation (Le et al., 2022; Liu, Lai, Haw, 2024; Masulis, Mobbs, 2023; Tang et al., 2024), such as the involvement in multiple BoDs (Fredriksson, Kiran, Niemi, 2020; Ling et al., 2016; Masulis, Mobbs, 2023; Tang et al., 2024), including director centrality (Liu et al., 2024), director compensation (Fredriksson, Kiran, Niemi, 2020), director media mentions and tenure (Milbourn, 2003), and serving in the BoD of large firms (Le et al., 2022). Thus, the relevant question is whether the participation of a director in the board of directors of a bank, which is later recognized as unstable, is really a reflection of negative patterns of his behavior, which he replicates while serving in the boards of companies? What are the conditions related to the peculiarities of the organization's functioning, the established corporate governance system and the type of ownership that can influence the transformation of corporate reputation into performance? To find answers to these questions is the purpose of the study, which is to verify the impact of unsatisfactory business reputation of members of the board of directors of banks with revoked licenses on the performance of the Russian companies functioning.

---

<sup>2</sup> The Central Bank of the Russian Federation ([https://www.cbr.ru/eng/business\\_reputation/](https://www.cbr.ru/eng/business_reputation/)).

The sample includes the largest Russian non-financial public companies, whose shares constitute the Moscow Stock Exchange Broad Market Index (MICEXBMI), for the period 2013–2020. We also observe all Russian public banks and those private banks that publish their annual reports for this period. In 2013, our dataset contains 1153 company directors and 3474 bank directors, while in 2020 the directors number decreases to 898 company directors and 1935 bank directors. The number of company-year observations in the sample after excluding outliers is 773. We're using the Heckman sample design, which allows us to consider that a company first makes the decision to include a bank director to its board, then observes its effect on firm performance.

The study finds that the presence of more than one director from a bank with a revoked license in a corporate board significantly reduces firm performance, as measured by market-to-book (M/B) ratios and return on assets (ROA). The negative effects vary depending on the reason behind the license revocation (e.g., misreporting vs. delay in reporting), with distinct impacts on ROA (operational efficiency) and M/B (investor confidence). Notably, directors from systematically important banks or state-owned banks fail to mitigate these adverse effects, challenging assumptions that such affiliations inherently confer governance benefits. These results highlight the persistence of the harmful influence of directors from banks with revoked licenses, even when paired with seemingly reputable counterparts.

The paper contributes to the literature on the theme in several ways. First, the paper advances the corporate governance literature by empirically linking directors' negative business reputations – rooted in their association with failed banks – to tangible declines in firm performance. Second, it introduces a novel measure of director reputation: participation in the board of a bank the license of which is revoked by the regulator. It differs from previous measures such as board centrality or tenure, and is based on the central bank's 'blacklisting' practice, which provides a framework for regulatory action applicable to emerging markets. Third, the study shows that directors of state-owned or systemically important banks are unable to neutralize reputational damage. The differences between various types of bank experience and their implications for firm performance were not previously studied.

The paper is organized as follows. Section 2 discusses the relevant literature on corporate governance theories, explaining the role of bankers on corporate boards and the influence of directors' professional experience. Section 3 describes the data and methodology, focusing on the way in which the unsatisfactory business reputation of directors is measured based on their experience in the board of a bank with revoked license. Section 4 reports the basic results along with additional tests. Finally, section 5 concludes the study.

## 2. Literature review

### 2.1. Theories explaining the influence of board members on corporate performance

In the context of globalization and increased competition in the global markets, the role of the board of directors is becoming increasingly important in ensuring

sustainable business development. The board plays a critical role in strategic management, key decision-making and oversight of management activities. Its influence on corporate performance is mainly viewed through the lens of agency theory. It is concerned with the relationship between a principal (firm owner) and an agent (CEO), where the agent may act in his or her own interest, resulting in agency costs (Jensen, Meckling, 1976). These costs are based on conflicts of interest and information asymmetry between the parties. The board of directors ensures that the interests of the owners (principals) are met, which should lead to better performance.

Other theories, namely the human capital theory, the social capital theory, resource dependency theory and the upper echelon theory, explain that the board of directors is composed of directors with different characteristics and backgrounds. The mix of these characteristics may also affect firm performance. Thus, human capital theory (Becker, 1964) emphasizes the value of human knowledge, abilities, and experience and their impact on the appropriation of economic benefits and the enhancement of firm performance. Social capital theory (Bourdieu, 1986) views board members social connections and interactions as another type of valuable resources for benefiting and achieving organizational goals. Resource dependency theory regards board directors as suppliers of limited resources, which are particularly represented by their human and social capital. In turn, upper echelon theory (Hambrick, Mason, 1984) argues that a company's organizational performance reflects the characteristics of its top management team. Experience, values and beliefs of top managers influence their perception of situations and decision making, which is subsequently reflected in the strategies and performance of the companies. These theories provide insight into the importance of different director characteristics in the context of managing company's performance.

## 2.2. Empirical research on the experience of board members in a bank

The experience of board members is one of the most commonly analyzed characteristics in the theories described above. It can be interpreted as human capital (accumulated knowledge and skills) and social capital (relationships formed while working) that can be converted into company results. There are empirical studies that examine the impact of directors' experience on corporate or bank performance. Within the scope of corporate activity, some studies reveal a positive relationship between such diversity and corporate outcomes (Hu, Liu, 2015). Metrics for board members' experience include tenure, overall career experience, and the number of organizations in which they have worked (Hu, Liu, 2015; von den Driesch et al., 2015). In banks, the work experience of directors has a positive impact on their effectiveness (Loginova, Semenova, Balsevich, 2026; Pangestu, 2016; Rajgopal, Srinivasan, Wong, 2019).

Among studies of board experience, studies of directors' experience in a bank are growing in popularity. Bankers in a board in this context are understood as board members who have past or present experience working in a bank. According to social capital theory, bankers can use their extensive networks in the financial and business community to benefit a firm by facilitating access to resources and building trust with key stakeholders. Scandals, financial difficulties, and other problems faced by a bank director can negatively affect the company's reputation. The desire to maintain an impeccable reputation can also lead to overly conservative decision-making and missed

opportunities for growth. According to agency theory, the inclusion of bankers in corporate boards can play a role in mitigating agency problems. Their financial expertise allows them to perform better monitor management actions and ensure that decisions are consistent with shareholder value, while their ability to apply rigorous risk management procedures can promote more responsible management behavior and reduce agency costs. However, agency theory also highlights potential drawbacks of bank directors. An overemphasis on financial performance can neglect other important aspects of the business, such as product innovation or employee engagement, or lead to excessive dependence on a particular financial institution, limiting the firm's strategic options. According to the resource dependency theory, firms, especially under financial constraints or market uncertainty, seek to attract bankers to their boards to ensure better credit terms and strategic risk management. However, there is a risk of conflict of interest when bankers act in the interest of credit institutions rather than in the interest of the firm, which may reduce the financial flexibility of the firm in the long run. In non-standard situations, bankers may use classical financial instruments that do not take into account the specific needs of the company. Therefore, according to theories, bank directors can be both beneficial and detrimental to corporate performance.

A substantial body of academic literature empirically tests the impact of bankers on a firm's financial indicators. Thus, there are studies which reveal that the presence of bankers in the board leads to higher financial leverage (Burak Güner, Malmendier, Tate, 2008; Egrican, 2021; Sisli-Ciamarra, 2012). Nevertheless, some of the studies show the opposite result, for example, (Byrd, Mizruchi, 2005) find that firms with more bankers in their board tend to have lower leverage, presumably due to the monitoring that bankers bring to the board. Research findings also indicate that companies often have nominal banking directors who serve as providers of expert knowledge and exert a positive influence on the firm's efficiency and governance (Nachane, Ghosh, Ray, 2005). Interestingly, the presence of investment bankers in the board increases the likelihood of future acquisitions by the firm (Huang et al., 2011). At the same time, some studies show a negative correlation between the presence of bankers and the financial results of the company, as bankers tend to increase the company's financial leverage and reduce investment efficiency, particularly for troubled firms with which the banker had previous credit relationships (Mitchell, 2008). In such cases, a banker's experience in a problematic company may negatively affect the financial outcomes of the company in which he serves as a director.

### 2.3. Empirical research on the negative experience of board members

In terms of metrics to measure the presence of banking experience among board members, a dummy variable is commonly used, which takes the value of 1 if at least one board member has banking experience (Nachane, Ghosh, Ray, 2005). There also exist other indicators: two dummy variables, where one equals 1 when there is a dependent banker in the board, and another that equals 1 when there is an independent banker (Mitchell, 2008); the number of directors with banking experience (Huang et al., 2011); the percentage of external directors with banking experience; a dummy variable equals to 1 if, at the time of appointment to the board, a director-

investor was still employed as a banker; financial metrics of the company before and after the inclusion of bankers in the board (Kroszner, Strahan, 2001).

According to (Mitchell, 2008), the negative experience of a board member may have an impact on the company's performance. This negative experience may be gained during crises or disasters. According to (Dittmar, Duchin, 2016) firms governed by directors who have experienced crises carry less debt, save more cash, and invest less than other firms, with stronger effects on poorly managed firms. (Bernile, Bhagwat, Rau, 2014) further illustrate that a CEO who survived a fatal disaster without extremely negative consequences leads a more aggressive company, whereas a CEO who endured a catastrophe with severe negative outcomes behaves more conservatively. CEOs that grew up during the Great Depression are averse to debt and rely excessively on internal financing (Malmendier, Nagel, 2011).

A director's negative professional experience, such as working in a company that has experienced turmoil such as litigation or bankruptcy, may also be considered to affect the company's performance. Gopalan, Gormley and Kalda (Gopalan, Gormley, Kalda, 2021) consider a variable of interest that takes the form of a dummy variable, which equals 1 if the firm has at least one director who is common with a firm that filed for bankruptcy, and 0 – otherwise. The results also demonstrate that in such cases, the firms take on more risks, potentially influenced by individual directors. Other studies reveal that the presence of directors from a firm facing litigation reduces the valuation of that firm. Moreover, these directors are more likely to lose their position in a stable operating firm (Fich, Shivdasani, 2006). Overall, no studies were found that examined the impact of negative banker experience on firm performance.

However, it is important to note that negative reputational effects can persist even when more reputable directors are present due to several mechanisms rooted in economic theory. A theory of collective reputations highlights that negative information is often more salient and persistent than positive signals. Stakeholders – investors, regulators, and the public – may update their beliefs about a firm or board stronger in response to negative events and these beliefs are slow to revert, even if new reputable directors join. The «ripple effect» of negative publicity means that trust and confidence are quickly eroded but take much longer to rebuild, especially in the digital age where adverse information spreads rapidly and remains accessible. Even the presence of reputable directors does not guarantee immediate restoration of trust. Stakeholders may infer that reputable directors are either unaware of complicit or past failures, or that their influence is limited, especially if negative events are recent or severe. This aligns with signaling theory, where the presence of negative signals can dominate or dilute the positive signals sent by reputable individuals. Empirically, this idea is supported by the work of (Dittmar, Duchin, 2016), who argue that experiences associated with negative outcome has a stronger influence on financial decisions.

Existing research on the impact of having bankers in the board of directors mainly looked at developed markets, usually of the US, despite the fact that banks in emerging markets play a key role in financing businesses, making their involvement an important factor of corporate policy. Relatively few studies are found on a sample of developing countries, particularly India (Nachane, Ghosh, Ray, 2005), which confirms the need for further market research of such specificity. Also, despite the mass of studies examining negative experiences of board members, most of them focus on

negative personal experiences: surviving crises and disasters (Bernile, Bhagwat, Rau, 2014; Dittmar, Duchin, 2016; Malmendier, Nagel, 2011). Working in a company that undergone a crisis or faced litigation is considered a negative professional experience for directors (Fich, Shivdasani, 2006; Gopalan, Gormley, Kalda, 2021). However, to the best of our knowledge, experience in a bank that lost its license is not considered a metric of negative professional experience.

### 3. Data and methodology

The dataset is derived from several sources. First, we use information on Russia's largest non-financial public companies. We select companies the shares of which were included in the Moscow Exchange Broad Market Index (MOEXBMI) at least once between 2013 and 2020. Together, these companies represent the non-financial sector of listed companies and account for approximately 80% of the total capitalization of the Russian stock market. Data on boards of directors was taken from annual reports, while consolidated financial statements were obtained from the SPARK Interfax database.

Second, we collect all available annual reports of both public and non-public commercial banks. Notably, some non-public banks omitted information on board members, as this is not required by law. However, these banks tend to be smaller in size, suggesting limited influence over large corporations. Table 1 shows the dynamic of banks number, number of banks the licenses of which were revoked and the number of board members. Over the sample period, 910 unique banks were analyzed, of which 247 did not disclose board of directors and 527 ceased operations. A significant reduction in the number of banks happened between 2013 and 2020, with the number of active banks falling from 843 to 358. This trend is consistent with reforms initiated under the leadership of Elvira Nabiullina at the Central Bank of Russia, including stricter supervision of financial organizations (Schoors, Yudaeva, 2013).

**Table 1.**

Number of companies, banks and board members in the sample

Name of variable	2013	2014	2015	2016	2017	2018	2019	2020
Number of companies	125	126	113	109	110	112	108	99
Number of board members in companies	1153	1165	1062	1053	1032	1003	1008	898
Total number of banks in the sample	843	800	724	626	521	461	374	358
Number banks with revoked licenses	44	95	105	113	63	77	23	7
Number of banks with an available list of directors	524	563	499	532	464	396	353	335
Number of board members in banks	3474	3498	3077	3075	2618	2265	2031	1935

*Source:* authors' calculations. The total number of banks and the number of banks whose licenses have been revoked were obtained from the Central Bank of the Russian Federation.

In this paper, we examine the influence of directors with prior working experience in banks with revoked licenses. However, the decision to appoint such directors introduces a self-selection problem, stemming from the endogenous nature of this decision. This process is non-random and influenced by unobserved company-specific characteristics, such as financial strategy or strategic priorities, which may affect both the appointment of bankers and firm performance. Consequently, estimates of the effect of these directors on company performance may be biased. To address this self-selection issue, we employ the Heckman two-step method (Heckman, 1979).

In the first step, we estimate the equation for the presence of bankers in the board of directors:

$$C_{i,t}^* = Z_{i,t}'\alpha_1 + \varepsilon_{i,t}, \quad (1)$$

$$C_{i,t} = 1 \quad (C_{i,t}^* > 0), \quad (2)$$

where  $C_{i,t}^*$  denotes a latent-dependent continuous variable that is associated with a presence of bankers on board of directors and  $C_{i,t}$  is the presence of bankers in the board of directors in a company  $i$  in year  $t$ . The matrix  $Z_{i,t}'$  contains variables that influence the probability of the banker's inclusion in the board of directors. First, we include board size and independence as measures of board composition. Second, we incorporate financial variables: return on assets (ROA)<sup>3</sup>, financial leverage, tangibility, liquidity, and company size. These are included because prior literature demonstrates the varied effects of bankers on boards on financial policies and ratios (Burak Güner, Malmendier, Tate, 2008; Huang et al., 2011; Sawhney, Goel, Bhardwaj, 2023; Sisli-Ciamarra, 2012). Finally, we use the industry-average presence of bankers in boards as an instrumental variable to control for industry-specific trends in board composition.

The second step of Heckman sample selection model is given by

$$Y_{i,t}^* = X_{i,t}'\beta_1 + \beta_2 SatRep_{i,t} + \beta_3 UnsatsatRep_{i,t} + \varepsilon_{i,t}, \quad (3)$$

$$Y_{i,t} = Y_{i,t}^* C_{i,t}, \quad (4)$$

where  $Y_{i,t}^*$  is a latent dependent variable. Equation (4) reflects the selection mechanism and indicates that the latent variable is observed only when  $C_{i,t} = 1$ .  $Y_{i,t}$  denotes companies' performance measures: operational efficiency, approximated by return on assets (ROA), and market expectations, reflected in the market-to-book ratio (M/B).  $X_{i,t}'$  is the matrix containing the independent variables used in the first step, and also includes government ownership and year dummies to control for time effects.  $SatRep_{i,t}$  and  $UnsatsatRep_{i,t}$  are the dummy variables that indicate the presence of a director with a satisfactory and unsatisfactory reputation in the board of directors. The main variable of interest is  $UnsatsatRep_{i,t}$  since it shows the influence of a director with an unsatisfactory reputation on a company's performance. In this equation, we use control variables similar to those in the first equation, except for the industry-average presence of bankers in the boards. Additionally, we include a variable controlling for government ownership in the firm, as this significantly influences the decision-making and results of Russian firms (Enikolopov, Stepanov, 2013; Muravyev, 2017). Table 2 summarizes the information about the variables and their definition.

<sup>3</sup> We use ROA in the first step, if the market-to-book ratio is applied as the dependent variable in the second step.

**Table 2.**

## Variables description

Variable	Definition
<i>SatRep</i>	Satisfactory reputation – a dummy variable that takes the value 1 if a company has a director who has working experience or currently works on the board of directors of operating banks, and 0 otherwise
<i>UnsatRep</i>	Unsatisfactory reputation – a dummy variable that takes the value 1 if a company has a director who has working experience in the board of directors of banks with revoked licenses, and 0 otherwise
<i>OneUnsatRep</i>	One director with unsatisfactory reputation – a dummy variable that takes the value 1 if a company has one director who has working experience in the board of directors of banks with revoked licenses, and 0 otherwise
<i>ManyUnsatRep</i>	More than one director with unsatisfactory reputation – a dummy variable that takes the value 1 if a company has more than one director who has working experience in the board of directors of banks with revoked licenses, and 0 otherwise
<i>LawReasons</i>	Law reasons – a dummy variable that takes the value 1 if a company has a director who has working experience in the board of directors of banks with revoked licenses due to money laundering, financing of terrorism, or unreliable reporting
<i>FinReasons</i>	Financial reasons – a dummy variable that takes the value 1 if a company has a director who has working experience in the board of directors of banks with revoked licenses was due to delayed submission of reports, inability to fulfill mandatory payments, equity below the standard, or capital below 2%
<i>DirFromGovBanks</i>	Director from state-owned banks – a dummy variable that takes the value 1 if a company has a director who has working experience or currently works in the board of directors of banks controlled by federal, regional, municipal government, or state-controlled companies
<i>DirFromSysBanks</i>	Director from systemically important banks – a dummy variable that takes the value 1 if a company has a director who has working experience or currently works in the board of directors of systemically important banks <sup>1</sup>
<i>ROA</i>	Return on assets – calculated as the EBIT to total assets ratio
<i>Log(M/B)</i>	Market-to-book ratio – calculated as the market value plus total liabilities divided by the total assets
<i>Log(Board size)</i>	Board size is the number of board members in a company
<i>Board Independence</i>	The share of independent directors in the board of directors
<i>FinLev</i>	Financial leverage – ratio of total liabilities to total assets ratio
<i>Tangibility</i>	Tangibility of assets – calculated as the ratio of fixed assets to total assets ratio
<i>Liquidity</i>	Liquidity – calculated as the ratio of current assets to current liabilities ratio
<i>Company size</i>	Company size – calculated as the logarithm of sales
<i>Ind_Spec_Bank_Clean</i>	Industry-specific bankers' involvement in companies' boards – calculated as the share of companies in the industry that include bankers in their board of directors
<i>GovOwn</i>	Government ownership – the share of government ownership in companies

Source: authors' description. The list of systemically important banks in the sample period provided by the Central Bank: UniCredit Bank (JSC), Bank GPB (JSC), Sovcombank (PJSC), VTB Bank (PJSC), ALFA-BANK (JSC), Sberbank of Russia (PJSC), Credit Bank of Moscow (PJSC), Bank Otkritie Financial Corporation (PJSC), ROSBANK (PJSC), Raiffeisenbank (JSC), Rosselkhozbank (JSC), and Promsvyazbank (PJSC).

## 4. Results

### 4.1. Descriptive statistics

Table 3 presents some descriptive statistics of the variables. On average, the boards have 9.3 members, which are comparable with other works that utilize the data of Russian public companies (Kirpishchikov, 2024; Muravyev, 2017). The share of inde-

**Table 3.**

## Descriptive statistics

Variable	Number of observations	Mean	Standard deviation	Minimum	25 <sup>th</sup> quantile	Median	75 <sup>th</sup> quantile	Maximum
<i>Board size</i>	832	9.327	2.484	5.000	7.000	9.000	11.000	19.000
$\log(\text{Board size})$	832	2.198	0.267	1.609	1.946	2.197	2.398	2.944
<i>Board Independence</i>	832	0.207	0.208	0.000	0.000	0.182	0.364	0.909
<i>ROA</i>	832	0.052	0.100	-0.444	-0.001	0.042	0.100	0.496
<i>M/B</i>	832	1.075	0.689	0.208	0.704	0.951	1.243	7.197
$\log(M/B)$	832	-0.059	0.492	-1.571	-0.351	-0.05	0.217	1.974
<i>FinLev</i>	832	0.554	0.236	0.005	0.361	0.563	0.739	0.998
<i>Tangibility</i>	832	0.461	0.253	0.000	0.258	0.492	0.668	0.923
<i>Liquidity</i>	832	1.702	1.809	0.179	0.866	1.180	1.873	18.926
<i>Sales</i>	832	339 194.627	1 090 976.251	14.000	12 685.000	52 941.500	190 480.500	8 676 000.000
<i>Company Size</i>	832	10.730	2.176	2.639	9.448	10.877	12.157	15.976
<i>GovOwn</i>	742	0.054	0.168	0.000	0.000	0.000	0.000	0.923
<i>SatRep</i>	832	0.400	-	0.000	0.000	0.000	1.000	1.000
<i>UnsatRep</i>	832	0.169	-	0.000	0.000	0.000	0.000	1.000
<i>DirFromGovBanks</i>	832	0.194	-	0.000	0.000	0.000	0.000	1.000
<i>DirFromSysBanks</i>	832	0.113	-	0.000	0.000	0.000	0.000	1.000
<i>LawReasons</i>	832	0.002	-	0.000	0.000	0.000	0.000	1.000
<i>FinReasons</i>	832	0.007	-	0.000	0.000	0.000	0.000	1.000
<i>OneUnsatRep</i>	832	0.132	-	0.000	0.000	0.000	0.000	1.000
<i>ManyUnsatRep</i>	832	0.037	-	0.000	0.000	0.000	0.000	1.000

Source: authors' calculations.

pendent directors is 20.7%. On average, 40% of all board members in the sample are working in operating banks. At the same time, 16.9% of directors with prior working experience in banks with revoked licenses, and in 13.2% of cases, there was only one such banker in the board.

#### 4.2. Comparison of mean values

Table 4 presents a comparison of key variables between companies that have board members with past or present experience working in a bank and those without such experience. Companies without bank directors exhibited statistically significantly higher financial leverage. In contrast, companies with bank directors showed statistically significantly higher return on assets and a higher government share.

For the remaining variables, no statistically significant differences were found between the mean values of companies with bank directors and the contrast group without directors who have bank experience.

**Table 4.**

Comparison of samples by mean values of variables

Variable	Companies with a banker in Board	Companies without a banker in Board	t-test	Mann–Whitney-test
$\text{Log}(M/B)$	1.087	1.061	0.558	94395
<i>Financial Leverage</i>	0.529	0.574	-2.716**	77888**
<i>ROA</i>	0.064	0.040	3.537***	101460***
<i>Liquidity</i>	1.587	1.816	-1.916	93270
<i>Government ownership</i>	0.102	0.007	7.81***	79433***

**Notes.** “\*\*\*” –  $p < 0.1$ ; “\*\*” –  $p < 0.05$ ; “\*” –  $p < 0.1$ .

*Source:* authors' calculations.

#### 4.3. Baseline results

The baseline results are presented in Table 5, which shows the impact of directors' unsatisfactory reputation on firm performance. To further analyze this relationship, we use additional measures to identify board members with an unsatisfactory reputation based on their prior working experience in banks the licenses of which were revoked.

First, we split the *UnsatRep* variable into two dummy variables: *OneUnsatRep* and *ManyUnsatRep*. This allows us to account for situations where a company has one or many directors with an unsatisfactory reputation in its board. Specifically, we test whether the presence of a single director with a poor reputation is detrimental or whether the effect depends on the number of such directors. This approach is based on the *intuition* that a greater number of such directors could influence the decision-making process during board meetings and, consequently, affect firm performance.

Next, we create two additional dummy variables based on the reasons for license revocation: *LawReasons* and *FinReasons* (see Table 2 for descriptions). The first group (*LawReasons*) is related to violations of legislation and regulatory requirements, where the members of the Board of Directors failed to ensure proper control and compliance with the rules. The second group (*FinReasons*) is related to financial insolvency and insufficient capital, where the members of the *Board of Directors* failed to manage the bank's financial resources effectively.

Table 6 shows that the presence of a director with an unsatisfactory reputation does not influence companies' book and market-based performance. However, when we consider additional variables that indicate companies which have more than one board member with unsatisfactory reputation the influence of such directors is negative.

Table 5.

## Baseline results

Name of variable	Log(M/B)		ROA		Log(M/B)		ROA	
	selection	outcome	selection	outcome	selection	outcome	selection	outcome
	1	2	3	4	5	6	7	8
<i>SatRep</i>		-0.014 (0.068)		-0.006 (0.018)		-0.029 (0.067)		-0.009 (0.018)
<i>UnsatRep</i>		0.030 (0.049)		-0.015 (0.013)				
<i>OneUnsatRep</i>						0.071 (0.052)		-0.006 (0.014)
<i>ManyUnsatRep</i>						-0.121* (0.071)		-0.045** (0.019)
<i>Log(Board size)</i>	1.220*** (0.242)	-0.484*** (0.162)	1.200*** (0.241)	-0.044 (0.043)	1.220*** (0.242)	-0.487*** (0.164)	1.200*** (0.241)	-0.044 (0.043)
<i>Board Independence</i>	-0.532* (0.272)	0.756*** (0.131)	-0.525* (0.272)	0.083** (0.035)	-0.532* (0.272)	0.754*** (0.134)	-0.525* (0.272)	0.081** (0.036)
<i>ROA</i>	0.670 (0.579)	1.945*** (0.257)			0.670 (0.579)	1.867*** (0.264)		
<i>FinLev</i>	-0.846*** (0.309)	1.245*** (0.162)	-0.947*** (0.296)	-0.126*** (0.044)	-0.846*** (0.309)	1.262*** (0.165)	-0.947*** (0.296)	-0.121*** (0.044)
<i>Tangibility</i>	-0.099 (0.250)	-0.113 (0.122)	-0.130 (0.248)	-0.093*** (0.032)	-0.099 (0.250)	-0.143 (0.125)	-0.130 (0.248)	-0.098*** (0.033)
<i>Liquidity</i>	-0.093** (0.040)	0.036 (0.025)	-0.090** (0.039)	0.020*** (0.007)	-0.093** (0.040)	0.038 (0.025)	-0.090** (0.039)	0.020*** (0.007)
<i>Log(Size)</i>	0.294*** (0.036)	-0.076** (0.033)	0.303*** (0.035)	-0.015* (0.009)	0.294*** (0.036)	-0.082** (0.033)	0.303*** (0.035)	-0.016* (0.009)
<i>IndSpecBankClean</i>	1.265*** (0.337)		1.254*** (0.337)		1.265*** (0.337)		1.254*** (0.337)	
<i>Constant</i>	-5.805*** (0.594)	1.422* (0.735)	-5.754*** (0.590)	0.497** (0.193)	-5.805*** (0.594)	1.544** (0.743)	-5.754*** (0.590)	0.515*** (0.194)
<i>Government ownership</i>		-0.197** (0.097)		-0.056** (0.026)		-0.220** (0.099)		-0.060** (0.026)
<i>Year 2014</i>		-0.040 (0.070)		-0.013 (0.018)		-0.043 (0.069)		-0.014 (0.018)
<i>Year 2015</i>		-0.149** (0.072)		0.017 (0.019)		-0.145** (0.071)		0.018 (0.019)
<i>Year 2016</i>		-0.190*** (0.071)		0.043** (0.019)		-0.185*** (0.071)		0.043** (0.018)
<i>Year 2017</i>		-0.014 (0.070)		0.025 (0.018)		-0.009 (0.069)		0.025 (0.018)
<i>Year 2018</i>		-0.066 (0.071)		0.030 (0.019)		-0.050 (0.071)		0.033* (0.019)
<i>Year 2019</i>		-0.077 (0.074)		0.037* (0.019)		-0.066 (0.074)		0.038** (0.019)

End of Table 5.

Name of variable	Log(M/B)		ROA		Log(M/B)		ROA	
	selection	outcome	selection	outcome	selection	outcome	selection	outcome
	1	2	3	4	5	6	7	8
Year 2020		0.085 (0.077)		-0.006 (0.020)		0.088 (0.076)		-0.005 (0.020)
Observations		773		773		773		773
Inverse Mills Ratio		-0.452** (0.178)		-0.131*** (0.047)		-0.497*** (0.180)		-0.138*** (0.047)
Adj. R <sup>2</sup>		0.477		0.279		0.486		0.286

**Note.** Standard errors in parentheses; “\*” –  $p < 0.1$ ; “\*\*” –  $p < 0.05$ ; “\*\*\*” –  $p < 0.01$ . The Inversed Mills Ratio shows the adjustment for selection bias. Adj. R<sup>2</sup> shows the proportion of variance in the dependent variable of the outcome equation that is explained by the model, adjusted for the number of predictors and sample size. Table 2 shows the definition of variables and Table 3 shows the descriptive statistics.

Source: authors' calculations.

Table 6.

The presence of board members who have working experience in banks whose licenses were revoked due to different reasons

Name of variable	Log(M/B)		ROA	
	selection	outcome	selection	outcome
	1	2	3	4
<i>SatRep</i>		-0.063 (0.057)		0.016 (0.015)
<i>LawReasons</i>		0.253 (0.242)		-0.114* (0.059)
<i>FinReason</i>		-0.337** (0.153)		0.135*** (0.037)
<i>Log(Board size)</i>	1.220*** (0.242)	-0.479*** (0.160)	1.200*** (0.241)	-0.047 (0.042)
<i>Board Independence</i>	-0.532* (0.272)	0.738*** (0.131)	-0.525* (0.272)	0.089** (0.035)
<i>ROA</i>	0.670 (0.579)	1.997*** (0.257)		
<i>Fin_Lev</i>	-0.846*** (0.309)	1.247*** (0.161)	-0.947*** (0.296)	-0.123*** (0.043)
<i>Tangibility</i>	-0.099 (0.250)	-0.125 (0.122)	-0.130 (0.248)	-0.086*** (0.032)
<i>Liquidity</i>	-0.093** (0.040)	0.033 (0.025)	-0.090** (0.039)	0.020*** (0.006)
<i>Log(Sales)</i>	0.294*** (0.036)	-0.077** (0.032)	0.303*** (0.035)	-0.014 (0.009)
<i>IndSpecBankClean</i>	1.265*** (0.337)		1.254*** (0.337)	
<i>Constant</i>	-5.805*** (0.594)	1.491** (0.734)	-5.754*** (0.590)	0.465** (0.192)

End of Table 6.

Name of variable	Log(M/B)		ROA	
	selection	outcome	selection	outcome
	1	2	3	4
<i>Government ownership</i>		-0.185* (0.095)		-0.060** (0.025)
<i>Year 2014</i>		-0.044 (0.070)		-0.012 (0.018)
<i>Year 2015</i>		-0.156** (0.071)		0.019 (0.019)
<i>Year 2016</i>		-0.196*** (0.071)		0.045** (0.018)
<i>Year 2017</i>		-0.016 (0.070)		0.025 (0.018)
<i>Year 2018</i>		-0.065 (0.071)		0.029 (0.018)
<i>Year 2019</i>		-0.075 (0.074)		0.036* (0.019)
<i>Year 2020</i>		0.094 (0.077)		-0.010 (0.020)
Observations		773		773
Inverse Mills Ratio		-0.452** (0.177)		-0.130*** (0.046)
Adj. R <sup>2</sup>		0.48		0.29

**Note.** Standard errors in parentheses; “\*” –  $p < 0.1$ ; “\*\*” –  $p < 0.05$ ; “\*\*\*” –  $p < 0.01$ . The Inversed Mills Ratio shows the adjustment for selection bias. Adj. R<sup>2</sup> shows the proportion of variance in the dependent variable of the outcome equation that is explained by the model, adjusted for the number of predictors and sample size. Table 2 shows the definition of variables and Table 3 shows the descriptive statistics.

*Source:* authors' calculations.

According to the results in Table 5, board members who have working experience in banks with revoked licenses due to money laundering, financing terrorism, or unreliable reporting have a negative relationship with companies' operational performance. At the same time, if the license was revoked due to delayed submission of reports, inability to fulfill mandatory payments, equity below the standard, or capital below 2%, it decreases investors' expectations but is positively related to *ROA*.

#### 4.4. Additional testing: Different approaches to defining directors with a satisfactory reputation

Next, we explore characteristics that could decrease the influence of directors with unsatisfactory reputation on companies' performance. Two additional dummy variables are created: *DirFromGovBanks* and *DirFromSysBanks* (see Table 2 for the definitions) to test whether specific types of directors' experience – namely, working in state-controlled or systemically important banks, respectively – can be such a factor.

Thus, we assume that board members from these types of banks can be experienced to prevent the negative influence of board members with unsatisfied reputation. To do this, we separately incorporate *DirFromGovBanks* and *DirFromSysBanks* into equation (4) in place of *SatDir*, and also estimate the interaction effects between these variables and *UnsatDir*.

Data on state-controlled banks was collected and published by (Karas, Vernikov, 2019). Table 7 shows the dynamics of government involvement in the banks' ownership, which remains quite stable during the sample period.

**Table 7.**

Number and share of state-controlled banks in (Karas, Vernikov, 2019) dataset

Name of variable	2013	2014	2015	2016	2017	2018	2019	2020
<i>Number of state-controlled banks</i>	32	32	29	27	34	35	32	30
<i>Share of state-controlled banks, %</i>	20.38	20.38	18.47	17.2	21.66	22.29	20.38	19.11

Source: calculated by the authors based on the (Karas, Vernikov, 2019) dataset.

**Table 8.**

The influence of board members from systemically important banks

Name of variable	Log(M/B)		ROA		Log(M/B)		ROA	
	selection	outcome	selection	outcome	selection	outcome	selection	outcome
	1	2	3	4	5	6	7	8
<i>DirFromSysBanks</i>		0.003 (0.048)		0.059 (0.057)		-0.013 (0.013)		-0.004 (0.015)
<i>UnsatRep</i>		0.036 (0.040)		0.084* (0.045)		-0.013 (0.011)		-0.005 (0.012)
<i>DirFromSysBanks* UnsatRep</i>				-0.189* (0.099)				-0.030 (0.026)
<i>Log(Board size)</i>	1.220*** (0.242)	-0.481*** (0.161)	1.220*** (0.242)	-0.536*** (0.168)	1.200*** (0.241)	-0.039 (0.043)	1.200*** (0.241)	-0.048 (0.044)
<i>Board Independence</i>	-0.532* (0.272)	0.752*** (0.129)	-0.532* (0.272)	0.795*** (0.136)	-0.525* (0.272)	0.081** (0.034)	-0.525* (0.272)	0.087** (0.035)
<i>ROA</i>	0.670 (0.579)	1.948*** (0.256)	0.670 (0.579)	1.896*** (0.267)				
<i>FinLev</i>	-0.846*** (0.309)	1.247*** (0.165)	-0.846*** (0.309)	1.287*** (0.171)	-0.947*** (0.296)	-0.135*** (0.044)	-0.947*** (0.296)	-0.127*** (0.045)
<i>Tangibility</i>	-0.099 (0.250)	-0.115 (0.121)	-0.099 (0.250)	-0.090 (0.125)	-0.130 (0.248)	-0.097*** (0.032)	-0.130 (0.248)	-0.093*** (0.033)
<i>Liquidity</i>	-0.093** (0.040)	0.036 (0.025)	-0.093** (0.040)	0.041 (0.026)	-0.090** (0.039)	0.019*** (0.007)	-0.090** (0.039)	0.019*** (0.007)

End of Table 8.

Name of variable	Log(M/B)		ROA		Log(M/B)		ROA	
	selection	outcome	selection	outcome	selection	outcome	selection	outcome
	1	2	3	4	5	6	7	8
Log(Size)	0.294*** (0.036)	-0.076** (0.033)	0.294*** (0.036)	-0.088*** (0.034)	0.303*** (0.035)	-0.013 (0.009)	0.303*** (0.035)	-0.015* (0.009)
<i>IndSpecBanksclean</i>	1.265*** (0.337)		1.265*** (0.337)		1.254*** (0.337)		1.254*** (0.337)	
<i>Constant</i>	-5.805*** (0.594)	1.395* (0.723)	-5.805*** (0.594)	1.653** (0.748)	-5.754*** (0.590)	0.473** (0.189)	-5.754*** (0.590)	0.511*** (0.194)
<i>Government ownership</i>		-0.202** (0.097)		-0.163 (0.102)		-0.052** (0.026)		-0.045* (0.027)
<i>Year 2014</i>		-0.040 (0.070)		-0.046 (0.069)		-0.013 (0.018)		-0.014 (0.018)
<i>Year 2015</i>		-0.149** (0.072)		-0.153** (0.071)		0.018 (0.019)		0.017 (0.019)
<i>Year 2016</i>		-0.189*** (0.071)		-0.196*** (0.071)		0.043** (0.018)		0.042** (0.018)
<i>Year 2017</i>		-0.013 (0.070)		-0.031 (0.070)		0.026 (0.018)		0.023 (0.018)
<i>Year 2018</i>		-0.065 (0.071)		-0.077 (0.071)		0.030 (0.019)		0.028 (0.019)
<i>Year 2019</i>		-0.076 (0.074)		-0.096 (0.074)		0.037* (0.019)		0.033* (0.019)
<i>Year 2020</i>		0.085 (0.077)		0.071 (0.077)		-0.006 (0.020)		-0.008 (0.020)
Observations		773		773		773		773
Inverse Mills Ratio		-0.448** (0.176)		-0.513*** (0.181)		-0.127*** (0.046)		-0.137*** (0.047)
Adj. R <sup>2</sup>		0.477		0.482		0.281		0.282

**Note.** Standard errors in parentheses; “\*” –  $p < 0.1$ ; “\*\*” –  $p < 0.05$ ; “\*\*\*” –  $p < 0.01$ . The Inversed Mills Ratio shows the adjustment for selection bias. Adj. R<sup>2</sup> shows the proportion of variance in the dependent variable of the outcome equation that is explained by the model, adjusted for the number of predictors and sample size. Table 2 contains the definition of variables and Table 3 shows the descriptive statistics.

Source: authors' calculations.

Table 8 provides results for *DirFromSysBanks*. The results are similar to the baseline findings presented in Table 4 and show that there is no significant influence on performance. However, the overall effect – i.e., the sum of the coefficients of *UnsatRep* and the interaction between *DirFromSysBanks* and *UnsatRep* – on the market-to-book ratio is negative. Table 9 demonstrates similar results, but for the case of using *DirFromGovBanks*. Therefore, these results may indicate that board members from state-controlled or systemically important banks do not mitigate the potential negative influence of board members with unsatisfactory reputation on investors' expectations of the companies' performance.

Table 9.

## The influence of board members from government controlled banks

Name of variable	Log(M/B)		ROA		Log(M/B)		ROA	
	selection	outcome	selection	outcome	selection	outcome	selection	outcome
	1	2	3	4	1	2	3	4
<i>DirFromGovBanks</i>		0.037 (0.042)		0.099* (0.051)		-0.010 (0.011)		-0.005 (0.014)
<i>UnsatRep</i>		0.031 (0.040)		0.115** (0.054)		-0.011 (0.011)		-0.004 (0.014)
<i>DirFromGovBanks* UnsatRep</i>				-0.180** (0.080)				-0.014 (0.021)
<i>Log(Board size)</i>	1.220*** (0.242)	-0.477*** (0.159)	1.220*** (0.242)	-0.538*** (0.165)	1.200*** (0.241)	-0.044 (0.043)	1.200*** (0.241)	-0.048 (0.044)
<i>Board Independence</i>	-0.532* (0.272)	0.740*** (0.128)	-0.532* (0.272)	0.777*** (0.133)	-0.525* (0.272)	0.084** (0.035)	-0.525* (0.272)	0.087** (0.036)
<i>ROA</i>	0.670 (0.579)	1.962*** (0.254)	0.670 (0.579)	1.927*** (0.261)				
<i>Fin_Lev</i>	-0.846*** (0.309)	1.257*** (0.160)	-0.846*** (0.309)	1.274*** (0.164)	-0.947*** (0.296)	-0.129*** (0.044)	-0.947*** (0.296)	-0.127*** (0.044)
<i>Tangibility</i>	-0.099 (0.250)	-0.112 (0.120)	-0.099 (0.250)	-0.083 (0.123)	-0.130 (0.248)	-0.096*** (0.032)	-0.130 (0.248)	-0.093*** (0.033)
<i>Liquidity</i>	-0.093** (0.040)	0.037 (0.025)	-0.093** (0.040)	0.034 (0.025)	-0.090** (0.039)	0.019*** (0.007)	-0.090** (0.039)	0.019*** (0.007)
<i>Log(Size)</i>	0.294*** (0.036)	-0.075** (0.032)	0.294*** (0.036)	-0.086*** (0.033)	0.303*** (0.035)	-0.015* (0.009)	0.303*** (0.035)	-0.015* (0.009)
<i>IndSpecBankClean</i>	1.265*** (0.337)		1.265*** (0.337)		1.254*** (0.337)		1.254*** (0.337)	
<i>Constant</i>	-5.805*** (0.594)	1.346* (0.717)	-5.805*** (0.594)	1.607** (0.737)	-5.754*** (0.590)	0.496*** (0.190)	-5.754*** (0.590)	0.516*** (0.194)
<i>Government ownership</i>		-0.219** (0.096)		-0.198** (0.098)		-0.053** (0.026)		-0.051* (0.026)
<i>Year 2014</i>		-0.038 (0.070)		-0.043 (0.069)		-0.013 (0.018)		-0.014 (0.018)
<i>Year 2015</i>		-0.147** (0.072)		-0.155** (0.071)		0.017 (0.019)		0.016 (0.019)
<i>Year 2016</i>		-0.186*** (0.071)		-0.196*** (0.071)		0.042** (0.018)		0.041** (0.019)
<i>Year 2017</i>		-0.011 (0.070)		-0.031 (0.070)		0.025 (0.018)		0.023 (0.018)
<i>Year 2018</i>		-0.062 (0.071)		-0.072 (0.071)		0.029 (0.019)		0.028 (0.019)
<i>Year 2019</i>		-0.073 (0.074)		-0.101 (0.074)		0.036* (0.019)		0.034* (0.020)
<i>Year 2020</i>		0.087 (0.077)		0.070 (0.077)		-0.006 (0.020)		-0.008 (0.020)
<i>Observations</i>		773		773		773		773
<i>Inverse Mills Ratio</i>		-0.431** (0.176)		-0.481*** (0.179)		-0.133*** (0.047)		-0.137*** (0.047)
<i>Adj. R<sup>2</sup></i>		0.478		0.484		0.281		0.279

**Note.** Standard errors in parentheses; “\*” –  $p < 0.1$ ; “\*\*” –  $p < 0.05$ ; “\*\*\*” –  $p < 0.01$ . The Inversed Mills Ratio shows the adjustment for selection bias. Adj. R<sup>2</sup> shows the proportion of variance in the dependent variable of the outcome equation that is explained by the model, adjusted for the number of predictors and sample size. Table 2 contains the definition of variables, and Table 3 shows the descriptive statistics.

Source: authors' calculations.

#### 4.5. Channels of bankers influence on corporate performance

Finally, we analyze the channels through which board members with an unsatisfactory reputation negatively influence performance. Since these directors come from banks the operations of which were deemed unsatisfactory by the Central Bank, the most intuitive channel of influence may be related to debt financing in companies. We suppose that directors from such banks may use their banks' financial resources to influence companies' financial leverage, which, in turn, affects the performance. To test this assumption, we include the interaction term between financial leverage and *UnsatDir* in equation (4). Table 10 presents the estimation results.

**Table 10.**

The financial leverage as the channel through which board members with an unsatisfactory reputation negatively influence performance

Name of variable	Log( <i>M/B</i> )		ROA	
	selection	outcome	selection	outcome
<i>SatRep</i>		-0.015 (0.069)		-0.006 (0.018)
<i>UnsatRep</i>		0.036 (0.103)		-0.018 (0.027)
<i>UnsatRep</i> × <i>FinLev</i>		-0.013 (0.176)		0.006 (0.046)
Log( <i>Board size</i> )	1.220*** (0.242)	-0.483*** (0.162)	1.200*** (0.241)	-0.045 (0.043)
<i>Board Independence</i>	-0.532* (0.272)	0.754*** (0.135)	-0.525* (0.272)	0.084** (0.036)
ROA	0.670 (0.579)	1.945*** (0.257)		
<i>FinLev</i>	-0.846*** (0.309)	1.248*** (0.168)	-0.947*** (0.296)	-0.128*** (0.045)
<i>Tangibility</i>	-0.099 (0.250)	-0.114 (0.124)	-0.130 (0.248)	-0.092*** (0.033)
<i>Liquidity</i>	-0.093** (0.040)	0.036 (0.025)	-0.090** (0.039)	0.020*** (0.007)
Log( <i>Size</i> )	0.294*** (0.036)	-0.076** (0.033)	0.303*** (0.035)	-0.015* (0.009)
<i>IndSpecBankClean</i>	1.265*** (0.337)		1.254*** (0.337)	
<i>Constant</i>	-5.805*** (0.594)	1.420* (0.735)	-5.754*** (0.590)	0.498** (0.193)
<i>Government ownership</i>		-0.197** (0.097)		-0.056** (0.026)
<i>Year 2014</i>		-0.041 (0.070)		-0.013 (0.018)
<i>Year 2015</i>		-0.150** (0.072)		0.017 (0.019)
<i>Year 2016</i>		-0.190*** (0.072)		0.043** (0.019)

**End of Table 10.**

Name of variable	Log( <i>M/B</i> )		ROA	
	selection	outcome	selection	outcome
<i>Year</i> 2017		−0.015 (0.071)		0.025 (0.018)
<i>Year</i> 2018		−0.067 (0.072)		0.030 (0.019)
<i>Year</i> 2019		−0.078 (0.075)		0.037* (0.020)
<i>Year</i> 2020		0.084 (0.077)		−0.006 (0.020)
Observations		773		773
Inverse Mills Ratio		−0.451** (0.178)		−0.131*** (0.047)
Adj. R <sup>2</sup>		0.476		0.277

**Note.** Standard errors in parentheses; \*\* –  $p < 0.1$ ; \*\*\* –  $p < 0.05$ ; \*\*\*\* –  $p < 0.01$ . The Inversed Mills Ratio shows the adjustment for selection bias. Adj. R<sup>2</sup> shows the proportion of variance in the dependent variable of the outcome equation that is explained by the model, adjusted for the number of predictors and sample size. Table 2 contains the definition of variables and Table 3 shows the descriptive statistics.

*Source:* authors' calculations.

Next, we consider corporate governance mechanisms as a potential channel that could mitigate the negative effect of directors from banks with revoked licenses on company performance. Board independence is one such characteristic that reflects the quality of corporate governance over a company. Since board independence helps to alleviate agency problems, which could otherwise exacerbate the negative influence of directors with an unsatisfactory reputation on performance, we assume that this characteristic could be beneficial in this context. To test this assumption, we include in equation (4) the interaction term between board independence and *UnsatDir*. Table 11 presents the estimation results.

**Table 11.**

The board independence as the channel through which board members with an unsatisfactory reputation negatively influence performance

Name of variable	Log( <i>M/B</i> )		ROA	
	selection	outcome	selection	outcome
	1	2	3	4
<i>SatRep</i>		−0.012 (0.069)		−0.005 (0.018)
<i>UnsatRep</i>		0.038 (0.071)		−0.011 (0.018)
<i>UnsatRep</i> × <i>Board Independence</i>		−0.031 (0.211)		−0.014 (0.055)
Log( <i>Board size</i> )	1.220*** (0.242)	−0.484*** (0.162)	1.200*** (0.241)	−0.044 (0.043)

End of Table 11.

Name of variable	Log( <i>M/B</i> )		ROA	
	selection	outcome	selection	outcome
	1	2	3	4
<i>Board Independence</i>	-0.532* (0.272)	0.766*** (0.145)	-0.525* (0.272)	0.088** (0.039)
<i>ROA</i>	0.670 (0.579)	1.944*** (0.257)		
<i>FinLev</i>	-0.846*** (0.309)	1.240*** (0.166)	-0.947*** (0.296)	-0.128*** (0.045)
<i>Tangibility</i>	-0.099 (0.250)	-0.112 (0.122)	-0.130 (0.248)	-0.093*** (0.032)
<i>Liquidity</i>	-0.093** (0.040)	0.036 (0.025)	-0.090** (0.039)	0.019*** (0.007)
Log( <i>Size</i> )	0.294*** (0.036)	-0.076** (0.033)	0.303*** (0.035)	-0.015* (0.009)
<i>IndSpecBankClean</i>	1.265*** (0.337)		1.254*** (0.337)	
<i>Constant</i>	-5.805*** (0.594)	1.421* (0.735)	-5.754*** (0.590)	0.496** (0.193)
<i>Government ownership</i>		-0.198** (0.097)		-0.056** (0.026)
<i>Year 2014</i>		-0.042 (0.071)		-0.014 (0.019)
<i>Year 2015</i>		-0.150** (0.072)		0.016 (0.019)
<i>Year 2016</i>		-0.190*** (0.071)		0.042** (0.019)
<i>Year 2017</i>		-0.015 (0.070)		0.024 (0.018)
<i>Year 2018</i>		-0.067 (0.071)		0.029 (0.019)
<i>Year 2019</i>		-0.078 (0.075)		0.036* (0.020)
<i>Year 2020</i>		0.084 (0.078)		-0.006 (0.020)
Observations		773		773
Inverse Mills Ratio		-0.452** (0.171)		-0.131*** (0.047)
Adj. R <sup>2</sup>		0.476		0.277

**Note.** Standard errors in parentheses; “\*” –  $p < 0.1$ ; “\*\*” –  $p < 0.05$ ; “\*\*\*” –  $p < 0.01$ . The Inversed Mills Ratio shows the adjustment for selection bias. Adj. R<sup>2</sup> shows the proportion of variance in the dependent variable of the outcome equation that is explained by the model, adjusted for the number of predictors and sample size. Table 2 contains the definition of variables and Table 3 shows the descriptive statistics.

*Source:* authors' calculations.

The results presented in Tables 10 and 11 show: we cannot support the assumptions that financial leverage and board independence serve the channels for the negative influence of board members with an unsatisfactory reputation. Further studies are needed to identify, why directors from banks with revoked licenses may harm firm performance.

## 5. Conclusion

The paper was motivated by the Central Bank requirements concerning business reputation<sup>4</sup> for the heads, members of executive bodies, staff and owners of financial corporations. For example, if a bank license is revoked, its board members can't join the board or top management of financial organizations for 10 years, nor can they acquire large stakes in these organizations. Despite the Central Bank's idea that the business reputation of such directors is unsatisfactory, the existing literature ignores this type of professional experience and its influence on firm performance. Existing theories suggest that bank directors can enhance firm performance by using financial networks to build stakeholder trust (social capital), by mitigating agency conflicts through financial monitoring (agency theory), and by securing strategic resources such as credit under uncertainty (resource dependence). However, these theories also describe possible negative effects of bankers in boards. For example, director-related scandals can damage firms' reputation. An excessive focus on financial metrics can neglect other important aspects of a firm, and conflicts of interest can prioritize the needs of creditors over the flexibility of the firm, damaging long-term performance. Therefore, the consequences of the unsatisfactory reputation of bank directors, their involvement in a company's activities and the channels of their influence on the company's performance is topical.

We analyze whether performance of large listed Russian companies is influenced by presence of bank directors with reputation of negative bank performance in their boards. Empirical testing is provided using the sample of companies, which shares are included in the Moscow Stock Exchange Broad Market Index. The study finds that the presence of more than one director from a bank with a revoked license on the board of a company significantly reduces the performance of the firm, as measured by the market-to-book ratio ( $M/B$ ) and the return on assets ( $ROA$ ). This suggests that a number of directors with unsatisfactory reputations exacerbate their negative impact, as their collective influence may reinforce poor decision-making patterns or undermine investor confidence in the strategic oversight of the firm.

The negative effects vary depending on the reason for the revocation: directors associated with banks sanctioned for misreporting (e.g. fraud) are more strongly correlated with declines in  $ROA$ , reflecting operational inefficiencies rooted in unethical practices, while those associated with delayed reporting (e.g. administrative failures) disproportionately affect  $M/B$  ratios, signaling investor skepticism about the long-term reliability of corporate governance. Directors of systemically important banks or state-owned banks do not mitigate these negative effects. This implies that operating banks do not compensate for the damage caused by the revocation of licenses. Finally, the persistence of adverse effects even when such directors are paired with reputable counterparts highlights the durability of reputational harm. These findings underscore the long-term risks of integrating directors associated with the banks the licenses of which were revoked, despite the mitigating factors.

---

<sup>4</sup> Interfax (<https://www.interfax.ru/business/753585>).

The results of the paper have numerous implications for companies, regulators and investors. Thus, firms can form boards that more effectively monitor companies' activities by taking into account candidates' prior affiliations, particularly with failed banks. Regulators might strengthen blacklisting mechanisms or mandate disclosure of directors past affiliations, including cross-appointments between banks and non-financial firms. Investors could use directors' reputational histories to assess potential investment targets.

The paper has some limitations. For example, we consider only one side of business reputation, which is formed by previous negative professional experience in a bank with a revoked license. Further analysis could take into account other possible aspects of business reputation, such as business success, prestigious education or image in the professional community. We also do not consider the possible amortization of an unsatisfactory business reputation. Further studies could address this issue by considering tenure in a bank, the time that elapsed since the license revocation, as well as tenure in companies. The study also has limitations related to the sample. It focuses only on the largest Russian listed companies in 2013–2020. Moreover, the practice of considering the revocation of a banking license as a source of business reputation is very specific to Russia. This makes our results difficult to extrapolate to small and medium-sized companies, period of sanctions and other national markets. In addition, we do not observe the boards of all banks operating in 2013. Therefore, we may have «unobservable» directors with unsatisfactory reputation in our sample firms. The use of non-public information from the Central Bank of Russia may help to overcome this problem in our future research.

#### REFERENCES / ЛИТЕРАТУРА

- Becker G.** (1964). *Human capital*. Chicago: The University of Chicago Press.
- Bernile G., Bhagwat V., Rau P.R.** (2014). *What doesn't kill you will only make you more risk-loving: Early-life disasters and CEO behavior*. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2423044](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2423044)
- Bourdieu P.** (1986). The forms of capital. In: *“Handbook of theory and research for the sociology of education”*. J.G. Richardson (ed.). Westport: Greenwood Press., 241–258.
- Burak Güner A., Malmendier U., Tate G.** (2008). Financial expertise of directors. *Journal of Financial Economics*, 88, 2, 323–354. DOI: 10.1016/j.jfineco.2007.05.009
- Byrd D.T., Mizruchi M.S.** (2005). Bankers on the board and the debt ratio of firms. *Journal of Corporate Finance*, 11, 1, 129–173. DOI: 10.1016/j.jcorpfin.2003.09.002
- Dittmar A., Duchin R.** (2016). Looking in the rearview mirror: The effect of managers' professional experience on corporate financial policy. *Review of Financial Studies*, 29, 3, 565–602, hhv051. DOI: 10.1093/rfs/hhv051
- Egrican A.** (2021). Overlapping board connections with banker directors and corporate loan terms: Evidence from syndicated loans. *Global Finance Journal*, 50, 100672. DOI: 10.1016/j.gfj.2021.100672
- Enikolopov R., Stepanov S.** (2013). Corporate governance in Russia. In: *“The Oxford Handbook of the Russian Economy”*. M. Alexeev, S. Weber (eds.). Oxford: Oxford University Press. 386–425.
- Fich E.M., Shivdasani A.** (2006). Are busy boards effective monitors. *The Journal of Finance*, 61, 2, 689–724.

- Fredriksson A., Kiran A., Niemi L.** (2020). Reputation capital of directorships and demand for audit quality. *European Accounting Review*, 29, 5, 901–926. DOI: 10.1080/09638180.2020.1724550
- Gopalan R., Gormley T.A., Kalda A.** (2021). It's not so bad: Director bankruptcy experience and corporate risk-taking. *Journal of Financial Economics*, 142, 1, 261–292. DOI: 10.1016/j.jfineco.2021.04.037
- Hambrick D.C., Mason P.A.** (1984). Upper echelons: The organization as a reflection of its top managers. *The Academy of Management Review*, 9, 2, 193–206. DOI: 10.2307/258434
- Heckman J.** (1979). Sample selection bias as a specification error. *Econometrica*, 47, 1, 153–161.
- Hu C., Liu Y.-J.** (2015). Valuing diversity: CEOs' career experiences and corporate investment. *Journal of Corporate Finance*, 30, C, 11–31.
- Huang Q., Jiang F., Lie E., Yang K.** (2011). The role of investment banker directors in M&A: Can experts help? *SSRN Scholarly Paper, Social Science Research Network*, 1 July. DOI: 10.2139/ssrn.1787086
- Jensen M.C., Meckling W.H.** (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3, 4, 305–360.
- Karas A., Vernikov A.** (2019). Russian bank data: Birth and death, location, acquisitions, deposit insurance participation, state and foreign ownership. *Data in Brief*, 27, December, 104560. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2813121](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2813121)
- Kirpishchikov D.A.** (2024). Board of directors' social capital as factor of companies' resilience to exogenous shocks. *Journal of the New Economic Association*, 1 (62), 50–74. DOI: 10.31737/22212264\_2024\_1\_50-74 (in Russian). [Кирпищиков Д.А. (2024). Социальный капитал совета директоров как фактор устойчивости компаний к экзогенным шокам // *Журнал Новой экономической ассоциации*. № 1 (62). С. 50–74. DOI: 10.31737/22212264\_2024\_1\_50-7 (на рус. яз.)]
- Kroszner R.S., Strahan P.E.** (2001). Bankers on boards: Monitoring, conflicts of interest, and lender liability. *Journal of Financial Economics*, 62, 3, 415–452. DOI: 10.1016/S0304-405X(01)00082-4
- Le Q., Vafaei A., Ahmed K., Kutubi S.** (2022). Independent directors' reputation incentives and firm performance – an Australian perspective. *Pacific-Basin Finance Journal*, 72, 101709. DOI: 10.1016/j.pacfin.2022.101709
- Ling L., Zhou X., Liang Q., Song P., Zeng H.** (2016). Political connections, overinvestments and firm performance: Evidence from Chinese listed real estate firms. *Finance Research Letters*, 18, 328–333. DOI: 10.1016/j.frl.2016.05.009
- Liu C.-L., Lai S.-M., Haw I.-M.** (2024). Director networks, accounting conservatism and director reputation: Evidence after financial reporting failure. *The British Accounting Review*, 56, 6, 101421. DOI: 10.1016/j.bar.2024.101421
- Loginova Y., Semenova M., Balsevich A.** (2026). Board gender diversity and bank performance during Covid-19: Did women save the day? *Pacific-Basin Finance Journal*, 97, 103118. DOI: 10.1016/j.pacfin.2026.103118
- Malmendier U., Nagel S.** (2011). Depression babies: Do macroeconomic experiences affect risk taking? *The Quarterly Journal of Economics*, 126, 1, 373–416. DOI: 10.1093/qje/qjq004
- Masulis R.W., Mobbs S.** (2023). Influential independent directors' reputation incentives: Impacts on CEO compensation contracts and financial reporting. *Journal of Corporate Finance*, 82, 102449. DOI: 10.1016/j.jcorpfin.2023.102449

- McCahery J.A., Vermeulen E.P.M.** (2014). Understanding the board of directors after the financial crisis: Some lessons for Europe. *European Company and Financial Law Review*, 11, 4, 559–585. DOI: 10.1515/ecfr-2014-0024
- Milbourn T.T.** (2003). CEO reputation and stock-based compensation. *Journal of Financial Economics*, 68, 2, 233–262. DOI: 10.1016/S0304-405X(03)00066-7
- Mitchell K.** (2008). *Bankers on boards, financial constraints, and financial distress*. Available at: <https://www.semanticscholar.org/paper/Bankers-on-Boards-%2C-Financial-Constraints-%2C-and-Mitchell/9fd38e2ddf1e71c39cecef085c86c48e1dc5d4d3>
- Muravyev A.** (2017). Boards of directors in Russian publicly traded companies in 1998–2014: Structure, dynamics and performance effects. *Economic Systems*, 41, 1, 5–25. DOI: 10.1016/j.ecosys.2016.12.001
- Nachane D.M., Ghosh S., Ray P.** (2005). Bank nominee directors and corporate performance: Micro-evidence for India. *Economic and Political Weekly, Economic and Political Weekly*, 40, 12, 1216–1223.
- Pangestu S.** (2016). Education vs experience: Which matters more for Indonesian bank directors? *Jurnal Manajemen*, 13, 2, 149–157. DOI: 10.25170/jm.v13i2.802
- Rajgopal S., Srinivasan S., Wong F.** (2019). *Bank boards: What has changed since the financial crisis?* Available at: <https://corpgov.law.harvard.edu/2019/02/19/bank-boards-what-has-changed-since-the-financial-crisis/>
- Sawhney R.K., Goel P., Bhardwaj S.B.** (2023). Is there any impact of CSR on financial performance? Evidence from Indian Firms. *Finance: Theory and Practice*, 27, 4, 131–141. DOI: 10/26794–2587–5671–2023–27–4–131–141 (in Russian). [Савни Р.К., Гоэл П., Бхардвадж С. (2023). Влияет ли корпоративная социальная ответственность на финансовые показатели? Данные по индийским компаниям // *Финансы: теория и практика*, 27(4), 131–141. DOI: 10.26794/2587-5671-2023-27-4-131-141]
- Schoors K., Yudaeva K.** (2013). Russian banking as an active volcano. In: “*The Oxford Handbook of the Russian Economy*”. M. Alexeev, S. Weber (eds.). Oxford: Oxford University Press, 544–573. DOI: 10.1093/oxfordhb/9780199759927.013.0019
- Sisli-Ciamarra E.** (2012). Monitoring by affiliated bankers on board of directors: Evidence from corporate financing outcomes. *Financial Management*, 41, 3, 665–702. DOI: 10.1111/j.1755–053X.2012.01191.x
- Tang N., Chen J., Lin C.-Y., Tuan L.Q.** (2024). Interlocked executives’ bad reputation in the labor market. *Finance Research Letters*, 59, 104788. DOI: 10.1016/j.frl.2023.104788
- Von den Driesch T., da Costa M.E.S., Flatten T., Brettel M.** (2015). How CEO experience, personality, and network affect firms’ dynamic capabilities. *European Management Journal*, 33, 4, 245–256. DOI: 10.1016/j.emj.2015.01.003

Поступила в редакцию 13.03.2025

Received 13.03.2025

**М.А. Завертеева**

Международная лаборатория экономики нематериальных активов (МЛЭНА),  
НИУ «Высшая Школа Экономики», Пермь

**Д.А. Кирпищиков**

Международная лаборатория экономики нематериальных активов (МЛЭНА),  
НИУ «Высшая Школа Экономики», Пермь

**А.Д. Киреечева**

Международная лаборатория экономики нематериальных активов (МЛЭНА),  
НИУ «Высшая Школа Экономики», Пермь

**Е.С. Чекмарева**

НИУ «Высшая Школа Экономики», Пермь

**Е.В. Акулич**

НИУ «Высшая Школа Экономики», Пермь

## **Влияние членов советов директоров банков с отозванной лицензией на результаты деятельности российских компаний<sup>5</sup>**

**Аннотация.** В исследовании рассматривается влияние членов советов директоров, работавших в российских банках, у которых отозвали лицензию, на результаты деятельности нефинансовых компаний. С 2013 г. Банк России проводит реформы в финансовом секторе, в том числе создается «черный список» лиц с неудовлетворительной деловой репутацией из-за связей с нестабильными банками. Анализируя директоров ликвидированных банков, мы исследуем, могут ли их практики корпоративного управления негативно влиять на результаты компаний при включении руководителей из таких банков в советы директоров. На основе данных российских публичных компаний из индекса MICEXVMI и банков за 2013–2020 гг., с использованием модели Хекмана, мы обнаружили, что назначение более одного директора из ликвидированных банков приводит к значительному снижению показателя соотношение рыночной стоимости к балансовой, или отношение цены к балансовой стоимости (market-to-book, M/B) и рентабельности активов (ROA). Последствия зависят от причины отзыва лицензии: нарушение законодательства снижает ROA (операционная неэффективность), а финансовые причины снижают M/B (недоверие инвесторов). Вопреки ожиданиям, связь с государственными или системно значимыми банками не смягчает этих результатов. Результаты нашего исследования свидетельствуют о влиянии нестабильности банковского сектора на результаты деятельности компаний на развивающихся рынках.

**Ключевые слова:** деловая репутация; советы директоров; отзыв лицензии; развивающиеся рынки; связи членов советов директоров.

Классификация JEL: G30, G34.

Для цитирования: **Zavertiaeva M.A., Kirpishchikov D.A., Kireecheva A.D., Chekmareva E.S., Akulich E.V.** (2026). The impact of board members from banks with revoked licenses on the performance of the Russian companies // *Журнал Новой экономической ассоциации*. № 1 (70). С. 302–326 (на англ. яз.).

DOI: 10.31737/22212264\_2026\_1\_302-326

EDN: LWPAYA

<sup>5</sup> Публикация подготовлена в результате проведения исследования (№ 25-00-066 «Выявление эффектов неудовлетворительной деловой репутации топ-менеджмента банков на результаты деятельности организаций») в рамках Программы «Научный фонд Национального исследовательского университета «Высшая школа экономики» (НИУ ВШЭ)».