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CORPORATE GOVERNANCE MECHANISMS AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

The effectiveness of corporate governance mechanisms has a direct impact on the overall financial health and sustainability of any entity and it is one of the major key indicators adopted by investors when making their investment choices. The main objective of this study was to examine the effect of corporate governance mechanisms on the financial performance of listed deposit money banks in Nigeria. The independent variable being corporate governance mechanism was proxied by board size, board independence, and board diligence while the dependent variable financial performance was proxied by return on equity. The research design adopted for this study was the ex post facto research as the secondary data were employed. The population of this study was fourteen listed deposit money banks in Nigeria. The method of data analysis employed was the ordinary least square regression analysis and the statistical package employed was SPSS version 21. Based on the analysis of this study, it was found out that board size has no significant positive effect on return on equity; board independence has a significant positive effect on return on equity; board diligence has a significant positive effect on return on equity on return on equity of listed deposit money banks in Nigeria. Thus it was concluded that board monitoring mechanisms have significant effect on financial performance of listed deposit money banks in Nigeria. Based on this, it was recommended that the management of deposit money banks in Nigeria should prioritize appointing independent non-executive directors to their boards. It was also recommended that listed deposit money banks should ensure regular and effective board meetings as this have positive influence on their financial performance.

Keywords: Corporate governance, financial performance, return on assets, board size, board independence.

1.0 INTRODUCTION

Corporate governance mechanisms play a crucial role in shaping the functionality of any organization. These mechanisms are sets of principles, policies and practices that are designed to ensure that a company is managed and controlled in a manner that enhances the value and wealth of shareholders and also taking into accounts the interest of the stakeholders. The effectiveness of corporate governance mechanisms has a direct impact on the overall financial health and sustainability of deposit money banks which are considered very vital in the financial sector. One key aspect of corporate governance is the composition and functionality of those in charge of governance of that company. A well-structured board comprising individuals with diverse skills, experiences and independence is more likely to provide effective oversight and strategic guidance. Boards that practice transparency, accountability and ethical decision- making contribute to building investors' confidence, which in turn, can positively influence the operational and financial effectiveness of these companies.

The key focus of corporate governance is the supervision or monitoring of the performance of management and ensuring responsibility of the managerial behavour towards better performance and efficiency. The need for supervisory function of corporate management stems from the distinction between management and others of large enterprises, particularly those with largely dispersed ownership. Corporate governance aims to resolve conflicts of interest which arise from the principal-agent relationship, particularly in situations where self-interest of management may conflict with the interest of the owners and other stakeholders in the firm. The directors are saddled with the responsibility of providing independent oversight of management performance, as well as monitoring and disciplining management for the overall interests of the shareholders (Kiel & Nicholson, 2019). The codes of corporate governance propose that a firm should be managed under the direction of a board of directors, who delegates to the Chief Executive Officer and other management staff, the day-to-day management of the affairs of the firm. The directors of the company, with their vast experience, should give leadership and control workings the affairs of the business with high sense of integrity, commitment to the firm, its business plans and long-term shareholder value.

Board size is the total number of directors seated on the company's board. It is one of the board structures that is considered most crucial to the performance and success of a firm executive (Yan et al., 2021). According to the stakeholder's theory, extensive and well-diversified board can provide great coordination and can consider interests of those groups which are paramount to the success of the corporation. Board independence is believed to also influence firm's effectiveness. Board independence is a measure of the proportion of independent non-executive directors to the total number of directors in a company. According to Oziegbe and Cy (2021), board diligence is refers to the frequency board meetings annually. According to NCCG (2018), meetings are the principal vehicle for reviewing the activities of the company and successfully fulfilling the strategic objectives of the company.

Financial performance is the monetary achievement attained by a company as a result of sound financial management that would lead to improved sales, profit margin, return on equity and shareholders value added of the entity. It is the most important indicator of business growth because it demonstrates the companies' capacity to increase income levels. The banking industry is a vital and indispensable part of any economy. This is evidenced in the critical attention paid to the banking business by federal governments. While various financial intermediaries are involved in funding the real sector of any economy, banks remain the most important of this group of institutions. Thus this study evaluates the useful and relationship between board size, board independence and board diligence, and the financial performance of banks in Nigeria. Effective corporate governance mechanisms can enhance the financial performance of the firms, but there are myriads of challenges and difficulties that may impede their effectiveness. One of such issues is weak board oversight that lacks diversity, independence and diligence. A board dominated by insiders or those with close ties to management may fail to act in the best interests of shareholders. Inadequate risk management as a result of failure to identify and mitigate risks undermine the financial stability of Nigerian banks. From the review of empirical literature, some of the gaps identified were period gap, variable gap, gap in methodology, sector gap and un-unanimous findings. For the period gap, it was found out that most of the empirical studies did not cover a period up to the most recent year being 2022 (Alabdullah, 2023 – 2011 to 2021; Madi et al. 2023 - 2011 to 2019). Therefore, a more recent study that incorporates the current economic realities needed to be undertaken which covers up the most current financial year. It was also realized that some studies used shorter period of time than ten years used in our study (Elmghaamez & Gan, 2023 – 5 years; Ria, 2023 – 5 years). Unfortunately, there was no consensus on the how these mechanisms affect the operational and financial performance because varying findings. This study would contribute to the knowledge and awareness of the effect of corporate governance mechanism on profitability of deposit money banks in Nigeria, it is anticipated that the findings will specifically benefit the shareholders, corporate managers, and other stakeholders in the corporate setting.

2.0 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 Corporate governance

According to Organization for Economic Co-operation and Development (OECD), corporate governance deals with the rights and responsibilities of a company’s management, its board, shareholders and various stakeholders. How well companies/banks are run affects performance, market confidence and private sector investment (Al-Homaidi et al., 2021). By doing this it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. Corporate governance is a major determinant of firms’ effectiveness and efficiency as it enhances the growth and wealth creating capacity of these companies. The value of directors of the company is often felt in a more diversified board with greater independence, experience and expertise. The management is often (in support of board of directors with financial, economic, political, or social connections that could benefit executives and the company. While boards have certainly become more independent and active in some systems in recent years, the trend is far from uniform; companies in some countries (such as Japan and Switzerland) still feature boards with some of the pre-1990s characteristics described above (Erik, 2004).

2.2 Financial performance

A company's financial performance at a given point in time is determined by its financial health (Naz et al., 2016). Stated differently, it is a monetary achievement achieved sound financial management that enhances shareholders’ value (Adegboyegun & Igbekoyi, 2022). Company financial performance is the most important indicator of business growth because it demonstrates the companies' capacity to increase income levels (Ghazali et al., 2022). According to Hermuningsih et al., (2020), financial performance describes how well the financial goal and objective of company is achieved. It is a subjective measure of efficiency of the firm in using their assets to generate revenue for the firm. Firms financial performance is one of the metrics used in ascertaining the financial health and going concern of an entity. Company’s performance indicators include the financial and non-financial indicators. Financial indicators have been widely adopted because a company’s long term long term goal is almost always purely financial in nature (Acaravci, 2020). The proxy for financial performance used in this study was return on equity.

2.3 Board of directors' size and financial performance

Board size refers to the number of directors serving on a company's board of the company. It's an important aspect of governance as it can impact the effectiveness and efficiency of decision-making within the boardroom. Board size can vary depending on factors such as the size, industry standards and regulatory requirements. The Smaller boards may be more agile and able to make decisions quickly, while larger boards may offer more diverse perspectives but can sometimes face challenges in reaching consensus. Numerous existing literature on corporate governance tends to agree that board efficiency is enhanced when there are smaller boards than larger ones like Hermalin & Weisbach (1988) who stated that board with few members are more effective than board with large membership as a result of conflict of interest arising from increasing board size. Knyazeva et al., (2021) found that larger boards are associated with worse corporate outcomes following a forced CEO turnover, which they attribute to the difficulty of coordination and communication among board members. Paniagua et al., (2015) revealed that if the board size is so large it can result in difficulty to integrate and synergize the corporate strategy. However, despite the arguments presented in favour of smaller boards, larger boards provide advantages that may counterbalance the literature's criticisms of smaller boards. According to Coles et al., (2008), an expanded board enhances corporate performance by facilitating greater monitoring, which corroborates the results of Isik and Ince (2016), who also showed a positive impact. Likewise, Dozie (2003) argued that a leaner board may be less entangled in procedural complexities. Armad et al., (2017) argued on the contrary that an expanded board can ensure that more non-executive directors can better monitor managers; also, an expanded board will contain more professionals from different fields. In view of the above this study hypothesized that;

Ho1: Board size has no significant effect on the return on equity of listed deposit money banks in Nigeria.

2.4 Board of directors' independence (BDI) and financial performance

Board independence in corporate governance refers to the extent to which a company's board of directors compose of members who are free from conflicts of interest that may compromise their capacity to make decisions that maximize the companies' wealth ability and enhance the value of its shareholders. Directors that are independent are typically not affiliated with the company in any significant way other than serving on the board and providing objective oversight functions. Generally, when there is an expanded board, there is be a greater level of independence and the board would be seen as a well diversed board (Shan, 2019). Whether board independence affects financial performance has been a matter of debate. According to Ngu (2023), when considering market competition, a higher ratio of independent board can positively affect the company's financial performance. Also, Pucheta-Martínez & Gallego-Álvarez (2020) noted that a board comprising a large proportion of independent directors would increase the value of the company. Amedi & Mustafa (2020) and Abdulsamad et al., (2018) also found that independent directors enhance financial performance. However, Naseem et al. (2017) claimed that having the presence of independent directors would make financial performance worse. Additionally, according to Oyedokun (2019), the board's independence has little bearing on financial performance and has not enhanced it. Thus it was hypothesized in this study that;

Ho2: Board independence has no significant effect on the return on equity of listed deposit money banks in Nigeria

2.5 Board of directors' diligence and financial performance

Board diligence in corporate governance refers to the level of care, attention, and thoroughness with which the directors fulfill their duties and responsibilities. It encompasses a range of activities and behaviors aimed at ensuring effective oversight, strategic guidance, and risk management within the organization. Key aspects of board diligence is regular meetings, and these meetings are held to discuss and review important matters related to the company's strategy, performance, financials, risk management, and compliance. Board diligence is essential for maintaining accountability, transparency, and trust within the organization and among its stakeholders. Frequent meetings of directors may directly affect the financial outcomes of these firms. A board meeting could be used to effectively harmonize ideas in order to achieve clear goals. Some have stated that a high frequency of meetings results in a waste of valued time resources, as well as additional sitting and accommodation allowances for directors. Adefemi et al., (2017) assert that much of the regulatory and shareholder attention on the board of directors has assumed that board diligence can increase shareholder value. Therefore, Jia, (2019) argues that the regularity of meetings is a major attribute that can have important implications for firm value. Al-Daoud et al., (2016) opined that board meeting time is an important resource in improving board effectiveness including the fact that directors meeting more frequently will likely counteract the entrenchment of managers. Cy & Oziegbe, (2021) advocated that board meeting time is an important resource for improving board effectiveness while Hanh et al., (2018) proposed that the most widely shared problem faced by directors is a lack of time to perform their duties. In view of this, this study hypothesized that;

Ho3: Board diligence has no significant effect on the return on equity of listed deposit money banks in Nigeria

3.0 THEORETICAL FRAME WORK

3.1 Agency theory by Jensen & Meckling (1976)

Agency theory is one of the first theories in the governance, economic, and management literature. Berle & Means (1932) proposed agency theory that anchors on the separation of ownership and control which give rise to conflict of interest between shareholders and management when ownership is widely distributed among shareholders. The agency theory, according to Fama & Jensen (1983), indicates that shareholders are the principals in whose interests the firm should be operated, even if they rely on others to do it thereby introducing an agency relationship. Conflict of interest is the primary concerns as to whether the agents are executing the duties and authorities vested to them for the principals or for themselves at the detriment of the owners (Fama & Jensen, 1983). According to Yan et al., (2021), the distinction between shareholders and management causes conflicts of interest between principal and agent, which are known as agency problems. It is established that agents are portrayed as opportunistic players who focus on extrinsic rewards and rationally maximize their income, even to the expense of resource owners. In order to avert agency problems, managers are paid agency costs to motivate them to make decisions on behalf of shareholders because providing high-level managers with incentive contracts is viewed as a reasonable solution to the agency problem. If managers make actions that do not optimize shareholder wealth, the company's value may dwindle (Cao et al., 2021). The agency problem must be solved in order to maximize performance as well as shareholder value.

The agency theory is the anchor theory for this research and is relevant because resolving agency issues is the crux of corporate governance, and directors are the major player in these role. The primary responsibilities of directors are to oversee management staff and make suggestions for maximizing profits and consequently; shareholders' wealth.

3.2 Review of empirical studies

There have been some studies both locally and internationally on governance issues and financial outcomes and some of these studies are discussed below in this section. Alabdullah (2023) conducted a study to assess the influence of corporate governance mechanisms on the profitability of companies listed on the Saudi Stock Exchange (SSE). In its methodology, data for 2011-2021 were collected from SSE, involving a research sample consisting of 60 corporations. The independent variables examined included the board size, the frequency of board meetings, and the implementation of risk management practices. The dependent variable, used to gauge corporate performance, was the return on assets (ROA). The study's outcomes revealed that an expanded board has some impact on financial outcomes of Saudi companies. Moreover, both an increased frequency of board meetings and the adoption of risk management practices demonstrated positive effects on corporate performance.

Abdullah and Tursoy (2023) analyzed the effect of CG on the performance of non-financial sector firms listed on the Frankfurt Stock Exchange in Germany during the period 2002-2018. Performance measurement was based on accounting data, and the analysis showed that the attributes of the audit committee and board of directors exert significant and negative influences on companies' performance, with CEO duality demonstrating statistical insignificance. Notably, a larger board size appeared to introduce the issue of delayed decision-making within the context of Germany's insider-controlled corporate governance system.

Enoidem et al., (2023) examined the effect of board monitoring mechanisms on earnings managements of non-finance firms listed on the floor of the Nigeria Exchange Group from 2012-2021. The study adopted expost facto research design and least square variable regression technique was employed in data analysis. The analysis of the study indicated that board size, board independence, board gender diversity have significant negative effect on earnings management of non-finance firms listed on the floor of the Nigeria Exchange Group. Boachie (2023) examined the moderating influence of ownership within the context of Ghanaian banks on corporate governance practices and financial performance. To address this, a multiple regression analysis was employed on a panel dataset spanning 18 years and comprising 414 observations from these banks. The data analysis showed that audit independence, CEO duality, the presence of non-executive directors, and bank size were positively associated with financial performance. Furthermore, the research findings highlighted that foreign ownership played a pivotal role in moderating these variables

Akpan and Nkanga, (2023) examined the effect of corporate governance attributes on segment reporting of listed conglomerates firms in Nigeria. The design adopted was expost facto and five listed conglomerate firms were purposively selected. Secondary data were extracted from these companies' annual reports and the Nigeria Exchange Group fact book. OLS regression technique was used in the analysis and findings revealed that board size, board diligence and board gender diversity have significant positive effect on segment reporting measured by reportable segments. Etuk and Akpan (2023) examined the effect of corporate governance on annual report readability in Nigeria. Specifically, to examine the cause-effect relationships between the dependent variables and independent variables as well as to test the formulated hypotheses, the study used a panel regression analysis. The result showed that CG attributes have varying effects on annual report readability.

Titilayo et al., (2022) investigated the effect board characteristics on the performance of listed firms. This study employed a correlational research design and utilized secondary data extracted from financial statements of the 22 quoted insurance firms in Nigeria, constituting the study's sample size. A dual-model approach was adopted, employing two firm performance proxies with firm size and leverage introduced as control variables. The data was analyzed using descriptive statistics, a correlation matrix, and a random effect panel regression analysis. The outcome of the analysis shows that that board size, independence, gender, and nationality diversity do not significantly affect ROA.

4.0 0METHODOLOGY

This study adopted ex post facto research design and secondary data used were extracted from the financial reports of the 14 deposit money banks used in the study.

Model specification

The model employed was adapted from the work of Titilayo et al., (2022) and was modified to suit this study as presented below;

Financial performance = f (Corporate governance mechanisms)

ROE = f (Board size, board independence, board diligence,

$$ROEit = \beta_0 + \beta_1 BODZit + \beta_2 BODIit + \beta_3 BODDit + + \mu_{it} \quad (1)$$

Where;

ROE	=	Return on equity
BODZ	=	Board size
BODI	=	Board independence
BODD	=	Board diligence
Bo	=	Constant
B1- B3	=	Slope Coefficient to be determined in the study
μ	=	Stochastic disturbance
i	=	ith banks
t	=	time period

Table 3.1: Operationalization of the variables

S/N	VARIABLES	MEASUREMENT	SOURCE	APPROIRI EXPECTATION
1	Return on equity	Ratio of profit for the year to total equity.	Madi et al. (2023)	
	Independent variable			
2	Board size	Board Size in numbers is computed as the total number of all directors of a company.	Nwaebuni et al., study (2023)	+
3	Board independence	Ratio of independent executive directors to total board size.	Usman & Yahaya (2023)	+
4	Board diligence	Total number of times the board meets in a year.	Alabdullah (2023)	+

5.0 ANALYSIS AND DISCUSSION OF RESULTS

5.1 Data analysis

Table 4.1: Descriptive statistics of the effect of corporate governance mechanisms on financial performance of listed deposit money banks in Nigeria

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	140	-.80	.49	.1312	.13218
BODZ	140	6.0	20.0	13.750	2.7852
BODI	140	.05	.40	.1922	.07685
BODD	140	4	15	6.57	1.735
Valid N (listwise)	140				

Source: SPSS 21 Output (2023)

Table 4.1 above shows the descriptive statistics of all the variables of this study. From the output above, the lowest return on equity (ROE) in the banking sub-sector between 2013 to 2022 was -80% while the highest was 49%. Standard deviation and average were about 13% respectively which shows that financial performance in this sub-sector was good. This is true because an average bank made about 13% return on equity which is not bad in anyway. From the board size perspective; the lowest number of directors ever present on a board of any bank was 6, the highest number was 20 directors, average was about 14 and standard deviation was about 3. These statistics tell us that the banking sub-sector is mostly characterized by large board sizes. Reporting further, 5% of board members were independent directors for the worst condition; while on best situation; we saw like 40% of total board size being composed of independent non-executive directors. The level of board independence in the sector was however, not too high; and not too low (average and standard deviation = 19% and about 8% respectively. Table 4.1 also shows that the highest number of times the board ever met between

2013 and 2022 was 15 times while the lowest was 4 times. An average board in this sector met about 7 times with a standard deviation of about 2. These implies that board diligence (BODD) in the banking sub-sector is on the high side.

5.2 Correlation analysis

Table 4.2: Pearson Product Moment Correlation analysis of the relationship between corporate governance mechanisms and financial performance

	ROE	BODZ	BODI	BODD
ROE	1			
BODZ	.071	1		
BODI	.209	-.302	1	
BODD	.065	.070	.049	1

Source: SPSS 21 Output (2023)

Table 4.2 shows the correlation analysis of the dependent and independent variables of this study. From the table, return on equity (ROE) had no correlation with board size (BODZ) with 0.07 as correlation coefficient. Same was the case for board diligence (BODD) with 0.065 as coefficient. Board independence (BODI) had a weak positive correlation with ROE (coeff. = 0.209). The weak coefficients shows the absence of autocorrelation among the independent variables.

5.3 Regression analysis

Table 4.3: Model summary of the effect of corporate governance mechanisms on financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.733[a]	.537	.516	.12643	1.679
a. Predictors: (Constant), BODZ, BODI, BODD					
b. Dependent Variable: ROE					

Source: SPSS 21 Output (2023)

Table 4.4 Analysis of variance (ANOVA) of the effect of corporate governance on financial performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.303	3	.050	13.154	.000[b]
	Residual	2.126	133	.016		
	Total	2.428	139			
a. Dependent Variable: ROE						
b. Predictors: (Constant), BODZ, BODI, BODD						

Source: SPSS 21 Output (2023)

Table 4.5 Coefficients of the effect of corporate on financial performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.432	.574		-2.496	.014
	BODZ	.002	.004	.034	.369	.713
	BODI	.268	.150	.196	1.993	.035
	BODD	.007	.006	.213	2.102	.002
a. Dependent Variable: ROE						

Source: SPSS 21 Output (2023)

Table 4.3 and 4.4 above represent the results obtained from the regression analysis for this study. The analysis shows that the OLS regression had an R-squared value of 0.537. This implies that the independent variables of this study could explain about 53.7% of the systematic changes in the dependent variable. However, the unexplained part could be attributed to other variables not captured in the model but captured in the error term. The result of the F-statistics (13.154) in the ANOVA for the sampled banks with an associated p-value of 0.000 indicates that the independent variables have significant effect on the dependent variable of this study.

6.0 DISCUSSION OF FINDINGS

6.1 Board size and return on equity

The results obtained from the regression model in table 4.5 revealed that board size [coef. = 0.034(0.713)] has a non-statistically significant positive effect on the ROA. This could imply that expanded board may not necessarily result in a more diverse range of expertise and perspectives. If the additional board members have similar backgrounds or lack relevant industry knowledge, their presence may not significantly impact decision-making or strategic direction. In addition to this, an expanded board can sometimes lead to challenges in communication and collaboration among members. The influence of board size on return on equity may be overshadowed by external factors such as market conditions, industry trends, economic cycles, or regulatory changes. In such cases, the significance of board size may be diluted or masked by broader influences on the company's performance. This outcome is supported by the work of Abdullah and Tursoy (2023) who noted that a larger board size appeared to introduce the issue of delayed decision-making within the context of Germany's insider -controlled corporate governance system. On the contrary Alabdullah (2023) found a positive significant effect of board size on firms' performance.

6.2 Board independence and return on equity

The result obtained from table 4.5 shows that board size [coef. = 0.196(0.035)] has a significant positive effect on return on equity of banks in Nigeria. This finding suggests that increase in the number of independent non-executive directors on the board would cause about 19.6%

increase in ROA of these banks. In other words, as percentage of independent non-executive directors' increase, return on equity also increases. This is because independent directors bring fresh perspectives and objectivity to board discussions. Their independence from the company allows them to make decisions based on what's best for the company and its shareholders rather than personal interests. This can lead to more rational and strategic decision-making, ultimately contributing to improved ROE. Companies with a strong contingent of independent directors on their board are often seen as more transparent, accountable, and well-governed by investors and stakeholders. This positive market perception can translate into higher stock prices, lower cost of capital, and enhanced competitiveness, ultimately driving up the company's ROE. This outcome is tandem with those of Boachie (2023) and Ali and Shadrach (2023) who all found a positive relationship between board independence and financial performance. In contrary, however, the findings of Boachie (2023) and Titilayo et al., (2020) are not in line with this study as they found a negative relationship between board independence and financial performance.

6.3 Board diligence and return on equity

The result obtained from the regression result in table 4.5 revealed that board diligence (Coef 0.213; p-value 0.002) has a positive significant on financial outcomes of these banks. This finding suggests that as number of board meetings held annually increases, ROE also increases by about 21.3%. In other words, the higher the number of times the directors of these banks meet, the higher their ROE. A possible explanation for this effect is that board meetings are used to effectively harmonize/unify ideas that could lead to the attainment of the organizational goals and objectives. This is because diligent boards is participate fully in strategic decision-making, providing valuable insights and oversight to ensure that the company's strategies align with its long-term goals through the frequency of board meetings. This involvement can lead to better strategic choices and more effective allocation of resources, ultimately contributing to improved ROE. By considering the impact of decisions on the company's competitive position, sustainability, and stakeholder interests, the board can contribute to sustained and improved ROE over time. This finding agrees with those of Alabdullah (2023) and Enoidem et al., (2023) and contrary to that of Hanh et al. (2018).

7.0 CONCLUSION AND RECOMMENDATION

Board of directors exist to protect the interests of shareholders owing to the separation of management from ownership in corporate entities. They are saddled with the sole function rendering independent oversight of management performance, as well as monitoring and disciplining management for the overall interests of the shareholders which is dependent on financial performance or profitability. Thus, this study revealed corporate governance attributes influence financial performance and thus, it was concluded that corporate governance mechanisms has significant influence on financial performance. Given that board size showed a non-statistically significant effect on return on equity, it was recommended for the management of deposit money banks in Nigeria should focus more on other factors influencing their performance rather than solely increasing board size. Allocating resources towards enhancing board effectiveness through other means could potentially yield more favorable outcomes. It was also recommended that the management of these banks should prioritize appointing independent non-executive directors to their boards. This strategy can enhance governance practices, mitigate biased decision making, and potentially drive financial growth and success as proven by the findings of this study.

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