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Effect of Corporate Governance on Financial Performance of Listed Commercial Banks in Nigeria

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Abstract

Corporate governance has received significant attention among various stakeholders as it is believed that a well-diversified board increases firms performance. This study examined the effect of corporate governance on the financial performance of listed commercial banks in Nigeria from 2012 to 2022. Secondary data on board size, board independence, board meetings, board gender diversity and return on assets were sourced from the various annual reports and accounts of the sampled banks. The data were analysed using descriptive statistics, correlation matrix and the formulated hypotheses were analysed using random effect regression analysis. Findings revealed that board size has a negative and significant effect on the financial performance of listed commercial banks in Nigeria. In addition, board gender diversity has a negative and significant effect on the financial performance of listed commercial banks in Nigeria. Findings also revealed that board independence and meeting has an insignificant effect on financial performance of listed commercial banks in Nigeria. These findings imply that an increase in board size decrease performance. Therefore, the study recommended that Banks are encouraged to adhere to the new CBN corporate governance code by limiting the size of the board to nine since larger board size does not influence financial performance.

Keywords: ROA, Board Size, Board Meeting, Board Gender Diversity, Board Independence

1. Introduction

Corporate governance, defined as the system by which firms are directed and controlled, plays a critical role in shaping the financial performance of organizations. For listed financial services firms in Nigeria, effective corporate governance is paramount due to the sector's complexity and its critical impact on economic stability and growth. In Nigeria, the financial services sector is a major pillar of the economy, comprising banks, insurance companies, and investment firms that are vital for economic development. The governance frameworks within these institutions are designed to ensure accountability, fairness, and transparency in their operations, thereby protecting the interests of shareholders and other stakeholders. According to Okoye et al. (2017), robust corporate governance mechanisms can mitigate agency problems, reduce risk, and improve decision-making processes, which collectively enhance firm performance.

Empirical studies have shown a positive correlation between strong corporate governance and financial performance. For instance, research by Okolie and Ogbaragu (2022) indicates that Nigerian financial firms with well-defined governance structures tend to exhibit higher profitability, greater efficiency, and lower levels of financial distress. This is because effective governance practices, such as the presence of independent board members, rigorous audit processes, and comprehensive risk management strategies, contribute to better oversight and strategic direction.

Moreover, the implementation of corporate governance codes, such as the Nigerian Code of Corporate Governance 2018, has been instrumental in standardizing practices across the financial services industry. These regulations aim to enhance transparency, accountability, and ethical conduct, fostering a more stable and trustworthy financial environment. Ujunwa et al. (2013) emphasize that adherence to these codes not only improves corporate governance but also positively impacts financial performance by attracting foreign investment and boosting market confidence.

The interplay between corporate governance and financial performance is a critical area of focus for listed financial services firms in Nigeria. Effective governance frameworks are essential for ensuring sustainable growth, protecting stakeholder interests, and maintaining the integrity of the financial system. As the Nigerian financial sector continues to evolve, the ongoing enhancement of corporate governance practices will remain a key determinant of its success and stability.

The relationship between corporate governance practices and the financial performance of these firms has garnered significant attention from researchers, regulators, and industry practitioners. However, the effectiveness and impact of corporate governance mechanisms on the financial performance of listed financial services in Nigeria remain ambiguous and under-researched. In Nigeria, the financial services sector plays a vital role in economic development, providing essential financial intermediation and support for businesses and consumers alike. Despite its importance, the sector has faced numerous challenges, including governance failures, financial mismanagement, and ethical breaches, which have led to financial instability and crises (Uwuigbe,

2011; Okoye & Nwisienyi, 2013). Most recently, in June of 2024, the CBN revoked the licence of Heritage Bank PLC citing reasons based on the banks board inability to improve its financial performance. These challenges underscore the need for robust corporate governance frameworks to enhance transparency, accountability, and overall performance.

Corporate governance encompasses various mechanisms, such as board composition, size, meetings and gender diversity, designed to align the interests of management with those of shareholders and other stakeholders (Jensen & Meckling, 1976). Effective corporate governance can mitigate agency problems, reduce the risk of fraud, and enhance decision-making processes, ultimately improving financial performance (Claessens & Yurtoglu, 2013). However, the extent to which these governance mechanisms impact the financial performance of listed financial services firms in Nigeria is not well established.

Empirical studies have yielded mixed results regarding the influence of corporate governance on financial performance. For instance, some studies suggest a positive relationship, where strong corporate governance practices lead to improved financial outcomes (Daniel et al., 2021; Hamada & Jwailes, 2021, Okolie & Ogbaragu, 2022; Onmonya et al. 2024). Conversely, other studies indicate that the relationship is either insignificant or negative, suggesting that corporate governance reforms alone may not be sufficient to drive financial performance (Fariha et al. 2021; Iheyen, 2021; Shehu, 2017; Wobo & Ibanichuka, 2021).

Given the conflicting evidence and the critical role of financial services in Nigeria's economy, there is a pressing need to empirically examine the effect of corporate governance on the financial performance of listed financial services firms in Nigeria. Understanding this relationship can provide valuable insights for policymakers, regulators, and industry stakeholders in formulating strategies to enhance corporate governance practices, thereby fostering financial stability and sustainable growth in the sector.

The broad objective of this study is to examine the effect of corporate governance (board composition, size, meetings and gender diversity) on the financial performance (return on asset) of listed commercial banks in Nigeria from 2012 to 2022.

Statement of Hypotheses

H_{01}: Board size has no significant effect on ROA of listed commercial banks in Nigeria

H_{02}: Board independence has no significant effect on ROA of listed commercial banks in Nigeria

H_{03}: Board meeting has no significant effect on ROA of listed commercial banks in Nigeria

H_{04}: Board gender diversity has no significant effect on ROA of listed commercial banks in Nigeria

2. Literature and Theoretical Review

Corporate Governance

Solanke et al. (2019) defined corporate governance as one mechanism affecting how an organization is being directed, administered and controlled. They further noted that good corporate governance improves the organization's corporate success and builds the investors, confidence by enabling them to realize their corporate objectives, which contribute to the economic growth and development of the country.

The organisation for Economic Cooperation and Development (OECD) (2004) principles of corporate governance states that corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the company's objectives are set, and the means of attaining those objectives and monitoring performance are determined. The OECD corporate governance principles have been a reference document for policymakers, investors, corporations and other stakeholders worldwide. This definition emphasises the need to protect the rights of shareholders and ensure equitable treatment for all minorities, who can obtain effective compensation for damages for violating their rights, recognise the rights of interested third parties and promote active cooperation between them and societies in the creation of wealth, and have a strategic guide for the company, effective monitoring of management by the board.

Board Size

Board size is a major component of board characteristics which has attracted several views from scholars. While they are divergent views on the optimum board size, there is, however, a consensus understanding of the definition of board size. For example, Isik and Ince (2016) defined board size as the total number of inside and outside directors on the board of directors. Tulung and Ramdani (2018) described board size as the number of board members in the company's organisational structure. This study, therefore, aligns with the definition of Isik and Ince (2016), who defined board size as the total number of inside and outside directors on the board of directors as well as the Chief Executive Officer (CEO). The CBN code of corporate governance (2018) stipulates a maximum of nine board members and a minimum of five board members.

Board Independence

Uwuigbe et al. (2018) opined that the board is considered independent if it has many outside directors and fewer insiders. A board is considered independent when all or majority of the board members are not related to the company except as a director. An existing board in a company should have a majority of independent directors, independent majority. Such a director on the board is more likely to consider the best interests of shareholders. An independent direct helps in decision-making and also lessens any disputes of interest that may arise in the company. Al-Jalahma (2022) defined board independence as the ratio of independent non-executive directors to total board members. Members are independent if their tenure as a board member does not exceed

five years, they are not ex-employees of the firm or related to senior management. They are not consultants, lawyers, or financial advisors and are not engaged in a reciprocal interlock.

Board Meetings

Fariha et al. (2021) defined board meetings as the number of meetings attended by the board members. They described the meeting as a measurement of diligence. They posit that it is likely that more board meetings give more opportunity to the board to discuss organizational strategy in detail. In another vein, Al-Matari, et al. (2012) defined meetings as the number of meetings held in a year. They measure the meeting using a dummy variable, that is, 1 if the number of meetings is at least four per year, and 0 if the frequency of meetings is less. According to Financial Reporting Council UK (2016), board meeting is referred to as a formal meeting of the board members to fulfil its responsibilities, including review of financial statements, internal controls, and communication with the external auditor.

According to Osevwe-Okoroyibo and Emeka-Nwokeji (2021), regular meeting is more important than ever. Such gatherings could aid in the reduction of the agency's difficulty and the elimination of asymmetric information. Shareholders and all investors may be able to acquire accurate and timely data to make informed financial decisions if regular meetings are held. As a result, regular meetings are a critical aspect that can substantially impact a company's financial success. In another vein, Ashari and Krismiaji (2019) defined board meeting as an instrument to discuss and solve issues and problems faced by companies. They noted that the more meeting, the more problems can be resolved.

Board Gender Diversity

Enobakhare (2010) defined board gender diversity as the inclusion of women on board of directors, which is considered an important factor that improves board variety and discussions. The board gender diversity is calculated as the total number of women on the board over the board size over a period. Sila et al. (2016) suggested that gender diversity refers to the extent to which the gender identity of a person, activity or expression differs from cultural believes prescribed for people of a certain sex. They noted that it is an umbrella term that is used to describe gender identities that demonstrate a diversity of expression beyond the binary framework. For this study, board gender diversity is defined as the ratio of women directors on the board. The presence of women on boards of directors is limited, as literature reveals a slow but steady rise in female presence on corporate boards throughout the world.

Financial Performance

Trivedi (2010) states that financial performance refers to the ethical act and manner of performing a financial activity in an organization. Rahel and Serkalem (2010) opined that financial performance, which measures profitability and market value, indicates how well the firm satisfies its owners and shareholders. The ultimate goal of firms is to increase their financial performance, particularly for public firms, in terms of shareholder value. More so, performance measurement systems aim to provide operational control and to provide external financial reporting.

According to Agyapong and Appiah (2015), ROA is a measure of performance to measure both the efficiency and the effectiveness of assets. ROA has an advantage because they are backwards looking. Also, ROA shows how efficient management is at using its assets to generate earnings (Okuogbu, 2011). It is often computed by dividing Profit after tax by total assets. ROA indicates how profitable a company is relative to its total assets. It shows how the management uses its assets to generate earnings efficiently; that is, it measures the efficiency of the business in using its assets to generate net income. It is derived by dividing a company's annual earnings by its total assets. Alternatively, ROA is the ratio of annual net income to the average total assets of a business during a financial year. Net income (after-tax income) can be found on the income statement. Average total assets are calculated by dividing the sum of total assets at the beginning and at the end of the financial year by 2. Total assets at the beginning and at the end of the year can be obtained from the year-ending balance sheets of two consecutive financial years.

Theoretical Review

Agency theory is based on the principle of contract which exists between the principal and the agent. The theory was postulated by Jensen and Meckling (1976). The agency theory is defined as the relationship in which one or more persons (shareholders), also known as the principal and another person(manager), also known as the agent to perform some service on their behalf and therefore delegate some decision-making authority to the agent. Accordingly, in agency theory, the principals had to identify ways to motivate the agents and to ensure that they act in the best interest of the principals. Jensen and Meckling, (1976) suggested that cost can be an alternative way to reduce agency conflict and they define agency cost as cost of monitoring, bonding cost and residual loss. Monitoring costs are associated with appointing appropriate agents such as external auditors. Bonding costs are those used to ensure that agents always make decisions supporting the principal's wealth, such as agents' commission. Residual loss is agency loss that arose due to an imbalance between monitoring and bonding costs. The agency theory explains the relationship between governance and management structure. Where there is separation, the agency model can be refined to include the management's goals with that of the owners. This study is associated with agency theory, which describes the relationship between Corporate governance mechanisms and financial performance variables. Corporate governance is affected by board size, board independence, board meetings, board gender diversity, while the measure of firms' performance are return on asset.

Empirical Review

Naim and Aziz (2022) determined the impact of the board characteristics on the firm performance for 348 firms of 500 index listed on the National Stock Exchange of India for the period 2012 to 2018 using the Ordinary Least Square (OLS) fixed effect model and more robust Generalized Method of Moments (GMM) regression techniques. Further, the moderating effects of market capitalization are also observed, considering the impact of board characteristics on the firm performance using the interaction effects technique. Lastly, the ideal board size was determined based on the classification of market capitalization, including small, mid, and large market cap. Board characteristics, including board size had a significant positive impact on the firm

performance. Findings also suggest an ideal board size of 8 for mid-cap firms and a range of 7-18 for large-cap firms. The findings of this study was limited to India.

Algthami and Hussin (2022) study meta-analysed the extant studies on the board characteristics–firm outcomes relationships found among Saudi Arabian firms. Using a sample of 336 businesses and 2,098 firm-year observations, the study concluded that although the overall effect is small, the meta-analysis provides evidence of the correlation between board size and various firm performance metrics (ROA, ROE, tobin Q). The findings of this study focused on Saudi Arabia firms.

Habtoor (2022) investigated the relationship between various attributes of boards of directors on bank performance in light of Saudi corporate governance regulations. The data set of this study is extracted from the annual reports of all 12 banks listed on the Saudi Stock Exchange (Tadawul) over a period of 10 years from 2009 to 2018. The results of the multivariate analysis show that board size has a significant positive influence only on operational bank ROA.

Benvolio and Ironkwe (2022) explored the relationship between board composition and firms' performance of quoted commercial banks in Nigeria 2011 to 2021. The empirical results indicate that board composition significantly relates to firm performance. The study concludes that board composition contributes significantly to firm performance in selected quoted commercial banks in Nigeria. This study differs from the current study because it used firm market value while the current study uses ROA.

Gatehi and Nasieku (2022) determined the effect of board characteristics on the financial performance of non-financial firms listed at the Nairobi Stock Exchange (NSE). A quantitative research was conducted using 26 randomly selected non-financial firms listed on the NSE. Using historical financial data from companies' financial statements, a correlational and regression analysis was conducted using ROE as the dependent variable. Notably, diagnostic tests such as multicollinearity, autocorrelation, and normality tests were conducted before the Pearson's correlation test. Importantly, the Panel Data Model was used to determine the goodness of fit, while the Panel Least Square model was used to select the appropriate model for regression analysis. The Fixed Effect Model was the most suitable model. As a result, the findings showed that board size had statistically insignificant effects on financial performance. The study focused on financial and non-financial firms in Kenya, which cannot be generalised to Nigeria.

John, Kamukama and Fredrick (2020) assessed the relationship between board composition and the financial performance of private limited companies in Uganda. The study collected data from 394 companies in Central and Western Uganda. An open-ended questionnaire was used to collect data from company board members and executives. Pearson correlation and standard linear regression were employed for data analysis. Results indicate a positive relationship between non-executive directors on the board and the financial performance of private companies. The study is limited to private firms in Ugandan, which cannot be generalised to Nigeria.

3. Research Methodology

This study adopted an *ex-post facto* research design. The population of the study consists of all listed commercial banks listed on the Nigerian Exchange Group (NGX) as at December 2022. The total number of commercial banks listed in NGX as at December 2022 was 14. The sample technique will be based on judgmental were each firm will be selected based on data availability and listed to commercial banks. Therefore, the study adopts 10 banks listed in the NGX. The study relied on secondary data from various annual reports of all sampled firms in Nigeria from 2012 to 2022. The study extracted the data from the audit annual report of the listed financial services firms will be sourced via download from the firms' website.

The study adopted panel regression as a tool for data analysis. This method is relevant to the study, and the data for the study were balanced panel data. It has the characteristics of both cross-sectional data and time series data. The panel data gives more informative data, more variability, less collinearity among variables, more degree of freedom and more efficiency.

The multiple regression model is formulated based on the assumption that, there exists a linear relationship between the dependent and independent variables.

$$RoA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BM_{it} + \beta_4 BGD_{it} + \beta_5 FS_{it} + \mu_{it}$$

Table 1: Variables and Measurement

Variables	Type	Description
Return on Asset (ROA)	Dependent variable	Calculated by dividing a company's as net income by total assets
Board size	Independent variable	Total number of directors on the board
Board independence	Independent variable	Proportion of independent non-executive directors to total directors
Board meetings	Independent variable	Number of meetings held by the board per annum
Board gender diversity	Independent variable	Proportion of female directors to total board members
Firm size (FSIZE)	Control variable	Natural log of total asset

Source: Authors computation (2024)

4. Result and Discussions

Descriptive Statistics

The descriptive statistics show the nature of each variable in this study. The results of descriptive analysis for these variables employed are presented in table 2.

Table 2: Descriptive Statistics

	Mean	Standard Deviation	Min	Max
ROA	.233537	1.617889	-.092741	16.09719
Boardsize	14.42636	3.094287	6	21
Boardind	.1493798	.0857481	0	.36
BGD	.207907	.1084383	0	.5
Bmeet	6.138889	2.481552	1	16

Source: Stata Output (2024)

From table 2, it is observed that the mean or the average of ROA 23.3% which implies that on average, the management of listed commercial banks in Nigeria are efficient in generating profits from their total assets. However, the dispersion, that is the standard deviation around the mean stood at 161.78%. The minimum and maximum values of ROA are -9.27% and 1609.7% respectively. This means that some commercials have more assets involved in generating their profits while other use fewer assets in generating their profits.

The average board size for commercials is 14 while the minimum and maximum number is 6 and 21 respectively. This is contrary to the new CBN code of corporate governance which stipulates a maximum of 9 board of directors and a minimum of 5. The CBN code of corporate governance also requires that banks board composition should comprise 50%, independent non-executive director. From the table above, the listed commercials were not fully complaints with the CBN code requirement. However, on average, the board of directors comprise 14.9% while the minimum and maximum number of independent directors are 0 and 36% respectively. Table 2 shows the descriptive statistics of board gender diversity. The findings show that the average number of board diversity on the board of directors is made up of 20.7% female with a minimum number of 0 and a maximum number of 50%. This implies that the board of directors of commercials are dominated by male directors with limited female directors presence. The result

also show that on the average the board of directors 6 times which is within the minimum requirement of 4 times a year. This implies that the board are diligent in their duties. The average size of listed banks is over 7 trillion Naira.

Correlation Matrix

In order to establish the relationship among the variables, the pairwise correlation matrix was carried out between the dependent variable and the independent variables. Table 3 shows the summary of the result.

Table 3: Correlation Matrix

	ROA	**Boardsize**	**Boardind**	**BGD**	**BMEET**	**FSIZE**
ROA	1.0000					
Boardsize	-0.1022	1.0000				
Boardind	0.0314	-0.2095	1.0000			
BGD	-0.1868	-0.1114	0.2143	1.0000		
BMEET	-0.0351	0.3984	-0.1964	-0.0168	1.0000	
FSIZE	-0.0475	0.1461	0.2756	0.2997	-0.0290	1.0000

Stata Output (2024)

The result from table 3 shows the relationship between the dependent and independent variables. The result show that the relationship between ROA and board size, board gender diversity, board meeting and firm size is negatively related. This implies that increase in female gender on the board, board size, board meeting, firm size decreases performance of commercials in Nigeria. On the other hand, the result shows that there is a positive relationship between performance (ROA) and board independence of listed commercials in Nigeria. Implying that independent board of directors increase performance.

Test of Hypotheses

Table 4: Random Effect Panel Regression Result

ROA	Coefficient	Std. Error	z-statistics	p-value
Boardsize	-.1619134	.0726005	-2.23	0.026
Boardind	.3881473	2.38671	0.16	0.871
BGD	-6.67982	1.944375	-3.44	0.001
BMEET	.0717735	.0839406	0.86	0.393
FSIZE	1.17e-10	1.15e-10	1.02	0.310
R^2 = 16.44				
Wald test	27.58			0.0000
Hausman	3.43			0.4887
Lagrangian	7.84			0.0026

Source: Stata Output (2024)

Hausman test was used to determine the fixed and random effects. Based on the outcome of the Hausman test in table 4, the random effect was found to be suitable for this study which was evident by the p-value which is greater than 5% significant level ($p>0.05$). Based on the outcome of this result, a Lagrangian multiplier test for random effect is required to decide between random effect and pooled regression.

Also in table 4, the result of the Breusch and Pagan Lagrangian multiplier test for random effect shows that the probability of the chi^2 ($P = 0.0026$) is significant at 5% level indicating that there is a panel effect, hence the use of random effect.

The result of the analysis in table 4 shows the regression coefficient (R^2) which explains that 16.4% of the variations in the performance of listed commercials can be explained by corporate governance (board size, board independence, board meeting, board gender diversity and firm size). The Wald test was used to show the joint significance of the coefficient. The findings indicate that overall, the board characteristics significantly affect the performance of listed commercial banks in Nigeria at 5% level of significance ($p<0.05$).

Board size and Financial Performance

The first hypothesis which states that board size has no significant effect on the financial performance of listed commercial banks in Nigeria. The panel regression result in table 4 shows that board size has a negative significant effect on the performance of listed commercials. Based on this result, this study, therefore, reject the null hypothesis which states that board size has no significant effect on the performance of listed commercials in Nigeria at 5% level of significance (P = 0.026). This finding is in agrees with Kiptoo et al. (2021) study who found that board size negatively and significantly affects financial performance. This implied that firms with bigger board sizes do not perform better than firms with smaller board sizes. In other words, a unit increase in board size result to a decrease in performance by 16.19%. The conclusion based on the findings implies that increasing the number of boards of directors decreases the performance of commercial banks. In other words, commercials with bigger board sizes do not perform better than firms with smaller board sizes. This finding does not support the agency theory that explains the influence of the board size on financial performance. Agency theorists argued that to protect the interests of shareholders, the board of directors' size should be constituted in line with the reviewed cooperate governance code to enable the board to effectively perform oversight functions. Kanakriyah (2021) and Noja et al. (2021) outlined the importance of an optimal board size leading to improved financial achievements and higher profitability for the analysed companies.

Board Independence and Financial Performance

The second hypothesis which states that board independence has no significant effect on the financial performance of listed banks in Nigeria. Table 4 also shows the random effect regression result of board independence and performance of listed commercials in Nigeria. According to the findings, the null hypothesis is accepted because the P-value is greater than 5%. This finding is disagree with the study of Oyedekun (2019) and Kiptoo et al. (2021) who found that board composition negatively and significantly affects financial performance. Biase and Onorato (2021) argued that board independence is the most relevant governance factor, potentially positively impacting performance. In contrast, Kiptoo et al. (2021) argued that a bigger ratio of independent executive directors does not perform better than those with less proportion of independent non-executive directors. On the other hand, Sobhan (2021) found that the board composition does not significantly affect firm performance.

Board Gender Diversity and Financial Performance

The third hypothesis which states that board gender diversity has no significant effect on the financial performance of listed banks in Nigeria. Table 4 shows the random panel regression result of board gender diversity and the financial performance of listed commercials in Nigeria. According to the analysis, it was found that the p-value was negative and significant (P =0.001). Hence, the rejection of the null hypothesis and acceptance of the alternate hypothesis states that board gender diversity has a significant effect on the performance of listed commercials in Nigeria. Prior studies (Kanakriyah, 2021 and Noja et al., 2021) argued that gender diversity improved financial achievements and higher profitability of firms. While Kudal and Dawar (2020) found no

significant relationship between the number of women directors on a firm's board and performance.

Board Meeting and Financial Performance

The hypothesis which states that board meeting does not significantly affect financial performance of listed commercial banks is accepted since the p-value is greater than 5%. The study therefore concludes that board meeting does not affect financial performance.

Robustness Tests

In order to avoid spurious regression analysis, the regression result was subjected to various robustness tests such as multicollinearity (to see if the independent variables were suffering from multicollinearity and heteroscedasticity tests).

Multicollinearity Test

Table 5: Multicollinearity test

Variable	VIF	1/VIF
Boardsize	1.32	0.760058
Fsize	1.27	0.784614
Bmeet	1.22	0.817768
boardind	1.15	0.866857
Bgd	1.12	0.892671
Mean VIF	1.22	

Source: Stata output (2024)

The residual of the regression analysis was subjected to a multicollinearity test to detect the presence of collinearity among the variables. The result show that the mean of the Variance Inflation Factor (VIF) was 1.05, which is much lower than the threshold of 10. The VIF for individual variables was also very low. This indicates that the explanatory variables included in the model were not correlated with each other indicating an absence of multicollinearity between the variables.

Heteroscedasticity Test

Table 6: Breusch-Pagan/cook-Weisberg test for Heteroscedasticity

Chi^2	Probability
190.74	0.0000

Source: Stata output (2024)

One of the statistical assumptions of regression analysis is that the error terms for all observations have a common variance (homoscedastic). On the contrary, varying variance errors are said to be heteroskedastic. The heteroscedasticity was tested in the residuals of the estimations using the

Breusch-Pagan/Cook-Weisberg test. The null hypothesis is stated thus, there is no heteroscedasticity. From the analysis, the model had heteroscedasticity. Hence, the null hypothesis was rejected and the alternate hypothesis was accepted because, it was found to significant at 1%, which led to the application of Hausman's test.

5. Conclusion and Recommendations

The study examined the effect of corporate governance on financial performance of listed financial service firms in Nigeria from 2012 to 2022. In examining the study assessed the effect of board size, board independence, board meetings, board gender diversity on the return on asset of listed commercial banks in Nigeria. The study found that board size has a significant negative effect on ROA. Similarly, board gender diversity has a significant negative effect on ROA. In contrast, board independence, and board meetings have insignificant effect on ROA of listed banks in Nigeria. The study concludes that larger size does not increase performance of banks. Also, increase women directors on the board does not translate to increased performance. Based on the findings, the following recommendations were made:

i. Banks are encouraged to adhere to the new CBN corporate governance code by limiting the size of the board to nine since a larger board size does not influence financial performance.

ii. The CBN should ensure strict compliance by banks to corporate governance code on board composition as this would increase performance.

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