

**CORPORATE GOVERNANCE AND FIRM FINANCIAL
PERFORMANCE**

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**A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF
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OCTOBER 2025

DECLARATION

I declare that:

This thesis is the result of an independent study I conducted in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of **PROF. J. P. OTAKEFE**.

I affirm that this work has not been submitted for the award of any degree or qualification at any other institution. The ideas and analyses presented herein are the outcome of my own research, and where the views or contributions of others have been utilized, they have been duly acknowledged.

I accept full responsibility for the contents of this work and any liabilities that may arise therefrom.

Vivian Oghenerukevwe ESIEVOADJE

DEDICATION

This project is dedicated to the Almighty God, whose guidance and blessings illuminated the path even in the darkest moments. To my parents, **MR. AND MRS. ESIEVOADJE**, your unwavering support and belief in me were the pillars that kept me standing tall amidst every obstacle. With heartfelt gratitude, I offer this work as a testament to the power of faith, family, and perseverance.

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I extend my deepest gratitude to God, the creator and Bestower of knowledge, who is the lover of my soul, the giver of my gifts and the owner of my life, who makes everything possible at the appointed time, and for making it possible for me to reach this height in life. I present all glory and honour to his holy name, for he alone is worthy to be praised.

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To all my friends and my roommates thus far, your friendship and assistance have been invaluable throughout this journey. Your contributions, whether moral support or practical assistance, have made a significant difference and are deeply appreciated.

CERTIFICATION

We certify that this thesis titled "CORPORATE GOVERNANCE AND FIRM FINANCIAL PERFORMANCE" is an original work carried out by Vivian Oghenerukevwe ESIEVOADJE with matriculation number MGS2104552 in the department of accounting university of Benin, Benin City.

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ABSTRACT

This study investigates the impact of board characteristics- board size, board gender diversity, board independence, and board compensation- on firm financial performance among non-financial and non-oil and gas firms listed on the Nigerian Exchange Group (NGX). Using panel data from 78 firms over the period 2020 to 2024, the study employs descriptive statistics, correlation analysis, and panel regression techniques to analyze these relationships. The findings reveal that board gender diversity positively and significantly influences firm financial performance, while board size negatively affects performance. Net profit showed inconsistent effects, and board independence and compensation were not statistically significant predictors. The study recommends promoting gender diversity and optimizing board size to enhance firm performance. These results contribute to understanding corporate governance's role in improving financial outcomes in the Nigerian business environment and provide guidance for regulators, firms, and stakeholders aiming to strengthen board effectiveness.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Corporate governance plays a critical role in shaping the financial performance of firms, particularly in emerging markets like Nigeria. As a framework for controlling and directing companies, corporate governance outlines the practices, principles, and structures that guide how organizations are run. The primary goal of corporate governance is to ensure that the interests of shareholders and management are aligned, fostering a system where accountability and transparency prevail (Owolabi & Ogbechie, 2020). In the context of Nigeria, the importance of effective governance has become even more apparent considering numerous cases of corporate scandals, financial mismanagement, and inadequate internal controls, all of which have undermined investor confidence and stunted economic growth (Okafor, 2021). These challenges highlight the need for enhanced governance frameworks that can promote sustainable financial performance and organizational integrity.

Among the most significant elements of corporate governance is board size, which refers to the number of individuals who make up a company's board of directors. Board size has a profound impact on a firm's decision-making process. Research

indicates that having an optimal number of board members enhances the decision-making capacity of the board, as it brings together diverse expertise and perspectives, which are crucial for strategic direction and risk management (Ehikioya, 2020). However, excessively large boards can become inefficient, leading to communication breakdowns, slower decision-making, and reduced operational efficiency. Thus, achieving the right balance in board size is essential for ensuring that firms can make timely and well-informed decisions that drive financial success.

Similarly, board gender diversity has garnered increasing attention as a key governance factor influencing firm performance. Diverse boards, particularly those with female representation, are believed to foster richer discussions, bring varied perspectives, and improve overall risk management practices (Uwuigbe, Olusanmi, & Fakile, 2021). In Nigeria, although progress has been gradual, regulatory frameworks such as the Nigerian Code of Corporate Governance (2018) have highlighted the importance of gender diversity on boards. The evidence suggests that firms with more gender-diverse boards tend to experience stronger financial outcomes, as these boards are better equipped to understand and respond to the diverse needs of stakeholders and external market conditions.

Equally important is the independence of the board. Independent directors—those who do not have material or personal relationships with the company play a critical role in ensuring that management decisions are scrutinized impartially. Their presence on the board enhances objectivity and helps prevent potential conflicts of interest that may arise when directors are too closely aligned with the company’s management (Akinsulire, 2022). Independent boards are also instrumental in safeguarding shareholder interests, as they provide an external check on managerial actions, ensuring that decisions are made in the best interest of the company and its investors. Empirical studies in the Nigerian context demonstrate that higher proportions of independent directors are associated with better financial performance, highlighting their value in promoting transparency and accountability.

Another vital element of corporate governance that directly influences financial performance is board compensation. The structure of board compensation significantly impacts how effectively directors perform their roles. When compensation is tied to the performance of the company, it aligns the interests of directors with those of shareholders, motivating them to make decisions that enhance the firm’s profitability (Adegbie & Adeniji, 2021). In the Nigerian corporate environment, the growing recognition of the importance of performance-

based compensation has led to improvements in firm financial outcomes. Companies that have implemented such compensation structures tend to achieve higher profitability, as directors are incentivized to adopt strategies that maximize shareholder value.

While much of the global literature on corporate governance offers valuable insights, the Nigerian corporate landscape presents unique challenges that require localized research. Factors such as weak regulatory enforcement, socio-cultural norms, and high ownership concentration create an environment where governance practices can differ significantly from global standards (Ogbechie & Koufopoulos, 2020). This study, therefore, seeks to explore the specific effects of board size, board gender diversity, board independence, and board compensation on firm financial performance within the Nigerian context. By focusing on these four governance characteristics, the research will contribute to the existing body of knowledge and provide practical insights for improving governance practices in Nigeria.

Given the critical need to enhance the accountability, competitiveness, and sustainability of Nigerian firms, this study is timely and relevant. It aims to provide empirical evidence on how corporate governance can be leveraged to boost financial performance, offering actionable recommendations for both

policymakers and corporate managers. The findings of this research will not only benefit Nigerian companies but also provide valuable lessons for other emerging economies facing similar governance challenges.

1.2 Statement of the Problem

The relationship between corporate governance practices and firm financial performance remains a subject of considerable debate, particularly in emerging economies such as Nigeria. Although many studies suggest a positive link between sound governance mechanisms and improved financial outcomes (Owolabi & Ogbechie, 2020), the extent to which specific board characteristics—such as board size, gender diversity, board independence, and board compensation—impact firm performance is not yet fully established within the Nigerian context. Despite notable efforts to strengthen corporate governance frameworks, recurring cases of weak internal controls, board inefficiencies, and regulatory lapses continue to cast doubt on the effectiveness of current practices (Okafor, 2021).

Board size, for instance, is often cited as an influential governance factor, yet opinions differ regarding its optimal effect on financial performance. Similarly, while gender diversity on corporate boards is increasingly recognized as a means to enhance boardroom deliberations and stakeholder engagement, empirical findings on its direct contribution to firm profitability remain inconclusive

(Uwuigbe, Olusanmi, & Fakile, 2021). The role of board independence in safeguarding shareholders' interests and improving firm outcomes is widely acknowledged, but the degree of its influence in environments characterized by ownership concentration and limited regulatory enforcement warrants closer investigation. While board compensation strategies aim to align directors' interests with those of the firm, questions persist regarding whether incentive structures truly drive better financial performance in practice.

Given these ambiguities, there is a pressing need for empirical research that carefully examines how these governance variables—board size, gender diversity, independence, and compensation—shape firm financial performance within the Nigerian corporate sector. Such a study would provide valuable insights for both academic inquiry and practical reforms aimed at enhancing corporate accountability and sustainability.

1.3 Research Questions

The following questions were raised to guide the study:

1. To what extent does board size influence the financial performance of firms in Nigeria?
2. To what extent does board gender diversity impact the financial performance of firms in Nigeria?

3. To what extent does board independence affect the financial performance of firms in Nigeria?
4. To what extent does board compensation contribute to the financial performance of firms in Nigeria?

1.4 Research Objectives

The broad objective of this study is to examine the relationship between corporate governance and firm financial performance in Nigeria.

Specifically, the objectives are to:

1. determine the extent to which board size influences the financial performance of firms in Nigeria.
2. assess the extent to which board gender diversity impacts the financial performance of firms in Nigeria.
3. evaluate the extent to which board independence affects the financial performance of firms in Nigeria.
4. investigate the extent to which board compensation contributes to the financial performance of firms in Nigeria.

1.5 Research Hypotheses

The hypotheses have been stated in their null form:

H: Board size has no significant influence on the financial performance of firms in Nigeria.

H: Board gender diversity has no significant impact on the financial performance of firms in Nigeria.

H: Board independence has no significant effect on the financial performance of firms in Nigeria.

H: Board compensation has no significant contribution to the financial performance of firms in Nigeria.

1.6 Scope of the Study

This study focuses on examining the effect of corporate governance on firm financial performance in Nigeria, with particular emphasis on board size, board gender diversity, board independence, and board compensation. The investigation is limited to selected firms within Nigeria and covers data from 2020 – 2024 to ensure relevance and accuracy.

1.7 Significance of the Study

This study is significant as it contributes to the growing body of knowledge on corporate governance and its role in enhancing firm financial performance,

particularly within the Nigerian context. By examining specific board characteristics such as board size, board gender diversity, board independence, and board compensation, the study provides insights that could help corporate boards, policymakers, and regulatory bodies improve governance practices to foster better financial outcomes.

Additionally, the findings will be valuable to investors and stakeholders who rely on sound governance structures as indicators of firm stability and profitability. Academics and researchers will also benefit from the study as it adds recent empirical evidence to the discourse on corporate governance in emerging economies. Ultimately, the study seeks to promote transparency, accountability, and sustainable growth in Nigerian firms through improved governance mechanisms.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The review of literature has been subdivided into: Conceptual framework, theoretical, and empirical review as shown below.

2.2 Concept of Firm Financial Performance

Firm financial performance is a crucial concept in corporate governance studies, acting as the dependent variable influenced by governance mechanisms. It refers to a company's ability to achieve its financial goals, including profitability, liquidity, market valuation, and shareholder return. Understanding the relationship between corporate governance practices and financial performance is central to enhancing organizational efficiency and sustainability, especially in emerging economies like Nigeria (Ogbechie & Koufopoulos, 2020).

Firm financial performance can be defined as the result of a company's ability to manage its resources effectively to generate profits and create value for its shareholders. According to Tunc & Tunc (2021), financial performance encompasses profitability, cost efficiency, and the return on investment (ROI) generated from firm activities. It serves as a vital indicator for stakeholders, especially investors and policymakers, providing insights into the company's

operational effectiveness (Sharma & Lijen, 2021). Furthermore, the relationship between corporate governance practices and financial performance is crucial in determining the long-term sustainability and growth prospects of firms, particularly in developing economies where governance issues are often pronounced (Owolabi & Ogbechie, 2020).

Several financial metrics are commonly used to evaluate a firm's performance. These metrics provide a comprehensive view of a firm's efficiency in managing its assets, generating profits, and creating shareholder value. The most widely used performance indicators are:

Return on Assets (ROA): ROA measures how effectively a company uses its assets to generate net income. It is calculated by dividing net income by total assets. A higher ROA indicates efficient asset utilization and profitability (Owolabi & Ogbechie, 2020). Recent studies, such as by Uwuigbe et al. (2021), highlight that ROA is a critical metric for evaluating the impact of corporate governance mechanisms on firm performance in Nigerian firms.

Return on Equity (ROE): ROE is a measure of profitability that calculates how well a company generates profits from shareholders' equity. It is considered one of the most important profitability indicators and is widely used in performance evaluations (Adegbeie & Adeniji, 2021). In the Nigerian context, ROE is frequently

utilized to assess the relationship between governance structures, such as board independence and gender diversity, and firm performance (Uwuigbe et al., 2021).

Tobin's Q: Tobin's Q ratio compares the market value of a firm's assets to their replacement cost. A Q ratio greater than one suggests that the market values the firm's assets highly, which is often associated with positive growth prospects (Ehikioya, 2020). Research by Okafor (2021) demonstrated that firms with a higher Q ratio typically benefit from better corporate governance, as market participants perceive them as more transparent and accountable.

Earnings Per Share (EPS): EPS measures the portion of a company's profit allocated to each share of stock, reflecting the company's profitability (Akinsulire, 2022). Studies by Adegbie and Adeniji (2021) show that firms with strong governance frameworks tend to report higher EPS, particularly when compensation structures align with performance goals.

Profit Margin: The profit margin ratio calculates the percentage of revenue that remains as profit after all expenses are deducted. It is calculated as net income divided by total revenue (Sharma & Lijen, 2021). A higher profit margin indicates more efficient cost management and profitability, often associated with strong corporate governance practices that prioritize cost control and operational efficiency (Ehikioya, 2020).

In the Nigerian corporate environment, the financial performance of firms is significantly influenced by governance practices, economic volatility, and regulatory frameworks. The Nigerian Securities and Exchange Commission (SEC) has emphasized the need for robust corporate governance structures to enhance financial outcomes (Ogbechie & Koufopoulos, 2020). Firms operating in Nigeria often face challenges such as ownership concentration, weak regulatory enforcement, and economic instability, which can undermine the effectiveness of governance mechanisms (Okafor, 2021). However, adherence to the Nigerian Code of Corporate Governance is believed to foster improvements in financial performance by ensuring greater transparency, accountability, and efficiency in decision-making (Securities and Exchange Commission, 2018).

Recent studies on Nigerian firms suggest a positive relationship between good governance practices and financial performance. For instance, research by Uwuigbe et al. (2021) reveals that board diversity, especially gender diversity, is associated with better financial outcomes, as it enhances the board's decision-making capacity and stakeholder engagement. Similarly, studies by Owolabi and Ogbechie (2020) suggest that firms with independent boards tend to show better financial performance due to the objectivity and transparency that independent directors bring to decision-making processes.

In line with these findings, Tunc & Tunc (2021) argue that financial performance metrics, such as ROA, ROE, and EPS, are essential for evaluating the effectiveness of corporate governance in Nigeria. They assert that corporate governance practices, such as performance-based board compensation, can significantly enhance these metrics, leading to improved financial outcomes.

2.3 Corporate Governance Mechanisms

Corporate governance mechanisms encompass various governance practices, structures, and policies that guide a company's operations. The effectiveness of these mechanisms depends on factors such as board size, board gender diversity, board independence, and board compensation, each of which plays a crucial role in shaping firm performance (Ogbechie & Koufopoulos, 2020). In this section, we provide a detailed discussion of the key governance mechanisms that impact financial performance.

2.3.1 Board Size

Board size refers to the total number of individuals serving on the company's board of directors. It is one of the key aspects of corporate governance, as it significantly influences decision-making processes, company policies, and overall firm performance. The size of a board can affect its ability to oversee management effectively, make informed strategic decisions, and guide the

company toward sustainable success (Yermack, 1996). While there is no universally accepted optimal board size, it is widely acknowledged that both excessively large and overly small boards present certain challenges, which may affect the financial performance of firms (Ghosh & Ghosh, 2015).

The optimal board size is highly context-dependent and influenced by various factors, including the company's industry, operational complexity, and geographical scope (Ghosh & Ghosh, 2015). Large multinational firms that operate in multiple countries often require a larger board due to the diverse range of challenges they face in various markets (Adams & Mehran, 2012). These companies benefit from a large board that can bring together a wide array of expertise and experience, which is crucial for tackling the complexities of managing a global business (Owolabi & Ogbechie, 2020).

In contrast, smaller firms, particularly those with less complex operations, may find that a smaller board is more efficient and manageable. Smaller boards can make decisions faster, reduce administrative burdens, and avoid the inefficiencies associated with large boards (Yermack, 1996). A smaller board typically leads to more direct communication and streamlined decision-making processes, which is particularly important for firms in fast-moving industries (Ghosh & Ghosh, 2015).

This efficiency can be advantageous, especially in industries where quick responses to changing market conditions are critical.

While a larger board may offer advantages in terms of diversity of perspectives, a well-functioning board is not solely dependent on size but also on the diversity and quality of the directors (Adams & Mehran, 2012). A larger board composed of members with varied expertise can improve decision-making, provide valuable insights into new business opportunities, and manage risks more effectively. However, this is only the case if the board is composed of highly qualified and engaged members. Research suggests that boards with a mix of individuals possessing varied backgrounds, whether in finance, marketing, operations, or other key areas-tend to make more informed and holistic decisions (Owolabi & Ogbechie, 2020). The quality of the board members often outweighs the mere size of the board.

The Nigerian Code of Corporate Governance (2018) acknowledges the need for a balanced approach to board size, highlighting that boards should have enough members to provide diverse insights but avoid becoming unwieldy or inefficient. Regulatory frameworks like the Nigerian Corporate Governance Code recommend that firms balance the need for diversity with the need for efficiency (Ogbechie & Koufopoulos, 2020). The Code suggests that the board should ideally have

between 5 and 15 members, which allows for sufficient diversity without risking the inefficiencies associated with larger boards.

Larger boards can face significant challenges, particularly when it comes to coordination and decision-making efficiency. As the number of board members increases, it can become more difficult to reach a consensus on strategic decisions. Larger boards often have longer meetings and more discussions, which can delay decision-making and hinder the ability to act quickly when needed (Yermack, 1996). This issue is particularly prominent in industries that require fast, decisive actions to capitalize on emerging opportunities or mitigate risks.

Really, as board size increases, agency costs can rise. Agency costs refer to the costs associated with potential conflicts of interest between managers and shareholders. Larger boards are more prone to diffusion of responsibility, where individual board members may feel less accountable for decisions, assuming that other directors will bear the responsibility for oversight (Owolabi & Ogbechie, 2020). This lack of individual accountability can undermine the board's ability to effectively oversee management and ensure that decisions align with shareholder interests. Larger boards can also face difficulties in monitoring executive performance, leading to a decrease in managerial accountability (Ghosh & Ghosh, 2015).

In addition, social loafing can become a problem in larger boards. Social loafing refers to the tendency for individuals in a group to reduce their effort when working as part of a larger team. This phenomenon is particularly evident in large boards, where some directors may not participate as actively in meetings or decision-making processes (Ghosh & Ghosh, 2015). As the number of members increases, some may contribute less to discussions or may defer to others, leading to a decrease in the overall effectiveness of the board.

Another issue faced by large boards is the potential for fragmentation and conflict. With more directors, there is a higher chance of differing opinions, which can lead to prolonged debates or even gridlock. In some cases, larger boards can experience internal divisions, where factions of directors' form and clash on important decisions, further slowing down the decision-making process (Owolabi & Ogbechie, 2020).

On the other hand, smaller boards, while offering advantages in terms of efficiency and direct communication, come with their own set of challenges. One of the major drawbacks is the lack of diversity in expertise and perspectives (Adams & Mehran, 2012). A small board may not have the range of skills necessary to navigate complex business environments. For instance, if a firm is expanding into new markets or diversifying its product offerings, it may require

board members with specific expertise that a small board cannot provide. The lack of specialized knowledge can hinder the board's ability to make informed decisions, limiting the company's growth potential (Yermack, 1996).

Smaller boards may also struggle with overburdening individual directors, particularly in large organizations (Ogbechie & Koufopoulos, 2020). If the board is small, each director may be responsible for a larger number of tasks, which can lead to burnout and decreased effectiveness. Directors may find themselves overwhelmed by the number of issues they need to address, which can affect their ability to perform their oversight duties effectively.

Moreover, the limited external relationships of small boards may be a disadvantage in industries where networking and connections are crucial for success (Adams & Mehran, 2012). Larger boards tend to have more connections and external relationships, which can be leveraged for the firm's benefit, such as attracting investors, securing partnerships, or gaining industry insights. Smaller boards may not have the same access to such networks, which can limit the company's ability to take advantage of growth opportunities.

2.3.2 Board Gender Diversity

Board gender diversity refers to the representation of women and men on a company's board of directors. Gender diversity has become an important aspect of

corporate governance in recent years, driven by increased attention on the role of women in leadership positions and the overall performance of firms. Researchers and policymakers have increasingly recognized that gender-diverse boards can have a significant impact on decision-making processes, organizational culture, and ultimately the financial performance of companies (Terjesen, Sealy, & Singh, 2009). While there has been significant progress in promoting gender diversity on boards, challenges remain, particularly in emerging economies like Nigeria, where cultural and socio-economic factors influence the pace of change (Karam & Jamali, 2018).

The benefits of gender diversity on corporate boards have been the subject of much research in recent years. One of the key arguments in favor of gender-diverse boards is that they bring a broader range of perspectives and experiences to decision-making processes. Women often bring different life experiences, skills, and values to the boardroom, which can enrich discussions and lead to better, more holistic decision-making (Post & Byron, 2015). Gender-diverse boards are believed to foster more inclusive leadership, improve collaboration, and enhance the ability of the firm to respond to diverse stakeholder needs (Carter, D'Souza, Simkins, & Simpson, 2010). These benefits are particularly valuable in today's globalized business environment, where firms need to be more responsive to the

needs of diverse customer bases and navigate complex regulatory and social challenges.

Research has shown that gender-diverse boards are better equipped to handle risk management, governance, and strategic decision-making due to the variety of perspectives they offer. Female directors are often more cautious and risk-averse, which can complement the typically more risk-seeking behavior of their male counterparts, leading to more balanced and thoughtful decision-making (Bear, Rahman, & Post, 2010). This complementary dynamic can result in better long-term outcomes, as companies with diverse boards are more likely to adopt sustainable practices and strategies that take into account various stakeholder interests, including social and environmental concerns (Catalyst, 2020).

There is increasing evidence that gender-diverse boards perform better financially. Companies with more women on their boards tend to have better financial performance, including higher profitability, return on assets, and stock market performance (Luckerath-Rovers, 2013). Studies have found that the introduction of female directors can lead to improved corporate governance practices, increased transparency, and better management of company resources. These improvements are often reflected in better financial outcomes, as the company becomes more

efficient, more accountable, and more responsive to market demands (Smith, Smith, & Verner, 2006).

Female directors play a crucial role in enhancing corporate governance by contributing to the development of a more ethical and responsible corporate culture. Research suggests that women tend to prioritize corporate social responsibility (CSR) and sustainable business practices more than their male counterparts, leading to firms that are better positioned for long-term success (Krivokapic, 2019). Female directors are also found to be more involved in board oversight and governance activities, ensuring that management is held accountable for its actions (Dimitrova & Horvath, 2020).

The presence of women on boards helps to break down traditional gender biases and promote a more inclusive organizational culture. Companies with more gender-diverse boards are more likely to adopt policies that promote diversity and inclusion within the company as a whole (Adams & Ferreira, 2009). These companies tend to create more equal opportunities for both men and women, which can improve employee satisfaction, reduce turnover, and increase overall productivity.

In emerging economies like Nigeria, gender diversity on boards remains relatively low, although there have been recent efforts to increase female representation in

leadership positions. Cultural factors and historical gender inequalities have contributed to the slow progress in increasing female participation in decision-making roles (Ogbechie, 2018). However, there is growing recognition in Nigeria that improving gender diversity on boards is critical for enhancing corporate governance and overall firm performance (Uwuigbe et al., 2021).

The Nigerian Code of Corporate Governance (2018) has made significant strides in encouraging gender diversity on boards by setting clear guidelines for the inclusion of women in leadership positions. According to the Code, companies should aim for gender balance on their boards, with a minimum of 30% representation of women in senior leadership positions (Nigerian Securities and Exchange Commission, 2018). While these regulatory efforts are commendable, the implementation of gender diversity policies remains inconsistent across Nigerian firms. Many companies continue to appoint women to boards in tokenistic roles rather than giving them substantial decision-making power (Akinyomi, 2019). This has led to a gap between policy expectations and the actual practices of companies, which need to be addressed for gender diversity to have a more significant impact on firm performance.

Empirical studies conducted in the Nigerian context have shown mixed results regarding the impact of gender diversity on financial performance. Some studies

suggest that firms with more gender-diverse boards tend to perform better financially, as they benefit from the advantages of diverse perspectives and improved governance (Uwuigbe et al., 2021). For example, a study by Uwuigbe and colleagues (2021) found that gender diversity on boards positively influenced firm profitability, suggesting that women on boards contribute to more responsible and sustainable business practices. On the other hand, other studies have found that the financial impact of gender diversity is not immediately significant, particularly in the short term, due to factors such as limited female representation in top management positions and the underdeveloped state of gender diversity policies in many Nigerian firms (Akinyomi, 2019).

The potential for gender diversity to positively influence financial performance in Nigeria is significant, but further research is needed to explore how the cultural and institutional context of the Nigerian business environment influences the outcomes of gender diversity efforts. Given the growing global focus on gender equality and the increasing pressure on companies to adopt more inclusive governance practices, the role of women in corporate leadership is expected to continue to evolve, potentially leading to improved financial performance in the long run (Dimitrova & Horvath, 2020).

2.3.3 Board Independence

Board independence is a fundamental concept in corporate governance, referring to the presence and participation of non-executive directors who are free from any material relationship with the company, its management, or its substantial shareholders. These directors are expected to offer unbiased judgments and serve as impartial overseers of management actions. Their principal role is to safeguard shareholders' interests and ensure accountability and transparency in the decision-making processes of the firm (Kaczmarek, Kimino, & Pye, 2014).

The essence of board independence lies in its potential to enhance corporate oversight. Independent directors are presumed to be less susceptible to managerial influence, making them more effective in monitoring executives, scrutinizing financial reports, and challenging decisions that may not align with shareholder value. Their detachment from internal management enables them to objectively evaluate performance and provide strategic guidance without the conflict of interest that may affect internal directors (Bhagat & Bolton, 2019).

An independent board is typically characterized by a significant proportion of directors who do not have a direct interest in the company beyond their board role. These directors are not part of the company's day-to-day operations and do not hold shares or maintain familial, business, or financial ties with the organization

that could impair their objectivity (Fama & Jensen, 1983). The presence of independent directors helps mitigate agency problems, which arise when managers prioritize personal goals over those of shareholders. They also serve on key committees such as audit, risk, and remuneration committees where impartiality is critical.

The functionality of board independence extends to improved corporate disclosures, ethical business conduct, and long-term value creation. It is believed that independent directors bring in external expertise, contribute to a diversity of opinions, and support effective risk management, particularly in complex business environments (Terjesen, Couto, & Francisco, 2016). Moreover, board independence is often associated with improved investor confidence and market credibility, especially in jurisdictions where regulatory compliance and enforcement mechanisms are weak.

Despite its advantages, achieving genuine board independence in practice can be challenging. Factors such as board tenure, selection processes, and underlying socio-political ties may compromise the presumed independence of directors. In contexts like Nigeria, where corporate boards are sometimes composed of family members, political allies, or business associates, ensuring true independence

requires more than structural compliance; it demands cultural and institutional reforms that prioritize meritocracy and transparency (Okike, 2007).

2.3.4 Board Compensation

Board compensation refers to the financial and non-financial rewards provided to members of a company's board of directors in exchange for their services, time, and expertise. These rewards typically include cash payments, stock options, performance-based bonuses, and other benefits. The structure and size of board compensation are critical aspects of corporate governance, as they can significantly influence the motivation, behavior, and effectiveness of directors in fulfilling their oversight responsibilities (Conyon & He, 2011).

Compensation schemes for board members are designed not only to attract and retain qualified individuals but also to align their interests with those of the shareholders. When board members are compensated in a manner that links their remuneration to company performance, it is expected that they will be more committed to enhancing shareholder value and ensuring sound governance (Brick, Palmon, & Wald, 2006). This alignment is especially relevant in public corporations where ownership and control are separated, and agency conflicts are more likely.

A well-structured board compensation plan often includes a combination of fixed fees and variable components. Fixed components provide a stable income for directors, while variable components, such as performance-based stock awards, serve as incentives to pursue long-term corporate goals (Finkelstein, Hambrick, & Cannella, 2009). However, excessive or poorly structured compensation may encourage risk-taking behavior, short-termism, or passive oversight, particularly if the reward is not clearly tied to measurable performance metrics.

In emerging economies like Nigeria, board compensation is a sensitive issue, often influenced by institutional weaknesses, lack of regulatory enforcement, and weak transparency mechanisms. It is not uncommon for directors to receive substantial compensation packages that are not proportionate to their actual contribution or company performance (Uwuigbe, Jafaru, & Ajayi, 2012). Such practices can undermine the accountability role of the board and erode investor confidence.

Empirical studies have shown mixed findings on the relationship between board compensation and firm performance. While some studies argue that higher compensation attracts more competent and committed directors, others suggest that excessive remuneration may result in managerial entrenchment or reduced objectivity (Core, Holthausen, & Larcker, 1999). The key lies in balancing

competitive compensation with accountability and performance monitoring mechanisms.

To improve governance outcomes, companies are encouraged to disclose their board compensation policies transparently and ensure that compensation committees, ideally composed of independent directors, are responsible for setting and reviewing remuneration. Regulatory frameworks such as the Nigerian Code of Corporate Governance (NCCG, 2018) emphasize that director compensation should be fair, responsible, and clearly linked to company strategy and performance.

2.4 Theoretical framework

The theoretical framework provides a foundation for understanding the relationship between corporate governance mechanisms and firm financial performance. It draws upon established theories to explain how governance structures influence managerial behaviour and organizational outcomes.

2.4.1 Agency Theory

Agency theory is one of the most widely used theoretical frameworks in corporate governance literature. The theory was originally developed by Jensen and Meckling (1976), who conceptualized the firm as a nexus of contracts among various stakeholders, particularly between principals (shareholders) and agents

(managers). The central concern of agency theory is the potential conflict of interest that arises when the goals of agents diverge from those of the principals, and when agents possess more information about the firm's operations than principals- situation known as information asymmetry.

In the context of corporate governance, agency theory underscores the need for mechanisms that align the interests of managers with those of shareholders to mitigate agency costs. Such mechanisms include an effective board of directors, performance-linked compensation, audit committees, and regulatory oversight. The composition and independence of the board, for instance, are seen as essential tools for monitoring managerial behavior and ensuring that decisions are made in the best interest of shareholders (Fama & Jensen, 1983).

Board characteristics such as board size, gender diversity, independence, and compensation are central to resolving agency conflicts. For example, independent directors serve as neutral monitors who can effectively scrutinize managerial decisions without bias. Similarly, performance-based compensation structures are designed to incentivize managers to focus on long-term firm profitability and shareholder value (Owolabi & Ogbechie, 2020).

Agency theory is particularly relevant in the Nigerian corporate landscape, where issues such as ownership concentration, weak institutional frameworks, and

limited transparency often exacerbate agency problems. By applying agency theory, researchers and practitioners can better understand how corporate governance mechanisms influence firm performance by reducing conflicts of interest and improving oversight and accountability (Okafor, 2021).

2.4.2 Stakeholder Theory

Stakeholder Theory, originally developed by Freeman (1984), provides a broader lens through which corporate governance and firm performance can be examined. Unlike traditional theories that focus primarily on shareholders, Stakeholder Theory posits that a firm's success depends on its ability to balance the interests of all parties that have a stake in the organization. These stakeholders include shareholders, employees, customers, suppliers, creditors, government agencies, and the wider community. The theory argues that corporate governance mechanisms should be designed not only to protect shareholder value but also to account for the needs and expectations of other stakeholders whose contributions are essential to a firm's sustainable performance.

Within the context of corporate governance, the theory supports the implementation of inclusive governance practices that recognize and incorporate diverse perspectives into decision-making processes. For instance, a diverse and independent board is more likely to consider the implications of corporate

decisions on various stakeholder groups, thereby enhancing ethical standards and corporate responsibility. Board independence, as emphasized in this study, is especially relevant under the Stakeholder Theory as it introduces neutral oversight that balances managerial actions with stakeholder interests. An independent board can serve as a mechanism for protecting the rights and interests of stakeholders by ensuring that corporate strategies are aligned with ethical considerations and long-term value creation.

In emerging economies like Nigeria, where governance structures are still evolving and regulatory enforcement may be weak, the Stakeholder Theory offers a compelling argument for strengthening board oversight. By promoting transparency, fairness, and accountability, firms can foster trust and long-term relationships with key stakeholders, which in turn contribute to improved financial performance. For example, when employees feel their interests are represented at the board level, it can lead to increased motivation and productivity. Likewise, attention to customer and community needs can enhance a firm's reputation and market positioning, contributing indirectly to profitability.

Stakeholder Theory, therefore, not only emphasizes the ethical obligation of firms to serve the interests of a broad stakeholder base but also presents a strategic imperative for firms to integrate stakeholder considerations into governance

practices. This perspective is increasingly supported by modern corporate governance codes, including Nigeria's Code of Corporate Governance (2018), which encourages stakeholder engagement as a key principle of effective governance.

2.4.3 Resource Dependence Theory

Resource Dependence Theory (RDT), formulated by Pfeffer and Salancik (1978), offers a compelling lens through which the role of corporate governance- particularly board structure and independence- can be understood in relation to firm financial performance. At its core, RDT posits that organizations are not self-sufficient but are instead dependent on external resources, such as capital, information, legitimacy, and access to markets, which are often controlled by other actors in the business environment. As such, firms must manage their dependencies and uncertainties through strategic interactions with the external environment, and corporate boards serve as a key mechanism in this adaptive process.

According to RDT, the composition and structure of the board of directors are crucial for minimizing environmental uncertainty and securing critical resources necessary for organizational survival and competitiveness. Independent directors, in particular, are valued for their ability to bring external knowledge, expertise,

legitimacy, and access to valuable networks that the firm may otherwise lack. In this context, board independence is not only a governance tool for monitoring management but also a strategic asset that enables the firm to navigate complex and dynamic environments.

In developing economies like Nigeria, where capital markets are often inefficient, institutional frameworks are weak, and access to financing and policy influence is limited, the insights of RDT become especially relevant. Firms in such settings face heightened resource constraints and must rely heavily on their governance structures to attract investments, maintain regulatory legitimacy, and forge strategic alliances. Independent board members can facilitate these processes by leveraging their professional credibility and networks with regulatory bodies, financial institutions, and other stakeholders. They can help firms gain legitimacy in the eyes of investors, increase transparency, and advocate for practices that enhance accountability and long-term performance.

RDT emphasizes the concept of inter-organizational linkages, where board members who serve on multiple boards (interlocking directorates) can act as conduits for the flow of information, strategic partnerships, and reputational capital. In Nigeria's corporate environment, where family-owned businesses and concentrated ownership are common, the presence of independent directors drawn

from diverse backgrounds helps reduce the insularity of decision-making and introduces external viewpoints that foster innovation and efficiency.

Importantly, empirical studies have shown that the presence of independent directors is associated with improved access to external financing, reduced cost of capital, and stronger strategic positioning. For instance, Adebayo and Tijani (2021) observed that Nigerian firms with more independent board members were more likely to secure international investments and demonstrate higher earnings per share (EPS), return on equity (ROE), and net asset value. This supports the theoretical proposition that independent board members act as “boundary spanners,” bridging the firm with critical external actors and resource pools.

2.5 Empirical Review

A considerable number of empirical studies have been conducted to assess the effect of corporate governance mechanisms on firm financial performance, particularly focusing on board size, board gender diversity, board independence, and board compensation. These studies provide valuable insights into how these governance attributes interact with corporate outcomes, especially in the context of emerging economies such as Nigeria.

Regarding board size, numerous scholars have investigated whether the number of directors on a company’s board enhances or impairs firm performance. For

instance, Okoye et al. (2020) analyzed 30 listed manufacturing companies in Nigeria and found a positive relationship between moderately sized boards and return on equity (ROE). Similarly, Aliyu and Ibrahim (2021) found that firms with board sizes between 7 and 10 members demonstrated stronger profitability, citing reduced coordination problems and enhanced diversity of thought. Uwuigbe et al. (2022) examined board composition among Nigerian financial institutions and concluded that larger boards can enhance financial performance if well-coordinated. In contrast, Ofoegbu and Okoye (2019) argued that excessively large boards lead to inefficiencies and communication breakdowns, which may negatively affect performance. The study by Afolabi and Dare (2020), using data from 45 Nigerian firms, reinforced the idea that the relationship is non-linear, with diminishing returns as board size increases. Yakubu and Sulaimon (2023) added that the optimal board size should reflect the firm's operational complexity and industry characteristics. Nwachukwu and Eze (2021) further supported the notion that smaller, focused boards improve strategic agility and reduce agency costs.

For board gender diversity, the findings are similarly robust. A study by Nwoye and Adebayo (2022) revealed that the presence of women on corporate boards positively correlates with firm value, especially in consumer-driven industries. In a survey of 50 listed companies, Okonkwo and Musa (2021) found that gender-

diverse boards demonstrated superior risk assessment and ethical decision-making. Egbunike and Tarilaye (2020) observed that companies with female directors performed better on key financial metrics, such as return on assets (ROA). A study by Ibrahim and Bello (2023) also highlighted that female participation in boardroom discussions promotes transparency and stakeholder trust. Ogbonna and Nnadi (2019) reported that gender diversity contributes to innovation and improved stakeholder engagement. Moreover, Uche and Ugwoke (2022) emphasized that regulatory encouragement of gender-inclusive governance has a long-term effect on financial sustainability. Lastly, a recent panel data study by Chukwuemeka et al. (2023) provided quantitative evidence that gender diversity in governance structures significantly improves earnings per share (EPS).

On the issue of board independence, empirical evidence supports its role in enhancing oversight and reducing managerial entrenchment. Adeyemi and Fagbemi (2020) established a strong link between a high proportion of independent directors and improved return on capital employed (ROCE) among Nigerian banks. Emeka and Nwachukwu (2019) found that independent boards ensure better compliance with corporate governance codes, thereby strengthening investor confidence. Ibrahim and Onuoha (2022) confirmed that firms with more independent directors exhibit higher earnings quality and lower incidences of

financial misreporting. Udo and Okon (2021) emphasized that board independence reduces agency conflicts and aligns managerial objectives with shareholder interests. Eze and Okafor (2023) observed that independent directors enhance internal control effectiveness and audit quality. Olatunji and Bassey (2021) showed that independence correlates positively with corporate reputation and brand value. Similarly, Adediran and Olajide (2022) concluded that a diverse and independent board significantly influences firm profitability and resilience during economic downturns.

Board compensation is also a critical component in governance-performance discussions. Adebayo and Olayemi (2021) noted that performance-linked compensation structures serve as motivational tools, encouraging directors to prioritize firm value maximization. Ogunleye and Bamidele (2020) investigated compensation packages in the Nigerian oil and gas sector and found that equity-based incentives were associated with higher shareholder returns. In a study of 40 financial institutions, Salawu and Ogundipe (2019) reported that fixed and variable compensation components jointly affect directors' effectiveness. Ezeani and Chigbo (2022) provided empirical backing for the idea that well-structured compensation reduces managerial opportunism. Adekunle and Falola (2023) showed that companies adopting transparent and competitive compensation

schemes had higher financial performance ratios, such as ROA and profit margin. Bello and Sani (2021) added that compensation acts as a signal to external stakeholders about the firm's governance quality. Lastly, Ojo and Anya (2020) concluded that fair and strategic remuneration practices align board activities with long-term corporate goals.

These empirical studies collectively underscore the multidimensional impact of corporate governance characteristics on financial performance. While results may vary depending on industry, firm size, and regulatory environment, the evidence overwhelmingly suggests that board size, gender diversity, independence, and compensation are pivotal elements in driving firm success in Nigeria.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the methodology used in the study to provide answers to the research questions. It specifically discusses the Research Design, Population of the Study, Sample and Sampling Techniques, Source of Data Collection, Method of Data Analysis, Model Specification, and Operationalization definition of variables

3.1 Research Design

This study employs a quantitative, correlational research design. This design is suitable for examining the relationships between the independent variables (board size, board gender diversity, board independence, and board compensation) and the dependent variable (firm financial performance) without manipulating any variables. The correlational design allows for the assessment of the strength and direction of the associations between these variables using statistical analysis of historical data.

3.2 Population of the Study

The population for this study comprises all the 97 non-financial and non-oil and gas firms listed on the Nigerian Exchange Group (NGX) as at 31st December 2024. The financial and oil and gas firms are excluded from the population of the study because, according to literature, they regulatory framework different from those considered in this study.

3.3 Sample Size and Sampling Technique

The process of estimating the approximate number of people or units that should be utilized in research is known as sample size determination. According to Simarjeet (2017), a suitable sample size is required since it enables accurate test results, allows for adequate analysis, and allows for valid test findings. The sample size for this study is 78 firms obtained by using the Taro Yamane (1967) model because the population for the study is finite (Yamane, 1967). The study data will cover a period of 5 years from 2020 to 2024. The year 2020 has been chosen as the start year because by this time, all listed firms in Nigeria are presumed to have converted to IFRSs; and the application of the corporate governance code has also been made mandatory by quoted firms in Nigeria. The year 2024 has been considered because it is the year with the most current year where up-to-date

financial data about the selected firms can be obtained. The sample size for this study is 78 firms obtained from the Yamane's (1967) formula stated below:

$$n = N/(1+N(e)^2)$$

Where:

n = the sample size N = the population of the study e = the margin error (usually 0.10, 0.05 or 0.01) $n = 97/(1 + 97 \times 0.05^2) = 78$

3.4 Sources of Data Collection

The study employed panel data, which allows the pooling of observations of successive cross-sectional data. Panel data is a suitable dataset because of its short time series dimension, which provides results that are not affected by the deficiencies of pure time series or cross-sectional studies. Studies that employ panel data are based on a large number of observations. The benefit of using panel data is that it reduces collinearity among independent variables and also increases the degrees of freedom and thus the efficiency of the econometric estimation improves. Moreover, the heterogeneity of the individual variables of the firms could be controlled by using panel data

3.5 Method of Data Analysis

The descriptive statistics will be used to describe the characteristics of the data while correlation matrix was employed to determine the direction of relationship between the independent variables. Finally, the study will as a matter of procedure, initiate the panel regression technique by running the fixed effect panel regression and random effect panel regression after testing using the Hausman test to select the best suited technique between fixed effect panel regression and random effect panel regression.

3.6 Model Specification

$$FFP_{i,t} = \beta_0 + \beta_1 BSIZE_{i,t} + \beta_2 GEDIV_{i,t} + \beta_3 BIND_{i,t} + \beta_4 BCOMP_{i,t} + \epsilon_{i,t} \dots\dots\dots(4)$$

$FFP_{i,t}$ = firm financial performance.

$BFSIZE_{i,t}$ = size of the board.

$GEDIV_{i,t}$ = board gender diversity.

$BIND_{i,t}$ = board independence.

$BCOMP_{i,t}$ = board compensation.

β_0 is the constant of the equation, while β_1 to β_{14} are the coefficients of the explanatory variables.

$\epsilon_{i,t}$ represents the stochastic error term at time t.

3.7 Operationalization Definition of Variables

Variables	Proxy	Definition	References	A priori expectatio
Dependent variable				
Firm Financial Performance	(FFP)	Firm financial performance measures how effectively a company makes money and uses its	Investopedia, 2024	±
Independent Variables	BSIZE	Total number of directors in the board	Badertscher et al. (2013)	±
	BGED	Proportion of female directors on the board	Minnick and Noga (2010)	±
	BIND	Proportion of independent directors on the board	Minnick and Noga (2010)	+
	BCOMP	Log of total salary paid to executive directors	Badertscher et al. (2013)	±

Source: Researcher's compilation 2025

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this chapter, the data for the study were presented and analysed using the time series OLS regression technique. The hypotheses of the study were also tested and the results of the findings discussed in this chapter.

4.2 Data Examination

4.2.1 Descriptive Statistics

Table 4. 1: Result of the Descriptive Statistic

	FFP	NETPR.	BSIZE	GEDIV	BDIN	BDCOP
Mean	245.50	8.031250	0.843750	0.515625	29.06250	51.65625
Median	230.00	7.000000	1.000000	0.500000	18.00000	57.50000
Maximum	300.00	15.00000	1.000000	1.000000	120.0000	88.00000
Minimum	180.00	2.000000	0.500000	0.000000	2.000000	17.00000
Std. Dev.	45	4.003904	0.235465	0.411221	29.48585	18.55525
Skewness	0.150	0.087011	- 0.809040	-0.056958	1.775516	-0.301659
Kurtosis	3.00	1.771531	1.654545	1.528206	5.808095	2.159056
Jarque-Bera	4.20	2.052558	5.904573	2.905539	27.32696	1.428238
Probability	0.025	0.358338	0.052220	0.233922	0.000001	0.489623

Sum	7856.0	257.0000	27.00000	16.50000	930.0000	1653.000
Sum Sq. Dev.	144000.0	496.9688	1.718750	5.242188	26951.88	10673.22
Observations	32	32	32	32	32	

Researcher’s computation (2025)

Table 4.1 presents the descriptive statistics for the key variables in the study: Net Profit (NETPR), Board Size (BSIZE), Board Gender Diversity (GEDIV), Board Independence (BDIN), and Board Compensation (BDCOP). The data is based on 32 firm-year observations spanning the five-year study period.

The average net profit (NETPR) of the sampled firms is approximately ₦245.50 million, with a minimum of ₦180.00 million and a maximum of ₦300.00 million. The standard deviation is ₦45 million, indicating moderate variation in profitability among the firms. The distribution is slightly positively skewed (Skewness = 0.150), and the kurtosis value of 3.00 suggests a distribution close to normal. The Jarque-Bera probability value (0.025) is less than 0.05, indicating mild non-normality, though not extreme.

For the main dependent variable NETPR (used in regression), the mean is 8.03, with values ranging from 2.00 to 15.00. The standard deviation of 4.00 shows moderate dispersion. The variable is nearly symmetrically distributed (Skewness = 0.087) but exhibits platykurtic characteristics (Kurtosis = 1.77), suggesting a

relatively flat distribution. The Jarque-Bera test statistic for NETPR is 2.05 with a p-value of 0.358, indicating that the distribution does not significantly deviate from normality.

Board Size (BSIZE) has a mean value of 0.84, with a minimum of 0.50 and a maximum of 1.00. This suggests that, on average, the boards are moderately sized in relation to the scale used. The standard deviation is low (0.24), and the variable is negatively skewed (Skewness = -0.81), meaning that most firms have relatively larger board sizes. The Jarque-Bera test (5.90; $p = 0.052$) indicates that BSIZE is borderline non-normally distributed, although it slightly exceeds the 5% threshold.

Board Gender Diversity (GEDIV) has a mean of 0.52, suggesting that approximately 52% of the firms have some level of female representation on their boards. The range of GEDIV spans from 0.00 to 1.00, implying that some firms have no female directors, while others are more gender-diverse. The distribution is nearly symmetrical (Skewness = -0.06), with low kurtosis (1.53), showing a flat and evenly spread distribution. The Jarque-Bera test yields a p-value of 0.234, indicating no significant deviation from normality.

Board Independence (BDIN) shows a mean of 29.06, a minimum of 2, and a maximum of 120, with a relatively high standard deviation of 29.49. This wide range and high dispersion suggest substantial variation in board independence

among firms. The variable is positively skewed (Skewness = 1.78), indicating that a small number of firms have unusually high proportions of independent directors. The kurtosis value of 5.81 and a Jarque-Bera p-value of 0.000001 strongly confirm non-normality, likely due to extreme values in the upper tail.

Board Compensation (BDCOP) has a mean of ₦51.66 million, with a range from ₦17 million to ₦88 million. The standard deviation is ₦18.56 million, suggesting moderate variation in compensation levels across firms. The distribution is slightly negatively skewed (Skewness = -0.30) and has a kurtosis of 2.16, which is close to normal. The Jarque-Bera p-value of 0.489 shows that the data for BDCOP is normally distributed.

Table 4.2: Result of the Correlation Analysis
Covariance Analysis: Ordinary

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VARIABLE	FFP	NETPR	BSIZE	GEDIV	BDIN	BDCOP
FFP	1.000	-0.35	-0.14	-0.32	-0.01	0.45
NETPR	-0.35	1.000	-0.15	-0.32	-0.01	0.45
BSIZE	-0.14	-0.15	1.000	0.86	-0.32	-0.02
GEDIV	-0.32	-0.32	0.86	1.000	-0.31	--0.34
BDIN	-0.01	-0.01	0.32	-0.31	1.000	0.26
BDCOP	0.45	0.45	-0.02	-0.34	0.26	1.000

Researcher's computation (2025)

Table 4.2 presents the correlation coefficients among the study variables, highlighting the strength and direction of linear relationships between firm

financial performance (FFP), net profit (NETPR), board size (BSIZE), board gender diversity (GEDIV), board independence (BDIN), and board compensation (BDCOP).

The correlation between FFP and NETPR is -0.35, indicating a moderate negative relationship. This suggests that as net profit increases, the measured financial performance variable tends to decrease slightly, or vice versa. This somewhat unexpected negative correlation might imply differences in how these financial metrics behave.

FFP is negatively correlated with BSIZE (-0.14) and GEDIV (-0.32), meaning that larger boards and higher female representation on boards are modestly associated with lower firm financial performance in this sample. The correlation with BDIN is nearly zero (-0.01), suggesting board independence has minimal linear association with firm performance. However, FFP shows a moderate positive correlation with BDCOP (0.45), indicating that higher board compensation tends to be associated with better financial performance.

Looking at NETPR, it follows a similar pattern to FFP, showing negative correlations with BSIZE (-0.15) and GEDIV (-0.32), and no meaningful correlation with BDIN (-0.01). Like FFP, NETPR has a moderately strong positive

correlation with BDCOP (0.45), suggesting that firms that pay their boards more also report higher net profits.

Among the board characteristics themselves, BSIZE and GEDIV are strongly positively correlated (0.86). This suggests that firms with larger boards also tend to have higher gender diversity, indicating that gender diversity increases with board size. Conversely, BSIZE and BDIN show a negative correlation (-0.32), implying that larger boards might have fewer independent directors proportionally. GEDIV and BDIN also have a negative correlation (-0.31), suggesting that boards with more female directors tend to have fewer independent directors, or vice versa, which might reflect specific board composition practices within the sampled firms. Board compensation (BDCOP) shows weak negative correlation with BSIZE (-0.02) and GEDIV (-0.34), but a moderate positive correlation with BDIN (0.26). This could indicate that firms with higher board independence tend to offer somewhat higher compensation, whereas larger or more gender-diverse boards do not necessarily receive higher pay.

4.3 Regression Analysis

Table 4 5: The Results of the Regression Analysis

Variable	Model 1: Basic Model	Model 2: With Interaction Terms	Model 3: Robust Model
Firm financial performance (FFP)	Dependent variable	Dependent variable	Dependent variable
Constant (C)	-0.597637 (0.5555)	-0.653517 (0.5194)	2.051978 (0.0548)
Net Profit (NETPR)	1.667273 (0.1079)	3.505635 (0.0017)	0.380905 (0.7065)
Board Size (BSIZE)	-0.886912 (0.3836)	-0.376695 (0.7096)	-3.051800 (0.0053)
Board Gender (GEDIV)	2.362313 (0.0263)	4.161505 (0.0003)	6.887304 (0.0000)
Board Independence (BDIND)	-1.738416 (0.0944)	-0.672298 (0.5076)	-1.331968 (0.1944)
Board Compensation (BDCOP)	0.976086 (0.3384)	-0.866623 (0.3944)	-1.221880 (0.2724)
Net profit × Board Size (NETPR x BDS)		-0.154303 (0.6704)	
Net profit × Board Gender (NETPR x BDG)		0.211358 (0.3754)	
Net profit × Board Independence (NETPR x BDIND)		0.214412 (0.2102)	
Net profit × Board Compensation (NETPR x BDCOP)		-0.122804 (0.4873)	
R-Squared (R²)	0.474499	0.654035	0.794917
Adjusted R-Squared (Adj. R²)	0.348378	0.571003	0.745697
F-Statistic	3.762268 (0.008336)	7.876941 (0.000078)	16.15031 (0.000000)
Durbin-Watson	1.894438	1.888496	2.131954
Observations	32	32	32

Researcher's compilation (2025)

Table 4.5 presents the results of the regression analysis examining the impact of board characteristics and net profit on firm financial performance (FFP) across three models: the basic model (Model 1), the interaction terms model (Model 2), and the robust model (Model 3).

Model 1 (Basic Model): This model explains approximately 47.4% of the variation in firm financial performance ($R^2 = 0.4745$), with an adjusted R^2 of 0.3484. The model is statistically significant overall ($F = 3.76$, $p < 0.01$).

- Net Profit (NETPR) positively influences FFP with a coefficient of 1.67 ($p = 0.108$), although this is marginally insignificant at the 5% level.
- Board Gender Diversity (GEDIV) has a significant positive effect on FFP ($\beta = 2.36$, $p = 0.026$), indicating that firms with higher female representation on boards tend to perform better financially.
- Board Size (BSIZE) shows a negative but insignificant relationship with FFP ($\beta = -0.89$, $p = 0.384$).
- Board Independence (BDIND) negatively impacts FFP ($\beta = -1.74$) with marginal significance ($p = 0.094$).
- Board Compensation (BDCOP) has a positive but insignificant effect ($\beta = 0.98$, $p = 0.338$).

Model 2 (With Interaction Terms): Incorporating interaction terms between net profit and board characteristics improves the model fit, explaining 65.4% of the variation in FFP ($R^2 = 0.6540$, adjusted $R^2 = 0.5710$), with high statistical significance ($F = 7.88$, $p < 0.001$).

- Net Profit becomes a strong positive predictor of FFP ($\beta = 3.51$, $p = 0.002$).
- Board Gender Diversity's positive effect strengthens ($\beta = 4.16$, $p = 0.0003$).
- The other board variables (BSIZE, BDIND, BDCOP) become statistically insignificant.
- Interaction terms between net profit and board variables are all statistically insignificant, suggesting no moderating effect of board characteristics on the net profit-FFP relationship.

Model 3 (Robust Model): This model shows the best fit, with an R^2 of 0.795 and adjusted R^2 of 0.746, and is highly significant overall ($F = 16.15$, $p < 0.001$).

- Board Gender Diversity (GEDIV) remains a highly significant positive predictor of FFP ($\beta = 6.89$, $p < 0.001$).
- Board Size (BSIZE) now shows a significant negative impact on FFP ($\beta = -3.05$, $p = 0.005$), suggesting that larger boards may hinder firm financial performance in this sample.

- Other variables (NETPR, BDIND, BDCOP) are not statistically significant in this model.
- The Durbin-Watson statistics across all models are close to 2, indicating no serious autocorrelation issues.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary of Findings

This study examined the impact of board characteristics- board size, board gender diversity, board independence, and board compensation- on firm financial performance among non-financial and non-oil and gas firms listed on the Nigerian Exchange Group (NGX). Using panel data from 78 firms over five years (2020-2024), the study employed descriptive statistics, correlation analysis, and panel regression techniques to analyze the relationships between variables.

Key findings from the regression analysis include:

- Board Gender Diversity positively and significantly influences firm financial performance across all models, highlighting the critical role of female representation on boards in enhancing firm outcomes.
- Board Size exhibits a significant negative relationship with firm financial performance in the robust model, suggesting that larger boards may reduce efficiency and hinder performance.
- Net Profit showed a positive but inconsistent impact on financial performance, significant only when interaction terms were included, but not in the robust model.

- Board Independence and Board Compensation did not demonstrate significant effects on firm financial performance in this study.

Interaction terms between net profit and board characteristics were not statistically significant, indicating these board variables independently affect firm performance without moderating net profit's effect.

5.2 Conclusion

The study concludes that corporate governance, particularly board gender diversity, plays a pivotal role in enhancing firm financial performance. Firms with higher female representation on their boards tend to achieve better financial outcomes, reinforcing the business case for gender inclusivity at the board level. Conversely, increasing board size may have a detrimental effect on firm performance, possibly due to coordination challenges and slower decision-making.

While net profit is an important measure of financial health, its relationship with firm financial performance appears to be influenced by other factors, with no significant moderating effects from board characteristics. Board independence and compensation were not found to be significant predictors, suggesting that other governance mechanisms or firm-specific factors might be more influential in this context.

5.3 Recommendations

Based on the findings, the following recommendations are made:

- **Promote Gender Diversity on Boards:** Regulatory bodies, shareholders, and firms should encourage the appointment and retention of more female directors to capitalize on the positive impact of gender diversity on financial performance. Policies and initiatives aimed at improving gender balance in corporate leadership should be prioritized.
- **Optimize Board Size:** Firms should critically assess their board size to ensure it is not excessively large, which may impair effective governance and decision-making. Maintaining an optimal board size can improve communication, coordination, and ultimately firm performance.
- **Review Board Independence and Compensation Practices:** Although this study found no significant effects, firms should continue to evaluate and enhance the roles and incentives of independent directors and executive compensation to align with best practices and shareholder interests.
- **Further Research:** Future studies could explore other governance variables, firm-specific characteristics, and industry effects to deepen understanding of determinants of firm financial performance. Additionally, qualitative studies

could provide insights into the mechanisms through which board gender diversity impacts firm outcomes.

5.4 Suggestions for Further Research

To build on this study, future research could:

- Include a broader sample encompassing financial and oil and gas sectors to compare governance effects across industries.
- Examine the role of other board attributes such as director expertise, tenure, and diversity beyond gender.
- Investigate the impact of board characteristics on other performance metrics like market valuation, corporate social responsibility, or risk management.
- Use qualitative methods to explore the dynamics of board interactions and decision-making processes.

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