INTERNATIONAL JOURNAL OF ECONOMICS, FINANCE, ACCOUNTING AND MANAGEMENT
(IJEFAM) *Vol*. 1. *Issue* 2. ***ISSN***: **(PRINT):** 3115-5081 **(ONLINE):** 3115-5553
Web: https://journals.iempsglobal.org

IMPACT OF EFFECTIVE CORPORATE GOVENANCE ON THE FINANCIAL PERFRMANCE AND STABILITY OF FINANCIAL INSTITUTIONS IN NIGERIA

2000 – 2023

Dr Emmanuel Chika Obizue - FMIMPS, FIAPS, FIEMPS
Institute of Education, Management and Professional Studies
c/o Department of Banking and Finance, Faculty of Management Sciences,
Imo State University Owerri, Imo state
+2348068099918 dremmanuelobizue@gmail.com
ORCID: 0009-0002-9119-1668

Rev'd Canon Amako Jonathan Chima, PhD
Department of Banking and Finance
School of Business and Management Technology
Federal Polytechnic Nekede Owerri, Imo State
+2348033349335 revdjonathanamako3@gmail.com

Dr Ihejirika Francis Ikenna ACIB
Head of Operations, Access Bank Plc.
+2348068780429 ikenna283@yahoo.com

Abstract

Corporate governance is a key determinant of the financial performance of the various sectors in Nigeria's economy and the financial sector is not an exception. This study examined and analysed the impact of corporate governance on the financial performance of financial institutions in Nigeria based on country aggregate level annual data from 2000 to 2023. Being a dominant player in the financial sector, ten deposit money banks were used to represent the operations in the sector hence panel data between 2000 and 2023 were extracted from the annual reports of ten (10) selected deposit money banks from various issues of the CBN Statistical Bulletin and Annual Reports, World Bank Global Financial Development Data available at data.worldbank.org. and the analysis was carried out through panel data procedures with e-view 12 statistical software. The study used Board Size (BS), Directors' Equity Holding (DEH) and Audit Committee Size

(ACS) as the explanatory variables while Return on Equity (ROE) was used as the performance index. The estimated results indicated that BS and ACS had a positive and statistically significant relationship with ROE while ACS was negatively and significantly correlated with ROE. The study concluded that corporate governance is a good predictor of financial performance in the financial institutions in Nigeria.. Among the recommendations is that there should be sound and strong internal control system within the banks that will not compromise with the prudential guideline especially in the area of lending, reporting standard and disclosure requirement

Keyword: Corporate Governance, Return on Equity, Board Size, Audit Committee Size, Director's Equity Holding

Introduction

Corporate governance is the whole structure or system of rules, practices, processes and procedures by which an organization is directed and controlled. It plays a pivotal role in shaping the performance and stability of financial institutions especially in emerging economies like Nigeria.

Obizue (2023) posited that corporate governance practices are essential for ensuring accountability, transparency and effective management in financial institutions contributing to their stability and performance and that corporate governance is rooted in agency theory which addresses the separation of business ownership from management which is aimed at enhancing firms' performance and increase in shareholders' wealth. The concept corporate governance has become a most topical issue in the modern business world hence financial institutions of all sizes all over the world are concerned about their financial performance towards increasing their profitability and shareholders' returns. According to Sambalo & Umaga (2019), corporate governance is considered to be a means by which affairs of the firm are directed and controlled so as to protect the interest of all stakeholders. Corporate governance stands as a guarantee for stockholders to receive a fair returns on their investment and assurance of the job security of the staff and the business as a going concern. The effectiveness of corporate governance mechanisms can significantly influence the operational efficiency, risk management practices, continuity potentials and overall performance of financial institutions (Adegbite, 2015). In Nigeria where the financial sector is a critical component of the economy, understanding the impact of corporate government on the performance of financial institutions is of paramount importance. Corporate governance has gained global significance, especially in the aftermath of financial crises that revealed weaknesses in accountability and oversight within organizations.

In the words of Ayodele & Abiola (2023), financial institutions, particularly deposit money banks, serve as the backbone of economic growth by mobilizing savings, allocating credit and facilitating investments hence it deserves effective corporate management adherence. In support to this, Amaeze & Ozuzu (2018) and Obizue (2023) admitted that the Nigerian financial sector plays a pivotal role in a country's economic development by facilitating capital allocation, financial intermediation, and monetary policy implementation. However, the effectiveness of financial institutions is largely dependent on the quality of governance structures that guide their decision-making processes and implementation of such decisions. According to the conclusions construed from various research investigations, corporate governance serves as the bedrock mechanism for ensuring that financial institutions operate with integrity, transparency, and accountability while balancing the interests of various stakeholders. According to Madueke, Chukwu, Origin & Eke-Jeff (2025), corporate governance encompasses a framework regulating relationships among a company's board of directors, shareholders, employees and external regulators.

Effective corporate governance plays a pivotal role in ensuring the efficient operation of banking system, fostering public confidence, efficient performance and sustainability of Nigerian financial institutions. While significant reforms have been introduced, governance challenges continue to threaten financial stability. A strong governance framework that ensures accountability, transparency and stakeholder engagement is very essential to safeguard Nigeria's financial system and promote sustainable economic growth. This is substantiated by OECD (2015) as recorded that a good corporate governance practice ensures accountability and oversight, essential for sustainable business operations.

In Nigeria, the banking sector has witnessed multiple cycles of boom and distress, often linked to poor governance practices such as insider lending, weak regulatory compliance, lack of transparency, and concentration of ownership. The Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC) have repeatedly intervened in failed or distressed banks, highlighting governance failures as a recurrent cause of systemic instability.

The main objective of this study is to examine the impact of corporate governance on the financial performance of financial institutions in Nigeria with the following specific objectives:

i. To determine the effect of Board Side on return on equity of financial institutions in Nigeria

ii. To ascertain the impact of Directors' Equity Holding on return on equity of financial institutions in Nigeria

iii. To examine the impact of Audit Committee size on return on equity of financial institutions in Nigeria in consonance with the specific objectives, the following research questions were formulated to guide this study:

i. What is the effect of Board Side on the return on equity of financial institutions in Nigeria?

ii. What is the impact of Directors' Equity Holding on the return on equity of financial institutions in Nigeria?

iii. To what extent does Audit Committee size determine the return on equity of financial institutions in Nigeria?

Also, there hypotheses were postulated in the order of the specific objectives and research questions, thus:

Ho1: Board Size has no significant impact on return on equity of financial institutions in Nigeria.

Ho2: There is no significant impact of the Directors' Equity Holding on return on equity

of financial institutions in Nigeria.

Ho3: Audit Committee is not a significant function of return on equity of financial institutions in Nigeria.

Literature Review

Corporate Governance

Corporate governance is the structures and processes by which the business and affairs of institutions are directed and controlled in order to improve the long-term shareholder's value by enhancing corporate performance and accountability while taking into account the interest of stakeholders (Chetachi & Olayiwola (2014) and Daminil (2021). An organization has many shareholders and stakeholder therefore corporate governance involves balancing or harmonizing the interests of the shareholders, management, customers, clients, suppliers, financers, government and community. In Nigeria, corporate organisations are supervised by different regulatory bodies like the Security and Exchange Commission (SEC), Central Bank of Nigeria (CBN), National Insurance Commission of Nigeria (NICON) to ensure effective corporate governance adherence in their operations.

Return on Equity (ROE)

Return on Equity reveals how much profit a company earned in comparison to the total amount of shareholder equity fund on the balance sheet (Benard, 2009). By measuring how much earnings a company can generate from equity, ROE offers a gauge of profit-generating efficiency. The ultimate purpose for any profit-seeking organisation is to create wealth for its owners. Yusuf & Kazim (2022) asserted that shareholders value is created when the equity returns of a company exceed the cost of that equity. It is the present value of all future cash flows less the cost of debt.

ROE is calculated by taking the profit after tax and preference dividends of a given year and dividing it by the book value of equity (ordinary shares) at the beginning of the year.

It offers a useful signal of financial success since it might indicate whether the company is growing profits without pouring new equity capital into the business. They further observed that the reason behind the adoption of ROE as a measure of performance is that it gives more reliable results than earnings per share (EPS) and a steadily increasing ROE is a hint that management is giving shareholders more for their money. In support to this, Sambalo & Umaga (2019) simply put it that ROE indicates how well management is employing the investors' capital invested in the company.

According to Obizue (2023), ROE is a measure of how well a company used reinvested earnings to generate additional earnings, equal to a fiscal year's after-tax income (after preferred stock dividends but before common stock dividends) divided by shareholder's equity, expressed as a percentage.

Board Size

This refers to the total number of executive and non-executive Directors on the board of any corporate organization. Madueke et al (2025) defined Board size as the number of individuals serving as board members of a given firm and their role has very important impact in affecting the management efficiency and overall value of a firm. The main role of Board of Directors is to oversee and discipline the management of a firm where situations demand so that the value of a firm can be improved. It is important to determine the ideal board size for any bank because the number and quality of Directors is key to the effective functioning of the board as well as the overall corporate performance of the bank. This is validated by the assertion of Ofoegbu & Odoemala (2018) that board size is pivotal to corporate governance as it directly impacts decision-making, governance effectiveness and firm performance. According to Madueke et al (2025), the CBN code of corporate governance specified that the number of Non-executive Directors should be more than that of Executive Directors subject to a maximum board size of 20 directors (CBN, 2006) and 15 Directors (SEC, 2003). Findings from previous empirical literature has presented lack of consensus among researchers on the relationship between board size and corporate governance vis-à-vis performance of firms. Some scholars like Adgbite (2015), Benard (2019), Chetachi & Olayiwola (2019) and Deminil (2021) submitted that larger boards as ineffective and affects the value of firms negatively due to the agency cost among the members of a large board. They concluded that smaller sized boards are often more united, organized, consistent and efficient in decision-making with more productive corporate governance outcomes. Different researches have shown that the smaller the board size, the higher the performance, However, Amaeze & Ozuzu (2018) and Yusuf & Kazim (2022) found in their studies that using larger boards is the assemblage of people from all works of life which gives room to diverse manner of contributions, expertise and perspectives that brings innovation and creativity that makes corporate governance highly efficient. Madueke et al (2025) in their study on this same subject matter noted that some scholars found and concluded that larger board has a range of expertise to make better decisions for a firm as the CEO cannot dominate a bigger board because the collective strength of its members is higher and can resist the irrational decisions of a CEO. Benard (2009) and Ayodele & Abiola (2023) concluded in their respective investigations that having more directors has a positive correlation return on equity and earning per share which they applied in their studies as the performance measure. A balance needs to be essentially struck as larger boards may face coordination challenges and diminished accountability and the relationship between board size and corporate performance varies across industries. Ultimately, the optimal board size depends on a company's size, industry, strategic goals and regulatory context with successful boards demonstrating strong leadership, engagement, and well-defined roles.

Audit Committee Size

Audit committee is a sub-committee of the board of any organisation and its impact on the corporate governance of the organization is significant and cannot be over emphasised. It is an important corporate governance mechanism with the objective of enhancing the credibility and integrity of financial information produced by an organisation and to increase public confidence in her financial statements (Adegbite (2015), Daminil (2021) and Obizue (2023)). Audit committees oversee the organization's management, internal and external auditors in order to protect and preserve the shareholders' equity and interests. In order to ensure the independence of the audit committee, it must consist of only non-executive directors and with a membership of not less than three members. The establishment of audit committee would lead to better corporate performance. Independent audit committee is one of the important mechanisms that is expected to satisfy the need of both internal and external users of financial statements and prior studies have documented that audit committee should be independent to be able to maintain integrity and quality of the corporate financial reporting process. Therefore, it is important for a bank's audit committee to be composed of people with banking and accounting experiences.

General Impact of Corporate Governance on the Financial Performance and Stability of Financial Institutions in Nigeria

Effective corporate governance is crucial for enhancing the financial performance and stability of financial institutions in Nigeria. Good governance practices contribute to better risk management, improved transparency and increased investor confidence. Obizue (2023) posited that key factors such as board effectiveness, compliance with regulatory guidelines, and robust risk management frameworks play significant roles in shaping financial outcomes of organisations. He further emphasized that continuous efforts should be made to enhance governance practices, build capacity and adapt to regulatory requirements are essential for financial institutions to thrive in a dynamic environment. Nebolisa & Uzukwu (2022) in their study on the impact of corporate governance on financial stability of deposit money banks, recommended, among others things that the Central Bank should issue efficient monetary policies that would intensify transparency, integrity and curtail insider abuses on customers account in the Banking institutions. Strengthening corporate governance can lead to improved profitability, asset quality, and overall sustainability of financial institutions in Nigeria.

According to Adegbite (2015), Ofoegbu & Odoemelam (2018), Obizue (2023) and Ayodele & Abiola (2023), corporate governance can impact on the financial institutions in the following ways;

Improved Risk Management: Banks' business are full of different kinds of risk and effective governance leads to robust risk management practices, reducing likelihood of financial distress.

Enhanced Transparency and Accountability: Transparency in banking operations and accountability mechanisms boost stakeholder trust.

Better Decision-Making: Effective boards contribute to strategic decision-making aligned with institutional goals.

Compliance with Regulations: Adherence to governance standards and regulations promotes stability and reduces regulatory risks.

Investor Confidence: Strong governance can attract investors and improve access to capital.

Enhanced Profitability: Good governance linked to improved profitability metrics (e.g., ROE, ROA).

Asset Quality: Effective governance associated with better asset quality and lower non-performing loans.

Capital Adequacy: Governance influences capital management and compliance with capital requirements.

Regulatory Framework: Central Bank of Nigeria (CBN) guidelines shape governance practices in financial institutions.

Board Effectiveness: Composition, independence, and expertise of boards impact governance quality.

Internal Controls: Strong internal controls supported by good governance enhance stability.

Challenges of Corporate Governance in Nigeria's Financial Sector

Corporate governance in Nigeria faces several challenges that impact the country's business environment and economic growth. Addressing these challenges requires a multifaceted approach involving regulatory reforms, capacity building, cultural shifts and adoption of global best practices. Adebgite (2015), Ofoegbu & Odoemelam (2018), Obizue (2023) and Ayodele & Abiola (2023) generally agreed on the following as the challenges facing corporate governance of financial institutions in Nigeria.

Regulatory Challenges: Ensuring compliance with evolving regulations can be challenging. Nigeria has overlapping regulations arising from multiple regulatory bodies like the Securities and Exchange Commission (SEC), Financial Reporting Council of Nigeria (FRCN) and Central Bank of Nigeria (CBN) with their various overlapping roles leading to confusion and increased compliance costs.

Weak Enforcement: Despite existing regulations, enforcement is often weak due to resource constraints and corruption, leading to a culture of impunity.

Board Ineffectiveness: Banks' Boards often lack the level of independence and expertise required to maintain an effective corporate governance eventually resulting in poor oversight and decision-making practices.

Concentrated Ownership Structure: in Nigeria, business culture tends towards concentrated ownership which can lead to conflicts of interest and undermine minority shareholder rights thereby influencing governance dynamics.

Lack of Transparency and Accountability: Inadequate disclosure practices and weak internal controls contribute to mistrust among investors and stakeholders.

Cultural Misalignment: The adopted Anglo-American corporate governance model may not align with Nigeria's cultural norms and business practices, contributing to persistent governance failures.

Capacity Building: The Nigeria's corporate environment in most sectors is evidentially in need and lacks skilled board members and management with governance expertise.

Limited Awareness and Resources: Smaller companies and banks often lack adequate knowledge and resources to implement effective governance practices.

Cybersecurity and Data Privacy: The growth and emerging focus on digital transformation necessitates robust cybersecurity governance and compliance with regulations like the Nigerian Data Protection Act is another raea of challenging in the financial sector in Nigeria

Sustainability and Stakeholder Engagement: There's increasing demand for transparency and accountability in business operations, including environmental, social, and governance (ESG) practices.

Theories

This study is anchored on two major theories which are deemed relevant to this study

Agency Theory:

This theory was developed by Jensen and Meckling in 1976 and it addresses the relationship between principals (shareholders) and agents (managers) in an organization, focusing on the conflicts of interest that arise when their goals do not align. Agency relationship occurs when one or more persons (principal) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent. Shareholders aim to maximize returns, while managers may prioritize personal gains, leading to what is called, agency problem. In furtherance of this theory, Obizue (2023) observed that this theory was proposed to examine the influence of capital structure and also to establish the fact that notable conflicts exist between the parties to a bank under the perspective of corporate governance. These parties include the shareholders, creditors and bank management insiders. By this theory, stockholders are the owners of a company and the Directors merely ensure that shareholders' interests are maximized but the managers who are the firms' agents are more interested in their personal gratification for which reason they can easily seek to access fund in order to operate and make personally related gains without minding the cost of such fund. This misalignment results in agency costs, including monitoring expenses, bonding costs, and residual losses. To address these issues, corporate governance mechanisms like effective boards, audits, and performance-based incentives are crucial in aligning managers' interests with shareholders'. In deposit money banks, strong governance ensures that managers avoid risk-taking that could harm financial stability, promoting better performance and reducing financial risks. Ultimately, Agency Theory highlights the role of governance in bridging the gap between owner and manager interests, especially in financial institutions where misalignment can lead to significant instability.

Stakeholder Theory:

This theory was introduced by R. Edward Freeman in 1984. It sees broadens corporate governance from a broader perspective by emphasizing the need to consider the interests of all stakeholders, not just shareholders. Stakeholders of an organization include employees, customers, suppliers, communities, regulators, and the environment. The theory asserts that long-term success depends on creating value for all these groups, encouraging ethical operations, social responsibility, and sustainable growth. In deposit money banks, this theory suggests that effective governance should balance shareholders' financial interests with those of depositors, employees, and regulatory bodies. By doing so, banks can foster trust, enhance customer loyalty, and ensure regulatory compliance, leading to stable and sustainable financial performance and avoiding conflicts that arise from neglecting non-shareholder groups.

The significance of the Agency Theory and the Stakeholder Theory on the study of effect of corporate governance on the financial performance of deposit money banks cannot be over emphasized. The Agency Theory emphasizes the conflicts that arise when managers' interests deviate from those of shareholders and it suggests that strong governance mechanisms, such as board oversight, performance-based executive compensation, and transparent reporting, are crucial for aligning managerial actions with shareholder interests, improving resource allocation, risk management, and regulatory compliance, ultimately enhancing financial performance. On the other hand, Stakeholder Theory broadens the focus of corporate governance to include the needs of employees, customers, regulators, and the community. This theory implies that a bank's financial performance is influenced not only by shareholder interests but also by satisfying the needs of other stakeholders. Effective governance that balances these interests, such as through ethical practices, customer satisfaction, and employee welfare, can strengthen trust and reputation, contributing to long term sustainability, profitability and competitive advantage that a bank enjoys.

Empirical Review

Various previous empirical investigations have revealed both positive and negative relationship regarding the corporate governance and the performance of financial institutions in Nigeria dominated by the banking sector. To further establish such relationship, some relevant studies were examined hereunder to establish the similarities and differences amongst them and this current study.

Amaeze & Ozuzu (2018) investigated the effect of corporate governance on the efficiency of deposit money banks quoted in Nigeria Exchange Group. The study is an ex-post facto research design with a sample of ten deposit money banks in Nigeria. Secondary data were sourced from the annual financial statements of the banks. The panel data regression analysis was used for the analysis the findings showed that both Board size and Audit committee exerted inverse and significant impact on the financial performance of the selected quoted deposit money banks in Nigeria. The study concluded that are prominent dictators of corporate governance in the banking sector.

Deminil, A. (2021) examined the relationship between Corporate Governance and financial performance of Deposit Money Banks (DMBs) in Nigeria. Return on Equity and Return on Assets were the dependent variable while Board composition, Board size and Board independence and the respective data were retrieved from the annual financial reports and accounts as sourced from the CBN statistical bulletin from 2010 to 2020. The Panel Corrected Standard Errors (PCSEs) regression was used for the analytical purpose. To check the robustness of the consistency of the result of the PCSEs regression, the quantile regression model was also adopted and the study findings revealed that all the corporate governance influenced both ROE and ROA positively and significantly. The study concluded that the study is a good basis for further research work and recommended deposit money banks should reassess the influence of major shareholders and ensure that large shareholders do not have disproportionate control over strategic decisions.

Yusuf & Kazim (2022) empirically investigated on the efficiency of corporate governance and financial performance of deposit money banks in Nigeria. Three models were specified in this study using Return on assets (ROA), Return on equity (ROE) and Earning per share (EPS) as the performance indicators and Board composition, Audit committee size and Directors' investment as the explanatory variables. The study used a quasi-experimental research design and panel data regression analysis was employed to test the hypotheses. The result showed that all the explanatory variables were statistically significant with ROE at 5% level of significance. While nomination committee has a positive effect on return on equity, and this effect was statistically significant with ROA at 5% level of significance while they had same relationship with ROE except Board size. In the case of EPS, they association was insignificant. It was recommended that banks should appoint board members with appropriate balance of skills to successfully discharge their duties.

Gurmnen & Sighn (2024) used ten quoted banks to investigate the effectiveness of corporate governance mechanisms on improving the liquidity of financial institutions in Indonesia. The research was an quasi-experimental study. The independent variable, corporate governance was proxied by Board size, Board independence and Board diligence which were regressed on Earning per share (EPS) as the financial performance indicator. The method of data analysis employed was the ordinary least square regression analysis and with the SPSS statistical package. The findings showed the following; board size has positive and significant effect on EPS, Board independence and Board diligence reported respective negative and positive relationship EPS with insignificant impact at 5% significance level.

Madueke, Chukwu & Eke-Jeff (2025) examined the effects of corporate governance on financial performance of deposit money banks in Nigeria from 2016 to 2022. Using time series data sourced from the annual reports of the selected deposit money banks, the study assessed how variables such as Board Size (BS), Board Independence (BI), Block Shareholding (BSH), and Board Ownership Structure (BOS) influence Earnings per Share (EPS). The analysis, conducted through panel analysis indicated that corporate governance had a positive but statistically insignificant effect during the study period. Based on these findings, the study recommended that deposit money banks should focus more on enhancing the quality and effectiveness of board members rather than the size. Banks should continue to emphasize the role of independent directors in ensuring objectivity and reducing conflicts of interest and that deposit money banks should reassess the influence of major shareholders and ensure that large shareholders do not have disproportionate control over strategic decisions. Banks should consider implementing policies that ensure that ownership structure does not impede the board's ability to act in the best interest of all the shareholders

Methodology

This study is a quasi-experimental research design that involved a panel data statistical analysis. Ten deposit money banks were purposefully selected on the basis of their financial base and updated annual financial reporting. The data for this study for the period between 2000 and 2023 were obtained mainly from the CBN Statistical Bulletin and Annual Reports, World Bank Global Financial Development Data available at data.worldbank.org. All the data were country annual data. The performance variable used in this study was Return on Equity (ROE) as defined by the World Bank Global Financial Data while Corporate Governance is captured by Board Size (BS), Directors' Equity Holding (DEH) and Audit Committee Size (ACS). An econometric model was specified using ROE as the function of the corporate governance variables as follows;

$$ROE = f(BS, DEH, ACS) \quad \ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Putting the equation specification in its econometric or logarithm forms;

$$ROE_{it} = \beta_0 + \beta_1 BS_{it} + \beta_{2DEHit} + \beta_{3ACSit} + U_{it} \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where:

ROE = Return on Asset

BS = Board Size

DEH = Directors' Equity Holding

ACS = Audit Committee Size

β_0 = Intercept

it = represents the combination of time and individuality

Uit = error terms not captured in the model

The apriori expectations of this study is that corporate governance indices should show positive and significant correlation with banks' performance proxied with return on equity.

Results and Analysis

Table 1: Descriptive Statistics Summary of Percentage Changes in BS, DEH and ACS

ROE	BS	DEH	ACS
Mean	6.451120	40.720000	0.101141
Median	3.104100	39.00000	0.110001
Maximum	33.149201	65.00000	0.320000
Minimum	0.260000	25.00000	0.019000
Std. Dev.	9.421714	10.90133	0.070611
Skewness	1.893420	1.181290	-0.799314
Kurtosis	5.160021	3.112104	2.991029
Jarque-Bera	40.65120	8.266150	4.140031
Probability	0.000001	0.015619	0.110457
Sum	244.9089	1744.000	4.130000
Sum Sq. Dev.	3735.472	4012.401	0.210462
Observations	25	25	25

Source: Researcher's Desk 2025 (E-views 12)

Table 1 shows the descriptive statistics for all the study samples. In this comprehensive dataset, the following mean values are displayed in the table: BS (6.451120), DEH (40.720000) and ACS (0.101141). Looking at the maximum and minimum values of the variables, the range of values spans from 33.149201 to 0.019000. The standard deviation measures how widely apart the data are from the mean. The table recorded standard deviation values as; 9.421714 for BS, 10.90133 for DEH and 0.070611 for ACS. The skewness exhibited both negative and positive values indicating that the distribution is both negatively and positively skewed. For skewness, The data distribution may be symmetric or regularly distributed around the mean if it clusters on either side of the mean. Another possibility is that data points are distributed or lie to the right or left of the mean. Data that spreads to the right of the mean is skewed to the right (positively), whereas data that spreads to the left is skewed negatively. According to table of descriptive statistics, BS and DEH are favourably skewed but ACS is negatively skewed. Kurtosis defines how peaky a distribution is in comparison to a normal distribution. Kurtosis values below 3.0 is considered to approximate the normal distribution and might potentially be platikurtic (flat), whereas kurtosis beyond 3.0 is defined as leptokurtic. In this study, BS is platikurtic while DEH and ACS are leptokurtic. However, the Jarque-Bera statistic classifies ACS as a normally distributed variable with a Jarque-Bera statistic and probability of 4.143001 and 0.110457 respectively.

Table 2: Panel Unit Root Text Results

Variables	Levin, Lin & Chu t*		Im,Pesaran and shin w-stat		ADF-Fisher chi-square			
variables	statistics	prob	statistics	prob	statistics	prob	Order of integration	Remarks
ROE	-5.29964	0.0000	-2.29844	0.0145	16.6534	0.0024	I (1)	Stationary
BS	-6.15319	0.0000	-3.13920	0.0149	23.8801	0.0079	I (1)	Stationary
DSH	-10.5704	0.0000	-3.2660	0.0005	25.6098	0.0043	I (1)	Stationary
ACS	-16.8516	0.0000	-4.03856	0.0003	26.2895	0.0034	I (1)	Stationary

Source: Researcher's Desk 2025 (E-views 12)

The unit root result above specified the four test (Levin, Lin & Chu statistics, Im, Pesaran and Shin W-statistic, ADF-Fisher Chi-square and PP- Fisher Chi-square tests and their associated test statistics and probabilities. The summary results indicate that all the panels or series do not have unit root at level but were all stationary at first difference. This is enough evidence to reject the unit root null hypotheses that all panels contain unit roots for Levin, Lin and Chu (LLC), Im, Peseran and Shin (IPS) and ADF-Fisher chi square are rejected at first difference at 5% level of significance implying that the series were estimated at first difference in order to yield robust results.

Table 3: Estimation Test Result

	BALANCE		FIXED		RANDOM	
Variables	Coefficient	Probability	Coefficient	Probability	Coefficient	Probability
ROE(-1)	1.142520	0.0021	1.133109	0.0000	1.212143	0.0001
BS	0.297266	0.2160	0.102943	0.0413	0.109141	0.1148
DEH	-6.228090	0.5711	-0.173472	0.0112	-14.01494	0.1031
ACS	0.436719	0.2615	0.286210	0.0390	0.450422	0.1140
C	-24.613382	0.0714	-10.90884	0.2900	-13.10314	0.0619
R-squared	0.8784419		0.9104242		0.8944056	
Adjusted R Squared	0.8933941		0.9123001		0.9192141	
S.E. of regression	3.291219		24.18009		3.3162617	
F-statistic	23.901170		24.18009		49.195674	
Prob (F-statistic)	0.000000		0.000000		0.000000	
Durbin-Watson stat	2.314771		2.319147		2.241900	

Correlated Random Effects-Hausman Test

Chi-Sq.Statistic	Prob
10.069223	0.0214

Source: Researcher's Desk 2025 (E-views 12)

This study adopted panel data which has the advantage of combining both time-series and cross sectional dimensions of ten deposit money banks in Nigeria chosen for the purpose of this investigation. The Random and Fixed Effects methods were used to estimate the relationship between corporate governance and performance of deposit money banks indices (BS, DEH and ACS) of deposit money banks in Nigeria and the Correlated Random Effects - Hausman Test was used to compare the two sets of estimates, one of which is consistent. Based on the results above, there is a significant difference between the random effects specification and that of the fixed effects specification with a chi-square value of 10.069223 at 5 degrees of freedom and probability of 0.0214 lower than the 5%. Going by the summary test result, the fixed effects specification is superior to the random effects specification; so we reject the random effects model as inconsistent and adopt the fixed effects model to interpret the study findings.

The negative coefficient of -10.90884 and probability of 0.02900 reveals that the constant parameter has a negative and significant relationship with ROE indicating that, at constant, if all explanatory variables are held constant, ROE will decrease by -10.90884 units in a in the short-

Run interval.

Board Size (BS): BS has coefficient and probability values of 0.102943 and 0.0413 respectively which shows the positive correlation between BS and ROE and that BS is statistically significant impactful on ROE of the selected deposit money banks in Nigeria.

Directors' Equity Holding (DEH): Given the coefficient value of -0.173472 and probability of 0.0112, DEH exerted a negative relationship and statistical significant effect on ROE of Nigeria's deposit money banks.

Audit Committee Size (ACS): The coefficient of ACS 0.286210 and the probability is 0.0390 showing that ACS had a positive and statistically significant impact on ROE of deposit money banks in Nigeria.

Coefficient of Determination R^2 Adjusted

The Adjusted R-squared value of 0.8933941 or 89% indicates that the explanatory variables explain about 89% of the variation in return on equity of deposit money banks while the remaining 11% is due to other stochastic variables.

The F-test result with f-statistic value of 23.901170 and probability value of 0.000000 which is less than the critical value of 5% significance level indicate that the explanatory variables have a joint and significant impact on ROE hence it can be concluded that the model has predictive value and that the overall performance of the model is satisfactory.

The Durbin-Watson statistic of 2.314771 is closer to 2 than 1 indicates that there may be absence of serial or auto-correlation in the residuals of the estimated model.

Discussion of Findings

This study examined the impact of corporate governance on the performance of financial institutions represented by deposit money banks in Nigeria with two specific objectives, research questions and hypotheses that focused on the main objective and the apriori expectation of the study s that corporate governance indices should have positive and significant correlation with banks' performance proxied with return on equity. The results did not fully fall in line with the apriori expectation since the result showed mixed relationship between corporate governance and banks' performance. The result revealed that two corporate governance indices (BS and ACS) have positive and significant relationship with Return of Equity (ROE) thereby complied with the apriori expectation while DEH maintained a negative and significant association with ROE in defiance from the expected result. This finding aligns with that of Homavoun (2015), Sambalo & Uwuigbe (2015), Yusuf & Kazim (2022). Obizue (2023) who in their various studies found positive coefficients of the explanatory variables and concluded that corporate governance is a good predictors of banks' performance in Nigeria. The Agency Theory which is adopted in this study further validates this findings. This theory was proposed to examine the influence of capital structure and also to establish the fact that notable conflicts exist between the parties to a bank under the perspective of corporate governance. These parties include the shareholders, creditors and bank management insiders. By this theory, stockholders are the owners of a company and the Directors merely ensure that shareholders' interests are maximized but the managers who are the firms' agents are more interested in their personal gratification for which reason they can easily seek to access fund in order to operate and make personally related gains without minding the cost of such fund. This is further supported by the assertion of Nguyen and Dang (2017) who stated that the agency theory is based on the notion that ownership of a firm is different from its management and that managers will not always act in the best interest of the shareholders and they are tempted to pursue the profits of the firms they manage to their own personal gain even through unverified fund sources at the expense of the shareholders.

The Durbin-Watson statistic indicated absence of serial or auto-correlation in the residuals of the estimated model and summarily the findings suggests that the explanatory variables accounted for about 89% variations in return on equity (ROE) of the sampled banks based on the adjusted R^2**.**

Conclusion

Effective corporate governance is very crucial for enhancing the financial performance and stability of financial institutions in Nigeria. Good governance practices contribute to better risk management, improved transparency and increased investment confidence thereby shaping the financial outcome. Every corporate governance effort should be enhanced for financial institutions to thrive in a dynamic business environment. it is therefore concluded that corporate governance measure is a profound indicator of sound financial performance in deposit money banks

Recommendations

In line with the findings in this study, the following recommendations are proffered

1. The CBN should issue efficient monetary policies that would intensify transparency, integrity and curtail insider abuses on bank customer account, in order to have adequate measures that will enhance efficiency and effectiveness of governance frameworks in the banking sector.
2. Deposit money banks should focus more on enhancing the quality and effectiveness of board members rather than the size.
3. Banks should continue to emphasize the role of independent directors in ensuring objectivity and reducing conflicts of interest.
4. Deposit money banks should reassess the influence of major shareholders and ensure that large shareholders do not have disproportionate control over strategic decisions.
5. Banks should consider implementing policies that ensure that ownership structure does not impede the board's ability to act in the best interest of all shareholders, quality and experienced individuals are appointed as members of the board of Director'.
6. There should be sound and strong internal control system within the banks that will not compromise with the prudential guideline especially in the area of lending, reporting standard and disclosure requirement.

References

Adegbite, E. (2015). Corporate governance in Nigeria: Theories and practices. *Journal of Business and Management*, 21(2), 1-15.

Amaeze, M. N. & Ozuzu, C.O. (2018). Effect of corporate governance mechanism on the financial stability of financial institutions in Nigeria. *International Journal of Management Studies, 3*(2), 277-290.

Ayodele, O.J. & Abiola, O. (2023). Board characteristics and financial performance of deposit money banks. *African Journal of Finance and Administrative Research, 12*(1), 812-836.

Bernard, R. (2009). Capital structure and ownership structure. *Journal of Online Education*, January Edition, 6(2), 18-26.

Chetachi, O. L. and Olayiwola, A. B. (2014). Capital Structure and Profitability of Nigerian Quoted Firms: The Agency Cost Theory Perspective. *American International Journal of Social Science*

Deminil, A. (2021). Corporate governance and efficiency of deposit money banks in Nigeria. *Journal of Business Research and Management,* 6(2), 10-20.

Homavoun, S. (2015). Agency theory and its applications in corporate governance. *International Journal of Economics and Business Management,* 7(1), 21-36.

Madueke et al (2025). The effects of corporate governance on financial performance of deposit money banks in Nigeria. *International Journal of Finance Accounting and Management Studies.* 1(3), 1-18

OECD (2015). Principles of Corporate Governance. OECD Publishing.

Ofoegbu, G. & Odoemelam, N. (2018). Corporate governance and financial performance of listed financial institutions in Nigeria. International Journal of Business Research, 21(2), 23–39.

Obizue, E. C. (2023). Capital structure and financial performance of quoted firms in Nigeria. *Journal of Humanities and Contemporary Studies*, 5(1), 71-88.

Sambalo, R. & Uwuigbe, U. (2015). Corporate governance and financial performance of banks in Nigeria. *Journal of Business and Management* 17(3), 45-56.

Yusuf, I., & Kazim, M. (2022). Impact of corporate governance on financial performance of deposit money banks in Nigeria. *International Journal of Management and Financial Review*, 6(1), 514-529.