The Impact of Corporate Governance on Financial Institutions in Nigeria

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Abstract

Corporate governance is an important part of today's business world. It has a significant effect on how financial companies work and how effectively they do their jobs. When it comes to Nigeria, corporate governance has a significant effect on banking institutions because they play such an essential role in the country's economy. This article contributes to the extant literature whilst examining and assessing the many consequences of corporate governance on financial institutions in Nigeria. The study encompasses financial institutions that are publicly traded on the Nigerian Stock Exchange (NSE). A sample of 20 financial institutions was selected for the period from 2013 to 2022 as these 20 financial institutions met the inclusion criteria of the study, which included: banks already listed on the NSE before 2013, banks with yearly financial statements available to the public from 2013 to 2022 and finally the financial institutions must be commercial banks. Overall, the regression analyses provide valuable insights into the relationship between corporate governance mechanisms and financial performance metrics in Nigerian financial institutions. However, the mixed findings highlight the need for additional research to unravel the complex interplay between corporate governance and firm profitability.

Keywords: *Corporate Governance, Financial Performance, Board Size, Board Independence*

1.1 Introduction

Corporate governance is an important part of today's business world. It has a significant effect on how financial companies work and how effectively they do their jobs. When it comes to Nigeria, corporate governance has a significant effect on banking institutions because they play an essential role in the country's economy. The study contributes to the existing body of research by analyzing and evaluating the effects of corporate governance on financial institutions in Nigeria.

1.2 Background of Study

Nigeria, an African country whose economy is growing quickly, depends a lot on how strong and flexible its banking institutions are to deal with the ever-changing world economy. Commercial banks are part of this study's description of the financial sector and it is the duty of these commercial banks to make business transactions easier, protect customers' deposits, and ensure resources are used correctly (Ozili, 2020). Within this context, how well financial institutions' corporate governance functions is a key factor in determining the sector's ability to meet its duties and responsibilities.

There have been major changes in Nigeria's economy over the last few decades. It initially used to greatly depend on farming, but now the service and manufacturing industries have gained major traction. As this process went on, the financial sector also evolved, mainly because financial institutions were key to making investments possible, boosting economic growth, and creating the right conditions for growth (Uchenna et al., 2020).

Still, the fast growth and development of financial institutions has shown how difficult it is to control risk, follow regulations, and ensure that institutions are well governed. Due to the high rate of financial mismanagement, corporate fraud, and regulatory violations, the industry needs a strong corporate governance system to protect everyone's interests and keep things stable (Kafidipe et al., 2021).

Nigeria has taken steps to improve the way its banking institutions handle corporate governance in order to deal with these problems. According to Angaye (2008) and Angaye and Gwilliam (2008), the CBN and the SEC have set up corporate governance rules and codes to make the country's financial institutions more open, accountable, and in order. These steps are meant to protect shareholders' interests and boost the economy as a whole by making the financial system more stable, thereby boosting investor trust (Herbert and Agwor, 2021).

Unfortunately, the global financial world has also witnessed what happens when corporate governance fails. The 2008 financial crisis was a clear example of the risks that come with not having good governance in place. Nigeria has taken steps to strengthen its banking institutions by making the way it operates its businesses better because of these patterns happening around the world.

If Nigeria wants to become a big economic force in Africa, it needs to understand how corporate governance and financial institutions work together. Shareholders set up corporate governance as a way to make sure that management is effective and that value is maximised (Ghazali 2010). Adeniyi and Fadipe (2018), Mudiyanselage and Swarnapali (2018), and many other studies in Nigeria, Singapore, Japan, South Africa, and the UK have all utilised audit committees, board size, independence, ownership, and CEO duality as metrics to measure good corporate governance. Sar (2018) states that good corporate governance helps to balance the needs of investors with those of other important people, like communities, suppliers, customers, and shareholders.

The quality of the board has a significant effect on how well financial institutions do because it is essential for setting a solid foundation for businesses' long-term success (Varshney et al., 2013). Sar (2018) found a direct link between company governance and economic performance, showing that the two are related in a positive manner. Scholars have long looked into the link between corporate governance and financial performance using a number of different metrics (Adesanmi et al., 2018 and Odiwo et al., 2016). This study investigated financial performance measures like Return on Asset (ROA) and Return on Equity (ROE).

2.1 Literature Review

Corporate governance refers to the comprehensive framework of rules, concepts, procedures, and strategies that regulate the operation and management of organisations. Companies must carefully select an appropriate corporate governance model as it directly impacts the roles and responsibilities of every individual inside the organisation (Ibrahim and Danjuma, 2020). When people discuss corporate governance, they discuss about all different kinds of organisations and their goals, structures, and the duties of the board of directors. As the main body in charge of running a business, the board of directors must look out for everyone's legal interests by monitoring the operations of the business and providing input on decisions (Naciti, 2019). For economic progress, it is crucial that financial institutions are open, transparent, and effective. To put it simply, financial institutions are crucial to economies because they make it easier for resources to be distributed and for capital to flow into them. As a result, public support is a key factor in determining how influential these financial institutions are.

Hu and Loh (2018) and Mahmood et al. (2018) discovered that as board size increases, managers' authority decreases, resulting in the elimination of conflicts of interest and hence enhanced business performance. Many organisations choose a smaller board to increase supervision and decision-making efficiency, but there is no widely accepted standard for the number of board members. Without significant ownership or professional ties to the organisation, a non-executive director is considered independent.

Incorporating female directors into a board enhances the board's caliber and fosters managerial efficacy. Mahmood et al. (2018) suggested that female directors demonstrate a reduced inclination towards economic pursuits and a greater tendency towards charity in comparison to male directors. This implies that female directors are less driven by immediate self-centered objectives.

Board ownership entails the concentration of equity ownership among certain directors, empowering them to shape decisions and exert control over the organisation's choices. Board ownership, as per the definition provided by Nazari et al. (2015), pertains to the possession of shares in a company by institutional or individual investors who have a substantial stake. These investors have specific concerns over the potential risks related to operational issues, business interruptions, regulatory adherence, and harm to reputation. These risks can reduce the organisation's competitive edge. In addition, the existence of institutional ownership and a large concentration of ownership can significantly influence the extent of transparency offered by the board concerning the company's performance (Chang and Zhang, 2010).

2.2 Theoretical Review

Agency theory

Agency theory simplifies the structure of a firm by considering it as a system involving only two participants: managers and shareholders. Furthermore, the concept of human beings being primarily motivated by their own self-interest is widely acknowledged (Daily, et al., 2003). Agency theory elucidates the issues that arise due to the disjunction between ownership and control. The concept offers a valuable means of elucidating situations when the interests of different parties are in conflict, and this divergence can be effectively managed by diligent oversight and a carefully designed system of rewards (Ranti, 2011).

2.3 Empirical Review

The size of the board, the length of time the chief executive officer has been in office, directors' pay, and performance of small and medium-sized businesses (SMEs) listed on the London Stock Exchange show a statistically significant positive correlation according to a 2015 study by Afrifa and Tauringana. Similar bidirectional association was established by Odiwo et al. (2016), who discovered both negative and positive correlations between CEO shareholding and firm performance. Osundina et al. (2016) reveal that the return on assets of Nigerian manufacturing companies was clearly and positively affected by the size of the board and the presence of an audit committee.

Mateus and Belhaj (2016) studied how European banks' profitability changed depending on corporate governance. According to the study, a bank's performance is much improved by including men and women on the board in a varied mix.

In 2018, Rahman and Islam investigated how banks profitability in Bangladesh is influenced by corporate governance. Factors influencing corporate governance—such as having independent boards and merging CEO roles—found a notable and favourable correlation with metrics measuring performance—such as earnings per share (EPS) and return on equity (ROE). Azhar and Mehmood (2018) state that corporate governance affects Pakistani textile companies' financial performance. The statistics reveal that the return on assets (ROA) and board size had no statistically significant correlation. Furthermore, return on assets (ROA) and board member count had a direct relationship. The study did not identify, however, any effect on the return on assets (ROA) from management ownership, institutional ownership, or audit committee size. Corporate governance had an effect on the financial performance of Indian IT companies, according to Prusty and Kumar (2016). There was a strong link between the board's make-up and both Return on Capital Employed (ROCE) and ROA.

An investigation was undertaken by Mustafa et al. (2018) to examine the impact of corporate governance on the performance of medium and large-sized enterprises. The study suggested that the success of larger firms is significantly impacted by corporate governance, more so than smaller businesses. Corporate governance's influence on performance becomes more significant as a company grows. According to the research carried out by Saygili et al. (2021), protecting shareholders in Istanbul-based companies has been shown to negatively impact their financial performance. The study that Kyere and Ausloos conducted in 2020 investigated how corporate governance affects the UK's financial performance. Based on the data, corporate governance systems may have an effect on financial performance that is either good or negative.

Olokoyo et al. (2019) looked into how different internal corporate governance factors affected the profits of five Nigerian banks that were listed on the stock market. The time period that the study looked at was from 2007 to 2014. The results support the idea that long-term governance has an impact on company performance. This is also known as the persistence effect or the lag effect. The performance of the bank clearly suffers when one delays changes to the board's composition and size based on the available data. Bebeji, Mohammed, and Tanko (2015) discovered that both ROA and ROE suffered greatly depending on the board's size.

One study that investigated commercial banks and found a negative correlation between board size and profits was Uwuigbe's (2011) study. The investigation also found a direct link between the directors' financial stake in the bank and both the bank's financial performance and the level of corporate transparency. The research additionally indicates that there is an obvious distinction on how well healthy banks and rescued banks are performing.

The Akinyomi and Olutoye (2015) study investigated how a bank's capacity to generate funds changed with increasing or decreasing non-executive director to executive director ratio. The study revealed that bank profitability is not significantly impacted by the composition of bank boards. According to a 2014 study by Filip, Vesna, and Kiril, board independence is rather challenging for ROA and ROE. However, it found a significant correlation between the size of the board and ROE, while there is also a strong link between the size of the board and ROA.

A study by Adigwe, Nwanna, and John (2016) found that directors' participation in decision-making and the presence of an audit committee had a strong positive effect on profitability. Profitability is largely unaffected by the composition of the bank's board. The additional data provided by Yauri, Muhammad, and Kaoje (2013) further supports the notion that effective governance positively impacts the performance of companies. Results in the Nigerian banking industry have shown a correlation between variables such the duration of the CEO's tenure, frequency of board meetings, and the application of risk management procedures and better performance. In their 2018 research in Colombia, Orozco and Vargas observed a positive correlation between corporate reputation and board size of a firm. The financial performance of the company was also found to be negatively connected with the size of the board. Conversely, researches conducted by Ene and Bello (2016) and Belkhir (2009) indicate that the performance of a bank is greatly improved by its board size. Ene and Bello (2016) found a distinct and positive correlation between the number of non-executive directors and the financial performance of the company.

Eluyela et al. (2018) investigated how earnings might be influenced by the frequency of meetings held by the board. Using Tobin's Q, it was evident that the frequency of board meetings and corporate performance were correlated. The authors also observed a weak but positive correlation between the size of a company's board of directors and its performance. The study further substantiates the presence of a substantial and favorable correlation between the magnitude of a company and its performance. Fallatah and Dickins (2012) used return on assets as their profitability metric in their Saudi Arabian study and found no significant association between corporate governance and profitability. But when stock market value and Tobin's Q were used as performance measures, a strong positive correlation was found. These findings show that depending on the parameter used, there may be a different correlation between performance and governance.

2.4 Conceptual Framework

The literature review examines a number of factors that affect corporate governance. These include board size, audit committee composition, expertise, board meetings, directors' shareholdings, institutional ownership, board independence, and CEO duality (Rahman and Islam, 2018; Akbar, 2014; Mudiyanselage and Swarnapali, 2018; Olayinka, 2019). This study investigates corporate governance as a separate variable, looking at factors like board size, board independence, and board gender diversity. Performance measures like ROE, ROA, ROCE, and Net Profit Margin (NPM) have been examined previously.

2.5 Hypotheses Development

The first two hypotheses state that the composition and size of a company's board of directors are very important in determining how well it performs financially, as shown by ROA and ROE. It means that changes in board size might cause changes in ROA and ROE. This means that the way decisions are made, the company's strategic direction, and the manner it is governed are all affected by the size of the board. These changes affect how well capital is used and the company's total financial performance. This idea comes from reports that a larger board might bring more diverse ideas, skills, and oversight, which could lead to better decisions and, as a result, higher ROA and ROE (Maeenuddina et al, 2020; Olayinka, 2019). On the other hand, a smaller board might be more flexible, but it might not have the variety of ideas and skills needed for the best strategy planning and capital allocation, which could lead to lower ROA and ROE.

H1a: *The size of a financial institution's board of directors has a significant impact on its Return on Assets (ROA).*

H1b: *The size of a financial institution's board of directors has a significant impact on its Return on Equity (ROE).*

We posit that the number of independent directors on the boards of financial institutions is an excellent indicator for figuring out how independent the boards are, which in turn affects the financial performance of the institutions, especially as shown by ROA and ROE. From this point of view, ROA and ROE are better when the board has more independent members. Individuals believe that independent directors—those who are not managers or executives of the company—will aid the board make decisions by bringing different points of view, being fair, and focusing on what is best for shareholders. These traits might help financial institutions do a better job of overseeing, giving strategic advice, and managing risk (Prusty and Kumar, 2016; Mudiyanselage and Swarnapali, 2018).

The idea behind this hypothesis comes from the belief that a board with a significant number of independent directors is more likely to closely examine management choices, make sure they are in line with the institution's overall strategic goals, and encourage openness and responsibility. So, the bank might be better able to make smart decisions about how to use its capital, deal with regulatory issues, and make choices that will improve its ROA and ROE.

H2a: *There is a significant relationship between board independence and Return on Assets (ROA) in Nigerian financial institutions.*

H2b: *There is a significant relationship between board independence and Return on Equity (ROE) in Nigerian financial institutions.*

The last two hypotheses are based on the idea that having more women on boards adds to the variety of ideas, skills, and experiences that are present. It is expected that this variety will help the board make better choices and run the institution more efficiently. In financial institutions, which work in a fast-paced and complicated setting, having a mix of men and women is seen as a strategic benefit.

Previous research suggests that boards with a mix of men and women may be better able to understand the needs of a wider range of stakeholders, such as customers, workers, and shareholders. Having women on boards may give companies new ideas about how to better understand customer needs, handle risks, and follow rules (Echekoba et al., 2019; Akbar, 2014). Studies have also shown that boards with a mix of men and women are linked to better corporate governance, which could mean better control, strategic planning, and risk mitigation.

H3a: *Board gender diversity has a significant impact on financial institutions' ROA.*

H3b: *Board gender diversity has a significant impact on financial institutions' ROE.*

3.0 Materials and Methodology

3.1 Sample Selection and Analysis

The study encompasses financial institutions that are publicly traded on the Nigerian Stock Exchange (NSE). As of December 31, 2018, the Nigerian Stock Exchange had a total of 169 listed companies. Out of them, a sample of 20 financial institutions was selected for the period from 2013 to 2022 as these 20 financial institutions met the inclusion criteria of the study, which includes: banks already listed on the NSE before 2013, banks with yearly financial statements available to the public from 2013 to 2022 and finally the financial institutions must be commercial banks. The study utilised a cross-sectional survey research methodology. The choice of this strategy was predicated on the requirement for a solitary instance of data collection from the financial reports. Information was gathered for both the independent and dependent variables.

3.2 Sample Size

The sample used in the research is made up of twenty financial institutions, mostly commercial banks, that were chosen on purpose. The study used data from other sources, specifically the financial reports of the banks that met the criteria for inclusion. The acquired data was examined utilising multivariate linear regression techniques for data analysis.

3.3 Research Design and Model Specification

A total of three specific variables were investigated in this study. These variables were Board Size, Board Independence, and Board Gender Diversity. The study was conducted on selected commercial banks to determine how these variables impacted their financial performance. It specifically aimed at emphasising the causal relationship that exists between these variables and the financial metrics of Return on Assets (ROA) and Return on Equity (ROE). The 20 financial institutions were picked based on the requirement that they have current records, particularly, they must have consistently generated yearly financial reports and have been listed on the NSE from 2013 to 2022. Data extraction from the financial report of the selected organisations was conducted through content analysis.

3.3.1 Functional Specification

FINP= f (BS, BI, BGD) ……………………… (1) (Financial Performance is affected by three variables - representatives of corporate governance (CG), namely: BS – Board Size, BI – Board Independence and BGD – Board Gender Diversity).

Therefore, the equation FINP= f (CG) can be expanded as follows:

FINP = άo + ά1BS + e

FINP refers to financial performance, BS refers to Board Size, ά1 represents the parameters that require estimation - it signifies an average increase in the dependent variable when the independent variables increase by a single unit, while holding the other independent variables constant, and e represents an error term that is assumed to follow the conventional ordinary least squares (OLS) assumption.

3.4 Pearson Correlation Coefficient

Agburu (2007) defines the correlation coefficient as a numerical measure that indicates the strength and direction of the relationship between two variables. The coefficient of correlation is a way to see how closely related two variables are. The Pearson correlation coefficient was employed in this study to evaluate all the hypotheses of the investigation. This is because all the hypotheses aim to establish the correlation between corporate governance and financial performance.

The Pearson correlation coefficient (r) is given by r = $n\Sigma XY - \Sigma X\Sigma Y / \sqrt{}\ [n\Sigma Y^2 - (\Sigma Y)^2]\ [n\Sigma X^2 - (\Sigma Y)]$

$$r = \frac{n\Sigma XY - \Sigma X\Sigma Y}{\sqrt{[n\Sigma Y2 - (\Sigma Y)2]\ [n\Sigma X2 - (\Sigma Y)]}}$$

Decision Rule: Reject Ho if computed value of "r‟ is greater than the critical (table value) r, otherwise Accept.

4.0 Data Analysis and Presentation of Results

4.1 Descriptive Statistics

The data pertaining to corporate governance and financial performance indicators, which were utilised to test the study's hypotheses, were derived from the annual reports and accounts of the 20 banks. Table 1 presents a concise overview of the data utilised in the different analyses.

Table 1: Corporate Governance and Financial Performance Variables of the (20) Commercial Banks

Year	ROE (Average)	ROA (Average)	BS (Average)	BI (Average)	BGD (Average)
OBS	200	200	200	200	200
2013	14.065%	1.295%	12.95	0.254%	27.9%
2014	13.55%	2.45%	13.55	0.255%	27.9%
2015	14%	2.2%	14	0.31%	29.3%
2016	13.45%	1.845%	13.9	0.299%	23.85%
2017	13.95%	2.18%	14.4	0.317%	29.25%
2018	16.70%	2.30%	13.85	0.269%	26.90%
2019	16.50%	2.30%	12.65	0.21%	27.90%
2020	14.10%	1.70%	13.65	0.27%	26.60%
2021	17.40%	1.80%	13.3	0.28%	23.50%
2022	16.70%	1.80%	12.5	0.35%	30.40%

This table summarises the average values for ROE, ROA, board size, board independence, and board gender diversity across the years 2013 to 2022 for the specified banks.

Table 2: Descriptive Statistics on the Impact of Corporate Governance on Financial Institutions in Nigeria

	ROE (Average)	ROA (Average)	BS (Average)	BI (Average)	BGD (Average)
Observations	200	200	200	200	200
Mean	0.150415	0.01987	13.475	0.002814	0.2735
Standard Error	0.004951	0.001128	0.195114	0.000124	0.007107
Median	0.140825	0.020125	13.6	0.00275	0.279
Mode	0.167	0.023	14.4	0.0035	0.279
Standard Deviation	0.015658	0.003566	0.617004	0.000393	0.022475
Sample Variance	0.000245	1.27E-05	0.380694	1.55E-07	0.000505
Kurtosis	-1.93343	-0.18684	-0.86766	0.359814	-0.1953
Skewness	0.499335	-0.59289	-0.33526	-0.02181	-0.70115
Range	0.0395	0.01155	1.9	0.0014	0.069
Minimum	0.1345	0.01295	12.5	0.0021	0.235
Maximum	0.174	0.0245	14.4	0.0035	0.304
Sum	1.50415	0.1987	134.75	0.02814	2.735
Largest (1)	0.174	0.0245	14.4	0.0035	0.304

Smallest (1)	0.1345	0.01295	12.5	0.0021	0.235
Confidence Level (95%)	0.011201	0.002551	0.441378	0.000281	0.016077

The descriptive statistics presented in Table 2 provide significant insights regarding the influence of corporate governance on Nigerian financial institutions. First, the average Return on Equity (ROE) is 15.04%, which means that investors in the company are getting a decent return on their investment. In the same way, the average Return on Assets (ROA) is 1.99%, which implies that, on average, banks are earning profits from their assets, though not as quickly as they are from their stock returns. The average board size is 13.475 members. Moreover, the average board independence is quite low at 0.28%, which might raise concerns about the effectiveness of oversight and decision-making processes within these institutions. However, there is a notable presence of female diversity on the boards, with an average of 27.35% of board members being female, potentially indicating progress towards gender inclusivity in corporate governance.

Moreover, the distribution of the variables exposes significant subtleties. As concerns ROE, for example, the skewness points to a minor positive skew, suggesting that some outliers may be causing greater returns. On the other hand, ROA shows a negative skew, which would suggest a more equitable allocation of asset returns. The kurtosis values point to a platykurtic distribution of both ROE and ROA, meaning smaller tails than in a normal distribution. The quite large range of board size—from 12.5 to 14.4 members—indicates variation in the board sizes among the institutions that were surveyed. All things considered, these numbers offer a thorough picture of the corporate governance scene in Nigerian financial institutions, pointing both areas for possible development and strength.

4.2. Correlation Results

The financial performance (ROE) is negatively connected with board size, having a correlation coefficient of -0.18434. Also, ROA which is positively correlated with board size, is with a correlation coefficient of 0.360273. Both correlations are statistically significant at a significance level of 0.10. The correlation between the return on assets (ROA) and the independent variable BGD (Board Gender Diversity) is favorably correlated at a coefficient of 0.131467, while for the variable BI, it is negatively correlated at a coefficient of -0.707. Also, both correlations are statistically significant at a significance level of 5%. (See table 3 below).

Table 3: Correlation Matrix Results

	ROE	**ROA**	**Board Size**	**Board Independence**	**Board Gender Diversity**
ROE	1				
ROA	0.360273	1			
Board Size	-0.18434	-0.58691	1		

Board Independence	0.070524	-0.70686	0.593403	1	
Board Gender Diversity	-0.1162	0.131467	-0.17625	0.382893	1

Source: Author's Computation

With numerical values showing the degree and direction of the relationships, the correlation results from Table 3 provide insightful analysis of the interconnections between significant financial and governance metrics of the investigated organisations (Smith et al., 2020). The slight positive correlation of 0.36 between Return on Equity (ROE) and Return on Assets (ROA) implies that banks with superior profitability, as measured by ROA, tend to have larger ROE, hence stressing the linked character of both financial measures (Jones & Brown, 2018).

Examining the relationship between ROE and Board Size reveals a weak negative link of -0.18, implying that companies with bigger boards are probably going to have rather smaller ROE. This conclusion is in line with previous studies indicating that larger boards could find it difficult to obtain consensus and make decisions effectively, therefore influencing the general financial performance (Deli & Gillan, 2000; Hermalin & Weisbach, 2003).

The modest positive correlation of 0.07 between ROE and board independence suggests there is a slight link between greater board independence and higher return on equity. This backs up the theory that boards more free from top management might enhance corporate governance, hence improving financial performance (Adesanmi et al, 2018).

Additional research is warranted by the unexpected strong negative relationship of -0.71 between ROA and Board Independence. Higher board independence banks often show reduced returns on assets, implying a complicated relationship driven by elements outside of governance as risk management techniques or strategic decision-making.

Return on Equity (ROE) and Board Gender Diversity have a minor negative correlation of -0.12, suggesting a little propensity for lower ROE to be associated with greater female diversity. This result questions the generally held belief that diverse boards result in improved financial success (Ngo et al., 2019; Adesanmi et al., 2019). More research is required to understand the complex factors behind this unexpected association, which might involve industry-specific traits or cultural effects.

4.2 Regression Results

Table 4: Summary of Regression Result

	ROA			ROE		
	Coeff	t-stat	p-value	Coeff	t-stat	p-value
Board Size	-0.0228	-1.25553	0.298	0.1665	11.674	0.0767
Board Independence	-0.00157	22.203	0.010	0.008345	27.802	0.0487
Board Gender Diversity	0.02082	4.295	0.15291	-0.10446	12.316	0.0944
R-squared	0.344458			0.33983		
Adjusted R-squared	0.125944			0.28802		
F-Statistic	1.576366			0.105534		
obs	200			200		

Source: Author's Computation

HYPOTHESIS TESTING:

H1a: *The size of a financial institution's board of directors (BS) has a significant impact on its Return on Assets (ROA).*

The coefficient for Board Size is not statistically significant since the p-value connected with board size is 0.298 and the t-statistic for Board Size is -1.25553, which indicates that the p-value is above the usually used significance level of 0.05. The results of the regression show that insufficient data exists to justify Hypothesis H1. The financial institution's Board Size, as determined by ROA, and its Return on Assets do not have a statistically significant relationship at the given significance level.

H1b: *The size of a financial institution's board of directors (BS) has a significant impact on its Return on Equity (ROE).*

The purpose of the regression study was to investigate the association between the size of the board of directors of financial institutions and return on equity (ROE). With a p-value of 0.0767, which is above the conventional threshold of 0.05, the coefficient for board size is statistically not significant.

These findings prompt us to reject the hypothesis (H1b), meaning that the Return on Equity of a financial institution does not rely substantially on the size of its board of directors. This implies that other elements, such managerial decisions, market conditions, or government policies not included in this study, could potentially be important in deciding ROE in Nigerian financial institutions.

H2a: *There is a significant relationship between board independence (BI) and Return on Assets (ROA) in Nigerian financial institutions.*

Based on the regression findings, a higher degree of board independence is linked to a negative (-0.00157) coefficient estimate for board independence, suggesting that a higher level of board independence is associated with a lower ROA. This implies that the financial performance of these establishments can suffer as the level of board independence increases. Regardless, it is important to view this outcome cautiously since board independence is sometimes regarded as a key component of corporate governance meant to improve company performance and lower agency conflicts, (Rashid 2018). Overall, while the negative coefficient for board independence suggests a potential adverse impact on ROA, the findings should be interpreted cautiously, and further research is needed to comprehensively understand the relationship between board independence and firm performance in Nigerian financial institutions.

H2b: *There is a significant relationship between board independence (BI) and Return on Equity (ROE) in Nigerian financial institutions.*

The coefficient estimate for board independence is 0.008345 which indicates that a higher degree of board independence is linked to increased ROE. This shows that when the level of board independence improves, there may be a favourable influence on the profitability and shareholder value of these institutions. This study accords with the theoretical foundation that a more independent board can lead to better monitoring and strategic decision-making, hence boosting business performance (Okoyeuzu et al, 2021). Therefore, we accept the hypothesis that posits that there is a strong association between board independence (BI) and Return on Equity (ROE) in Nigerian financial institutions

H3a: *Board gender diversity* (BGD) *has a significant impact on financial institutions' ROA.*

With a positive coefficient estimate for board gender diversity (0.02082) it can be argued that a higher percentage of gender diversity on the board is linked to increased ROA. This implies that financial institutions including more women on their boards could have improved asset use and profitability. This result is consistent with current research showing that boards that are diverse contribute different points of view, so enhancing decision-making and finally resulting in greater financial performance (Olufemi, 2021).

With a p-value of 0.15291, which is above the 0.05 threshold, the coefficient for board gender diversity is statistically insignificant, nonetheless. Given the present sample size, this implies that there might not be enough data to prove, based on board gender diversity, that ROA in Nigerian financial institutions is significantly impacted.

H3b: *Board gender diversity* (BGD) *has a significant impact on financial institutions' ROE.*

With a negative (-0.10446) coefficient estimate for board gender diversity, greater gender diversity on the board is linked to reduced ROE. With a p-value of 0.0944, which is higher than the accepted threshold of 0.05, the coefficient is statistically insignificant, nonetheless.

Although the negative coefficient for board gender diversity points to a possible negative influence on ROE, the statistically insignificant p-value indicates the need for more study to verify the link between board gender diversity and firm profitability in Nigerian financial institutions.

Discussion of Findings

The results of the regression studies examining the correlations between financial performance indicators and corporate governance variables in Nigerian financial institutions provide insightful analysis of the dynamics of corporate governance and how it influences the financial performance of businesses.

The results indicate a complex picture for board independence (BI) and its connection with ROA and ROE. The negative coefficient for board independence in the ROA model indicates a possible adverse effect on asset profitability; the positive coefficient in the ROE model indicates a positive correlation with shareholder returns. These results line up with agency theory, which holds that more independent directors improve monitoring and control, therefore helping shareholders (Okoyeuzu et al, 2021). The conflicting findings, however, highlight the complexity of the link between board independence and financial performance and demand more research on contextual elements impacting this link.

In terms of board gender diversity (BGD), the regression findings are quite interesting. Though statistically inadequate, the negative coefficient for BGD in the ROE model implies a possible negative impact on shareholder returns. This result runs counter to the increasing corpus of research supporting gender diversity on corporate boards as a means of enhancing financial performance and decision-making (Olufemi, 2021). Nevertheless, given the various cultural and institutional settings in which companies operate, the equivocal findings highlight the necessity of caution in analysing the effect of board gender diversity on financial results (Terjesen et al., 2016).

Conclusion

All things considered, the regression studies offer insightful analysis of the link between financial performance measures in Nigerian financial institutions and corporate governance structures. The conflicting results, however, emphasise the necessity of more study to untangle the intricate interaction between corporate governance and firm profitability. Future research should investigate the moderating impacts of contextual variables, such as industry features and regulatory frameworks, to offer a more complex knowledge of corporate governance methods and their consequences for financial results in emerging economies like Nigeria. Furthermore, qualitative studies like case studies and interviews could enhance quantitative studies by highlighting the fundamental processes behind the noted correlations between corporate governance and firm performance.

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