

**BOARD OF DIRECTORS DIVERSITY AND BANKS PERFORMANCE IN
NIGERIA**

BY

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CERTIFICATION

I hereby certify that this project work titled **BOARD OF DIRECTORS DIVERSITY AND BANKS PERFORMANCE IN NIGERIA** was carried out by **ABDULKAREEM, SULIYATU BOSE, MAT NO. MGS1813618** is approved to have met the requirements of the **DEPARTMENT OF ACCOUNTANCY, FACULTY OF MANAGEMENT SCIENCES UNIBEN** for the ward of BSC in Accountancy.

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DEDICATION

This project is dedicated to Almighty God, the giver of life through whom all things have been made possible. He has brought me this far and will continue for ever. AMEN.

This project work is also dedicated to my parents MR & MRS ABDULKAREEM SALAMI.

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My voice may not be loud enough to hear, my acknowledgement, may not be powerful enough, in black and white but all through these years, I have been led by those, whose kindness, I must tell far and wide.

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ABSTRACT

The financial performance of firms, especially Deposit Money Banks (DMBs), plays a pivotal role in determining economic stability, investor confidence, and overall national development. At the core of this performance lies corporate governance, with the board of directors serving as a critical determinant of governance effectiveness. Acting as the bridge between shareholders and management, the board of directors is tasked with ensuring that the organization operates in alignment with stakeholder interests. Through its strategic oversight and decision-making roles, the board has a profound impact on a firm's financial outcomes, sustainability, and competitive positioning (Fama & Jensen, 1983).

These studies, while insightful, leave notable gaps in understanding. Most of the existing literature has been conducted in developed countries, where governance frameworks, market dynamics, and cultural factors differ significantly from those in Nigeria. Moreover, few studies have examined the combined influence of board size, gender diversity, and board independence on financial outcomes in Nigeria's banking sector. The inconclusive findings on gender diversity and the context-dependent effects of board independence further emphasize the need for research tailored to Nigeria's financial and regulatory landscape.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The financial performance of firms, especially Deposit Money Banks (DMBs), plays a pivotal role in determining economic stability, investor confidence, and overall national development. At the core of this performance lies corporate governance, with the board of directors serving as a critical determinant of governance effectiveness. Acting as the bridge between shareholders and management, the board of directors is tasked with ensuring that the organization operates in alignment with stakeholder interests. Through its strategic oversight and decision-making roles, the board has a profound impact on a firm's financial outcomes, sustainability, and competitive positioning (Fama & Jensen, 1983).

Globally, corporate governance practices have underscored the importance of board attributes, such as size, diversity, and independence, in driving financial success. Board size, for instance, can influence decision-making efficiency and the diversity of expertise required to address complex strategic issues. While larger boards may offer varied perspectives, they can also face challenges such as delays in decision-making and coordination difficulties (Yermack, 1996). Gender diversity enhances innovation and

inclusivity by incorporating a wide range of viewpoints, which is especially crucial in the rapidly evolving financial environment (Adams & Ferreira, 2009). Furthermore, board independence, reflected through the presence of non-executive directors, fosters accountability and mitigates conflicts of interest, enhancing governance quality (Baysinger & Butler, 1985).

However, the extent to which these board attributes impact firm financial performance remains subject to debate, particularly in emerging economies like Nigeria. In such contexts, institutional frameworks, regulatory environments, and market conditions differ significantly from those in developed economies, influencing the effectiveness of governance mechanisms. Within Nigeria's financial sector, DMBs are vital to economic growth, as they mobilize savings, facilitate investment, and provide credit. Consequently, the governance structures of these banks, especially the attributes of their boards, are central to ensuring their financial performance and overall stability.

Corporate governance reforms in Nigeria, such as the Central Bank of Nigeria's (CBN) Code of Corporate Governance, emphasize board attributes as critical levers for promoting transparency, accountability, and enhanced financial performance. These reforms align governance in the banking sector with global best practices, aiming to improve regulatory compliance, risk management, and sustainable growth. Yet, significant challenges persist. For instance, a lack of diversity—particularly in gender

representation—on Nigerian corporate boards limits the potential benefits of diverse perspectives (Ujunwa et al., 2012). Similarly, issues of board independence remain critical, as insider dominance often weakens the ability of boards to exercise effective oversight. Such governance shortcomings can impede the strategic and operational efficiency of DMBs, thereby affecting their financial outcomes.

The performance of DMBs directly impacts Nigeria's economic stability, influencing credit availability, investment flows, and macroeconomic health. Understanding how board attributes like size, gender diversity, and independence affect their financial performance is therefore crucial. Addressing these governance issues offers a pathway to enhancing the financial stability of the banking sector and fostering broader economic growth. This study seeks to explore the relationship between board attributes and firm financial performance, focusing on Nigeria's DMBs. By investigating the influence of board size, gender diversity, and independence on financial performance, this research aims to bridge existing gaps in literature, provide actionable insights for policymakers, and contribute to the adoption of best practices in corporate governance.

1.2 Statement of Research Problem

The relationship between corporate governance and financial performance has been a focal point of extensive research. However, the impact of specific board attributes such as

board size, gender diversity, and independence on the financial performance of Nigerian Deposit Money Banks (DMBs) remains underexplored. While existing studies underscore the importance of these attributes in fostering effective governance, their influence on performance outcomes in the context of Nigeria's unique economic and cultural environment remains unclear.

Several scholars have provided valuable contributions to this field. Yermack (1996) found that smaller boards are often more effective due to enhanced coordination and faster decision-making. However, this research was largely conducted in developed economies and did not account for the distinct governance and operational challenges faced by Nigerian DMBs. Similarly, Adams and Ferreira (2009) demonstrated that gender-diverse boards could improve innovation and decision-making quality. Yet, their findings on the financial implications of diversity were inconclusive, with limited relevance to emerging markets such as Nigeria. Baysinger and Butler (1985) also highlighted that board independence strengthens monitoring and reduces agency conflicts. Nevertheless, their study did not address how local regulatory and cultural dynamics might influence the effectiveness of board independence in developing economies like Nigeria.

These studies, while insightful, leave notable gaps in understanding. Most of the existing literature has been conducted in developed countries, where governance frameworks,

market dynamics, and cultural factors differ significantly from those in Nigeria. Moreover, few studies have examined the combined influence of board size, gender diversity, and board independence on financial outcomes in Nigeria's banking sector. The inconclusive findings on gender diversity and the context-dependent effects of board independence further emphasize the need for research tailored to Nigeria's financial and regulatory landscape.

This study seeks to bridge these gaps by focusing specifically on Nigerian DMBs. It aims to provide a detailed analysis of how board size, gender diversity, and independence influence financial performance within the unique regulatory, economic, and cultural environment of Nigeria. By addressing these issues, the research will contribute to a deeper understanding of corporate governance in emerging markets, offering practical insights for policymakers and banking executives on optimizing board composition to enhance financial performance. Additionally, the study will enrich the existing body of literature with evidence from a developing economy context, helping to address the limited generalizability of previous findings.

1.3 Research Questions

To address the identified gaps above in the study , the following research questions are formulated:

- 1.How does board size influence firm financial performance?
- 2.What is the impact of board gender diversity on firm financial performance?
- 3.In what ways does board independence affect firm financial performance?

1.4 Objectives of the Study

The main objective of this study is to examine how board of directors' attributes affect the performance of Deposit Money Banks (DMBs) in Nigeria, with a focus on board size, board gender diversity, and board independence as key factors. Specifically, the study aims to:

- 1.examine the relationship between board size and firm financial performance;
- 2.determine the relationship between board gender diversity and firm financial performance; and
- 3.investigate the relationship between board independence and firm financial performance.

1.5 Hypotheses of the Study

The study will test the following hypotheses in the null form

- 1.H₀: Board size has no significant relationship with firm financial performance.

2.H₀: Board gender diversity has no significant relationship with firm financial performance.

3.H₀: Board independence has no significant relationship with firm financial performance.

1.6 Scope of the Study

This study focuses on Deposit Money Banks (DMBs) operating in Nigeria, as they are pivotal to the nation's financial system and economic growth. DMBs are selected because of their significant role in mobilizing savings, providing credit, and driving investments, making their governance and financial performance critical to economic stability. The study examines the relationship between key board attributes—board size, board gender diversity, and board independence—and financial performance. Financial performance is evaluated using Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM), which are widely recognized as reliable indicators of profitability, efficiency, and operational effectiveness.

The choice of banks is justified by their strategic importance in Nigeria's financial sector, which serves as a primary driver of economic development. Governance practices in banks have far-reaching implications, not only for the institutions themselves but also for the broader economy, making them an ideal focus for this study. The study spans a five-year period from 2018 to 2023, offering a detailed analysis of recent trends and

governance practices. This timeframe is chosen to capture the most current data and account for recent reforms, market dynamics, and economic events that may have influenced both governance and performance. It ensures the findings are relevant and provide valuable insights for policymakers, regulators, and corporate stakeholders.

1.7 Significance of the Study

This study holds significance for several key stakeholders:

Policymakers: The findings provide empirical evidence to assist regulators, such as the Central Bank of Nigeria (CBN), in refining governance guidelines aimed at enhancing the performance of Deposit Money Banks (DMBs).

Banking Institutions: The study offers actionable insights for banks to optimize their board composition, focusing on attributes like size, gender diversity, and independence to improve financial performance.

Academics and Researchers: It serves as a valuable resource for scholars and researchers interested in the fields of corporate governance and financial performance, enriching the existing body of literature with evidence from the Nigerian banking sector.

Investors and Shareholders: By highlighting the role of board attributes in financial outcomes, the study enables investors to make more informed decisions regarding governance structures that maximize returns

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews relevant literature on the relationship between board of directors' attributes and firm financial performance. It explores the conceptual framework of board characteristics such as size, gender diversity, and independence and their theoretical underpinnings, including agency theory, resource dependency theory, and stakeholder theory. The chapter also examines empirical findings from previous studies, highlighting the varying impacts of board attributes on firm performance across different contexts.

2.2 CONCEPTUAL FRAMEWORK

2.2.1 Board of Directors

The board of directors serves as the governing body of an organization, tasked with overseeing management activities, ensuring accountability, and aligning corporate strategies with shareholders' interests. This role is crucial in balancing the interests of shareholders and the operational decisions made by executives, thus serving as a vital link in corporate governance (Adams et al., 2021).

The structure and composition of the board often reflect a firm's governance approach, which can influence its strategic direction and financial outcomes. A typical board comprises executive directors, who are involved in the day-to-day running of the company, and non-executive directors, who provide independent oversight and advice (Tricker, 2022). The presence of independent directors is particularly significant, as they mitigate agency conflicts by ensuring management acts in the best interests of shareholders (Fama & Jensen, 2022).

Board size, gender diversity, and independence are critical attributes influencing board effectiveness. A larger board may bring diverse expertise, but it risks inefficiencies in decision-making. Conversely, smaller boards may be agile but may lack the breadth of skills required for complex strategic issues (Yermack, 2021). Gender diversity has gained increasing attention in recent years, with studies highlighting its role in enhancing innovation, decision-making, and overall corporate governance (Bear et al., 2020). Additionally, board independence is crucial for enhancing accountability and fostering effective monitoring of executive performance (Baysinger et al., 2022). In the context of emerging economies like Nigeria, the concept of a board of directors is often shaped by unique institutional frameworks, regulatory environments, and socio-economic conditions. Boards in Nigerian firms, particularly in Deposit Money Banks (DMBs), play a central role in aligning governance practices with global standards while navigating

local challenges (Ujunwa et al., 2023). Factors such as insider dominance, limited gender representation, and regulatory compliance are often at the forefront of discussions regarding board effectiveness in the Nigerian context. The effectiveness of a board of directors lies in its ability to guide the organization toward achieving sustainable growth while ensuring financial stability and accountability. The combination of strategic oversight, regulatory compliance, and stakeholder engagement underscores the board's critical role in driving firm financial performance and ensuring long-term success.

2.2.2 Board Attributes

1.Board Size

Board size refers to the total number of directors serving on a company's board. It is a critical governance attribute that significantly influences the board's effectiveness and its impact on firm performance. Larger boards can provide a broad array of skills, expertise, and perspectives, which contribute to robust decision-making and improved strategic guidance. The presence of directors from diverse professional backgrounds often enhances innovation, helps in addressing complex organizational challenges, and broadens the strategic vision of the firm (Cheng, 2022).

However, overly large boards may encounter coordination challenges, slower decision-making, and potential inefficiencies. Communication breakdown and diluted

accountability are common issues in excessively large boards, which can hinder effective governance (Yermack, 2021). Conversely, smaller boards are typically more agile, enabling quicker decisions and streamlined operations. Nonetheless, smaller boards may lack the breadth of expertise and diversity needed to address multifaceted corporate issues (Lipton & Lorsch, 2012). Thus, finding an optimal board size is crucial to balancing efficiency with effectiveness. Research suggests that the ideal board size often depends on the industry, organizational complexity, and regulatory requirements (Adams et al., 2021).

2.Board Gender Diversity

Gender diversity on boards refers to the representation of women in boardrooms, a factor that has gained increasing attention in corporate governance literature. Gender-diverse boards bring varied perspectives, foster creativity, and encourage inclusiveness, which can improve decision-making processes. According to Adams and Ferreira (2009), gender-diverse boards are more diligent in monitoring management and addressing agency problems, thereby enhancing governance quality. Moreover, gender diversity has been linked to improved corporate reputation, better stakeholder relationships, and innovation in organizational strategies (Bear et al., 2020). Female directors often prioritize social and environmental governance issues, which are increasingly vital in contemporary business practices (Terjesen et al., 2022). Despite these benefits, the

relationship between board gender diversity and firm financial performance remains mixed. While some studies find a positive impact, others report no significant effect, suggesting that contextual factors such as industry, culture, and governance frameworks play a role in determining outcomes (Post & Byron, 2015).

3.Board Independence

Board independence is defined as the proportion of non-executive directors (NEDs) or independent directors on a board. These directors, who do not have a material or pecuniary relationship with the company, are pivotal in enhancing board objectivity and accountability. Independent directors are tasked with monitoring management, providing unbiased perspectives, and mitigating conflicts of interest between shareholders and executives (Baysinger & Butler, 2018).

By fostering a system of checks and balances, independent directors contribute to improved governance practices and better financial performance. For instance, their impartial oversight reduces the likelihood of self-serving behaviors by management, ensuring that corporate decisions align with shareholder interests (Fama & Jensen, 1983).

The independence of the board is also critical for mitigating agency problems, enhancing firm transparency, and improving investor confidence (Baysinger et al., 2022).

Regulatory bodies in many countries, including Nigeria, emphasize the importance of

board independence to promote good corporate governance and prevent malpractices. However, the effectiveness of independent directors depends on their qualifications, expertise, and commitment to the organization. Simply increasing the proportion of independent directors without considering these factors may not yield the desired governance outcomes (Ujunwa et al., 2023).

2.2.3 Financial Performance

Financial performance refers to the measurement of a company's ability to generate revenue, manage resources efficiently, and create value for its stakeholders over a specific period. It serves as a key indicator of an organization's operational success and economic health. Financial performance is assessed using various financial metrics and ratios that provide insights into profitability, efficiency, liquidity, solvency, and market valuation (Gitman et al., 2022). According to Kaplan and Norton (2019), financial performance is a critical component of the Balanced Scorecard, which links financial outcomes with operational activities to evaluate an organization's overall performance. The authors emphasize that financial metrics such as return on assets (ROA), return on equity (ROE), and net profit margin are essential for understanding a company's ability to sustain growth and attract investment.

Financial performance can be categorized into profitability, efficiency, liquidity, and market performance. Profitability metrics, such as ROA and ROE, assess the ability of a firm to generate earnings relative to its assets and equity. Efficiency ratios, like asset turnover, measure how effectively a company utilizes its resources. Liquidity indicators, such as the current ratio, provide insights into the company's ability to meet short-term obligations, while market-based measures like earnings per share (EPS) and price-to-earnings (P/E) ratios reflect shareholder value and investor confidence (Brigham & Houston, 2021). In the corporate governance context, financial performance serves as an outcome of effective governance mechanisms. Attributes like board independence, diversity, and size have been linked to improved financial outcomes through enhanced decision-making, accountability, and resource allocation (Hillman & Dalziel, 2003). For instance, firms with diverse boards often report better financial performance due to the broad range of perspectives and innovative approaches to problem-solving.

Several theories underpin the analysis of financial performance, including agency theory and stakeholder theory. Agency theory highlights the role of corporate governance in reducing agency conflicts between shareholders and management, thereby enhancing financial outcomes (Jensen & Meckling, 2018). Stakeholder theory, on the other hand, argues that financial performance is not solely dependent on shareholder value but also on the organization's ability to address the needs of all stakeholders, such as employees,

customers, and the community (Freeman, 2019). External factors such as economic conditions, regulatory environments, and industry-specific dynamics also significantly influence financial performance. For example, firms operating in highly competitive industries may need to adopt aggressive strategies to maintain profitability, while those in regulated industries must balance compliance with financial goals (Klapper & Love, 2004).

Board Size and Financial Performance

Board size refers to the total number of directors on a company's board. The relationship between board size and financial performance has been widely debated in the literature, with differing opinions on whether a larger or smaller board is more beneficial. Yermack (1996) argued that smaller boards tend to outperform larger boards in terms of financial performance, as they are more efficient in decision-making, have fewer coordination problems, and are able to make faster decisions. On the other hand, Coles et al. (2008) suggested that larger boards may be more beneficial for complex firms that require a diverse range of skills, expertise, and perspectives. The findings of Ujunwa (2012) in Nigeria indicate that optimal board size varies depending on the industry and complexity of the firm, suggesting that an appropriate balance needs to be struck between board size and performance. A study by Abor and Biekpe (2007) in Ghana also found that board size has a significant positive impact on firm performance, particularly in larger firms.

Yermack (2021) conducted a study on the relationship between board size and financial performance in the United States, covering the period from 1984 to 1991. The research utilized data from 452 large U.S. firms and employed regression analysis to measure financial performance using Tobin's Q. The findings revealed that firms with smaller boards performed better due to efficient decision-making processes and reduced agency problems. Conversely, larger boards were found to be less effective because of higher coordination costs and slower decision-making. The study recommended maintaining relatively small board sizes to enhance efficiency, particularly in industries requiring quick decision-making.

Coles, Daniel, and Naveen (2008) investigated how board size impacts firm performance in relation to firm complexity. The study analyzed 8,165 firm-year observations from U.S. firms between 1992 and 2001, using ordinary least squares (OLS) regression. The findings indicated that larger boards were advantageous for complex firms, as they brought diverse expertise to address intricate operational and strategic issues. On the other hand, smaller boards were more effective for simpler firms due to their streamlined decision-making processes. The authors recommended tailoring board size to firm characteristics, advocating for larger boards in complex firms to maximize their governance potential.

In Nigeria, Ujunwa (2012) examined the effect of board attributes, including board size, on the financial performance of 122 Nigerian firms across various industries. The study, conducted between 1991 and 2008, employed panel data analysis with a fixed-effects model to evaluate firm performance using ROA and Tobin's Q. The findings revealed that an optimal board size positively influenced financial performance, although the optimal size varied across industries. Larger boards were associated with inefficiency in less complex firms. Ujunwa suggested that Nigerian firms adopt industry-specific board size guidelines to optimize decision-making and financial outcomes. Guest (2009) analyzed the impact of board size on firm performance using data from 2,746 U.K. firms between 1981 and 2002. The study employed a dynamic panel data methodology, utilizing Generalized Method of Moments (GMM) estimators to assess the relationship between board size and financial performance, which was measured using ROA and Tobin's Q. The findings revealed a significant negative relationship between board size and firm performance, indicating that smaller boards were more effective in decision-making and governance. Guest recommended that U.K. firms maintain smaller board sizes to enhance efficiency, particularly in highly competitive industries.

Liang, Xu, and Lin (2013) explored the relationship between board size and financial performance among 1,000 publicly listed firms in China, focusing on the period from 2005 to 2010. The study used regression analysis to evaluate financial performance,

measured through ROE and ROA, and compared the performance of state-owned enterprises (SOEs) and non-SOEs. The findings revealed that smaller boards were more effective for non-SOEs, while larger boards were beneficial for SOEs due to the need for diverse expertise and representation of various stakeholders. The authors recommended aligning board size with ownership structure, suggesting larger boards for state-owned entities and smaller boards for privately-owned firms to enhance governance outcomes.

Board Gender Diversity and Financial Performance

Board gender diversity refers to the representation of women on the board of directors. Studies have suggested that gender diversity on boards can enhance decision-making, foster creativity, and lead to more inclusive governance. According to Adams and Ferreira (2009), firms with gender-diverse boards tend to have better financial performance, as diverse boards are better at monitoring management, reducing groupthink, and considering a wider range of perspectives. Gender-diverse boards are also more likely to engage in long-term strategic planning, which has been shown to improve firm performance over time (Post & Byron, 2015). However, the relationship between gender diversity and financial performance is not always straightforward. In Nigeria, Okike (2007) noted that gender representation on boards remains relatively low, which may limit the potential benefits of diversity. While some studies report positive effects of gender diversity on financial outcomes, others suggest that the impact may vary

depending on contextual factors such as the industry and country (Fernandez-Feijoo et al., 2012).

Adams and Ferreira (2009) explored the relationship between gender diversity on boards and financial performance in U.S. firms. The study analyzed a sample of 1,939 firm-year observations from 1996 to 2003, using regression analysis to examine the impact of gender diversity on performance metrics such as Tobin's Q and ROA. The findings indicated a positive relationship between gender diversity and financial performance. Gender-diverse boards were associated with enhanced decision-making, increased monitoring effectiveness, and reduced groupthink. However, the study also noted that the impact varied depending on governance quality, suggesting that gender diversity had stronger effects in firms with weaker governance structures. The authors recommended policies to encourage gender diversity, emphasizing its potential to improve decision-making and oversight.

Okike (2007) investigated gender diversity on boards in Nigeria, focusing on its prevalence and impact. The study, which analyzed data from 50 publicly listed Nigerian firms from 2000 to 2005, highlighted a low level of female representation on corporate boards, averaging less than 10%. This lack of diversity was attributed to cultural and structural barriers. Okike argued that the limited gender diversity constrained the benefits of diverse perspectives and inclusive decision-making. The study recommended

regulatory interventions to promote female board representation, such as quotas or targeted initiatives to address gender disparities.

Lückerath-Rovers (2013) conducted a study on gender diversity and financial performance in the Netherlands, examining 99 listed firms between 2007 and 2009. Using regression analysis, the study found that firms with gender-diverse boards demonstrated higher financial performance, measured through ROE and ROA. The findings attributed this improvement to better stakeholder engagement and more comprehensive decision-making processes brought about by diverse perspectives. The study advocated for increased gender diversity on boards to enhance governance and financial outcomes.

Nielsen and Huse (2010) analyzed the impact of women directors on board effectiveness and financial performance using a sample of 248 Norwegian firms from 2005 to 2006. The study employed structural equation modeling (SEM) to investigate the relationship between board diversity and performance outcomes. The findings revealed that boards with higher female representation demonstrated better monitoring and strategic decision-making, ultimately enhancing financial performance. The authors recommended sustained efforts to promote gender diversity, particularly in male-dominated industries, to unlock the full potential of diverse boards.

Dahlerup and Freidenvall (2010) studied the effectiveness of gender quotas in increasing female representation on boards and its impact on governance in European firms. The study focused on 150 firms from France, Germany, and Sweden between 2004 and 2008. Using a comparative case study approach, the researchers found that firms with gender quotas reported improved board dynamics and financial outcomes, particularly in industries with a history of underrepresentation of women. The study suggested that enforcing gender quotas could serve as a catalyst for achieving greater gender equality on corporate boards and enhancing firm performance.

Board Independence and Financial Performance

Board independence refers to the proportion of independent directors on the board who are not involved in the day-to-day management of the company. Independent directors are expected to provide objective oversight, reduce agency conflicts, and enhance the board's monitoring role. According to Baysinger and Butler (2018), board independence plays a significant role in improving financial performance by enhancing governance practices and reducing agency costs. Independent directors are believed to provide better oversight over management, ensure accountability, and align the interests of shareholders and management. Furthermore, the presence of independent directors helps mitigate conflicts of interest that may arise in firms with strong insider control (Klein, 2018). In Nigeria, however, insider dominance often limits the effectiveness of independent

directors. Ogbechie and Koufopoulos (2010) found that in Nigerian firms, insider influence on the board tends to undermine the potential benefits of board independence, resulting in poorer financial performance. Nevertheless, a study by Dahawy et al. (2009) in Egypt found that board independence positively impacted financial performance, particularly in family-owned firms.

Baysinger and Butler (2018) conducted a seminal study on the relationship between board independence and financial performance, analyzing data from U.S. firms across various industries. The study utilized a longitudinal approach, examining financial performance metrics such as return on equity (ROE) and stock price growth over a five-year period. The findings revealed that firms with a higher proportion of independent directors exhibited better financial performance. Independent directors enhanced oversight, reduced agency conflicts, and ensured better alignment between management and shareholder interests. The study recommended policies encouraging the appointment of independent directors to strengthen corporate governance frameworks.

Ogbechie and Koufopoulos (2010) explored board independence in the Nigerian corporate context, focusing on its impact on financial performance. Using data from 50 Nigerian firms listed on the Nigerian Stock Exchange (NSE) between 2000 and 2005, the researchers employed multiple regression analysis to examine the relationship between board independence and financial performance metrics such as ROA and ROE. The

findings indicated that board independence was often undermined by insider dominance, whereby executives and major shareholders held significant influence over board decisions. This lack of genuine independence weakened oversight and reduced the effectiveness of governance practices. The study suggested stricter regulatory enforcement to ensure a higher proportion of non-executive directors (NEDs) on corporate boards.

Hermalin and Weisbach (2003) provided further empirical evidence on the impact of board independence, analyzing 1,500 U.S. firms over a 10-year period. The study used econometric modeling to assess the effect of board composition on financial performance. The results showed that greater board independence positively influenced firm value, especially in firms with dispersed ownership structures. However, the study also noted that the benefits of board independence diminished in firms where independent directors lacked industry expertise. The researchers recommended a balance between independence and competence to maximize board effectiveness.

In the UK context, Bhagat and Black (2002) analyzed the relationship between board independence and financial performance using data from 957 publicly listed firms between 1991 and 1998. The study employed Tobin's Q and ROE as performance indicators. While the findings supported the positive impact of board independence on firm performance, the researchers also observed that excessive emphasis on

independence could lead to weaker strategic decisions, particularly in dynamic industries. The study emphasized the need for a nuanced approach, combining independence with strategic insight.

In a cross-country study, Klapper and Love (2004) investigated board independence and its impact on financial performance in emerging markets, including Brazil, India, and South Africa. Using a sample of 500 firms from 2000 to 2003, the researchers employed panel data analysis to assess governance quality and performance. The findings demonstrated that board independence significantly improved financial outcomes in countries with weaker legal protections for investors. The study recommended strengthening governance practices in emerging economies by enhancing board independence to attract international investors and improve firm performance.

Board Expertise and Financial Performance

Board expertise refers to the knowledge, skills, and experience of the directors on the board. A highly skilled and experienced board can contribute to better strategic decision-making, risk management, and resource allocation. Several studies have shown a positive relationship between board expertise and financial performance. For instance, Forbes and Milliken (2019) found that boards with higher levels of expertise are better equipped to address complex issues, thereby improving overall firm performance. In a study by

Vafeas (2005), it was found that boards with members possessing relevant industry-specific expertise are more likely to contribute to better financial performance, particularly in terms of profitability and return on investment.

Baysinger and Butler (2018) examined the relationship between board expertise and financial performance, analyzing data from U.S. firms across various industries. The study utilized a longitudinal approach, assessing financial metrics such as return on assets (ROA) and return on equity (ROE) over a five-year period. The findings indicated that firms with directors possessing financial and industry-specific expertise experienced superior financial performance. The study suggested that expert board members enhance decision-making, improve strategic oversight, and mitigate financial risks, ultimately benefiting firm performance.

Güner, Malmendier, and Tate (2008) explored the influence of financial expertise on corporate decisions in U.S. firms, using data from 1996 to 2004. Employing regression analysis, the study found that firms with a higher proportion of financially skilled directors were more likely to engage in sophisticated investment strategies, leading to improved financial outcomes. However, the study also cautioned that excessive reliance on financial experts could result in overconfidence and riskier corporate decisions. The researchers recommended a balanced board composition to mitigate such risks.

Francis, Hasan, and Wu (2015) analyzed the impact of accounting expertise on board effectiveness and firm performance, examining 2,500 publicly traded U.S. firms from 2000 to 2012. The study found that firms with directors possessing accounting backgrounds exhibited better financial reporting quality, lower earnings manipulation, and higher ROE. The research highlighted the role of accounting experts in ensuring financial transparency and regulatory compliance, which in turn enhanced investor confidence and firm valuation.

McNulty, Florackis, and Ormrod (2013) investigated the effect of industry-specific expertise on firm performance in the UK, analyzing a sample of 500 FTSE-listed companies from 2005 to 2011. The study employed panel data regression and found that firms with directors who had deep industry knowledge achieved higher profitability and stock market valuation. The researchers attributed this to better risk assessment, improved strategic alignment, and enhanced ability to navigate industry challenges. The study emphasized the need for companies to appoint directors with relevant industry experience to strengthen governance and drive performance.

Ujunwa (2012) examined the role of board expertise in Nigerian firms, focusing on its impact on financial performance. Using data from 122 companies listed on the Nigerian Stock Exchange (NSE) between 1991 and 2008, the study employed multiple regression analysis to evaluate the relationship between board expertise and financial metrics such

as ROA and Tobin's Q. The findings indicated that firms with directors who had finance and accounting expertise outperformed their counterparts, as they were better equipped to monitor corporate financial health and strategic decisions. The study recommended enhancing corporate governance policies to prioritize board expertise over political appointments.

Liang, Xu, and Lin (2013) provided further empirical evidence from China, analyzing 1,000 publicly listed firms from 2005 to 2010. The study employed econometric modeling to assess the impact of board expertise on financial performance. The results showed that firms with directors possessing financial and industry expertise exhibited higher profitability, particularly in non-state-owned enterprises. However, the study also noted that the positive impact of expertise was less pronounced in state-owned firms due to bureaucratic inefficiencies. The researchers recommended that corporate governance reforms should encourage expertise-driven board appointments to enhance firm competitiveness.

Muttakin, Khan, and Subramaniam (2015) examined board expertise and financial performance in Bangladesh, using a sample of firms from 2004 to 2013. The study employed panel data analysis and found a strong positive correlation between board financial expertise and firm profitability. The effect was particularly significant in industries with complex financial structures, such as banking and telecommunications.

The study highlighted the importance of appointing directors with relevant qualifications to improve governance effectiveness and financial decision-making.

Abor and Biekpe (2007) investigated board expertise in Ghanaian firms, analyzing its effect on financial performance using data from 200 companies between 1998 and 2005. The study employed multiple regression analysis and found that firms with directors possessing financial and managerial expertise achieved superior financial outcomes. The study recommended strengthening regulatory requirements to ensure that board members have relevant expertise to enhance governance and firm performance.

Kajola (2008) explored the relationship between board expertise and firm performance in Nigeria, focusing on 20 firms listed on the NSE from 2000 to 2006. Using regression analysis, the study found that firms with a higher proportion of directors with accounting and finance backgrounds performed better in terms of ROA and ROE. The study emphasized the need for stricter corporate governance policies to improve board composition and expertise.

Klapper and Love (2004) conducted a cross-country study on board expertise and financial performance in emerging markets, including Brazil, India, and South Africa. Analyzing a sample of 500 firms from 2000 to 2003, the study employed panel data analysis to assess governance quality and firm performance. The findings demonstrated

that firms with expert directors experienced better financial outcomes, particularly in countries with weaker legal protections for investors. The study recommended strengthening governance practices in emerging economies by prioritizing board expertise to attract foreign investment and enhance corporate performance.

2.3.1 Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), is a cornerstone of corporate governance literature. It addresses the principal-agent relationship, where shareholders (principals) delegate decision-making authority to executives (agents). The separation of ownership and control often creates agency conflicts, as managers may prioritize their interests over those of the shareholders.

Board attributes, such as independence, size, and gender diversity, are critical mechanisms for mitigating agency problems. Independent directors, for instance, serve as impartial overseers, ensuring that management decisions align with shareholder interests. Similarly, board size and composition can influence the effectiveness of oversight, with optimal sizes providing both diversity of thought and efficient decision-making (Hillman & Dalziel, 2003). This theory underscores the importance of governance structures in enhancing accountability and financial performance.

2.3.1 Resource Dependency Theory

Resource Dependency Theory, proposed by Pfeffer and Salancik (1978), highlights the board's role in securing essential resources for organizational success. Boards are not merely oversight bodies; they also act as conduits for resources, such as expertise, strategic guidance, and external networks. Attributes like board size and diversity are pivotal in determining the board's resource-mobilizing capacity. Larger and more diverse boards are better equipped to provide a wide range of knowledge and skills, address complex challenges, and enhance strategic decision-making. For example, gender-diverse boards can access varied perspectives and foster innovation, which are critical for navigating competitive environments (Hillman et al., 2009). By emphasizing the board's resource-provision role, this theory aligns governance practices with the firm's strategic objectives and long-term financial performance.

2.3.2 Stakeholder Theory

Stakeholder Theory, articulated by Freeman (1984), broadens the scope of corporate governance beyond shareholder interests. This theory advocates for balancing the needs and expectations of various stakeholders, including employees, customers, suppliers, and the community. Board attributes such as gender diversity and independence align closely with stakeholder theory. Gender-diverse boards, for instance, promote inclusivity and ensure that diverse stakeholder perspectives are considered in decision-making.

Independent directors enhance accountability by representing the interests of a broader stakeholder base, thereby fostering trust and long-term value creation (Post et al., 2015). By integrating stakeholder considerations into governance practices, boards can improve organizational reputation, sustainability, and financial outcomes.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research methodology used to investigate the relationship between the attributes of the Board of Directors and the financial performance of firms. The chapter outlines the research design, data collection methods, population and sample, variables, model specification, and data analysis techniques employed in the study.

3.2 Research Design

The study adopts a quantitative research design, aimed at examining the relationship between the attributes of the Board of Directors and the financial performance of firms. A correlational research approach is utilized to determine the nature and strength of the relationships between the independent variables (Board of Directors' attributes) and the dependent variables (firm financial performance). The quantitative nature of the study allows for objective measurement of the variables and testing of hypotheses related to the impact of board attributes on financial performance.

3.3 Population and Sample

The population of this study consists of all firms listed on the Nigerian Stock Exchange (NGX) 156 as of 2023. This includes firms across different industries that are publicly listed and provide data on both their financial performance and corporate governance practices

For the purpose of this study, a sample size of **14 Deposit Money Banks (DMBs)** listed on the Nigerian Stock Exchange has been selected. These banks were chosen due to the availability of consistent data on both board attributes and financial performance. The period covered by this study is from **2018 to 2023**, ensuring a longitudinal perspective that accounts for the potential effects of changes in board characteristics over time.

3.4 Data Collection Methods

This study relies on secondary data obtained from publicly available financial reports and corporate governance disclosures. These data sources are accessible through the official websites of the listed firms, the Nigerian Stock Exchange, and various financial publications. The study focuses on two key areas: board attributes and firm financial performance.

Board attributes include several variables that capture the composition and characteristics of the Board of Directors. One such variable is board size, which refers to the total number of directors serving on a company's board. Board independence is also considered, representing the proportion of independent directors relative to the total board size. Another important factor is gender diversity, which measures the percentage of female directors on the board. Additionally, board tenure is assessed by calculating the average number of years directors have served on the board. Lastly, board expertise is examined as a composite measure that reflects the professional qualifications and relevant experience of board members.

Firm financial performance is evaluated using two key financial indicators. The first is return on assets (ROA), a profitability ratio that assesses how efficiently a company utilizes its assets to generate profit. The second is return on equity (ROE), which measures a firm's ability to generate earnings relative to its shareholders' equity. These financial metrics provide insight into the overall performance of the selected firms.

3.5 Model Specification

This study employs a Multiple Linear Regression (MLR) Model to assess the impact of corporate governance on financial reporting quality in publicly listed companies in Nigeria. The model is adapted from prior empirical studies, particularly Brown and

Caylor (2006), to examine the relationship between governance mechanisms—such board Size Board independence , board gender diversity and Board Tenure—and Financial performance.

The Model is given below:

$$FP_{it} = \beta_0 + \beta_1(BSIZE_{it}) + \beta_2(BIND_{it}) + \beta_3(BGEND_{it}) + \epsilon_i$$

Where:

FP_{it} is the financial performance of firm iii at time t , measured by either Return on Assets (ROA) or Return on Equity (ROE),

β_0 is the intercept,

β_1 , β_2 and β_3 are the coefficients representing the impact of the independent variables on financial performance,

B_{SIZE} is the board size of firm iii at time t ,

B_{IND} is the board independence of firm iii at time t ,

B_{GEND} is the board gender diversity of firm iii at time t ,

ϵ_i is the error term representing unobserved factors that affect financial performance.

This model allows for the investigation of the individual and joint effects of board size, board independence, and gender diversity on the financial performance of firms over the 2018-2023 period. For the purpose of this study, a control variable audit committee model is added:

$$FP_{it} = \beta_0 + \beta_1(BSIZE_{it}) + \beta_2(BIND_{it}) + \beta_3(BGEND_{it}) + \beta_4(ACN_{it}) + \epsilon_i$$

Where:

FP_{it} is the financial performance of firm i at time t , measured by either Return on Assets (ROA) or Return on Equity (ROE),

β_0 is the intercept,

β_1 , β_2 and β_3 are the coefficients representing the impact of the independent variables on financial performance,

B_{SIZE} is the board size of firm i at time t ,

B_{IND} is the board independence of firm i at time t ,

BGEND is the board gender diversity of firm *iii* at time *t*,

ACN is the Audit committee of firm at time *t*

ϵ_i is the error term representing unobserved factors that affect financial performance.

3.6 Operationalization of Variables

The key variables in this study are operationalized as follows:

Variable	Definition	Measurement	Data Source
Board Size (BSIZE)	The total number of directors on the board.	Count of directors on the board	Anderson & Reeb (2003), Corporate Governance Reports
Board Independence (BIND)	The proportion of independent directors on the board.	Proportion of independent directors (%)	Fama & Jensen (1983), Corporate Governance Reports
Gender Diversity	The proportion of female	Percentage of	Carter et al. (2003), Corporate Governance

Variable	Definition	Measurement	Data Source
(BGEND)	directors on the board.	female directors (%)	Reports
Audit Committee (ACN)	The presence and structure of the audit committee, focusing on its independence and effectiveness.	Percentage of auditors (%)	Abbott & Parker (2000), Corporate Governance Reports
Return on Asset (ROA)	A profitability ratio that shows how efficiently a company uses its asset to generate profit	Net income/ total Asset *100	Zahra & Pearce (1989), Corporate Governance Reports

3.7 Data Analysis Techniques

The analysis of the collected data will involve various statistical techniques to examine the relationship between the attributes of the Board of Directors and the financial performance of the selected firms. These techniques will provide insights into the extent to which board characteristics influence firm performance over the study period.

The analysis of the collected data will involve various statistical techniques to examine the relationship between the attributes of the Board of Directors and the financial performance of the selected firms. These techniques will provide insights into the extent to which board characteristics influence firm performance over the study period. To begin with, descriptive statistics will be employed to summarize and present key features of the dataset. This will include measures such as the mean, median, standard deviation, and frequency distributions, which will offer an overview of both board attributes. The analysis of the collected data will involve various statistical techniques to examine the relationship between the attributes of the Board of Directors and the financial performance of the selected firms. These techniques will provide insights into the extent to which board characteristics influence firm performance over the study period.

To begin with, descriptive statistics will be employed to summarize and present key features of the dataset. This will include measures such as the mean, median, standard deviation, and frequency distributions, which will offer an overview of both board attributes and financial performance across the sampled banks. By analyzing these descriptive measures, the study will establish patterns and trends in the data.

Next, correlation analysis will be conducted using Pearson's correlation coefficient to determine the strength and direction of the relationships between board attributes and

financial performance indicators such as return on assets (ROA) .This analysis will reveal whether significant associations exist between the independent variables (board attributes) and the dependent variables (firm performance). Understanding these correlations will help in assessing the degree of influence each board characteristic has on financial outcomes.

Finally, multiple regression analysis will be applied to test the research hypotheses and evaluate the impact of board attributes on financial performance. This statistical method will allow for an estimation of the relationship between the independent variables (board size, board independence, and gender diversity) and the dependent variables (ROA), while controlling for other factors that may affect firm performance. The regression model will provide insights into the relative significance of each board attribute in explaining variations in financial performance, ensuring a comprehensive evaluation of corporate governance effects within the selected firms.

CHAPTER FOUR

DATA ANALYSIS

4.1 INTRODUCTION

This chapter presents the results and discusses the findings derived from the data collected for this study. It employs various statistical techniques to analyze and interpret the research objectives outlined in Chapter One. This section forms the foundation for the conclusions and recommendations that follow.

4.2 Descriptive Statistics

Table 4.1 Descriptive Statistics

	BI	BS	AC	GD	ROA
Mean	18.89855	11.2029	52.27391	25.56522	2.008696
Median	18	11	50	29	1.2
Maximum	64	17	100	50	43
Minimum	0	5	0.9	0	0.2

Std. Dev.	14.68707	2.88291	16.78499	10.25338	5.110708
Skewness	0.875109	-0.078263	0.536847	-0.71685	7.648439
Kurtosis	3.870742	2.162647	4.311293	3.572557	61.7652
Jarque-Bera	10.98668	2.086276	8.25788	6.852033	10601.11
Probability	0.004114	0.352347	0.0161	0.032516	0
Sum	1304	773	3606.9	1764	138.6
Sum Sq. Dev.	14668.29	565.1594	19158.03	7148.957	1776.115
Observations	84	84	84	84	84

SOURCE: Eview8

The descriptive statistics presented in Table 4.1 provide a comprehensive overview of the key variables under investigation—board attributes and financial performance—across 84

firm-year observations. This analysis serves as a foundational step to understand the distribution, central tendencies, and variability of the data, which are critical for interpreting subsequent regression results. Board independence, measured as the percentage of independent directors, exhibits a mean value of 18.90%, with a median of 18%, indicating that half of the firms in the sample have boards composed of at least 18% independent directors. However, the wide range (minimum 0% to maximum 64%) and a standard deviation of 14.69% highlight significant variability in board independence across firms. This suggests that while some firms prioritize independent oversight (e.g., reaching 64% independence), others have minimal or no independent directors, potentially exposing them to governance risks. The positive skewness (0.88) and kurtosis (3.87) further indicate that the distribution is moderately skewed toward lower independence levels, with a flatter peak compared to a normal distribution. The Jarque-Bera test statistic (10.99) and its associated probability (0.004) confirm that board independence is not normally distributed, implying potential outliers or clustering in governance practices. Board size, represented by the number of directors, has a mean of 11.20 members, with a median of 11, suggesting symmetry in the distribution. The range spans from a minimum of 5 to a maximum of 17 directors, reflecting diverse governance structures—from lean boards in smaller firms to larger boards in complex organizations. The low standard deviation (2.88) indicates relatively stable board sizes within the sample, though the slight negative skewness (-0.08) and kurtosis (2.16) hint at a near-

normal distribution with minor deviations. The Jarque-Bera statistic (2.09) and probability (0.35) confirm that board size adheres to a normal distribution, making it suitable for parametric analyses. The audit committee variable, likely measuring its activity or independence, shows a mean value of 52.27%, with a median of 50%. The substantial standard deviation (16.78) and range (0.9% to 100%) reveal stark differences in audit committee engagement across firms. For instance, some firms have nearly non-functional committees (0.9%), while others achieve full compliance (100%). The positive skewness (0.54) and kurtosis (4.31) suggest a distribution skewed toward lower effectiveness, with a sharper peak and heavier tails. The non-normal distribution (Jarque-Bera 8.26, probability 0.016) underscores the need for robust regression techniques to mitigate the impact of outliers. Gender diversity, measured as the percentage of female directors, has a mean of 25.57% and a median of 29%, indicating that most firms fall short of gender parity. The minimum value of 0% (all-male boards) and maximum of 50% (gender-balanced boards) highlight persistent gender disparities in corporate leadership. The negative skewness (-0.72) and moderate kurtosis (3.57) reflect a distribution skewed toward higher diversity levels, though the standard deviation (10.25) suggests uneven progress. The Jarque-Bera test (6.85, probability 0.03) confirms non-normality, likely due to clusters of firms at extremes (e.g., all-male or gender-balanced boards). Return on Assets (ROA), the dependent variable, exhibits a mean of 2.01% and a median of 1.2%, indicating that profitability is modest for most firms. However, the

extreme maximum (43%) and minimum (0.2%) values, coupled with a high standard deviation (5.11), signal significant performance disparities. The pronounced positive skewness (7.65) and kurtosis (61.77) reveal a heavily right-skewed distribution with extreme outliers—likely firms with exceptionally high returns. The Jarque-Bera statistic (10,601.11, probability 0.00) overwhelmingly rejects normality, suggesting that ROA data are dominated by a few high-performing firms. This skewness may necessitate data transformations (e.g., logarithms) in regression models to avoid biased estimates.

4.3 Correlation Analysis

Table 4.2 Correlation Analysis

	BI	BS	AC	GD	ROA
BI	1				
BS	0.291891	1			
AC	-0.270163	-0.874378	1		
GD	0.163078	0.062728	0.066796	1	
ROA	-0.062584	0.112765	-0.348804	-0.04031	1

SOURCE: E-vie 8

The correlation matrix provides critical insights into the relationships between board characteristics (independence, size, audit committee effectiveness, gender diversity) and firm financial performance (ROA). These pairwise associations help identify potential synergies, conflicts, or redundancies among governance variables, offering a nuanced understanding of how board dynamics may collectively influence profitability. The positive correlation (0.29) between board independence and size suggests that larger boards tend to include more independent directors. This aligns with agency theory, which advocates for independent oversight in complex organizations. However, the moderate strength of this relationship implies that board size alone does not guarantee independence, as firms may prioritize other factors (e.g., expertise) over governance compliance. The negative correlation (-0.27) between independence and audit committee effectiveness is counterintuitive. One plausible explanation is that firms with highly independent boards may allocate fewer resources to audit committees, assuming that board oversight alone suffices. Alternatively, this inverse relationship could signal governance trade-offs, where focus on independence detracts from audit rigor.

- Gender Diversity (GD): The weak positive correlation (0.16) indicates a slight tendency for gender-diverse boards to also value independence, though this link is not statistically strong. This mirrors global trends where diverse boards often adopt progressive governance practices, albeit inconsistently. The negligible negative correlation (-0.06)

suggests that board independence alone has no direct impact on profitability. This challenges agency theory's assumption that independent boards universally enhance performance, hinting that independence must interact with other factors (e.g., strategic input) to yield benefits. The strong negative correlation (-0.87) between board size and audit committee effectiveness is striking. Larger boards may struggle with coordination, diluting the audit committee's focus and efficiency. This finding supports resource dependence theory, which warns that oversized boards can create bureaucratic inefficiencies, undermining specialized functions like auditing. The near-zero correlation (0.06) implies that board size has little bearing on gender representation. Gender diversity appears driven by factors beyond structural size, such as corporate policies or societal norms. The weak positive correlation (0.11) suggests that larger boards may marginally enhance performance, possibly due to diverse expertise. However, this contradicts prior studies linking oversized boards to decision-making delays, indicating context-specific outcomes. Gender Diversity (GD): The minimal correlation (0.07) highlights that audit committee effectiveness operates independently of gender diversity. This implies that audit rigor depends more on technical competencies (e.g., financial literacy) than demographic factors.

- ROA: The moderate negative correlation (-0.35) between audit committee effectiveness and ROA is paradoxical. While robust audit practices are expected to curb financial

mismanagement, overly stringent controls may stifle innovation or risk-taking, reducing profitability. Alternatively, firms with poor performance might invest more in audit mechanisms as a corrective measure, creating a reverse causality loop. The negligible correlation (-0.04) indicates that gender diversity, as a standalone factor, does not directly influence ROA. This contrasts with studies linking diversity to improved decision-making but aligns with critiques that token representation (e.g., minimal female participation) fails to yield tangible benefits. Governance Trade-Offs: The strong inverse relationship between board size and audit committee effectiveness (-0.87) underscores a critical governance dilemma. Firms must balance board expansion with functional specialization to avoid diluting audit quality. The lack of direct correlations between governance variables (independence, diversity) and ROA suggests that financial performance is shaped by complex interactions rather than isolated board attributes. For instance, independent boards may only enhance ROA when coupled with strategic risk oversight. The negative link between audit effectiveness and ROA warrants deeper investigation. Firms may need to calibrate audit rigor to avoid stifling growth while maintaining accountability. The high correlation between board size and audit committee effectiveness (-0.87) risks multicollinearity in regression models. Techniques like variance inflation factor (VIF) tests or variable orthogonalization should be employed to ensure reliable coefficient estimates. Investigate how board independence and gender diversity interact with audit practices to influence ROA, as standalone variables show

limited explanatory power. The skewed distributions of variables like ROA (from descriptive statistics) may mask nonlinear dynamics. Quantile regression or log transformations could uncover nuanced associations. The correlation matrix reveals that governance attributes are interrelated in complex ways, with no single factor dominantly driving financial performance. This necessitates a holistic approach to board design, where size, independence, diversity, and audit functions are strategically balanced to optimize outcomes.

4.4 Analysis of Regression Results

Table 4.3 Regression Result

Dependent Variable: LROA

Method: Least Squares

Date: 09/05/25 Time: 04:30

Sample: 1 84

Included observations: 84

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.852716	0.561039	5.084700	0.0000
LBI	0.098613	0.074986	1.315083	0.1932
LBS	-1.127022	0.366157	-3.077973	0.0031
LGD	-0.134966	0.096423	-1.399722	0.1664
LAC	-0.903090	0.156211	-5.781231	0.0000
R-squared	0.351290	Mean dependent var		0.094167
Adjusted R-squared	0.310746	S.D. dependent var		0.309736
S.E. of regression	0.257147	Akaike info criterion		0.191368
Sum squared resid	4.231980	Schwarz criterion		0.353260
Log likelihood	-1.602197	Hannan-Quinn criter.		0.255596
F-statistic	8.664345	Durbin-Watson stat		1.876824
Prob(F-statistic)	0.000012			

SOURCE: E-view

The regression analysis evaluating the impact of board attributes on firm financial performance (measured by the natural logarithm of Return on Assets, LROA) reveals nuanced relationships that align with, and sometimes challenge, theoretical and empirical foundations outlined in the literature review. The findings underscore the complex interplay between governance mechanisms and financial outcomes, particularly in the Nigerian context. The significant negative coefficient for board size (LBS = -1.127, $p = 0.003$) aligns with agency theory and empirical studies such as Yermack (1996), who argued that larger boards suffer from inefficiencies in decision-making and coordination.

The Nigerian context, as highlighted by Ujunwa (2012), suggests that oversized boards may exacerbate bureaucratic delays and dilute accountability, particularly in firms with less complex operations. This finding resonates with Guest's (2009) U.K.-based study, which linked smaller boards to superior performance due to streamlined governance. However, the literature also cautions that optimal board size varies by industry and firm complexity (Coles et al., 2008). For Nigerian firms, where regulatory frameworks are evolving, the results advocate for leaner boards to enhance agility and decision-making efficiency. The significant negative relationship between audit committee effectiveness ($LAC = -0.903, p = 0.000$) and ROA presents a paradox. While audit committees are theoretically designed to enhance oversight (Baysinger & Butler, 2018), the negative coefficient suggests potential unintended consequences. This aligns with Klapper and Love's (2004) findings in emerging markets, where stringent audit practices may stifle innovation or reflect overinvestment in controls by underperforming firms. In Nigeria, insider dominance and regulatory pressures (Ogbechie & Koufopoulos, 2010) could lead to superficial compliance, where audit committees prioritize box-ticking over strategic risk management. This underscores the need for a balanced approach, as overly rigid controls may deter entrepreneurial risk-taking essential for growth. The positive but statistically insignificant coefficient for board independence ($LBI = 0.099, p = 0.193$) challenges agency theory's presumption that independent directors universally enhance performance. This mirrors Bhagat and Black's (2002) U.S. study, where independence

alone did not correlate with improved outcomes. In Nigeria, Ujunwa et al. (2023) attribute this to token appointments of independent directors who lack influence or expertise, a phenomenon exacerbated by weak enforcement of governance codes. Hermalin and Weisbach (2003) similarly noted that independence without competence yields limited benefits. Thus, the Nigerian context highlights the importance of coupling independence with qualifications and empowerment to realize governance gains. The negative but insignificant coefficient for gender diversity (LGD = -0.135, $p = 0.166$) contrasts with Adams and Ferreira's (2009) findings on the benefits of diverse boards. However, Okike's (2007) Nigerian study provides context: female representation remains low (often below 10%), and cultural barriers limit meaningful participation. Tokenism, where women directors are marginalized in decision-making, dilutes the potential benefits of diversity, as seen in Post and Byron's (2015) meta-analysis. For gender diversity to enhance performance, firms must move beyond quotas to foster inclusive environments where diverse perspectives influence strategy. The agency theory lens explains the negative impact of board size and highlights governance trade-offs, while resource dependency theory contextualizes the inefficiencies of larger boards in resource-constrained environments. Stakeholder theory's emphasis on inclusivity is not reflected in the gender diversity results, underscoring the gap between representation and meaningful participation.

The findings also align with Klapper and Love's (2004) assertion that governance effectiveness in emerging markets depends on contextual adaptations rather than universal benchmarks. The regression results underscore the contextual nature of governance-performance relationships. While board size and audit practices significantly influence ROA, their negative impacts reflect governance trade-offs unique to Nigeria's institutional environment. Independence and diversity, though theoretically vital, require structural and cultural reforms to translate into financial gains. By integrating global best practices with local realities, Nigerian firms can design governance frameworks that enhance both accountability and performance, aligning with the holistic vision of stakeholder theory and the pragmatic insights of resource dependency theory.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 SUMMARY

This study investigated the impact of board attributes on the financial performance of firms in Nigeria, with a specific focus on board independence, board size, audit committee effectiveness, and gender diversity. The research aimed to evaluate how these governance mechanisms influence firm performance, measured by Return on Assets (ROA). The study was guided by the theoretical frameworks of agency theory, resource dependence theory, and stakeholder theory, which collectively provided insights into the dynamic relationships between board characteristics and financial performance. The descriptive statistics presented in Chapter Four highlighted the distribution, central tendencies, and variability of the key variables under investigation. The results revealed that board independence exhibited significant variability across firms, with some companies prioritizing independent oversight while others had minimal or no independent directors. Board size showed a relatively stable distribution, indicating that most firms maintained moderate board sizes. However, the wide range in audit committee effectiveness and gender diversity suggested considerable disparities in governance practices across the sample. The skewed distributions of several variables indicated the

presence of outliers, which could impact regression estimates. The correlation analysis provided further insights into the interactions between governance attributes. Positive correlations between board independence and board size suggested that larger boards tend to include more independent directors. However, the negative correlation between board size and audit committee effectiveness indicated that larger boards may dilute the efficiency of specialized committees. The weak correlations between gender diversity and other governance attributes highlighted that gender representation remains a marginal factor in Nigerian corporate boards. The moderate negative correlation between audit committee effectiveness and ROA suggested that while audit practices are intended to enhance oversight, overly stringent controls may hinder performance. The regression analysis revealed nuanced relationships between board attributes and financial performance. Board size exhibited a significant negative impact on ROA, supporting the view that oversized boards create bureaucratic inefficiencies. Audit committee effectiveness also had a significant negative impact, suggesting that excessive controls may stifle innovation. In contrast, board independence and gender diversity showed no significant influence on ROA, challenging the assumption that independent and diverse boards universally enhance performance. These findings underscored the importance of context-specific governance frameworks that balance oversight with strategic flexibility.

5.2 Conclusion

The findings of this study provide valuable insights into the complex interplay between board attributes and firm financial performance in Nigeria. The significant negative impact of board size highlights the challenges of coordinating larger boards, particularly in resource-constrained environments. This supports the agency theory assertion that leaner boards are more effective at decision-making and oversight. The negative relationship between audit committee effectiveness and ROA suggests that while robust oversight is essential, excessive controls can stifle entrepreneurial risk-taking and innovation, particularly in emerging markets. The lack of significant relationships between board independence and financial performance challenges the conventional wisdom that independent directors automatically enhance governance outcomes. This finding aligns with critiques of token appointments and weak enforcement of governance codes in Nigeria. Similarly, the insignificant impact of gender diversity highlights the limitations of representation without meaningful participation. These results underscore the need for governance reforms that go beyond structural compliance to foster inclusive and empowered boards. The study concludes that while board attributes play a critical role in shaping firm performance, their effectiveness depends on contextual factors such as regulatory frameworks, cultural norms, and the quality of director appointments.

Effective governance requires a holistic approach that balances board size, independence, diversity, and audit practices to optimize both accountability and performance.

5.3 Recommendations

Based on the findings of this study, the following recommendations are proposed to enhance the effectiveness of board attributes in improving financial performance in Nigerian firms:

Board Size: Firms should adopt leaner board structures to enhance decision-making efficiency and minimize coordination challenges. Regulatory bodies should provide industry-specific guidelines on optimal board sizes to balance governance oversight with operational agility. **Strengthening Board Independence:** Regulatory authorities should enforce stricter criteria for the selection of independent directors, emphasizing professional qualifications and expertise. Independent directors should be empowered to contribute meaningfully to strategic decision-making rather than serving as symbolic appointments. **Audit Committee Reform:** Firms should adopt a risk-based approach to audit committee functions, focusing on strategic risk management rather than merely ensuring regulatory compliance. Audit committees should include members with diverse skill sets, including financial literacy and strategic insight, to enhance their effectiveness. **Gender Diversity Initiatives:** Corporate policies should go beyond quotas to foster

inclusive environments where female directors play active roles in decision-making. Mentorship programs and leadership development initiatives should be established to cultivate a pipeline of qualified female board candidates. Board Training and Development: Regular training programs should be organized to enhance the competencies of board members, particularly in areas such as corporate governance, financial management, and strategic planning.

Further Research: Future studies should explore the moderating roles of industry characteristics, firm size, and regulatory changes on the relationship between board attributes and financial performance.

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