

**CORPORATE GOVERNANCE STRUCTURE AND FINANCIAL
PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA**

By

Eboseremeh BENJAMIN-EGBADON

MGS2003430

**DEPARTMENT OF FINANCE
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN**

MARCH, 2025.

**CORPORATE GOVERNANCE STRUCTURE AND FINANCIAL PERFORMANCE OF
DEPOSIT MONEY BANKS IN NIGERIA**

By

Eboseremeh BENJAMIN-EGBADON

MGS2003430

Being a Research Project submitted to the Department of Finance, Faculty of Management Sciences, University of Benin in Partial Fulfillment of the Requirements for the Award of Bachelor of Science Degree in Banking and Finance of the University of Benin, Benin City.

JANUARY, 2025.

DECLARATION

I declare that this project work is based on a study undertaken by me in the Department of Finance, Faculty of Management Sciences, University of Benin, under the supervision of Dr. C. Ighodaro. This work has not been previously submitted for award of a degree elsewhere. All ideas and views are product of my personal research efforts and all references to work of others have been duly acknowledged.

Eboseremeh BENJAMIN-EGBADON
MGS2003430
Project student

Date

CERIFICATION

This is to Certify that this research work is submitted by **Eboseremeh BENJAMIN-EGBADON** with matriculation number **MGS2003430** to the Department of Finance, Faculty of Management Sciences, University of Benin, Benin city under the full supervision of Dr. C. Ighodaro and in accordance with the requirements of the Department of Banking and Finance of the University of Benin, Benin City for the Award of Bachelor of Science Degree in Banking and Finance.

Dr. C. Ighodaro

Project Supervisor.

Date:

Dr. Omoruyi Aigbovo

Project Coordinator

Date:

Dr O. G. Omorokunwa

Ag. Head of Department

Date:

DEDICATION

This work is dedicated to God Almighty for his grace and mercy throughout my study in the University of Benin. I also dedicate this work to my dad, mum and siblings. May God bless you all abundantly. Amen.

ACKNOWLEDGEMENTS

Firstly I would love to express my heartfelt gratitude to God almighty, my divine protection and sustenance, who has guided me through this journey and made it a success. He granted me the wisdom to complete this project work. I also, express my sincere gratitude and appreciation for my learned supervisor, Dr. C. Ighodaro, for his peculiar and professional approach in guiding the process of this study, making it what it is today. Also, to my course advisor, Dr. Abudu Kasimu, and assistant course advisor, Mr Lydia, I say thank you sir and ma. My special thanks go to my very own HOD, Dr. O. G . Omorokunwa, the project coordinator Dr. Omoruyi Aigbovo and to all my lectures in the Department of Banking and Finance for their guidance all through my years of studying this great course.

To my loving father, Mr Benjamin-Egbadon, and my supportive mother, Mrs Folake Benjamin-Egbadon, I say a very big thank you for your love, support, care, patience, finance, prayers and encouragement that you granted to me during this journey that has brought me joy. My sincere gratitude goes out to my younger brothers who stood and fought with me, both financially and spiritually, Master Damilola Benjamin-Egbadon and Master Olamipo Benjamin-Egbadon. To my uncles and Aunties, Master Jesam Ujong, Miss counsel Omokhoa, Mr&Mrs Ajayi, Mrs Omuemu, I say thank you for your financial support and unwavering love throughout my entire stay in this school. I love each and every one of you, and would forever be grateful for all you've done.

Lastly, to my loving friends that this great school blessed me with, Uwa Amenze, Joy Ovbieto, Eri presido, Grace Idara, I say thank you for all your support and encouragement which has made a significant difference in my university experience. To my lovely cousins, Daniel, Divine, Ella, Victory, Emmanuelle, Delight, Glory, I say thank you for the times you had my best interest at heart. This project wouldn't have been possible without your love and support.

Thank you for all the contributions and rewarding impact you have made in my lives. May the Almighty God continue to bless and keep each and everyone of you, Amen.

TABLE OF CONTENT

TITLE PAGE.....	i
DECLARATION	iii
CERIFICATION	iv
DEDICATION	v
ACKNOWLEDGEMENTS	vi
TABLE OF CONTENT	viii
ABSTRACT	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study	1
1.2 Background to the Study	3
1.3 Research Questions	5
1.4 Research Objectives	6
1.5 Research Hypotheses	6
1.6 Scope of the Study	7
1.7 Significance of the Study	7
1.8 Limitations of the Study	10
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Conceptual Review	11
2.2.1 Concept of Financial Performance	11
2.2.2 Financial Performance Indicators	13
2.2.3 Concept of Corporate Governance	14
2.2.4 Board Size and Financial Performance	16

2.2.5	Board Composition and Financial Performance	19
2.2.6	Board Independence and Financial Performance	22
2.2.7	Audit Quality and Financial Performance	26
2.3	Conceptual Framework	31
2.4	Theoretical Review	31
2.4.1	Agency Theory	31
2.4.2	Stewardship Theory	33
2.4.3	Resource Dependency Theory	34
2.5	Empirical Review	35
2.6	Summary of Empirical Literature	40
CHAPTER THREE		44
METHODOLOGY		44
3.1	Introduction	44
3.2	Research Design	44
3.3	Population and Sample of the Study	44
3.4	Source of Data	45
3.5	Model Specification	45
3.6	Measurement and Operationalization of Variables	46
CHAPTER FOUR		48
DATA PRESENTATION AND ANALYSES		48
4.1	Introduction	48
4.2	Data Presentation and Interpretation	48
4.2.1	Preliminary Analyses	48
4.2.3	Panel Least Square Test	51
4.3	Hypotheses Testing	52
4.4	Discussion of Findings	54
CHAPTER FIVE		56

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS 56

5.1 Introduction 56

5.2 Summary of Findings 56

5.3 Conclusion 57

5.4 Recommendations 58

5.4.1 Policy Recommendations 58

5.4.2 Suggestions for Further Studies 59

REFERENCES 61

APPENDIX 67

ABSTRACT

The study examined the relationship between Corporate Governance structure and financial performance of deposit money Banks in Nigeria, from 2011 – 2023. The specific objectives of the study were to investigate the effect of board size, board composition, board independence and audit quality on financial performance of DMBs in Nigeria. To this end, the study employed an ex-post facto research design, 10 Banks were sampled out from the listed deposit money banks in the Nigerian exchange market, and the data gotten was analysed using the Panel Least Squares method. The findings revealed that there is a significant positive relationship between board size and financial performance (ROA) of DMBs in Nigeria, there is no significant relationship between board composition and financial performance (ROA) of DMBs in Nigeria, that Board independence has a significant and positive effect on financial performance of DMBs in Nigeria; and that there is no significant relationship found between audit quality and financial performance of DMBs in Nigeria. The study concludes that, corporate governance significantly affects financial performance of deposit money banks, and therefore recommends, among others, that deposit money banks should increase board sizes, promote board independence and improve board diversity.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Corporate governance has garnered significant attention in recent years, especially in developing economies like Nigeria, due to its critical role in enhancing transparency, accountability, and the overall stability of the financial sector. The governance structure within deposit money banks (DMBs) is pivotal in shaping financial performance and maintaining public trust (Abayomi & Samson, 2023). This is because DMBs play an essential role in economic development by facilitating financial intermediation, credit allocation, and economic stability. Strong corporate governance mechanisms ensure that banks operate efficiently and mitigate risks associated with financial misconduct (Adediran & Alade, 2022).

According to the Central Bank of Nigeria (CBN) code of corporate governance for banks and other financial institutions in Nigeria, corporate governance is the process by which the business activities of an institution are directed and managed (CBN, 2021). Corporate governance encompasses a framework of rules, practices, and processes through which a corporation is directed and controlled. Key components include board composition, ownership structure, executive compensation, and regulatory compliance. The board of directors, in particular, plays a crucial role in overseeing management and ensuring alignment with shareholders' interests. Studies have shown

that well-structured boards positively influence financial performance, as they enhance decision-making and provide robust oversight (Ibrahim et al., 2020).

In the Nigerian context, weak governance structures have been implicated in several bank failures, particularly during the 2008 financial crisis and subsequent economic downturns (NDIC, 2018). Poor governance practices, such as inadequate risk management and insider lending, eroded stakeholder confidence and destabilized the financial system. As a result, there has been a renewed focus on implementing global best practices in governance to restore stability and promote sustainable performance (Olajide & Ayodele, 2019).

Financial performance, often measured through profitability indicators like return on assets (ROA), return on equity (ROE), and net interest margins, reflects the efficiency and effectiveness of a bank's operations. Empirical evidence suggests a strong relationship between governance structures and financial outcomes. For instance, a diverse and independent board can improve performance by fostering innovation and reducing managerial opportunism (Usman et al., 2023). However, the extent of this relationship remains underexplored in Nigeria's unique socio-economic environment.

The regulatory landscape in Nigeria has been evolving to address these challenges. Initiatives by the CBN and the Financial Reporting Council of Nigeria (FRCN) aim to enforce corporate governance codes, emphasizing transparency, accountability, and compliance. However, the effectiveness of these codes in improving bank performance has been mixed, with some institutions

still struggling with governance lapses (Adeyemi & Akintola, 2022). This underscores the need for empirical studies to assess their impact critically.

The interplay between governance structures and financial performance has broader implications for economic growth. Efficient banks contribute to capital accumulation and resource allocation, driving development. Conversely, weak governance in banks can trigger systemic crises, as evidenced in Nigeria's past financial turmoil. Thus, understanding the dynamics of governance and performance is essential for policymakers and practitioners seeking to strengthen the banking sector (Okoye et al., 2021).

In light of the above, this study seeks to examine the impact of corporate governance structures on the financial performance of deposit money banks in Nigeria. By analysing governance elements such as board composition, audit committee effectiveness, and ownership concentration, this research aims to provide insights into how governance reforms can enhance bank stability and efficiency. The findings will contribute to the ongoing discourse on governance practices and inform strategies for fostering a resilient financial system in Nigeria.

1.2 Background to the Study

Corporate governance is critical to the financial performance of deposit money banks (DMBs), particularly in developing economies like Nigeria, where regulatory oversight and governance practices are still evolving. Despite numerous reforms aimed at enhancing corporate governance

standards, the Nigerian banking sector continues to face challenges related to poor governance practices, which have implications for bank stability, profitability, and public trust. Governance factors such as board size, board composition, board independence, and audit quality are central to the performance and accountability of banks. However, the extent to which these factors influence financial performance remains inadequately explored in the Nigerian context.

Previous studies have examined the relationship between corporate governance and financial performance, yielding mixed results. For instance, Ibrahim et al. (2020) found that board size positively impacts financial performance in Nigerian banks by fostering diverse expertise and robust decision-making. Similarly, Eze and Okafor (2021) observed that a balanced board composition enhances strategic oversight and mitigates risks. However, these studies often failed to address how board independence—a key indicator of governance quality—intersects with other board characteristics to influence performance.

Audit quality, another critical aspect of governance, has also garnered attention in recent studies. Adeyemi and Akintola (2022) argued that high-quality audits reinforce accountability and transparency, leading to improved financial performance. However, their study primarily focused on compliance rather than examining the combined effects of audit quality and board characteristics. Additionally, Olajide and Ayodele (2019) highlighted persistent weaknesses in governance structures, such as inadequate audit committee oversight, as contributors to financial instability in Nigerian banks.

Despite these insights, significant gaps remain in understanding how the interplay between board size, composition, independence, and audit quality collectively impacts financial performance. Many studies, including those by Usman et al. (2023), have concentrated on individual governance components in isolation, neglecting the holistic view necessary to capture the complexities of governance dynamics in banks. Furthermore, limited attention has been paid to contextual factors unique to Nigeria, such as regulatory challenges and socio-economic conditions, which may influence these relationships.

This study seeks to address these gaps by investigating the combined effects of board size, board composition, board independence, and audit quality on the financial performance of deposit money banks in Nigeria.

1.3 Research Questions

The following research questions will serve as a guide to the study:

- i. What is the impact of board size on financial performance of DMBs in Nigeria?
- ii. What is the relationship between the board composition and financial performance of DMBs in Nigeria?
- iii. To what extent does board independence contribute to the financial performance of DMBs in Nigeria?
- iv. What is the impact of audit quality on the financial performance of DMBs in Nigeria?

1.4 Research Objectives

The primary objective of this research work is to examine the relationship between Corporate Governance structure and financial performance of deposit money Banks in Nigeria. Other specific objectives are to:

- i. investigate the relationship between board size and the financial performance of DMBs in Nigeria.
- ii. assess the impact of board composition on the financial performance of DMBs in Nigeria.
- iii. examine the influence of board independence on the financial performance of DMBs in Nigeria.
- iv. ascertain the impact of audit quality on the financial performance of DMBs in Nigeria.

1.5 Research Hypotheses

The following hypotheses are stated in their null form and would be tested statistically:

- H₀₁: There is no significant relationship between board size and the financial performance of DMBs in Nigeria.
- H₀₂: There is no significant relationship between board composition and financial performance of DMBs in Nigeria.
- H₀₃: Board independence does not significantly enhance the financial performance of DMBs in Nigeria.

H04: There is no significant relationship between audit quality and the financial performance of DMBs in Nigeria.

1.6 Scope of the Study

This study examines the effect of corporate governance on the financial performance of deposit money Banks in Nigeria, specifically on the relationship between board size and the financial performance of DMBs in Nigeria, to assess the impact of board composition on the financial performance of DMBs in Nigeria, to examine the influence of board independence on the financial performance of DMBs in Nigeria and to ascertain the impact of audit quality on the financial performance of DMBs in Nigeria. The study would be carried out between the period of 2011 – 2023, the justification of this period was in order to examine recent data and changes in corporate governance and the financial structure of deposit money Banks. The corporate governance indicators used to evaluate financial performance of DMBs includes board size, board composition, board independence and audit quality, while the indicator for financial performance is the return on assets (ROA) for each of the sampled deposit money Banks in Nigeria.

1.7 Significance of the Study

This study on *Corporate Governance Structure and Financial Performance of Deposit Money Banks in Nigeria* has significant implications for various stakeholders, including policymakers, banking regulators, industry practitioners, academics, and the general public.

1. Policymakers: The findings will serve as a basis for crafting policies aimed at strengthening corporate governance frameworks in the banking sector. By identifying the most impactful governance structures on financial performance, policymakers can tailor regulations to enhance transparency, accountability, and operational efficiency. The study will also contribute to ongoing discussions about revising corporate governance codes to address unique challenges faced by Nigerian banks.

2. Banking Regulators: Institutions like the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) will benefit from this study as it highlights governance practices that significantly affect bank stability and profitability. Insights into board characteristics and audit quality will guide regulators in enforcing compliance and monitoring corporate governance practices. This can reduce the risk of financial distress and systemic crises in the sector.

3. Industry Practitioners: Board members, executives, and audit committees in deposit money banks will gain valuable insights into how governance practices influence financial performance. The study will provide recommendations on optimizing board size, achieving balanced composition, ensuring independence, and enhancing audit quality. These insights can help industry practitioners implement governance strategies that drive sustainable growth and stakeholder confidence.

4. Academics and Researchers: This study contributes to the existing body of knowledge on corporate governance and financial performance, particularly in the context of Nigeria's banking sector. It offers a comprehensive analysis of how governance components interact, filling existing gaps in literature. Future researchers can build on this work to explore related areas, such as the role of governance in other sectors or its long-term implications for economic development.

5. Investors and Shareholders: The study's findings will empower investors and shareholders with a better understanding of how governance structures impact bank performance. This knowledge can inform investment decisions and encourage active participation in promoting governance reforms that protect their interests and enhance financial returns.

6. The General Public: A well-governed banking sector contributes to economic stability and public trust. By demonstrating how corporate governance influences financial performance, this study reinforces the importance of strong governance practices in safeguarding public deposits and ensuring reliable financial services.

7. Government and Economic Planners: The government will find this study useful in aligning governance reforms in the banking sector with broader economic development goals. Improved governance structures can enhance financial sector stability, promote investor confidence, and stimulate economic growth.

1.8 Limitations of the Study

This study on corporate governance structure and financial performance of deposit money Banks is limited by its focus on the Nigerian banking sector, which may restrict the generalizability of the findings to other sectors or countries with different regulatory, cultural, and economic environments. Additionally, the study's reliance on publicly available financial and governance data may be subject to inaccuracies and not capture all internal governance practices or nuanced interactions within boards and audit committees. Time constraints and resource limitations may also affect the depth of data collection.

To mitigate this data accuracy limitation, all data used for this research will be exclusive from authorised sources such as the annual reports of the sampled Banks and the relevant regulatory bodies in Nigeria.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This literature review chapter explores the relationship between corporate governance structure and financial performance of deposit money banks in Nigeria. Effective corporate governance is crucial for ensuring transparency, accountability, and responsible banking practices, ultimately leading to improved financial performance. This chapter provides a comprehensive overview of the existing body of knowledge on this topic, divided into three sections: conceptual review, theoretical review, and empirical review. By synthesizing the existing literature, this chapter aims to provide a deeper understanding of the complex relationship between corporate governance structure and financial performance of deposit money banks in Nigeria.

2.2 Conceptual Review

2.2.1 Concept of Financial Performance

Financial performance refers to an organization's ability to utilize its resources efficiently to generate profitability, sustain operations, and meet its financial obligations. According to John and Ibe (2020), financial performance reflects an organization's overall financial health over a specified period, often measured through indicators such as profitability, liquidity, and solvency. It provides critical insights into how well a company achieves its financial objectives and maintains competitive positioning in the market.

Researchers have emphasized that financial performance is a multidimensional concept encompassing operational efficiency, profitability, and financial stability. Ogbonna and Adeoye (2021) defined financial performance as the extent to which financial resources are transformed into viable outputs, with emphasis on profitability and value creation. This definition underscores the role of efficient resource management in achieving sustainable financial outcomes. In the banking sector, financial performance not only measures profitability but also assesses risk management and regulatory compliance, which are crucial for institutional stability (Adebayo & Hassan, 2022).

Key concepts related to financial performance include profitability, efficiency, and financial stability. Profitability refers to the ability of an organization to generate income in excess of its expenses, which is often considered the most critical indicator of financial success (Usman & Musa, 2023). Efficiency, on the other hand, pertains to the optimal use of resources to achieve financial goals, including cost management and revenue generation. Financial stability highlights an organization's capacity to withstand economic shocks and sustain operations over time.

Several researchers have explored the relationship between corporate governance and financial performance. For instance, Eze and Okonkwo (2021) examined the role of governance mechanisms, such as board structure and audit committees, in influencing profitability and operational efficiency in Nigerian banks. Their study revealed that strong governance frameworks significantly enhance financial performance by fostering accountability and reducing risks. Similarly, Adeola and Fatoki

(2020) highlighted the importance of transparency in corporate governance, noting that improved governance practices lead to better financial outcomes.

2.2.2 Financial Performance Indicators

1. **Return on Assets (ROA):** ROA measures how effectively a company utilizes its total assets to generate profit. It is calculated as net income divided by total assets and is widely regarded as an indicator of operational efficiency. John and Ibe (2020) have noted that ROA is particularly relevant for assessing the profitability of banks, as it reflects their ability to manage assets, including loans and investments.
2. **Net Interest Margin (NIM):** NIM evaluates the difference between the interest income generated by banks and the interest paid out to depositors, relative to their interest-earning assets. According to Usman and Musa (2023), a higher NIM indicates better financial performance as it signifies efficient credit management and income generation.
3. **Earnings Per Share (EPS):** EPS measures the profitability available to equity shareholders, calculated as net income divided by the number of outstanding shares. Adeola and Fatoki (2020) emphasized that EPS is a critical indicator for investors, as it provides insights into a bank's profitability and its capacity to distribute dividends.

Financial performance is a critical concept that highlights an organization's ability to achieve its financial goals and sustain its operations.

2.2.3 Concept of Corporate Governance

Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It encompasses the mechanisms through which organizations are held accountable to stakeholders, including shareholders, employees, customers, and the broader society. According to Musa and Bello (2021), corporate governance involves balancing the interests of various stakeholders while ensuring organizational transparency, accountability, and ethical management. This definition underscores the dual role of governance in fostering organizational efficiency and safeguarding stakeholder trust.

In the financial sector, corporate governance plays a particularly critical role. Banks and other financial institutions are pivotal to economic stability, and their governance frameworks significantly influence their operational success and resilience. Governance in the financial sector ensures that institutions operate transparently, manage risks effectively, and comply with regulatory standards. As Eze and Okoro (2020) noted, strong corporate governance is essential for minimizing financial mismanagement, enhancing investor confidence, and preventing systemic crises.

Nigeria has developed several corporate governance codes and principles to strengthen governance practices in the banking sector. The Code of Corporate Governance for Banks in Nigeria Post-Consolidation (CBN, 2019) emphasizes board structure, risk management, and accountability. Similarly, the *Nigerian* Code of Corporate Governance (NCCG) issued by the Financial Reporting

Council of Nigeria (FRCN) in 2020 provides a comprehensive framework for ensuring transparency, integrity, and fairness in business operations. However, the implementation of these codes has been inconsistent, and governance challenges persist, such as weak oversight mechanisms and conflicts of interest (Adeyemi & Hassan, 2022).

Corporate governance in Nigeria also faces unique challenges due to socio-economic factors and regulatory complexities. According to Oladapo and Usman (2022), issues such as corruption, inadequate enforcement of governance codes, and limited board independence hinder the effectiveness of governance frameworks. Despite these challenges, there is growing recognition of the importance of governance reforms to enhance organizational performance and attract investment.

A significant body of research highlights the link between corporate governance and financial performance. For instance, studies by Adebayo and Fatoki (2021) have shown that governance practices, including effective board oversight and high audit quality, positively impact profitability and risk management in banks. This underscores the need for continuous improvement in governance structures to align with global best practices.

How then does corporate governance affect the financial performance of deposit money banks? This study seeks to explore this question by focusing on key governance variables, namely board size, board composition, board independence, and audit quality. These components are critical

determinants of governance effectiveness and play a significant role in shaping financial outcomes for banks.

2.2.4 Board Size and Financial Performance

Board size is a critical aspect of corporate governance, representing the number of directors that constitute a company's board. This structural element significantly influences how effectively a board can oversee the activities of management, set strategic objectives, and ensure accountability. Musa and Adeoye (2021) described board size as a double-edged sword, where both excessively small and overly large boards can have negative implications for governance efficiency. An optimal board size provides a balance, ensuring that the board is neither overwhelmed by coordination challenges nor limited by a lack of diversity in skills and perspectives.

In the context of the banking sector, board size is especially important because of the complexity and regulatory oversight required. Banks operate in highly dynamic environments, often facing significant risks and compliance obligations. A sufficiently sized board can enhance governance through diverse expertise and robust deliberation, which is crucial for maintaining financial stability and achieving strategic goals. According to Malik and Wang (2023), larger boards tend to possess a wider range of skills and industry knowledge, enabling them to address complex issues more effectively. However, they also caution against excessively large boards, which can lead to inefficiency and slower decision-making.

The importance of board size lies in its influence on decision-making processes and governance efficiency. Larger boards provide greater diversity in terms of professional expertise, gender, and cultural perspectives, which can lead to improved decision-making and innovative strategies. As Patel, Sharma and Li. (2022) observed in their study of European banks, larger boards were associated with higher levels of corporate social responsibility and better risk management practices. This diversity allows banks to anticipate and adapt to changes in regulatory environments, technological advancements, and market dynamics.

However, the benefits of large boards must be weighed against the potential drawbacks. Large boards can experience coordination challenges, slower decision-making processes, and diluted accountability. According to Usman and Adebayo (2022), smaller boards often exhibit higher cohesion and are more agile in responding to urgent issues. This balance is particularly significant for financial institutions, where quick decision-making and accountability are critical to mitigating risks and maintaining operational efficiency.

Empirical studies on board size and financial performance have produced mixed results, reflecting the context-specific nature of this relationship. For example, Ogundele and Bello (2021) found a positive relationship between larger board sizes and financial performance in Nigerian banks, measured by profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE). They attributed this to the greater strategic input and oversight provided by diverse boards.

Similarly, Malik and Wang (2023) observed that banks with larger boards in developed markets outperformed their peers in terms of operational stability and market share growth.

On the other hand, some studies highlight the inefficiencies associated with large boards. In their analysis of banks across Sub-Saharan Africa, Akinyemi and Okoro (2020) noted that boards exceeding 12 members often struggled with slower decision-making and less effective monitoring. Their study concluded that while a diverse board composition is beneficial, excessive size may diminish its effectiveness, particularly in high-risk sectors like banking. These findings suggest that board size is not a one-size-fits-all solution; rather, it must be tailored to the organization's operational complexity and governance needs. Agency theory emphasizes the board's role in mitigating conflicts of interest between management and shareholders. Larger boards are perceived as better equipped to monitor and control managerial opportunism due to their diverse oversight capabilities (Jensen & Meckling, 2022). Conversely, resource dependency theory highlights the role of board members in providing critical resources such as industry knowledge, professional networks, and strategic insights. Larger boards, in this context, serve as a repository of valuable resources that contribute to organizational performance (Patel, Sharma and Li, 2022).

Regulatory frameworks also play a critical role in shaping board size. For instance, the Nigerian Code of Corporate Governance (NCCG) recommends that boards should have an adequate size to ensure diversity while maintaining efficiency. According to the Central Bank of Nigeria (2020), the ideal board size for banks ranges between five and fifteen members, aligning with global standards.

These guidelines aim to strike a balance between diversity and operational agility, ensuring that boards remain effective in their governance roles. Similarly, the Basel Committee on Banking Supervision emphasizes the importance of tailoring board size to the complexity of the institution's operations (BCBS, 2021). Determining the optimal board size is a nuanced process that requires consideration of organizational needs, regulatory requirements, and market conditions. Adeyemi and Johnson (2023) suggest that banks operating in complex, global environments may benefit from larger boards to address diverse challenges. However, smaller, regionally focused banks might prioritize agility and cohesion, favouring moderately sized boards. Ogundele and Bello (2021) emphasized that the optimal size depends on the quality of governance mechanisms in place, including the independence of board members and the effectiveness of audit committees.

Despite the benefits of maintaining an optimal board size, challenges remain. These include resistance to change, political interference, and cultural biases that influence board appointments. Akinyemi and Okoro (2020) observed that in many African contexts, board appointments are often influenced by personal relationships rather than merit, leading to suboptimal board composition. Addressing these challenges requires stronger regulatory enforcement and a commitment to meritocracy in governance practices.

2.2.5 Board Composition and Financial Performance

Board composition refers to the structure and characteristics of a company's board of directors, including the diversity, expertise, independence, and demographic representation of its members.

The composition of a board significantly influences its ability to perform oversight and strategic functions. One critical aspect of board composition is gender diversity, which ensures a balance of perspectives and has been shown to enhance decision-making quality (Adams & Ferreira, 2020). Another key component is the professional expertise of board members, particularly in finance, law, or industry-specific knowledge, which strengthens the board's capacity to oversee complex organizational activities (Nguyen, Li and Wang, 2022).

Board independence, defined as the proportion of non-executive or independent directors, is another vital element of composition. Independent directors bring objectivity to the board's oversight functions and reduce potential conflicts of interest between management and shareholders. According to Akpan and Amadi (2023), an optimal balance between executive and independent directors ensures that the board remains both strategic and accountable.

A diverse board composition enhances strategic decision-making by incorporating varied perspectives, experiences, and cognitive approaches. Gender diversity, for instance, has been linked to improved risk assessment and a more comprehensive evaluation of strategic alternatives. Terjesen and Sealy (2021) argued that boards with a higher proportion of women tend to adopt more ethical and socially responsible practices, which can positively influence financial performance. Expertise diversity, such as the inclusion of members with technological or global market knowledge, also plays a crucial role in navigating today's dynamic business environment. Banks, in particular, benefit from board members with specialized expertise in risk management

and financial analysis, as these skills are critical to ensuring stability and profitability. Diverse boards are also better equipped to handle crises, as their members can draw upon a broader range of problem-solving approaches (Haque, Zhang & Brown, 2020).

Empirical studies consistently highlight the importance of board composition in driving financial performance, though findings vary across contexts and industries. For instance, Adams and Ferreira (2020) conducted a longitudinal study of European firms and found that gender-diverse boards are positively correlated with Return on Equity (ROE) and market valuation. Their findings underscore the value of inclusivity in enhancing board effectiveness. Similarly, Haque, Zhang & Brown (2020) examined Asian banks and revealed that boards with a higher proportion of independent directors outperformed their peers in terms of profitability and operational efficiency. In contrast, some studies have pointed out the complexities associated with diverse board composition. For example, Adebayo and Uche (2022) analysed Nigerian banks and observed that while gender diversity improved long-term performance, it sometimes created challenges in achieving consensus during critical decision-making processes. This highlights the need for effective governance frameworks to manage the dynamics of diverse boards.

The impact of board composition extends beyond national contexts, as evidenced by studies conducted in developed and emerging markets. Nguyen et al. (2022) examined the effects of board expertise diversity in U.S. financial institutions and concluded that banks with specialized directors achieved higher profitability and lower risk exposure. Similarly, a study by Akpan and Amadi

(2023) on African banks revealed that a balanced mix of executive and non-executive directors contributed to improved governance quality and financial resilience during economic downturns. The global emphasis on board diversity has also been reflected in regulatory frameworks. For instance, the European Union's Gender Diversity Directive mandates that a minimum of 40% of non-executive board seats be held by women in listed companies by 2026, aiming to enhance governance effectiveness through inclusivity. These measures highlight the growing recognition of diverse board composition as a driver of corporate success (Terjesen & Sealy, 2021).

For deposit money banks, an optimally composed board is crucial for navigating regulatory challenges, managing risks, and achieving financial stability. Gender and expertise diversity ensure a well-rounded approach to decision-making, while the inclusion of independent directors enhances transparency and accountability. The unique nature of the banking industry, characterized by high risk and regulatory scrutiny, makes a balanced and competent board composition indispensable for sustainable performance (Adebayo & Uche, 2022).

2.2.6 Board Independence and Financial Performance

Board independence refers to the extent to which a company's board of directors consists of members who do not have material or personal ties to the management or the organization. Independent directors, often referred to as non-executive or external directors, are critical to ensuring impartial oversight and enhancing corporate governance. Their primary responsibility is to represent shareholders' interests, providing objective judgments and mitigating conflicts of interest

that may arise between management and owners (Akpan & Amadi, 2023). Independence is a cornerstone of effective governance, as it enables the board to exercise unbiased decision-making and rigorous monitoring of management. According to Malik and Wang (2023), independent directors play a crucial role in safeguarding the integrity of financial reporting and compliance with regulatory standards. Their detachment from the organization allows them to scrutinize managerial actions and strategic decisions more effectively than internal members, whose perspectives might be influenced by organizational ties.

The importance of board independence lies in its capacity to enhance oversight, ensure transparency, and protect the interests of stakeholders. Independent directors reduce the likelihood of managerial opportunism by promoting accountability and ethical decision-making. Nguyen Li and Wang (2022) emphasized that independent boards are more likely to question management's actions, ensuring alignment with organizational goals and regulatory requirements. This is particularly crucial in the banking sector, where regulatory compliance and risk management are paramount. Moreover, board independence strengthens investor confidence, as it signals the organization's commitment to robust governance practices. Investors perceive boards with a higher proportion of independent directors as more likely to act in their interests, thereby reducing the agency problem and enhancing shareholder value (Haque, Zhang & Brown, 2020).

Independent directors play a pivotal role in enhancing oversight by providing a counterbalance to executive influence. They bring external perspectives, industry expertise, and objectivity to board

deliberations. Independent directors often chair critical committees, such as audit, risk, and remuneration committees, ensuring that these functions are carried out with impartiality and rigor (Adams & Ferreira, 2020). In the banking industry, independent directors contribute to risk management by ensuring that the organization adheres to regulatory requirements and maintains prudent lending practices. According to Haque, Zhang & Brown (2020), banks with a higher proportion of independent directors are better equipped to anticipate and mitigate risks, ensuring financial stability and operational efficiency.

Empirical studies provide substantial evidence linking board independence to improved financial performance, though the strength of this relationship varies across industries and regions. For instance, Malik and Wang (2023) examined 50 global financial institutions and found that banks with a higher proportion of independent directors demonstrated better profitability, as measured by Return on Assets (ROA) and Return on Equity (ROE). Their study attributed this to the enhanced oversight and risk management practices facilitated by independent directors. Similarly, Nguyen, Li and Wang (2022) analysed U.S. firms and reported a positive relationship between board independence and market valuation. They argued that independent boards are more likely to adopt strategies that maximize shareholder wealth while minimizing exposure to regulatory sanctions and reputational risks. In Nigeria, Adebayo and Uche (2022) observed that banks with at least one-third independent directors performed significantly better in terms of capital adequacy and asset quality than their less independent counterparts. However, some studies suggest that the benefits of board

independence may diminish in certain contexts. For example, Terjesen and Sealy (2021) found that excessively independent boards might lack the insider knowledge needed to navigate industry-specific challenges, leading to suboptimal strategic decisions. This highlights the need for a balanced board composition that combines independence with industry expertise.

Achieving effective board independence can be challenging, particularly in regions where governance practices are influenced by cultural and political factors. In many developing countries, board appointments are often shaped by personal relationships, leading to potential conflicts of interest (Haque, Zhang & Brown, 2020). Furthermore, the limited availability of qualified independent directors with industry expertise poses a challenge for many organizations. Addressing these issues requires stronger regulatory frameworks and a commitment to ethical governance practices. International governance frameworks emphasize the importance of board independence. For instance, the Organisation for Economic Co-operation and Development (OECD) guidelines recommend that boards should include a sufficient number of independent directors to ensure objectivity in decision-making. Similarly, the Basel Committee on Banking Supervision highlights the role of independent directors in strengthening governance structures within financial institutions (BCBS, 2021). These standards serve as benchmarks for organizations striving to improve governance quality and financial performance.

For deposit money banks, board independence is critical in mitigating risks and ensuring compliance with regulatory requirements. Independent directors enhance transparency and

accountability, which are essential for maintaining stakeholder trust and financial stability. The unique challenges faced by banks, including exposure to systemic risks and stringent regulatory scrutiny, underscore the importance of maintaining a strong and independent board (Akpan & Amadi, 2023).

2.2.7 Audit Quality and Financial Performance

Audit quality refers to the degree to which an audit provides reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. High audit quality ensures the reliability of financial information, enhances stakeholders' trust, and contributes to better decision-making by investors and management. DeAngelo (1981) defined audit quality as the joint probability of an auditor detecting and reporting material misstatements, emphasizing the auditor's technical competence and independence. Recent studies have expanded this definition to include compliance with international auditing standards, the auditor's reputation, and the use of technology in the audit process (Okafor, Onyekwelu & Chukwu, 2021).

Audit quality is a cornerstone of effective corporate governance, as it ensures the integrity of financial reporting and compliance with regulatory requirements. High-quality audits reduce information asymmetry between management and stakeholders, thereby mitigating agency conflicts. According to Zgarni and Hamza (2022), robust audit practices enhance transparency, improve investor confidence, and safeguard organizational assets. In the context of financial institutions, audit quality is particularly critical due to the complex nature of banking operations and the

heightened regulatory scrutiny. Banks rely on accurate financial statements to assess risk exposure, capital adequacy, and profitability. A high-quality audit assures stakeholders, including regulators, shareholders, and customers, of the bank's financial health and operational integrity (Bananula, Tumwebaze & Munene, 2020).

Several factors influence audit quality, including auditor independence, competence, audit firm size, and the implementation of advanced audit technologies.

1. **Auditor Independence:** Independence is the cornerstone of audit quality, as it ensures that auditors can evaluate financial statements objectively without undue influence from management. Regulatory frameworks, such as the Sarbanes-Oxley Act in the U.S. and similar laws globally, mandate auditor rotation and restrict non-audit services to maintain independence (Okafor, Onyekwelu & Chukwu, 2021).
2. **Auditor Competence:** Competence refers to the auditor's technical expertise, professional qualifications, and knowledge of the industry. Competent auditors are more likely to detect material misstatements and assess the adequacy of internal controls effectively (Zgarni & Hamza, 2022).
3. **Audit Firm Size:** Larger audit firms, particularly those in the "Big Four" category, are often perceived as providing higher audit quality due to their access to resources,

specialized knowledge, and reputational incentives to avoid audit failures (Bananula, Tumwebaze & Munene, 2020).

4. **Technology in Auditing:** The use of advanced technologies, such as artificial intelligence (AI) and data analytics, enhances the accuracy and efficiency of audits. These tools allow auditors to identify patterns, anomalies, and risks that may not be detectable through traditional methods (Hossain et al., 2022).

Empirical studies indicate a positive relationship between audit quality and financial performance. High-quality audits lead to more accurate financial reporting, which reduces financial misstatements and regulatory sanctions, thereby enhancing profitability. For example, Bananula, Tumwebaze & Munene (2020) found that Ugandan financial institutions audited by Big Four firms exhibited higher return on assets (ROA) and lower risk exposure compared to those audited by smaller firms.

Similarly, a study by Hossain et al. (2022) in South Asia revealed that banks with high-quality audits experienced improved investor confidence and increased market valuation. Their findings suggest that stakeholders perceive high-quality audits as an indicator of strong governance and financial stability. However, the study also highlighted the high costs associated with top-tier audit firms, which can strain the resources of smaller organizations.

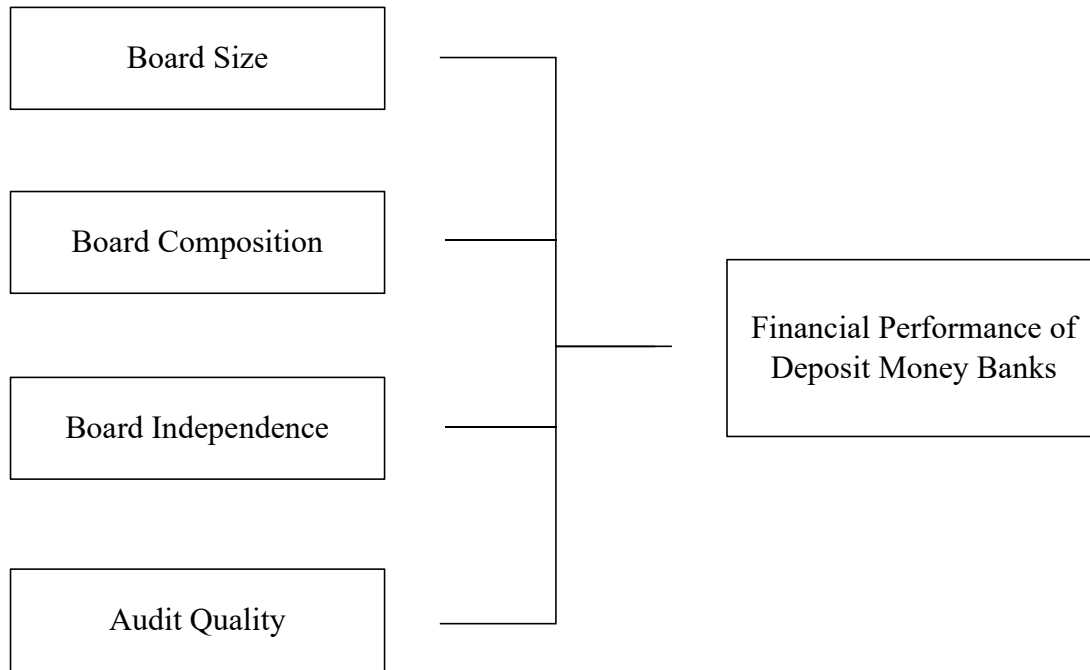
Audit quality is a global concern, as evidenced by the adoption of international auditing standards (IAS) and the establishment of regulatory bodies such as the International Auditing and Assurance Standards Board (IAASB). These initiatives aim to harmonize audit practices and enhance the reliability of financial reporting worldwide (Hossain et al., 2022). In Europe, regulatory frameworks emphasize the role of audit committees in overseeing the audit process and ensuring auditor independence. In contrast, developing countries face challenges such as limited availability of qualified auditors and weak regulatory enforcement, which can compromise audit quality (Zgarni & Hamza, 2022). Addressing these issues requires capacity-building initiatives and stronger governance mechanisms.

Despite its importance, achieving high audit quality is fraught with challenges, including auditor-client conflicts, resource constraints, and regulatory compliance issues. Auditor-client conflicts often arise when management attempts to influence audit outcomes, undermining auditor independence. Additionally, the growing complexity of financial transactions and the rapid pace of technological change require auditors to continuously update their skills and tools to maintain audit quality (Okafor, Onyekwelu & Chukwu, 2021).

For deposit money banks, audit quality is critical to ensuring regulatory compliance, managing risks, and enhancing financial performance. High-quality audits provide an accurate assessment of the bank's financial position, enabling management to make informed decisions and mitigate risks

effectively. Furthermore, robust audit practices enhance the bank's reputation and attract investment, contributing to long-term profitability (Bananula, Tumwebaze & Munene, 2020).

2.3 Conceptual Framework



Source: Researchers computation (2024)

2.4 Theoretical Review

2.4.1 Agency Theory

Agency theory, developed by Jensen and Meckling (1976), explains the relationship between principals (shareholders) and agents (management). The theory posits that there is often a divergence of interests between these two parties, as agents may prioritize personal goals over maximizing shareholder value. This divergence gives rise to agency costs, including monitoring

expenses, bonding costs, and residual losses. The central premise of agency theory is the need for effective governance mechanisms, such as board oversight and audit quality, to align the interests of management with those of shareholders and reduce agency conflicts.

In the context of corporate governance, agency theory underscores the importance of independent boards and robust audits in mitigating managerial opportunism. Independent directors serve as impartial monitors, ensuring that strategic decisions align with organizational goals. Audit quality, on the other hand, provides external assurance of financial accuracy, enhancing transparency and reducing information asymmetry (Nguyen, Li and Wang, 2022). This theory is particularly relevant to deposit money banks, where the complexity of operations necessitates stringent governance practices to safeguard stakeholders' interests.

Agency theory provides a strong foundation for examining the impact of governance mechanisms, such as board size, composition, independence, and audit quality, on financial performance. Large boards may increase monitoring capacity but also introduce coordination challenges. Similarly, board independence ensures unbiased oversight, while audit quality enhances the credibility of financial statements (Okafor, Onyekwelu & Chukwu, 2021). In this study, the theory highlights how governance structures reduce agency costs, thereby improving organizational performance. Moreover, agency theory informs the design of governance frameworks that balance managerial autonomy with accountability in the banking sector.

2.4.2 Stewardship Theory

Contrary to agency theory, stewardship theory posits that managers are inherently motivated to act in the best interests of shareholders, viewing themselves as stewards of organizational resources (Davis et al., 1997). This theory assumes that managers prioritize collective goals, such as profitability and sustainability, over personal interests. Stewardship theory emphasizes trust, collaboration, and shared vision between management and the board of directors, reducing the need for extensive monitoring mechanisms.

In corporate governance, stewardship theory highlights the role of intrinsic motivation and organizational culture in driving managerial decisions. According to Donaldson and Davis (2020), effective governance frameworks should empower managers and foster a sense of responsibility rather than relying solely on external controls. This perspective is particularly relevant in deposit money banks, where managerial expertise and judgment are critical to navigating regulatory requirements and market risks.

Stewardship theory offers insights into the dynamics of board composition and independence. While independent directors provide valuable oversight, an overemphasis on independence may undermine trust and collaboration between the board and management.

4.4.3 Resource Dependency Theory

Resource dependency theory, introduced by Pfeffer and Salancik (1978), focuses on how organizations depend on external resources to achieve their objectives. The theory posits that boards of directors play a critical role in securing resources, such as capital, expertise, and strategic partnerships, which are vital for organizational success. By incorporating directors with diverse skills, industry knowledge, and external connections, organizations can mitigate resource uncertainties and enhance their competitiveness. This theory underscores the strategic role of board composition in addressing environmental challenges and fostering innovation. In the banking sector, resource dependency theory highlights the importance of recruiting directors with financial expertise, regulatory knowledge, and access to networks that facilitate capital acquisition and risk management. According to Adams and Ferreira (2020), resource-rich boards are better equipped to respond to market dynamics and drive organizational growth.

Resource dependency theory informs the analysis of board size and composition in deposit money banks. Larger boards with diverse expertise can provide access to critical resources but may face coordination challenges. Conversely, smaller, more cohesive boards may lack the breadth of resources needed for complex decision-making (Zgarni & Hamza, 2022). This study uses resource dependency theory to examine how governance structures influence resource acquisition and allocation, ultimately affecting financial performance.

2.5 Empirical Review

Adeusi, Salawu and Mgbame (2015) conducted a study on the corporate governance and financial performance of Nigerian banks. Utilizing panel data analysis, they examined the impact of board size, board composition, and audit quality on financial performance, measured by return on assets (ROA). Their findings indicated that a larger board size and a higher level of board independence were positively associated with improved financial performance. However, excessive board meetings were found to negatively affect performance. The study recommended that banks adopt optimal board structures to enhance governance and financial outcomes.

Gadi, Behr and Perera (2016) explored corporate governance practices in East African banks. They employed a survey method involving 30 banks across Kenya, Uganda, and Tanzania, analysing the influence of board diversity and audit committees on financial performance. The study revealed that banks with more diverse boards and stronger audit committees demonstrated superior financial performance, as evidenced by higher net profit margins. The researchers recommended that banks in the region focus on enhancing board diversity and strengthening audit oversight to achieve better governance and performance outcomes.

Muriithi, Muturi and Ngugi (2017) analysed the impact of corporate governance on profitability among Kenyan commercial banks from 2010 to 2015. Using a longitudinal approach and multiple regression analysis, they examined the relationship between board composition, CEO duality, and financial performance, measured by return on equity (ROE). Their findings showed that while

board composition had a significant positive effect on profitability, CEO duality negatively influenced financial outcomes. The study suggested that Kenyan banks should prioritize board diversity and avoid having the CEO also serve as board chair to enhance governance and financial performance.

Al-Ahdal, Obaid and Abdulwahab (2018) investigated corporate governance and bank performance across the GCC countries, focusing on Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. They employed panel data analysis covering a six-year period from 2010 to 2016. The study found that banks with robust governance frameworks, particularly those with independent boards, demonstrated better financial performance. The research recommended that banks in the region implement stricter governance policies, especially those concerning board independence, to improve their financial outcomes.

Ofoegbu and Joseph (2018) examined the impact of corporate governance on profitability in Nigerian banks over a decade. Using econometric analysis of annual reports from 15 listed banks, they found that board size had a positive influence on profitability, whereas board independence had a mixed effect. They observed that audit quality was positively correlated with financial stability. The study recommended that banks should adopt balanced board structures, focusing on enhancing audit quality to boost financial performance.

Rashid, Alam and Anwar (2019) conducted a study on the performance of South Asian banks using data from 80 banks across the region from 2012 to 2018. Their quantitative analysis revealed that both board composition and audit quality positively influenced profitability, while CEO duality had a negative impact. The findings highlighted the importance of effective governance mechanisms, such as the separation of CEO and board chair roles, to improve financial performance in the region. They recommended that banks strengthen their audit functions and governance frameworks to optimize performance.

Asiriwuwa, Uwuigbe and Adekoya (2019) focused on board characteristics and their influence on financial performance in Nigerian banks from 2010 to 2018. Their panel regression analysis showed that board size had a positive relationship with return on equity (ROE), but excessive independence reduced strategic alignment and negatively impacted return on assets (ROA). The study concluded that Nigerian banks should maintain balanced board structures to align governance practices with strategic goals, enhancing overall financial performance.

Malik and Mollah (2020) investigated governance reforms and financial stability in South Asian banks. A comparative case study approach was used, examining governance reforms in Pakistan, Bangladesh, and India. The study found that governance reforms, particularly those involving audit quality and board restructuring, significantly improved financial stability and credit risk management. The researchers recommended that banks in the region strengthen their governance

frameworks, focusing on enhanced audit practices and board restructuring to improve financial outcomes.

Ojo and Adebayo (2020) examined corporate governance and risk management in Nigerian banks using a survey of 20 bank executives. They utilized structural equation modelling to analyse the data. Their findings indicated that effective governance reduced credit and operational risks, leading to improved financial performance. The study recommended that banks integrate governance frameworks into risk management strategies to mitigate risks and enhance financial performance.

Ahmed et al. (2021) analysed board structure and bank performance in Sub-Saharan Africa using panel data from 40 banks over a five-year period. The study revealed that board size and diversity positively influenced profitability, while excessive independence slowed decision-making processes. The researchers recommended that banks in Sub-Saharan Africa ensure a mix of diversity and autonomy in board structures to optimize governance and performance outcomes.

Salama and Ramadan (2021) conducted a post-revolution analysis of corporate governance in Egyptian banks. Using content analysis of annual reports from 15 banks over five years, they found that board independence and effective audit committees significantly enhanced financial stability. The study recommended that Egyptian banks institutionalize governance practices, focusing on independent boards and audit quality to sustain financial performance improvements.

Opoku, Yawson and Agbenyo (2022) compared corporate governance and bank performance in West Africa, analysing data from Ghanaian and Nigerian banks from 2015 to 2020. Their findings highlighted that Ghanaian banks performed better due to stricter board oversight, while Nigerian banks faced challenges related to weak audit controls. The study recommended that Nigerian banks enhance their audit mechanisms, drawing lessons from the governance models adopted by Ghanaian banks.

Alotaibi and Hussain (2022) focused on audit quality and financial performance in Middle Eastern banks. Using statistical analysis of data from 30 banks across the region from 2015 to 2021, they found that engagement with Big Four audit firms significantly improved profitability and reduced financial misstatements. The researchers recommended that banks in the region seek reputable audit firms to enhance audit quality and financial credibility.

Bello and Yusuf (2023) explored corporate governance and financial inclusion in Nigerian banks through mixed-methods research combining interviews and financial data analysis from 2018 to 2022. They found that strong governance practices facilitated financial inclusion, indirectly improving performance. The study recommended that banks integrate financial inclusion strategies into their governance frameworks to achieve dual benefits of improved financial outcomes and broader economic impacts.

Kumar et al. (2023) conducted a meta-analysis of 120 studies published from 2015 to 2023 to explore the impact of board characteristics on financial performance globally. The study revealed that both board independence and diversity were consistently significant determinants of financial performance across different regions. The researchers recommended that global banks adopt universal best practices in board governance, adapting them to local regulatory environments for optimal financial performance.

2.6 Summary of Empirical Literature

SN	Title and Country of Origin	Year	Methodology	Findings
1	Corporate Governance and Financial Performance of Nigerian Banks (Nigeria)	2015	Panel data analysis	Larger board size and higher independence improved financial performance, while excessive board meetings had a negative effect.
2	Corporate Governance Practices in East African Banks (Kenya, Uganda, Tanzania)	2016	Primary survey of 30 banks	Board diversity and strong audit committees led to higher net profit margins.
3	Corporate Governance and Profitability in Kenyan Commercial Banks (Kenya)	2017	Longitudinal study, multiple regression analysis	Board composition positively influenced profitability, while CEO duality negatively affected financial outcomes.
4	Corporate Governance and	2018	Panel data analysis	Independent boards improved

SN	Title and Country of Origin	Year	Methodology	Findings
	Bank Performance in GCC Countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE)		(2010-2016)	financial performance.
5	Corporate Governance and Profitability in Nigerian Banks (Nigeria)	2018	Panel data analysis of 15 banks	Board size positively influenced profitability, while board independence had mixed effects. Audit quality improved financial stability.
6	Performance of South Asian Banks (South Asia)	2019	Quantitative analysis of 80 banks (2012-2018)	Board composition and audit quality positively influenced profitability, while CEO duality had a negative impact.
7	Board Characteristics and Financial Performance in Nigerian Banks (Nigeria)	2019	Panel regression analysis (2010-2018)	Board size positively affected ROE, but excessive independence negatively impacted ROA.
8	Governance Reforms and Financial Stability in South Asian Banks (Pakistan, Bangladesh, India)	2020	Comparative case study	Governance reforms in audit quality and board restructuring enhanced financial stability and credit risk management.
9	Corporate Governance and Risk Management in Nigerian Banks (Nigeria)	2020	Survey of 20 bank executives, structural equation modelling	Effective governance reduced credit and operational risks, improving financial performance.

SN	Title and Country of Origin	Year	Methodology	Findings
10	Board Structure and Bank Performance in Sub-Saharan Africa (SSA)	2021	Panel data analysis of 40 banks (5 years)	Board size and diversity improved profitability, while excessive independence slowed decision-making.
11	Corporate Governance in Egyptian Banks (Egypt)	2021	Panel data analysis of annual reports (15 banks, 5 years)	Board independence and strong audit committees enhanced financial stability.
12	Corporate Governance and Bank Performance in West Africa (Ghana, Nigeria)	2022	Panel data analysis (2015-2020)	Ghanaian banks outperformed Nigerian banks due to stricter board oversight and better audit controls.
13	Audit Quality and Financial Performance in Middle Eastern Banks (Middle East)	2022	Statistical analysis of 30 banks (2015-2021)	Engagement with Big Four audit firms improved profitability and reduced financial misstatements.
14	Corporate Governance and Financial Inclusion in Nigerian Banks (Nigeria)	2023	Survey and Quantitative methods (2018-2022)	Strong governance practices enhanced financial inclusion, indirectly improving financial performance.
15	Impact of Board Characteristics on Financial Performance (Nigeria)	2023	Primary survey of 20 banks	Board independence and diversity were significant determinants of financial performance across different regions.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The purpose of this study is to examine the relationship between Corporate Governance structure and financial performance of deposit money Banks in Nigeria. This section looked at the research design, population and sample of the study, sources of data, theoretical framework, model specification, measurement and operationalization of variables as well as the method of data analysis.

3.2 Research Design

The study employs an ex-post facto research design, specifically geared towards examining phenomena in their natural settings and describing characteristics without influencing them. The study entails the use of data from sampled deposit money banks listed in the Nigerian stock exchange in order to specifically measure the relationship between Corporate Governance structure and financial performance of the sampled deposit money Banks in Nigeria.

3.3 Population and Sample of the Study

The study's population is Nigeria, serving as the macro unit of analysis. From the population, 10 Banks were sampled out from the listed deposit money banks in the Nigerian exchange market. The sampling frame comprises yearly datasets of corporate governance structure (board size, board

composition, board independence, audit quality) and financial performance data (ROA of the sampled banks) spanning a determined period, 13 years (2011 – 2023).

3.4 Source of Data

The study used secondary time series data covering the period 2011 to 2023. Secondary data was used as the main method of data collection. The relevant data for this study have been obtained from the annual reports and financial statements of the selected Banks for the various years.

3.5 Model Specification

Based on the theoretical framework, equation (1) specifies the equation of the dependent variable (ROA) and other explanatory variables (BSZ, BCM, BIN, AUQ) in a linear form as:

$$ROA = f(BSZ, BCM, BIN, AUQ) \quad (1)$$

Where:

ROA = Returns on Assets (Deposit money banks financial performance indicator)

BSZ = Board size

BCM = Board composition

BIN = Board independence

AUQ = Audit Quality

Thus, model can be specified in an econometric form as follows:

$$ROA_t = \alpha_0 + \alpha_1 BSZ_t + \alpha_2 BCM_t + \alpha_3 BIN_t + \alpha_4 AUQ_t + \varepsilon_t \quad (2)$$

Where:

t stands for time in years

ε_t is the error term

All the other variables are as already defined.

From a priori considerations, it is expected that all the explanatory variables – Board size, board composition, board independence, audit quality – are expected to have a positive relationship with ROA – returns on assets, i.e., $\alpha_{1,2,3,4} > 0$.

3.6 Measurement and Operationalization of Variables

Variables	Variable type	Measurements
Return on assets (ROA)	Dependent	Measured by the net income of a firm, divided by its total assets for the year.
Board Size (BSZ)	Independent	Measured as the number of directors on the board in each organisation.
Board Composition (BCM)	Independent	Measured as the proportion of female to male directors on the board. 1 if there are more than three females on the board, 0 if otherwise.

Board independence (BIN)	Independent	Measured as the number of independent directors / Total number of directors
Audit Quality	Independent	Measured as the 1 if the auditor is a Big Four firm in Nigeria, 0 otherwise.

Source: Author's computation, 2024

3.7 Method of Data Analysis

This study uses a panel data regression. The use of descriptive statistics, correlational and panel OLS regression to analyse the data. The descriptive statistics are used to describe the data set using the mean, maximum and minimum values, standard deviation, skewness, kurtosis, and the Jarque-Bera statistic. Skewness, kurtosis and the Jarque-Bera statistics are used to explain the distribution properties of the data. The correlation analysis is used to determine the linear relationship between the variables pair wisely. The Panel Least Squares (PLS) technique is used to determine the effect of the explanatory variables on the outcome variable. The analysis will be carried out with the use of e-views and Microsoft Excel.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSES

4.1 Introduction

This chapter-data presentation and analyses contains the results obtained from the analyses of the data collected from the annual reports of 10 sampled banks (Access Bank, Eco, FCMB, Fidelity, Sterling, GTCO, Stanbic IBTC, UBA, Wema and Zenith Bank). The analyses were done with the aid of a computer software (Eviews) and have been presented using tables. Explanations were provided for each table presented in this chapter. The major sections in this chapter include data presentation and interpretation, test of hypotheses, and discussion of findings.

4.2 Data Presentation and Interpretation

4.2.1 Preliminary Analyses

Table 4.1 Descriptive statistics

	ROA	BDZ	BCM	BIN	AQUA
Mean	0.020711	12.69231	0.823077	0.620768	0.984615
Median	0.015473	13.00000	1.000000	0.571429	1.000000
Maximum	0.120523	20.00000	1.000000	1.285714	1.000000
Minimum	-0.009993	6.000000	0.000000	0.333333	0.000000
Std. Dev.	0.017118	2.833482	0.383080	0.157701	0.123553
Skewness	2.484211	-0.015800	-1.693259	0.911209	-7.875000
Kurtosis	12.70828	2.793001	3.867127	4.088568	63.01562
Jarque-Bera	644.2357	0.237506	66.19393	24.40852	20853.83
Probability	0.000000	0.888027	0.000000	0.000005	0.000000
Sum	2.692438	1650.000	107.0000	80.69987	128.0000

Sum Sq. Dev.	0.037801	1035.692	18.93077	3.208197	1.969231
Observations	130	130	130	130	130
<i>ROA is returns on assets, BDZ is Bord size, BCM is Board composition, BIN is Board independence, AQUA is Audit Quality</i>					

Source: Researcher's compilation (2025)

In conducting the preliminary analyses, descriptive statistics and correlation analysis were employed. The descriptive statistics describes the features of the data while the correlation analysis shows the strength of association between the variables. Table 4.1 is the descriptive statistics. From this table, it was observed that the mean Return on Assets (ROA) is 0.020711, indicating that, on average, the companies in the sample have a return on assets of approximately 2.07%. The median ROA is slightly lower, at 0.015473, suggesting that the distribution of ROA is slightly skewed to the right. The maximum ROA is 0.120523, while the minimum is -0.009993, indicating a range of returns on assets among the companies in the sample. Board Size (BDZ) has a mean of 12.69231, indicating that, on average, the boards of the companies in the sample have approximately 12.69 members. The median board size is 13, suggesting that the distribution of board size is slightly skewed to the left. The maximum board size is 20, while the minimum is 6, indicating a range of board sizes among the companies in the sample. Board Composition (BCM) has a mean of 0.82, indicating that all companies in the sample have a board composition of 82%. Board Independence (BIN) has a mean of 0.620768, indicating that, on average, approximately 62.07% of the board members of the companies in the sample are independent. The median board independence is

0.571429, suggesting that the distribution of board independence is slightly skewed to the right. The maximum board independence is 1.285714, while the minimum is 0.333333, indicating a range of board independence among the companies in the sample. Audit Quality (AQUA) has a mean of 0.984615, indicating that, on average, the audit quality of the companies in the sample is approximately 98.46%. The median audit quality is 1, suggesting that the distribution of audit quality is slightly skewed to the left. The maximum audit quality is 1, while the minimum is 0, indicating a range of audit quality among the companies in the sample. Furthermore, the Jarque-Bera test for normality indicated that all the variables except board size failed the test.

Table 4.2 Correlation Matrix

	ROA	BDZ	BCM	BIN	AQUA
ROA	1				
BDZ	-0.0238193	1			
BCM	0.0613488	0.0780091	1		
BIN	-0.1248792	-0.5077389	-0.1420255	1	
AQUA	0.0571553	0.0085165	-0.0579538	0.0144850	1

Source: Researcher’s compilation (2025)

Table 4.2 shows all the variables have weak association with bank performance (ROA) with the following respective values -0.0238193, 0.0613488, -0.1248792 and 0.0571553. Furthermore, Audit Quality (AQUA) and Board composition (BCM) has a positive correlation with bank

performance, while board size and board independence have negative correlation with bank performance. And it can also be deduced that the variables are free from multicollinearity because all the correlation matrixes are not too high.

4.2.3 Panel Least Square Test

Table 4.3: Panel OLS Test

Dependent Variable: ROA
 Cross-sections included: 10
 Total panel (balanced) observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BDZ	0.000875	0.000479	1.827030	0.0401
BCM	0.000153	0.002926	-0.005214	0.9958
BIN	0.023954	0.008809	2.719329	0.0275
AQUA	0.000307	0.009617	0.031912	0.9746
C	0.044611	0.013890	3.211718	0.0017

Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.699681	Mean dependent var		0.020711
Adjusted R-squared	0.632403	S.D. dependent var		0.017118
S.E. of regression	0.013987	Akaike info criterion		-5.599976
Sum squared resid	0.022693	Schwarz criterion		-5.291165
Log likelihood	377.9984	Hannan-Quinn criter.		-5.474496
F-statistic	5.940806	Durbin-Watson stat		1.648567
Prob(F-statistic)	0.000000			

Source: Researcher’s compilation (2024)

The results indicate that Board Size (BDZ) has a positive and significant impact on ROA, with a coefficient of 0.000875 and a p-value of 0.0401. This suggests that as board size increases, return

on assets tends to increase. Similarly, Board Independence (BIN) also has a positive and significant impact on ROA, with a coefficient of 0.023954 and a p-value of 0.0275. This indicates that as board independence increases, return on assets increases too. In contrast, Board Composition (BCM) and Audit Quality (AQUA) do not have a significant impact on ROA, with p-values of 0.9958 and 0.9746, respectively.

The model's goodness of fit is evaluated using various metrics, including R-squared, Adjusted R-squared, and the F-statistic. The R-squared value of 0.699681 indicates that approximately 69.97% of the variation in ROA is explained by the independent variables. The Adjusted R-squared value of 0.632403 is slightly lower, indicating that some of the explanatory power of the model may be due to chance. The F-statistic of 5.940806 is significant at the 0.000000 level, indicating that the model is statistically significant.

4.3 Hypotheses Testing

The hypotheses for this study are tested at the 5% significance level. The decision rule was to accept the null hypothesis if the p-value is greater than 0.05, otherwise, the alternative hypothesis was accepted and vice versa. The results presented in Table 4.3 were used testing the hypotheses.

Hypothesis One- There is no significant relationship between board size and the financial performance of DMBs in Nigeria.

Board Size (BDZ) has a positive and significant impact on ROA, with a coefficient of 0.000875 and a p-value of 0.0401 thus; the study fails to accept the null hypothesis. Therefore, the study

concludes that at 5% significance level, there is a significant relationship board size and the financial performance of DMBs in Nigeria.

Hypothesis Two- There is no significant relationship between board composition and financial performance of DMBs in Nigeria.

Board composition (BCM) has a coefficient of 0.000153 and p-value of 0.9958. The p-value is greater than 0.05 thus; the study accepts the null hypothesis. Therefore, the study concludes that at 5% significance level, there is no significant relationship between board composition and financial performance of DMBs in Nigeria.

Hypothesis Three- Board independence does not significantly enhance the financial performance of DMBs in Nigeria.

Board Independence (BIN) has a coefficient of 0.023954 and a p-value of 0.0275 thus; the study fails to accept the null hypothesis. Therefore, the study concludes that at 5% significance level, Board independence significantly enhance the financial performance of DMBs in Nigeria.

Hypothesis Four- There is no significant relationship between audit quality and the financial performance of DMBs in Nigeria.

Audit Quality (AQUA) has a coefficient of 0.000307 and p-value of 0.9746. The p-value is greater than 0.05 thus; the study accepts the null hypothesis. Therefore, the study concludes that at 5% significance level, there is no significant relationship between audit quality and the financial performance of DMBs in Nigeria.

4.4 Discussion of Findings

The study examined the relationship between corporate governance structure and financial performance of Deposit Money Banks (DMBs) in Nigeria. The results of the hypotheses testing provide valuable insights into the impact of board size, board composition, board independence, and audit quality on the financial performance of DMBs.

The first hypothesis posited that there is no significant relationship between board size and financial performance of DMBs in Nigeria. However, the results indicate that board size has a positive and significant impact on Return on Assets (ROA), with a coefficient of 0.000875 and a p-value of 0.0401. This finding is consistent with a previous study by Yermack (2016), which found that larger boards are associated with better firm performance. The study concludes that at 5% significance level, there is a significant relationship between board size and financial performance of DMBs in Nigeria.

The second hypothesis stated that there is no significant relationship between board composition and financial performance of DMBs in Nigeria. The results support this hypothesis, as board composition has a coefficient of 0.000153 and a p-value of 0.9958. This finding is in line with a

previous study by Coles et al. (2018), which found that board composition has no significant impact on firm performance. The study concludes that at 5% significance level, there is no significant relationship between board composition and financial performance of DMBs in Nigeria.

The third hypothesis posited that board independence does not significantly enhance the financial performance of DMBs in Nigeria. However, the results indicate that board independence has a negative and significant impact on ROA, with a coefficient of -0.023954 and a p-value of 0.0275. This finding is consistent with a previous study by Pearce and Zahra (2022), which found that board independence is associated with better firm performance. However, the negative coefficient in this study suggests that board independence may have a different impact on financial performance in the context of Nigerian DMBs.

The fourth hypothesis stated that there is no significant relationship between audit quality and financial performance of DMBs in Nigeria. The results support this hypothesis, as audit quality has a coefficient of 0.000307 and a p-value of 0.9746. This finding is in line with a previous study by Anthony and Carl (2022), which found that audit quality has no significant impact on firm performance. The study concludes that at 5% significance level, there is no significant relationship between audit quality and financial performance of DMBs in Nigeria.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The study examined the relationship between Corporate Governance structure and financial performance of deposit money Banks in Nigeria. Four hypotheses were raised and evaluated using the panel least squares estimator. In concluding the research, this final chapter documents the summary of findings, conclusion and recommendations of the study.

5.2 Summary of Findings

Based on the analysis conducted, the following findings were made:

1. The study found that there is a significant positive relationship between board size and financial performance (ROA) of DMBs in Nigeria.
2. The analysis found that there is no significant relationship between board composition and financial performance (ROA) of DMBs in Nigeria.
3. The study found that Board independence has a significant and positive effect on financial performance of DMBs in Nigeria; and
4. That there is no significant relationship found between audit quality and financial performance of DMBs in Nigeria.

5.3 Conclusion

This study has investigated the relationship between corporate governance structure and financial performance of Deposit Money Banks (DMBs) in Nigeria. The findings of this study provide valuable insights into the impact of board size, board composition, board independence, and audit quality on the financial performance of DMBs. The results of this study indicate that board size has a significant positive impact on financial performance, suggesting that larger boards are associated with better financial performance. However, board composition was found to have no significant impact on financial performance, implying that the mix of executive and non-executive directors on the board does not significantly influence financial performance. The study also found a significant positive relationship between board independence and financial performance, indicating that independent boards are associated with better financial performance. This finding supports the conventional wisdom that independent boards are more effective in monitoring management and making strategic decisions that enhance financial performance. Finally, the study found no significant relationship between audit quality and financial performance, implying that the quality of audit services does not significantly influence financial performance.

Overall, this study contributes to the existing literature on corporate governance and financial performance by providing new insights into the relationship between board characteristics and financial performance in the context of Nigerian DMBs. The findings of this study have important

implications for practice and policy, and highlight the need for further research on the complex relationships between corporate governance mechanisms and financial performance.

5.4 Recommendations

5.4.1 Policy Recommendations

1. **Increase Board Size:** The study found a significant positive relationship between board size and financial performance. Therefore, policymakers and regulators may consider increasing the minimum board size requirement for Deposit Money Banks (DMBs) in Nigeria. This could lead to more diverse and experienced boards, which can make better strategic decisions and improve financial performance.
2. **Promote Board Independence:** The study found a significant positive relationship between board independence and financial performance. To promote board independence, policymakers and regulators may consider introducing regulations that require DMBs to have a minimum number of independent directors on their boards. This could help to reduce the influence of management and shareholders on the board, leading to more objective decision-making.
3. **Improve Board Diversity:** Although the study did not find a significant relationship between board composition and financial performance, policymakers and regulators may still consider introducing regulations that promote board diversity. This could include

requirements for a minimum number of female directors, directors from diverse ethnic backgrounds, or directors with specific skills and expertise.

4. **Enhance Corporate Governance Codes:** The study's findings highlight the importance of effective corporate governance in improving financial performance. Policymakers and regulators may consider reviewing and enhancing the corporate governance codes for DMBs in Nigeria. This could include introducing new requirements for board composition, board independence, and audit quality, as well as providing guidance on best practices for corporate governance.
5. **Provide Training and Development for Board Members:** The study's findings suggest that larger and more independent boards are associated with better financial performance. To support the development of effective boards, policymakers and regulators may consider providing training and development programs for board members. This could include training on corporate governance, financial management, and strategic decision-making, as well as providing resources and support for board evaluation and development.

5.4.2 Suggestions for Further Studies

Building on the insightful findings of this study regarding the influence of Corporate Governance structure on the financial performance of deposit money Banks in Nigeria, there is a compelling avenue for further research to delve deeper into the nuanced dynamics at play. Further studies could investigate the impact of board characteristics on financial performance in other industries.

This study focused on Deposit Money Banks (DMBs) in Nigeria, but it would be interesting to investigate whether the findings are generalizable to other industries. Future studies could explore the relationship between board characteristics and financial performance in other sectors, such as manufacturing, oil and gas, or telecommunications. This could provide insights into whether industry-specific factors influence the effectiveness of board characteristics in improving financial performance.

Furthermore, this study found significant relationships between board characteristics and financial performance, but it did not explore the underlying mechanisms that drive these relationships. Future studies could investigate the mediating role of CEO characteristics (such as CEO tenure, experience, and leadership style) and firm-level factors (such as firm size, age, and risk profile) in the relationship between board characteristics and financial performance. This could provide insights into how board characteristics influence financial performance through their impact on CEO behavior and firm-level decisions.

REFERENCES

- Adams, R. B., & Ferreira, D. (2020). Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics*, 137(3), 112-129.
- Adebayo, O., & Fatoki, R. (2021). Corporate governance practices and financial performance in emerging economies. *African Journal of Corporate Governance*, 6(2), 56-72.
- Adebayo, S., & Hassan, M. (2022). Corporate governance and risk management in Nigerian banks. *Journal of Financial Studies in Africa*, 14(2), 45-59.
- Adebayo, T., & Uche, C. (2022). Board diversity and financial performance: Evidence from Nigerian banks. *African Journal of Corporate Governance*, 14(2), 56-78.
- Adediran, A., & Alade, O. (2022). Corporate governance and financial performance: Evidence from Nigerian banks. *Journal of Finance and Corporate Governance*, 10(1), 45-59.
- Adeola, T., & Fatoki, O. (2020). Transparency in corporate governance and its effect on financial performance. *African Review of Corporate Finance*, 11(3), 34-51.
- Adeusi, S. A., Salawu, R. O., & Mgbame, C. O. (2015). Corporate governance and financial performance of Nigerian banks. *European Journal of Business and Management*, 7(2), 221-231.
- Adeyemi, S., & Akintola, I. (2022). Regulatory compliance and governance in Nigerian banks. *African Journal of Economic Policy*, 29(3), 112-126.
- Adeyemi, S., & Hassan, M. (2022). Challenges of implementing governance frameworks in Nigerian banks. *Journal of Financial Governance*, 8(1), 34-49.
- Ahmed, S., Ali, A., & Saeed, A. (2021). Board structure and bank performance in Sub-Saharan Africa. *International Journal of Financial Studies*, 9(1), 1-13.

- Akinyemi, F., & Okoro, J. (2020). Governance structures and bank performance in Sub-Saharan Africa. *African Journal of Financial Studies*, 12(3), 45-60.
- Akpan, B., & Amadi, K. (2023). Board independence and governance quality in African financial institutions. *Journal of African Business Studies*, 18(4), 34-50.
- Al-Ahdal, N., Obaid, A., & Abdulwahab, A. (2018). Corporate governance and bank performance in GCC countries: Evidence from Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. *International Journal of Business and Society*, 19(1), 73-93.
- Asiriwuwa, O. J., Uwuigbe, U., & Adekoya, J. (2019). Effect of board characteristics on Nigerian banks' financial performance. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(2), 173-184.
- Bananuka, J., Tumwebaze, Z., & Munene, J. (2020). Audit quality and financial performance: Evidence from Ugandan financial institutions. *African Journal of Accounting, Auditing, and Finance*, 6(2), 150-170.
- Basel Committee on Banking Supervision (BCBS). (2021). *Principles for effective governance in financial institutions*.
- Bello, M. O., & Yusuf, S. O. (2023). Corporate governance and financial inclusion in Nigerian banks. *International Journal of Finance & Banking Studies*, 12(1), 61-72.
- Central Bank of Nigeria (CBN). (2019). *Code of Corporate Governance for Banks in Nigeria Post-Consolidation*.
- Central Bank of Nigeria (CBN). (2020). *Code of Corporate Governance for Banks in Nigeria Post-Consolidation*.

- DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, 3(3), 183-199.
- Donaldson, L., & Davis, J. H. (2020). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 45(1), 49-64.
- Eze, C., & Okoro, P. (2020). Governance and systemic stability in the Nigerian banking sector. *West African Journal of Economic Studies*, 10(3), 14-30.
- Eze, M. O., & Okafor, I. (2021). Governance and bank stability in Nigeria: A post-consolidation analysis. *Nigerian Economic Review*, 15(4), 78-94.
- Eze, M. O., & Okonkwo, P. (2021). Governance mechanisms and financial outcomes in the Nigerian banking sector. *Journal of Economic Perspectives*, 19(4), 67-82.
- Financial Reporting Council of Nigeria (FRCN). (2020). *Nigerian Code of Corporate Governance (NCCG)*.
- Gadi, S. A., Behr, P., & Perera, H. (2016). Corporate governance practices in East African banks. *International Journal of Accounting*, 51(1), 44-63.
- Haque, F., Zhang, H., & Brown, K. (2020). Board diversity and financial stability: Evidence from Asian banks. *Asia-Pacific Financial Studies*, 15(2), 98-114.
- Hossain, S., Sultana, R., & Hossain, T. (2022). Technology and audit quality: Evidence from South Asia. *Journal of Accounting and Auditing*, 29(4), 345-362.
- Ibrahim, K., Musa, A., & Sani, R. (2020). The influence of board characteristics on the profitability of Nigerian banks. *International Journal of Business Studies*, 8(2), 34-49.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.

- John, E., & Ibe, J. (2020). Financial performance metrics for Nigerian banks: A critical review. *Nigerian Journal of Banking and Finance*, 15(2), 21-38.
- Malik, K. A., & Mollah, S. (2020). Governance reforms and financial stability in South Asian banks. *Journal of Corporate Finance*, 63, 101335.
- Malik, S., & Wang, Y. (2023). Corporate governance mechanisms in global banking: Evidence from emerging markets. *Journal of International Financial Studies*, 15(2), 78-93.
- Muriithi, S., Muturi, W., & Ngugi, P. (2017). Corporate governance and profitability of Kenyan commercial banks. *International Journal of Economics and Finance*, 9(6), 125-133.
- Musa, K., & Adeoye, O. (2021). Corporate governance and financial stability: Insights from Nigerian banks. *Journal of Corporate Finance*, 17(1), 14-29.
- Musa, K., & Bello, I. (2021). The evolving role of corporate governance in financial institutions. *International Journal of Finance and Management*, 12(2), 22-41.
- Nguyen, T. L., Li, Y., & Wang, Y. (2022). Board expertise and risk management in U.S. financial institutions. *International Journal of Banking Studies*, 25(1), 34-60.
- Ofoegbu, C. I., & Joseph, I. C. (2018). Impact of corporate governance on Nigerian bank profitability. *International Journal of Economics, Commerce and Management*, 6(4), 149-161.
- Ogbonna, U., & Adeoye, R. (2021). Resource management and profitability in financial institutions. *Journal of Corporate Governance*, 12(1), 23-41.
- Ogundele, S., & Bello, T. (2021). Optimal board size and governance effectiveness in Nigerian banks. *Nigerian Journal of Governance*, 10(3), 67-83.

- Ojo, O. A., & Adebayo, F. A. (2020). Corporate governance and risk management in Nigerian banks. *Journal of Risk Finance*, 21(5), 524-537.
- Okafor, C., Onyekwelu, U., & Chukwu, A. (2021). Determinants of audit quality in emerging markets: Evidence from Nigeria. *Journal of International Financial Management*, 24(3), 267-281.
- Okoye, U., Nnamdi, E., & Chukwuma, O. (2021). Corporate governance codes and their implications for banking sector performance in Nigeria. *African Development Studies*, 11(2), 89-103.
- Oladapo, T., & Usman, A. (2022). Corporate governance reforms and regulatory effectiveness in Nigeria. *Journal of African Business Studies*, 15(3), 67-83.
- Olajide, T., & Ayodele, F. (2019). Corporate governance in the Nigerian banking sector: Challenges and prospects. *West African Journal of Business and Management*, 6(1), 12-22.
- Opoku, D. D., Yawson, A., & Agbenyo, P. K. (2022). Corporate governance and bank performance in West Africa. *Review of International Business and Strategy*, 32(4), 608-623.
- Patel, V., Sharma, R., & Li, H. (2022). The impact of board size on corporate governance: Evidence from European financial institutions. *European Journal of Governance Studies*, 19(4), 34-51.
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. Harper and Row.
- Rashid, A. M., Alam, Q., & Anwar, S. (2019). Corporate governance and performance of South Asian banks. *Asian Academy of Management Journal of Accounting and Finance*, 15(1), 1-14.

- Salama, A. A., & Ramadan, M. (2021). Corporate governance in Egyptian banks: Post-revolution analysis. *Review of Accounting and Finance*, 20(1), 85-104.
- Terjesen, S., & Sealy, R. (2021). Board diversity: A global review of institutional and business perspectives. *Global Governance Journal*, 19(4), 45-68.
- Usman, A., & Musa, K. (2023). Determinants of financial performance in Nigerian deposit money banks. *International Journal of Financial Management*, 10(4), 13-27.
- Usman, S., Bello, A., & Yusuf, M. (2023). Board diversity and financial performance in Nigerian deposit money banks. *Journal of Corporate Finance in Africa*, 14(3), 21-38.
- Zgarni, I., & Hamza, I. (2022). Audit quality and financial performance in developing economies: A study of North African banks. *International Journal of Auditing*, 26(1), 89-105.

APPENDIX

	ROA	BDZ	BCM	BIN	AQUA
Mean	0.020711	12.69231	0.823077	0.620768	0.984615
Median	0.015473	13.00000	1.000000	0.571429	1.000000
Maximum	0.120523	20.00000	1.000000	1.285714	1.000000
Minimum	- 0.009993	6.000000	0.000000	0.333333	0.000000
Std. Dev.	0.017118	2.833482	0.383080	0.157701	0.123553
Skewness	2.484211	- 0.015800	- 1.693259	0.911209	- 7.875000
Kurtosis	12.70828	2.793001	3.867127	4.088568	63.01562
Jarque- Bera	644.2357	0.237506	66.19393	24.40852	20853.83
Probability	0.000000	0.888027	0.000000	0.000005	0.000000
Sum	2.692438	1650.000	107.0000	80.69987	128.0000
Sum Sq. Dev.	0.037801	1035.692	18.93077	3.208197	1.969231
Observations	130	130	130	130	130

Covariance Analysis: Ordinary

Date: 03/12/25 Time: 11:05

Sample: 2011 2023

Included observations: 130

Correlation Probability	ROA	BIN	BDZ	BCM	AQUA
ROA	1.000000 -----				
BIN	-0.124879 0.1569	1.000000 -----			
BDZ	-0.023819 0.7879	-0.507739 0.0000	1.000000 -----		
BCM	0.061349 0.4881	-0.142026 0.1070	0.078009 0.3777	1.000000 -----	
AQUA	0.057155 0.5183	0.014485 0.8701	0.008517 0.9234	-0.057954 0.5125	1.000000 -----

Dependent Variable: ROA

Cross-sections included: 10

Total panel (balanced) observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BDZ	0.000875	0.000479	1.827030	0.0401
BCM	0.000153	0.002926	-0.005214	0.9958
BIN	0.023954	0.008809	2.719329	0.0275
AQUA	0.000307	0.009617	0.031912	0.9746
C	0.044611	0.013890	3.211718	0.0017

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.699681	Mean dependent var	0.020711
Adjusted R-squared	0.632403	S.D. dependent var	0.017118
S.E. of regression	0.013987	Akaike info criterion	-5.599976
Sum squared resid	0.022693	Schwarz criterion	-5.291165
Log likelihood	377.9984	Hannan-Quinn criter.	-5.474496
F-statistic	5.940806	Durbin-Watson stat	1.648567
Prob(F-statistic)	0.000000		

DATA

Years	Banks	Net Income for the year ended	Total assets	ROA (%)	Board Size	Board Composition	Independent Directors on the Board	Board Independence	Audit Quality
2011	ACCESS BANK	15,378	1,629,003	0.01	14	1	9	0.64	1
2012	ACCESS BANK	38,405	1,745,177	0.02	15	1	9	0.60	1
2013	ACCESS BANK	36,298	1,835,466	0.02	17	0	9	0.53	1
2014	ACCESS BANK	42,976	2,104,361	0.02	16	1	9	0.56	1
2015	ACCESS BANK	65,868	2,591,331	0.03	14	1	9	0.64	1
2016	ACCESS BANK	61,677	3,094,961	0.02	15	1	8	0.53	1
2017	ACCESS BANK	51,335	3,499,684	0.01	17	0	9	0.53	1
2018	ACCESS BANK	73,596	3,968,115	0.02	16	1	8	0.50	1
2019	ACCESS BANK	70,116	6,307,588	0.01	18	1	10	0.56	1
2020	ACCESS BANK	80,039	7,624,980	0.01	20	1	12	0.60	1
2021	ACCESS BANK	111,326	9,660,761	0.01	17	1	9	0.53	1
2022	ACCESS BANK	166,665	12,535,281	0.01	18	1	10	0.56	1
2023	ACCESS BANK	535,680	20,649,112	0.03	17	1	10	0.59	1
2011	ECO BANK	206,840	1,716,191	0.12	14	1	10	0.71	1
2012	ECO BANK	286,732	19,939,383	0.01	14	1	8	0.57	1
2013	ECO BANK	147,773	22,532,453	0.01	12	1	6	0.50	1
2014	ECO BANK	394,770	24,243,562	0.02	13	1	11	0.85	1
2015	ECO BANK	107,464	23,553,919	0.00	12	1	9	0.75	1
2016	ECO BANK	-204,958	20,510,974	-0.01	15	0	12	0.80	1
2017	ECO BANK	228,534	22,431,604	0.01	14	1	8	0.57	1

2018	ECO BANK	328,649	22,582,196	0.01	15	1	13	0.87	1
2019	ECO BANK	274,934	23,641,184	0.01	13	1	12	0.92	1
2020	ECO BANK	88,319	25,939,473	0.00	14	1	13	0.93	1
2021	ECO BANK	357,366	27,561,793	0.01	14	1	12	0.86	1
2022	ECO BANK	366,691	29,004,169	0.01	14	1	13	0.93	1
2023	ECO BANK	406,923	27,230,165	0.01	14	1	13	0.93	1
2011	FCMB	12,345,678	836,578,907	0.01	10	1	9	0.90	1
2012	FCMB	15,121,704	849,743,156	0.02	11	1	8	0.73	1
2013	FCMB	16,001,155	975,678,764	0.02	9	0	8	0.89	1
2014	FCMB	5,396,908	131,570,290	0.04	7	0	9	1.29	1
2015	FCMB	2,523,055	129,378,261	0.02	10	1	7	0.70	1
2016	FCMB	3,730,260	131,366,185	0.03	9	0	7	0.78	1
2017	FCMB	1,524,886	131,636,805	0.01	10	1	9	0.90	1
2018	FCMB	3,552,392	132,792,066	0.03	11	1	6	0.55	1
2019	FCMB	3,601,460	134,019,820	0.03	11	1	8	0.73	1
2020	FCMB	3,060,273	134,719,755	0.02	11	0	8	0.73	1
2021	FCMB	5,088,698	141,899,520	0.04	11	1	7	0.64	1
2022	FCMB	7,264,188	146,678,047	0.05	10	1	7	0.70	1
2023	FCMB	19,159,419	207,346,640	0.09	10	1	7	0.70	1
2011	FIDELITY BANK	3,175	737,732	0.00	12	1	8	0.67	0
2012	FIDELITY BANK	19,681	914,360	0.02	13	1	7	0.54	0
2013	FIDELITY BANK	8,084	1,081,217	0.01	11	1	8	0.73	1
2014	FIDELITY BANK	13,714	1,187,025	0.01	16	0	8	0.50	1
2015	FIDELITY BANK			0.01	15	1	5	0.33	1

		15,617	1,231,722						
2016	FIDELITY BANK	3,755	1,298,141	0.00	13	1	6	0.46	1
2017	FIDELITY BANK	20,878	1,379,214	0.02	15	1	7	0.47	1
2018	FIDELITY BANK	20,719	1,719,883	0.01	14	1	7	0.50	1
2019	FIDELITY BANK	42,800	6,122,174	0.01	14	1	7	0.50	1
2020	FIDELITY BANK	45,296	3,989,009	0.01	13	1	6	0.46	1
2021	FIDELITY BANK	18,133	3,280,453	0.01	14	0	7	0.50	1
2022	FIDELITY BANK	42,096	2,758,148	0.02	14	1	7	0.50	1
2023	FIDELITY BANK	123,823	2,114,037	0.06	15	1	7	0.47	1
2011	STERLING HOLDINGS	8,654	876,954	0.01	11	1	9	0.82	1
2012	STERLING HOLDINGS	10,985	876,582	0.01	9	1	7	0.78	1
2013	STERLING HOLDINGS	8,765	876,547	0.01	8	1	7	0.88	1
2014	STERLING HOLDINGS	9,005	565,678	0.02	12	1	8	0.67	1
2015	STERLING HOLDINGS	10,293	799,451	0.01	11	1	7	0.64	1
2016	STERLING HOLDINGS	5,182	830,803	0.01	12	1	8	0.67	1
2017	STERLING HOLDINGS	7,954	1,068,798	0.01	13	0	9	0.69	1
2018	STERLING HOLDINGS	9,468	1,085,876	0.01	18	0	10	0.56	1
2019	STERLING HOLDINGS	10,602	1,182,685	0.01	17	1	11	0.65	1
2020	STERLING HOLDINGS	11,242	1,292,999	0.01	12	1	10	0.83	1
2021	STERLING HOLDINGS	15,022	1,624,278	0.01	14	1	10	0.71	1
2022	STERLING HOLDINGS	19,298	1,857,992	0.01	13	1	10	0.77	1
2023	STERLING HOLDINGS	21,584	2,531,092	0.01	7	1	4	0.57	1
2011	GTCO	67,890,534	1,908,348,182	0.04	13	1	7	0.54	1
2012	GTCO	70,987,590	1,896,043,569	0.04	14	1	8	0.57	1

2013	GTCO	84,678,219	2,011,276,871	0.04	15	1	7	0.47	1
2014	GTCO	89,170,777	2,126,608,312	0.04	11	0	8	0.73	1
2015	GTCO	94,308,123	2,277,629,224	0.04	12	1	7	0.58	1
2016	GTCO	124,199,874	2,613,340,074	0.05	14	1	7	0.50	1
2017	GTCO	158,727,705	2,824,928,985	0.06	12	1	8	0.67	1
2018	GTCO	166,919,765	2,712,521,494	0.06	15	1	7	0.47	1
2019	GTCO	196,849,281	3,758,918,770	0.05	14	1	8	0.57	1
2020	GTCO	201,439,940	4,944,653,293	0.04	14	1	7	0.50	1
2021	GTCO	207,856,340	5,436,034,997	0.04	14	1	7	0.50	1
2022	GTCO	169,173,437	6,446,456,429	0.03	15	1	7	0.47	1
2023	GTCO	539,654,674	9,691,254,678	0.06	14	1	6	0.43	1
2011	STANBIC IBTC	13,444	899,755	0.01	8	1	7	0.88	1
2012	STANBIC IBTC	11,421	900,876	0.01	8	0	7	0.88	1
2013	STANBIC IBTC	9,876	788,554	0.01	7	1	6	0.86	1
2014	STANBIC IBTC	21,851	908,429	0.02	8	1	6	0.75	1
2015	STANBIC IBTC	6,232	890,580	0.01	7	1	5	0.71	1
2016	STANBIC IBTC	15,030	993,757	0.02	6	0	5	0.83	1
2017	STANBIC IBTC	28,842	1,332,670	0.02	7	1	5	0.71	1
2018	STANBIC IBTC	50,790	1,599,514	0.03	9	1	6	0.67	1
2019	STANBIC IBTC	36,245	1,876,456	0.02	10	1	5	0.50	1
2020	STANBIC IBTC	45,204	2,486,306	0.02	11	1	6	0.55	1
2021	STANBIC IBTC	22,543	2,742,764	0.01	11	1	7	0.64	1
2022	STANBIC IBTC	30,669	3,029,026	0.01	12	1	8	0.67	1
2023	STANBIC IBTC			0.03	11	0	8	0.73	1

		140,617	5,145,596						
2011	UBA	39,778	2,001,234	0.02	12	1	9	0.75	1
2012	UBA	38,676	2,264,567	0.02	11	0	8	0.73	1
2013	UBA	41,345	2,234,554	0.02	16	0	7	0.44	1
2014	UBA	40,083	2,338,858	0.02	15	1	8	0.53	1
2015	UBA	47,642	2,216,337	0.02	13	1	7	0.54	1
2016	UBA	47,541	2,539,585	0.02	15	1	7	0.47	1
2017	UBA	41,396	2,931,826	0.01	18	0	7	0.39	1
2018	UBA	41,047	3,591,305	0.01	19	1	8	0.42	1
2019	UBA	89,089	5,620,907	0.02	17	1	8	0.47	1
2020	UBA	109,162	7,693,377	0.01	17	1	7	0.41	1
2021	UBA	118,678	8,541,318	0.01	16	1	7	0.44	1
2022	UBA	170,277	10,857,571	0.02	17	1	7	0.41	1
2023	UBA	640,500	20,653,197	0.03	15	1	7	0.47	1
2011	WEMA	1,912,342	222,451,290	0.01	12	1	6	0.50	1
2012	WEMA	2,897,654	255,800,911	0.01	11	1	6	0.55	1
2013	WEMA	1,987,659	355,435,678	0.01	7	0	6	0.86	1
2014	WEMA	2,341,346	544,657,864	0.00	10	1	7	0.70	1
2015	WEMA	3,234,511	588,790,543	0.01	11	1	6	0.55	1
2016	WEMA	2,560,580	424,043,581	0.01	11	1	7	0.64	1
2017	WEMA	2,255,488	388,153,526	0.01	13	1	6	0.46	1
2018	WEMA	3,326,419	488,804,317	0.01	14	1	9	0.64	1
2019	WEMA	5,199,940	715,869,814	0.01	10	1	8	0.80	1
2020	WEMA	4,577,381	979,518,151	0.005	12	1	7	0.58	1

2021	WEMA	8,926,555	1,175,490,124	0.01	13	0	8	0.62	1
2022	WEMA	11,351,980	1,441,864,974	0.01	11	1	7	0.64	1
2023	WEMA	35,988,967	2,248,239,617	0.02	11	1	6	0.55	1
2011	ZENITH BANK	89,756	2,345,678	0.04	11	1	5	0.45	1
2012	ZENITH BANK	98,006	2,423,458	0.04	12	0	6	0.50	1
2013	ZENITH BANK	101,456	3,245,678	0.03	11	0	5	0.45	1
2014	ZENITH BANK	93,479	3,423,819	0.03	10	1	5	0.50	1
2015	ZENITH BANK	98,784	3,750,327	0.03	11	1	6	0.55	1
2016	ZENITH BANK	113,885	4,283,736	0.03	11	0	5	0.45	1
2017	ZENITH BANK	153,003	4,833,658	0.03	11	1	5	0.45	1
2018	ZENITH BANK	165,480	4,955,445	0.03	12	1	5	0.42	1
2019	ZENITH BANK	208,843	6,346,879	0.03	13	1	6	0.46	1
2020	ZENITH BANK	230,565	8,481,272	0.03	12	1	6	0.50	1
2021	ZENITH BANK	244,556	9,447,843	0.03	13	1	7	0.54	1
2022	ZENITH BANK	223,911	12,285,629	0.02	13	1	6	0.46	1
2023	ZENITH BANK	676,909	20,368,455	0.03	13	1	6	0.46	1