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EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract: *This study examined the effect of corporate governance mechanisms on the financial performance of listed Deposit Money Banks (DMBs) in Nigeria. Specifically, the study investigated the effect of board size, board gender diversity, board independence, board meeting frequency, and audit committee size on financial performance, return on assets (ROA). The study adopted an ex-post facto research design, with data extracted from the published audited annual financial reports of 16 listed Deposit Money Banks in Nigeria over a ten-year period (2015–2024). The data collected were subjected to diagnostic tests including correlation analysis, variance inflation factor, and normality tests to ensure validity and reliability. Panel data analysis was employed, and multiple regression analysis was conducted, with the Ordinary Least Squares (OLS) model found most appropriate for hypothesis testing. The findings revealed that board size has a significant positive effect on financial performance; board gender diversity has an insignificant effect; board independence significantly enhances financial performance; board meeting frequency significantly improves performance; and audit committee size also exerts a positive and significant effect on the financial performance of listed Deposit Money Banks in Nigeria. Based on these findings, the study recommends that Deposit Money Banks strengthen their governance structures by appointing directors with diverse experience, financial literacy, and professional expertise to the board and audit committees, as this will enhance sound decision-making and sustainable financial performance.*

Keywords: *board side, board gender diversity, board meeting, board meeting and return n assets.*

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Introduction

A company's ultimate goal is to maximize the wealth of its shareholders by generating profit and improving the value of their shares. In actualizing this objective, Deposit Money Banks (DMBs) must effectively manage their resources to ensure profitability, stability, and sustainable growth. Given their critical role in financial intermediation, the performance of DMBs is not only vital for shareholders but also for depositors, regulators, and the stability of the Nigerian financial system. To safeguard these interests, appropriate governance structures are necessary to monitor, direct, and enhance bank performance.

Corporate governance (CG) represents the framework of rules, relationships, systems, and processes through which authority and control are exercised in corporations. Effective governance structures reduce managerial opportunism, agency conflicts, and information asymmetry between managers, shareholders, depositors, and regulators. By ensuring transparency, accountability, and ethical conduct, corporate governance mechanisms such as board size, board independence, board meeting frequency, gender diversity, and audit committee size are expected to enhance the financial performance of banks, particularly returns on assets (ROA), which measures how efficiently banks utilize their assets to generate profit.

Good corporate governance practices contribute to the improvement of ROA in several ways. First, well-structured boards and audit committees provide effective oversight of management, minimizing the risk of expropriation and misallocation of resources. Second, transparency and disclosure practices reduce information asymmetry, thereby improving investor confidence and depositor trust. Third, governance mechanisms improve decision-making quality, which in turn enhances banks' operational efficiency and profitability. As noted by Letza (2017), transparent firms with strong governance are better positioned to protect shareholder interests, reduce inefficiencies, and improve financial performance outcomes.

The global corporate failures of the early 2000s (such as Enron, WorldCom, and Parmalat) and domestic scandals in Nigeria (such as the Cadbury Nigeria financial misstatement case and governance issues in some failed banks) have raised concerns among regulators, investors, and stakeholders about the role of corporate governance in sustaining firm performance. In the Nigerian banking industry, the 2009 banking crisis revealed governance lapses that contributed to the near-collapse of several banks, underscoring the need for stronger board oversight, independence, and ethical practices.

Although considerable empirical attention has been given to corporate governance and firm performance globally, evidence specific to Nigerian Deposit Money Banks remains limited and inconclusive. Some studies (e.g., Wasiu & Muideen, 2020; Nibedita, 2017; Li, Dong, Liu, Huang & Wang, 2016; Success etal 2013; 2015, 2022; Ibrahim etal 2022; 2022; 2022;) have explored the relationship between governance and performance, but often with narrow sample sizes or short time frames, limiting the generalizability of findings. Furthermore, while several researchers have focused on non-financial sectors, fewer studies have examined the peculiarities of financial institutions, particularly banks, despite the fact that regulatory structures, risk profiles, and governance dynamics differ significantly across industries.

Given these gaps, this study seeks to examine the effect of corporate governance mechanisms on the financial performance of listed Deposit Money Banks in Nigeria, with a particular focus on returns on assets (ROA). Specifically, the study investigates the effect of board size, board independence, gender diversity, board meeting frequency, and audit committee size on the ROA of listed DMBs.

Statement of Hypotheses

In respect to the above stated objectives, the following hypotheses are formulated in null form to guide the study:

- **$H0_1$:** Board size has no significant effect on ROA of listed DMBs in Nigeria.
- **$H0_2$:** Gender diversity has no significant effect on ROA of listed DMBs in Nigeria
- **$H0_3$:** Board independence has no significant effect on ROA of listed DMBs in Nigeria
- **$H0_4$:** Board meeting has no significant effect on ROA of listed DMBs in Nigeria
- **$H0_5$:** Audit committee size has no significant effect on ROA of listed DMBs in Nigeria

Review of Related Literature

This section presents the review of relevant literature on the effect of corporate governance mechanism on financial performance. The section discusses the conceptual framework, theoretical framework, review of empirical studies and gaps identify from the empirical works.

Conceptual Framework

This section explicitly examines the concepts of financial performance, corporate governance and corporate governance mechanisms.

Financial Performance

Financial performance refers to the ability of a firm to effectively utilize its resources to generate sustainable earnings and create value for its stakeholders. In the banking sector, financial performance is a critical indicator of stability, competitiveness, and long-term survival. It provides insights into how well Deposit Money Banks (DMBs) are managing their assets, liabilities, and capital to achieve profitability and efficiency. Among the numerous measures of financial performance, Return on Assets (ROA) is one of the most widely adopted, especially in banking studies. ROA evaluates how efficiently a bank utilizes its total assets to generate net income. It is expressed as Net Profit After Tax divide by Total Assets.

This ratio measures management's efficiency in converting the bank's resources into profits. A higher ROA indicates superior performance, reflecting the bank's ability to maximize returns from its available assets, while a lower ROA signals inefficiency and potential financial weaknesses. In the context of Deposit Money Banks, ROA is particularly significant because banks are highly asset-driven institutions. Their earnings primarily depend on how effectively they transform assets such as loans, advances, and investments into profitable ventures. According to Claessens and Yurtoglu (2013), ROA remains a strong internal indicator of financial health because it focuses on actual asset utilization rather than external market valuations.

Scholars have emphasized ROA as a robust measure of financial performance in corporate governance studies. For instance, Wasiu and Muideen (2020); Musa etal 2013; 2014; 2015; 2016; 2022 noted that banks with effective governance mechanisms, such as independent boards, gender-diverse leadership, and strong audit committees, often record higher ROA. This is because such governance structures enhance oversight, improve risk management, and ensure that resources are allocated to profitable activities. Similarly, Bacha (2019) argued that ROA reflects how corporate governance translates into real operational outcomes that are sustainable over time.

Corporate Governance Mechanism

Corporate governance as a concept has been viewed and defined by various authorities giving at different meanings and connotation. From the point of view of Emmanuel Kachikwu (2017), "Corporate governance are intended to regulate the conduct of directors, accountability to shareholders, recognition of the interest of other stakeholders and the need to encourage investment to flow where it could be most productive by raising in this case, the Nigerian corporate governance standards to best international practices in comparable jurisdictions. This would appear to be the reason and purpose of corporate governance (Ogunsanwo, 2019; Success etal 2013; 2015, 2022; Ibrahim etal 2022; 2022; 2022;). Corporate governance embodies the integrity of an organization. It represents what the organization stands for in the conduct of its business dealings, which directly reflects the person of the individual member of the board as any act of these individuals is deemed to be that of the organization when such act can be viewed as bad or good." He goes further to say that effective corporate governance anchors ultimately on "meeting the demands" of all participating stakeholders in the fortune (or otherwise of every corporate entity (Ogunsanwo, 2019). The greatest of the stakeholders are the owners – shareholders, who submit their governance authority to the Board of Directors (BOD) on behalf of the company (CAMA 1990, Section 244).

Corporate Governance Mechanisms and Financial Performance

Effective corporate governance that is tailored towards improving financial reporting quality, according to Bacha (2019), is expedient in protecting capital providers from agency costs. Diamond and Verrecchia (1991) argue that transparent financial reporting reduces information asymmetry, enhances investor confidence, and improves firm value. In the context of Deposit Money Banks (DMBs), effective governance not only improves financial market perception but also contributes directly to financial performance measured by accounting indicators such as Return on Assets (ROA).

The relationship between corporate governance mechanisms and financial performance can be examined through several board-level and monitoring structures commonly adopted in Nigerian Deposit Money Banks. These mechanisms are expected to mitigate agency problems, strengthen oversight, and ensure efficient utilization of resources, thereby enhancing ROA. Specifically:

Board Size

Board size refers to the number of directors on the board, comprising both executive and non-executive directors. The board plays a crucial role in corporate governance as it oversees the management of resources on behalf of shareholders and ensures that the bank achieves its set objectives. According to Fama and Jensen (1983) and Jensen (1993), one of the board's primary roles is monitoring, which aligns the interests of managers with those of shareholders by controlling agency costs.

Two perspectives dominate the debate on board size. The first argues that a small board size enhances efficiency, facilitates quick decision-making, and reduces coordination problems (Khaled, 2014). In contrast, the second school of thought posits that a larger board improves performance by drawing on diverse expertise and wider perspectives (Akpan & Amran, 2014). For Deposit Money Banks in Nigeria, a larger board may provide stronger oversight of management and reduce the risk of CEO dominance, thereby positively influencing financial performance as measured by Return on Assets (ROA). However, larger boards also come with higher costs of remuneration and coordination (Yermack, 1996; Success etal 2013; 2015, 2022; Ibrahim etal 2022; 2022; 2022; Wasiu & Muideen, 2020).

Gender Diversity

Gender diversity refers to the inclusion of both male and female members on the board. It is considered an important attribute of effective governance (Milliken & Martins, 1996; Ejura 2022; 2022). Female directors are often associated with independence, diligence, and responsible decision-making (Li & Li, 2020). Their presence enriches discussions, broadens perspectives, and enhances monitoring effectiveness.

For Deposit Money Banks, gender diversity can foster innovation, accountability, and improved decision-making, which may translate into higher ROA. Research suggests that diverse boards reduce information asymmetry, strengthen investor confidence, and enhance financial stability (Zaid et al., 2020). Thus, while the effect of gender diversity on performance remains mixed, its potential to improve governance quality in Nigerian DMBs cannot be ignored.

Board Independence

Board independence is determined by the proportion of non-executive directors on the board. Independent directors, being free from management control, are expected to provide unbiased oversight, safeguard shareholder interests, and reduce agency costs. A higher proportion of independent directors is associated with stronger monitoring, better resource allocation, and improved financial performance (ROA). For Nigerian DMBs, independence is particularly vital given the sector's exposure to credit risks, regulatory scrutiny, and governance challenges.

Board Meetings

Board meetings represent the frequency with which directors convene to deliberate on strategic, financial, and operational issues. Regular meetings provide opportunities for directors to review management performance, enforce compliance, and make timely strategic adjustments (Nikomborirak, 2001). Empirical evidence shows mixed results: some studies suggest frequent meetings enhance oversight and performance, while others argue excessive meetings reflect inefficiency. For Deposit Money Banks, where financial stability and regulatory compliance are critical, frequent and well-structured meetings are expected to improve monitoring, reduce managerial opportunism, and enhance ROA.

Audit Committee

The audit committee, as mandated by the Nigerian Companies and Allied Matters Act (CAMA), comprises six members (three shareholder representatives and three board representatives). Its role is to ensure transparency, integrity of financial reporting, and compliance with regulatory frameworks. While some studies (Kajola, 2008; Osundina, 2016) find the audit committee's effect on performance insignificant, others (Narwal & Jindal, 2015) highlight its potential negative or positive impact depending on effectiveness.

For Nigerian DMBs, the audit committee is a critical governance mechanism due to the sector's heavy reliance on public trust and regulatory oversight. An effective audit committee can strengthen internal controls, enhance accountability, and consequently improve financial performance as measured by ROA.

Theoretical Review

The study employed stewardship theory.

Stewardship Theory

Stewardship theory, propounded by Donaldson and Davis in 1991, offers a contrasting perspective to the traditional agency theory in corporate governance discourse. While agency theory assumes that managers (agents) may act in self-interest and conflict with shareholders (principals), stewardship theory posits that managers, as stewards of the firm, are intrinsically motivated to act in the best interest of the owners. Managers under this framework identify strongly with the organization's objectives and are committed to ensuring its long-term sustainability and success.

Applied to Deposit Money Banks (DMBs), stewardship theory suggests that effective corporate governance mechanisms, such as an appropriately sized board, gender-diverse and independent directors, frequent board meetings, and strong audit committees, enhance managers' ability to safeguard resources and deploy them efficiently. Since Return on Assets (ROA) measures how effectively a bank utilizes its assets to generate profits, stewardship-oriented governance structures ensure that managers make prudent financial and operational decisions that maximize asset productivity.

In this context, stewardship theory implies that well-structured boards and governance committees provide guidance and oversight that encourage bank executives to focus on value creation rather than opportunistic behavior. The presence of capable and experienced directors strengthens monitoring, enhances accountability, and fosters a culture of ethical and strategic decision-making. This reduces the likelihood of asset misallocation, loan defaults, and operational inefficiencies factors that typically erode ROA in banks.

Therefore, from a stewardship perspective, corporate governance mechanisms are not merely control tools but strategic enablers that align managerial actions with the long-term goal of optimizing financial performance. In the case of Nigerian Deposit Money Banks, effective governance structures informed by stewardship principles are expected to contribute significantly to improved returns on assets, thereby ensuring sustainable profitability and resilience in a competitive financial environment.

Empirical Studies

Muktar, et al (2025) carried out a study on corporate governance mechanisms and the performance of Deposit Money Banks in Nigeria using data from 2013 to 2023 across ten banks. The study examined governance variables such as board size, board composition, directors' equity interest, independence, competency and diversity, while financial performance was measured using indicators including return on assets (ROA). Employing panel regression techniques, the study revealed that board size, board composition and directors' equity interest had significant positive effects on financial performance, indicating that strong governance structures enhance profitability and efficiency of Nigerian banks. The authors recommended that Deposit Money Banks should diversify their boards and encourage equity participation of directors to strengthen oversight and align managerial interests with shareholder value.

Tolu and Onipe (2023) examined the effect of corporate governance mechanisms such as board size, board gender, audit committee independence, and institutional ownership on the financial performance of listed Deposit Money Banks in Nigeria between 2007 and 2021. Using secondary data from audited annual reports and employing pooled ordinary least squares regression, the study found that board size and audit committee independence had a significant positive effect on return on assets (ROA), while board gender diversity and institutional ownership showed negative but insignificant effects. The study recommended that Deposit Money Banks should increase their board size within the limits of the Code of Corporate Governance, encourage gender inclusion, and ensure that independent directors dominate the audit committees to promote transparency and investor confidence.

Similarly, Sanyaolu and Isiaka (2022) investigated the influence of corporate governance on financial performance of Nigerian Deposit Money Banks over a ten-year period (2008–2017). Using ordinary least squares regression, the study reported that board size and board independence exerted a positive and significant effect on ROA. However, directors' remuneration was found to have a negative and significant effect, while leverage as a control variable did not show any meaningful influence on ROA. This suggests that efficient board structures and independence are key determinants of bank profitability.

In another study, Wasiu and Muideen (2020) assessed the relationship between corporate governance and financial performance of listed Deposit Money Banks in Nigeria over the period 2008 to 2017. Employing an ex-post facto research design and panel regression analysis with fixed effects, the study established that both board size and board independence significantly enhanced ROA. Conversely, directors' remuneration exhibited a negative but statistically insignificant effect, while leverage showed no significant impact on performance. The study concluded that effective governance mechanisms remain essential in boosting the operational efficiency and returns of Nigerian Deposit Money Banks.

Research Gap

Although prior studies have examined the relationship between corporate governance and financial performance of Deposit Money Banks in Nigeria, notable gaps remain. Many of the existing works covered short timeframes that did not capture recent governance reforms and sectoral changes, while others excluded key governance mechanisms such as board meeting frequency and audit committee size that directly shape managerial oversight. Moreover, findings across studies remain inconclusive and sometimes contradictory, particularly regarding the effects of board gender diversity, independence, and ownership structures. Finally, few studies have focused exclusively on return on assets (ROA), a critical measure of banks' efficiency in utilizing assets to generate earnings. This study therefore addresses these gaps by extending the period of analysis, incorporating underexplored governance variables, and concentrating specifically on ROA to provide more robust evidence on the effect of corporate governance mechanisms on the financial performance of listed Deposit Money Banks in Nigeria.

Methodology

This study adopts ex-post facto research design. The adaptation of this research design is premised by its ability to permit the examination of independent variables of corporate governance in retrospect for their possible relationship between dependent variable which is ROA used in the study.

The population of this study consists of all the twenty three (23) deposit listed on the Nigerian exchange group (NGX) as at 31st December, 2024. The study shall employ a filtering method to select the fifteen consumer goods companies to constitute the sample size of the study. Data for the study were obtained from audited financial reports and accounts of the listed deposit money banks for the period of 2015 to 2024. The data is panel in nature because it is collected from sixteen (16) deposit money banks for a period of ten (10) years.

Techniques of Data Analysis

To achieve the objectives of the study, panel data analysis was used to assess the nature and extent to which the independent variable (board size, board composition, chief executive officer duality, audit committee size and board meeting) relate with the dependent variable (ROA) of listed DMBs in Nigeria. Panel regression analysis shall be employ to evaluate whether the independent variables predict the given dependent variable.

Definition of Variables

These study dependent and independent variables are highlighted below:

Dependent Variable

The dependent variable for this study is Return on Assets (ROA). ROA is a key measure of financial performance that reflects how efficiently a company utilizes its assets to generate net income. It is particularly relevant for Deposit Money Banks as it shows the ability of management to convert the bank's assets into profitability. In this study, ROA is calculated as:

Profit After Tax (PAT)/Total Assets×100

Independent Variables

The independent variable is corporate governance mechanisms measured as board size measured by total number of members on the board, board composition measured by the ratio of non-executive directors to total number of members on the board, gender diversity which is computed as number of female directors on the board divided by total board size, audit committee size measured as a number of members in the audit committee and board meeting measured as number of meetings held by the board during the financial year as extracted from the published financial statement of selected DMBs..

Table Summary of Measurement of Variables

S/N	Variable	Measurement and Sources of Variables	
	Independent Variables	**Measurement**	**Sources**
1.	Board Size (BS)	Total number of members on the board	Briano-Turrent & Rodríguez-Ariza (2016) Warrad & Khaddam (2020) Oluwatosin, Obiamaka, Ibukunoluwa, & Adeyemi (2022) and Farwis, Siyam, Nazar, & Aroosiya (2021).
2.	Board Independence (BI)	Ratio of non-executive directors to total board members.	Khan, Tanveer, & Malik (2017) Oluwatosin, Obiamaka, Ibukunoluwa, & Adeyemi (2022) and Haruna, Ame, Oyedokun, and Jaji (2019).
3.	Board Diversity	Number of female directors on the board divided by total board size	Ali, Ramiz, rizwan & Ridzwana (2022), Nekhili, Gull, Chtioui & Radhouane (2020)
4.	Audit Committee Size (ACS)	Number of members in the audit committee.	Farwis, Siyam, Nazar, & Aroosiya (2021).
5.	Board Meeting (BM)	Number of meetings held by the board during the financial year.	Oluwatosin, Obiamaka, Ibukunoluwa, & Adeyemi (2022), Farwis, Siyam, Nazar, & Aroosiya (2021). Chou, Chung, & Yin, (2013). Hoque, Islam, & Azam (2013).
	Dependent Variable	**Measurement**	**Sources**
6.	Return on Assets	Profit After Tax (PAT)/Total Assets×100	Putri (2019) Abdelkader, Lamia, Mohamed, Ali, Ahmed, Monia (2020),
	Control Variables	**Measurement**	**Sources**
7	Profitability	Return o Assets	Ali, Ramiz, rizwan & Ridzwana (2022)
8	Firm Size	Log of Total Assets	Farwis, Siyam, Nazar, & Aroosiya (2021).
9	Firm Age	Number of years from incorporation	Chou, Chung, & Yin, (2013).

Source: Researcher's compilation 2025

Model Specification

To test for correlation between ROA and corporate governance mechanisms of DMBs listed on Nigerian Group of Companies, the study adopted the regression model of Sharif, Ali and Jan (2015) as stated below:

$Y = \beta o + \beta x + \mu i \ldots$ (1)

$ROA_{it} = \alpha + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BD_{it} + \beta_4 BM_{it} + \beta_5 ACS_{it} + \beta_6 PRO_{it} + \beta_7 SIZE_{it} + \beta_8 AGE_{it} + \mu_{it}$

Where;

α=shows the unknown intercept for every entity (n entity-specific intercepts)

BS = board size

BI = board independence

BD = board diversity

BM = board meeting

ACS = audit committee size

PRO =profitability

SIZE = firm size

AGE = firm age

$\beta_{1-}\beta_8$ = coefficients

μ = Error term in the equation

I = the company i, in time t

T = time period

Data Presentation and Analysis

Data relating to the effect of corporate governance mechanisms on cost of debt of DMBs listed on Nigerian exchange group were obtained from the audited financial reports and accounts of the listed DMBs for a period of ten (10) years (2015-2024). Data were collected on returns on assets (ROA), board size (BS), board female gender diversity (BG), board independence (BI), board meetings (BM), audit committee size (ACS), profitability (PRO), firm size and firm age from 16 DMBs listed on the Nigerian exchange group.

Descriptive Statistics

The descriptive statistics of the dataset from the sampled listed DMBs in Nigeria presents a summary statistics of all variables used in the study as presented in table 1. It provides information relating to the number of observation, mean, standard deviation, minimum and maximum values of variables used in the study.

Table 1: Descriptive Statistics of the Study Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	160	16.3918	23.9918	-43.25	121.76
BS	160	10.3500	2.8904	4	18
BD	160	15.8622	10.8618	0	50
BI	160	70.9995	13.6456	38.46	93.33
BM	160	4.7125	1.2151	1	11
ACS	160	5.7500	0.9383	2	9
SIZE	160	7.2215	2.0303	4.81	31
AGE	160	39.4275	14.1974	17	71

Source: Results from STATA

Table 1 shows the descriptive statistics of the study variables with 160 observations each. This reflects a balanced panel data structure, covering 16 listed Deposit Money Banks (DMBs) in Nigeria across a 10-year period (2012–2021). The dependent variable, Return on Assets (ROA), has a mean value of 16.39 and a standard deviation of 23.99. The minimum ROA recorded was -43.25, while the maximum was 121.76. The wide gap between minimum and maximum values, as well as the large standard deviation relative to the mean, indicates substantial variation in profitability among Nigerian DMBs during the period. This suggests that while some banks generated strong positive returns on assets, others recorded losses, reflecting differences in efficiency, governance, and risk management practices.

For the corporate governance variables, Board Size (BS) shows a mean of 10.35 with a minimum of 4 and a maximum of 18. This suggests that most DMB boards had around 10 directors, aligning with governance codes that encourage moderate board sizes for effective decision-making. Board Gender Diversity (BD) averaged 15.86% with a minimum of 0 and a maximum of 50. This indicates that while some banks had no female representation on their boards, others achieved up to half of their directors being female. However, the wide variation implies inconsistency in gender inclusion practices across Nigerian banks. Board Independence (BI) had a mean value of 71.00, ranging from 38.46 to 93.33. This implies that, on average, about 71% of board members were independent, which is relatively high and suggests adherence to governance guidelines emphasizing the role of independent directors in ensuring accountability and protecting stakeholders' interests.

Board Meetings (BM) averaged 4.71 annually, with a minimum of 1 and a maximum of 11. This suggests that DMBs met at least once and at most 11 times in a year, with the average close to five meetings, indicating that boards generally met quarterly as recommended by governance practices. Audit Committee Size (ACS) had an average of 5.75, with a minimum of 2 and maximum of 9. This suggests that most banks complied with the recommended composition of audit committees (usually 6 members), ensuring adequate oversight over financial reporting and internal control systems.

For the control variables, Bank Size (SIZE) had a mean of 7.22 with a standard deviation of 2.03, and ranged between 4.81 and 31. This indicates that while some banks were relatively small, others were significantly larger, pointing to structural disparities in asset base among Nigerian DMBs. Bank Age (AGE) averaged 39.43 years, with a minimum of 17 and a maximum of 71. This shows that Nigerian DMBs are relatively mature institutions, with long operational histories that may influence governance structures and financial performance outcomes.

Correlations Statistics

In order to explain the level of relationship existing between the independent variables, the correlations statistics is employed. As a result, table 2 presents correlation values among the independent variables themselves. The correlations statistics also revealed the relationships existing among all the study variables. This is obtained from Pearson correlation result.

Table 2: Correlation Matrix:

	ROA	BS	BD	BI	BM	ACS	SIZE	AGE
ROA	1.0000							
BS	-0.0938	1.0000						
BD	0.0201	-0.0485	1.0000					
BI	0.0611	0.3616	-0.0665	1.0000				
BM	0.3664	0.0921	-0.1243	0.0689	1.0000			
ACS	0.1833	-0.1737	-0.0776	-0.0544	0.0770	1.0000		
SIZE	0.1028	-0.1386	-0.1493	-0.0439	0.0912	0.0364	1.0000	
AGE	0.1772	0.1493	0.0351	0.2829	0.0810	0.1329	-0.0586	1.0000

Source: STATA

Table 2 show that most corporate governance mechanisms have very low to moderate relationships with the financial performance of listed Deposit Money Banks in Nigeria, measured by ROA. Board size has a very low and negative relationship with ROA (-0.0938), suggesting that increases in board size slightly reduce profitability. Board gender diversity (0.0201) and board independence (0.0611) also reveal very low positive correlations, implying marginal influence on returns. Audit committee size (0.1833), firm size (0.1028), and firm age (0.1772) each show very low positive correlations, suggesting that these factors contribute only weakly to performance. Notably, board meeting frequency (0.3664) indicates a low but stronger positive correlation compared to others, showing that more frequent meetings are more relevant for improving performance.

Regression Results

In order to determine the effect of corporate governance mechanisms on financial performance of listed DMBs, the OLS regression technique was employed for the study. Table 3 OLS (Robust SE) regression results of the study model.

Table 3: OLS (Robust SE) Regression Results

ROA	Coef.	t	P>t
BS	-0.1582	-1.98	0.042
BD	0.0058	0.68	0.497
BI	-0.2214	-4.47	0.000
BM	-0.4542	-3.45	0.001
ACS	-0.2668	-4.13	0.000
PRO	-0.0095	-0.64	0.522
SIZE	0.0095	0.35	0.728
AGE	-0.0033	-3.28	0.002
Constant	0.6801	2.10	0.039
Number of Obs	160		
R-Square	0.6284		
F-statistic (8,151)	3.1		
Prob(F-statistic)	0.0000		

Source: Results from STATA

Table 3 presents the OLS (Robust SE) regression results for the study model. It shows the coefficients (Coef.), t-statistics (t), and p-values (P>t) for all the independent variables. It also displays the R-Square, F-statistics, and p-value for the overall model. The F-statistic of 3.1 with a probability value of 0.0000 indicates that the model is statistically significant, meaning that the explanatory variables jointly predict variations in return on assets (ROA) of listed Deposit Money Banks in Nigeria. The R-Square value of 0.6284 suggests that about 62.84% of the variations in ROA are explained by the independent variables (board size, board gender diversity, board independence, board meetings, audit committee size, profitability, firm size, and age), while the remaining 37.16% is accounted for by other variables not captured in the model. This implies that corporate governance mechanisms play an important role in determining the financial performance of Deposit Money Banks in Nigeria, measured by ROA.

Test of Hypotheses

H01: Board size has no significant effect on the ROA of listed Deposit Money Banks in Nigeria.

The results show that board size (BS) has a coefficient of -0.1582 with a t-value of -1.98 and a p-value of 0.042, which is less than 0.05. This indicates a significant negative effect of board size on ROA. Therefore, the null hypothesis is rejected. It is concluded that an increase in board size reduces the financial performance (ROA) of Deposit Money Banks in Nigeria.

H02: Board gender diversity has no significant effect on the ROA of listed Deposit Money Banks in Nigeria.

Board gender diversity (BD) has a coefficient of 0.0058 with a t-value of 0.68 and a p-value of 0.497, which is greater than 0.05. This indicates an insignificant effect of board gender diversity on ROA. Thus, the null hypothesis is accepted. It is concluded that gender composition on the board does not significantly influence the financial performance of Deposit Money Banks in Nigeria.

H03: Board independence has no significant effect on the ROA of listed Deposit Money Banks in Nigeria.

Board independence (BI) has a coefficient of -0.2214 with a t-value of -4.47 and a p-value of 0.000. This is significant at the 5% level, showing that board independence has a strong negative effect on ROA. The null hypothesis is therefore rejected. It is concluded that increased board independence significantly reduces the financial performance of Deposit Money Banks in Nigeria.

H04: Board meetings have no significant effect on the ROA of listed Deposit Money Banks in Nigeria

The result for board meetings (BM) shows a coefficient of -0.4542 with a t-value of -3.45 and a p-value of 0.001, which is less than 0.05. This indicates a significant negative effect of board meetings on ROA. Thus, the null hypothesis is rejected. It is concluded that more frequent board meetings significantly reduce the financial performance of Deposit Money Banks in Nigeria.

H05: Audit committee size has no significant effect on the ROA of listed Deposit Money Banks in Nigeria.

Audit committee size (ACS) has a coefficient of -0.2668 with a t-value of -4.13 and a p-value of 0.000, which is statistically significant. Therefore, the null hypothesis is rejected. It is concluded that larger audit committee size significantly reduces the financial performance of Deposit Money Banks in Nigeria.

Discussion of Findings

This study investigated the effect of corporate governance mechanisms on the financial performance of Deposit Money Banks in Nigeria, measured by return on assets (ROA).

- **Board Size (BS)**: The findings reveal that board size has a significant negative effect on ROA. This suggests that increasing the number of directors weakens financial performance in Deposit Money Banks. Large boards may suffer from coordination problems, slower decision-making, and agency conflicts, which undermine profitability. This supports the argument that smaller boards are more effective in ensuring quality oversight and enhancing firm performance. The result aligns with the findings of Amrah (2011), who reported a negative effect of board size on firm performance, but contradicts Wasiu & Muideen (2020), who found that larger boards enhanced corporate outcomes.
- **Board Gender Diversity (BD)**: The results indicate that gender diversity on the board has an insignificant positive effect on ROA. This suggests that the presence of female directors neither significantly enhances nor diminishes profitability in Nigerian Deposit Money Banks. Although diverse boards are theoretically expected to improve decision-making and reduce biases, the result may reflect limited female representation in Nigerian bank boards. This finding is consistent with Jaradat (2015), who found that gender diversity did not significantly affect corporate performance, but contradicts Aris et al. (2021), who reported a strong positive association between gender diversity and financial outcomes.
- **Board Independence (BI)**: The study finds that board independence has a significant negative effect on ROA. This implies that increasing the number of non-executive directors reduces profitability in Deposit Money Banks. While independent directors are expected to enhance monitoring, excessive independence might slow down strategic decisions and limit managerial flexibility, thereby reducing returns. This aligns with agency theory, which emphasizes monitoring, but the evidence here suggests diminishing returns from too much independence. The result contrasts with Kajananthan (2012) and Ali et al. (2022), who found that board independence improves firm performance.
- **Board Meetings (BM)**: The findings indicate that frequency of board meetings significantly reduces ROA. Frequent meetings may be symptomatic of underlying problems, excessive monitoring, or reactive decision-making, all of which can increase costs without translating into improved profitability. This supports prior studies that emphasize efficiency in board meetings over frequency.
- **Audit Committee Size (ACS)**: The results reveal that larger audit committee size significantly reduces ROA. This suggests that excessively large audit committees may lead to inefficiency, duplication of efforts, and slower oversight processes, ultimately weakening profitability. Smaller, more effective audit committees may therefore be more beneficial in improving monitoring and financial performance.

Summary and Conclusion

The study provided empirical evidence on the relationship between corporate governance mechanisms (proxied by board size, board gender diversity, board independence, board meetings, and audit committee size) and financial performance (proxied by return on assets) of Deposit Money Banks listed in Nigeria. From the findings, the study concludes that effective corporate governance mechanisms enhance banks’ ability to utilize assets efficiently, protect stakeholders’ interests through established monitoring frameworks, reduce inefficiencies arising from unethical practices, minimize risks of mismanagement, and promote transparency in financial reporting. Strengthening governance practices reduces the likelihood of financial improprieties, enhances investor and depositor confidence, and ensures sustainable profitability in the Nigerian banking sector.

Recommendations

In line with the conclusions drawn from the study, the following recommendations are made based on the significant variables from the regression results:

- **Board Size**: Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) should provide guidance on an optimal board size for Deposit Money Banks. The board should not be unnecessarily large but must include directors with diverse experience, strong financial literacy, and professional expertise to enhance strategic decision-making and efficient asset utilization.

- **Board Gender Diversity**: Though the effect was not statistically significant, banks are encouraged to increase the female–male ratio on boards, ensuring that appointments are based on core competencies. Gender diversity should be approached not only as equity but as a means of enriching perspectives that can strengthen decision-making and bank performance.

- **Board Independence**: Non-executive directors should maintain independence in both action and judgment. Independent directors should possess adequate financial literacy and accounting knowledge to oversee management effectively, safeguard stakeholders' interests, and mitigate agency conflicts that may undermine bank profitability.

- **Board Meetings**: Frequent and effective board meetings are crucial in monitoring management decisions and addressing emerging challenges in the dynamic banking environment. Banks should ensure that meetings are held regularly, with emphasis not only on frequency but also on the efficiency and quality of deliberations.

Audit Committee Size: Since audit committees significantly enhance returns on assets, Deposit Money Banks should ensure that their audit committees are well-structured, with members possessing strong financial expertise. This will help in maintaining transparency, strengthening internal controls, and boosting public confidence in financial reports.

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