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BOARD CHARACTERISTICS AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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A B S T R A C T

While global literature has established that board characteristics can influence firm performance, empirical evidence in the context of emerging markets like Nigeria remains inconclusive and often contradictory. This study examines the influence of some specific board characteristics on the financial performance of listed deposit money banks (DMBs) in Nigeria, incorporating audit quality as a control variable. The study is underpinned by the resource dependence theory, owing to the relationship between board characteristics and returns on equity which the study uses to proxy financial performance. Utilizing secondary data from thirteen listed deposit money banks in Nigeria, covering 2014 to 2023, the study employs a robust pooled regression for data analysis. The findings indicate that both board size and board independence exert a significant positive influence on the financial performance of Nigerian deposit money banks. *Additionally, audit quality is found to have a significant positive effect on financial performance of deposit money banks in Nigeria. However, gender diversity does not have any effect on the financial performance of these banks. The findings of this study suggest that the ratio of independent directors to the total board size should be enhanced as a policy guideline to be instituted by the Central Bank of Nigeria. The findings also suggest that the regulator should mandate adequate board sizes to be maintained by banks. Furthermore, the findings suggest urging the shareholders to mandate a higher number of independent directors on boards during their annual general meetings.*

INTRODUCTION

The relationship between board characteristics—an essential element of corporate governance—and the financial performance of firms has attracted considerable interest in both academic and professional domains. Effective corporate governance is essential for promoting transparency, accountability, and fairness in a company's operations, which in turn directly impacts its financial outcomes. In the banking industry, robust corporate governance is particularly vital due to its significant role in maintaining the financial stability of a nation's economy. In corporate governance literature, board characteristics are considered one of the most significant mechanisms for monitoring and controlling firm management. The board of directors is responsible for overseeing the company's activities and ensuring that management acts in the best interest of shareholders. Several studies have been conducted to investigate how board characteristics such as board size, independence, and gender diversity affect firm performance.

In Nigeria's banking sector, where stability underpins both economic growth and public trust, the structure and operations of corporate boards hold significant importance. Regulatory bodies such as the Central Bank of Nigeria and the Securities & Exchange Commission have consistently underscored the need for strong governance practices, emphasizing board size, independence, gender diversity, and diligence as essential components of financial resilience and institutional transparency. In the banking sector, empirical research indicates that the optimal board size depends on the institution's complexity, with larger boards frequently linked to improved performance due to stronger oversight (Zahra & Pearce, 1989). Board independence denotes the percentage of directors on the board who are classified as independent—that is, individuals not engaged in the firm's daily operations and thus presumed to exercise impartial judgment. Independent directors are critical for mitigating agency problems between shareholders and management, as they are more likely to prioritize shareholder interests.

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Recent empirical evidence on Nigerian Deposit Money Banks (DMBs) presents a varied landscape regarding the impact of board characteristics on financial performance. Akpokerere and Obonofiemro (2022), for example, found that board independence significantly enhances return on equity (ROE), whereas board size, gender diversity, and meeting frequency exert minimal influence. In contrast, Agazo et al. (2024) observed a significant positive relationship between board size and return on assets (ROA), though board composition and meeting frequency showed limited effect. Similarly, identified board independence as a key driver of profitability, while factors such as board size, diversity, and diligence were statistically insignificant. These divergent findings highlight the need for a nuanced examination of board dynamics within the context of Nigeria's shifting regulatory and economic framework.

Contributing further depth to the discourse, gender diversity regulates the association between banks' performances, board size, and board independence—indicating that gender-diverse boards tend to improve financial outcomes. Similarly, Obalemo (2025) identifies a positive association between board composition—specifically gender representation and the presence of non-executive directors—and profitability, thereby contesting previous claims of limited significance.

At a broader level, global assessments of bank performance drivers emphasize that firm-specific attributes—such as board composition, governance efficacy, and digital transformation in the post-COVID-19 era—remain insufficiently examined within emerging markets. In the Nigerian context, where institutional weaknesses and corruption persist, the strategic design of bank boards may serve as a pivotal mechanism for protecting stakeholder interests and promoting financial performance.

This study seeks to explore the relationship between board characteristics; specifically, board size, gender diversity, and board independence; and the financial performance of listed deposit money banks in Nigeria, using Return on Equity (ROE) as the proxy for financial performance. Additionally, the study will control for audit quality to determine its influence on the relationship between board characteristics and financial performance.

The results of this study may have significant implications, especially in the context of ongoing initiatives to enhance corporate governance standards in Nigeria. As the country continues to draw both domestic and foreign investments, understanding how board characteristics influence firm performance will be essential for maintaining the sustainability and global competitiveness of Nigerian businesses.

LITERATURE REVIEW

Financial performance metrics remain the most widely adopted measures in studies examining how corporate governance affects bank outcomes in Nigeria (Ibrahim et al., 2024; Onyekwere & Babangida, 2022).

Conceptual Framework

The conceptual framework for this study establishes the relationship between board characteristics (independent variables) and financial performance (dependent variable), with audit quality serving as a control variable. This framework is grounded in corporate governance theories, which suggest that an effective board of directors can significantly influence firm outcomes through improved oversight and strategic guidance.

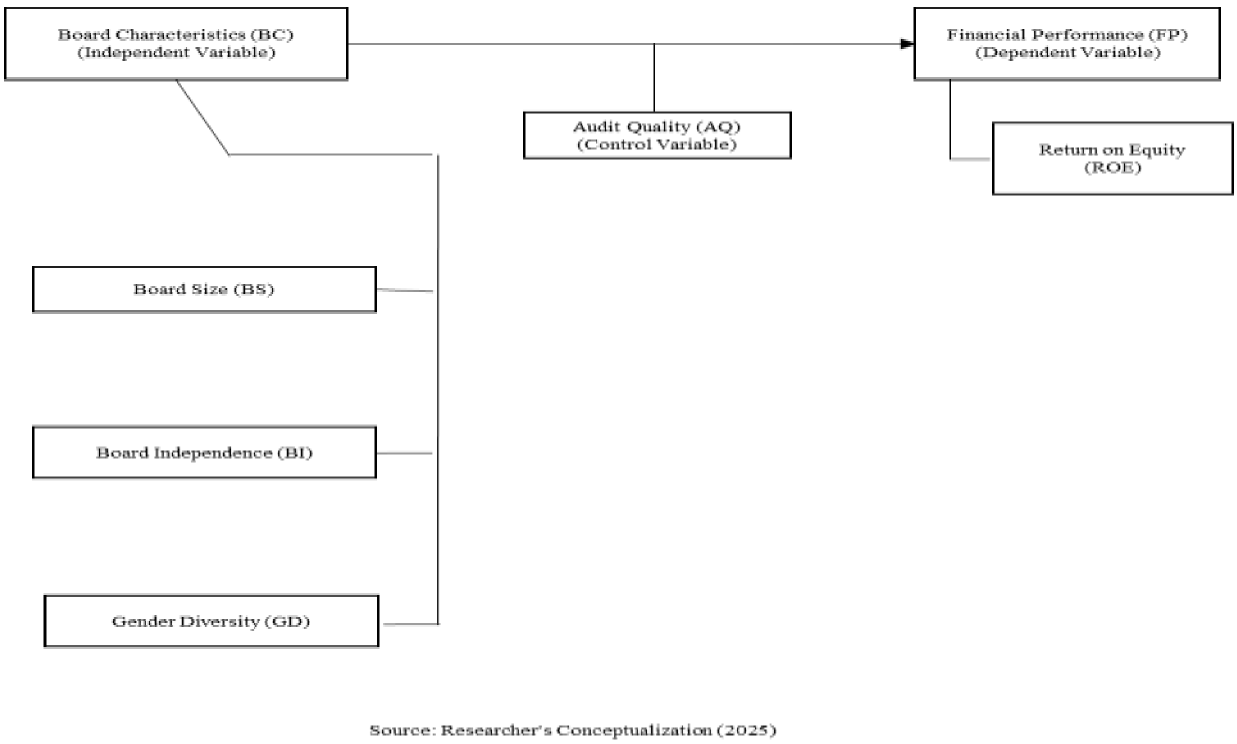

Figure 1. Conceptual Framework: Showing the relationship between Board Characteristics and Financial Performance

Theoretical Review

This study is underpinned by Resource Dependence Theory (RDT). Resource dependence theory underpins the relationship between board characteristics and returns on equity used as a proxy for financial performance. Returns on Equity is a function of the actual performances of the listed deposit money banks, and these are largely subject to the experience, skills and expertise of the board and especially the independent directors who are generally noted to be vast in business administration or endowed with the capacity to attract and retain such required expertise and skills to advance the business.

Resource Dependence Theory

Resource Dependence Theory (RDT) argues that firms are embedded in external environments that provide essential resources for their survival and growth. Organizations, therefore, depend on external entities for critical inputs, such as capital, knowledge, and access to markets. The board of directors plays a pivotal role in managing these external dependencies by providing access to resources and reducing uncertainties (Drees & Heugens, 2013). In this regard, the composition of the board becomes critical to how effectively a firm can secure the resources needed for success, especially in industries like banking, where external capital, regulatory networks, and expertise are essential.

Recent studies suggest that an optimal board size allows for both diversity of expertise and efficiency in decision-making. For example, emerging markets, including banking sectors in developing countries, larger boards positively influence firm performance by increasing the firm's ability to secure resources from external networks, such as governmental and financial institutions.

Recent evidence from financial sectors, including banks, indicates that independent directors can serve as intermediaries between the firm and its external environment, thereby facilitating the acquisition of resources that contribute to firm stability and growth. Diverse boards are more likely to reflect the needs and interests of a wider range of stakeholders, including customers, employees, and communities, which in turn improves the firm's ability to secure resources from these groups.

Recent studies emphasize that gender-diverse boards are more effective in managing the external pressures and uncertainties that characterize industries like banking. For instance, that gender-diverse boards in the financial services sector improve resource acquisition by fostering better relationships with stakeholders and enhancing corporate reputation. This, in turn, leads to stronger financial performance by improving access to capital and customer trust. In the context of RDT, directors act as boundary spanners who help the firm manage its external environment by facilitating access to critical resources. Research continues to show that directors who serve on multiple boards or have deep industry ties provide valuable external linkages, enabling banks to navigate complex regulatory environments and secure necessary resources. This ability to span boundaries becomes even more critical in environments characterized by high uncertainty or rapid regulatory changes, as seen in many emerging markets.

Resource Dependence Theory therefore highlights the critical role of the board of directors in securing external resources that are essential for firm success. By strategically managing the size, independence, and diversity of the board, firms can enhance their ability to acquire valuable resources, thereby improving financial performance. This is particularly important in the banking sector, where access to capital, regulatory networks, and diverse stakeholder relationships are vital for sustained growth and performance.

Empirical Review

Board Size and Financial Performance

How board size influences financial performance has been extensively studied, yielding mixed results. Some research suggests that larger boards provide diverse expertise and resources, enhancing decision-making and performance. Conversely, other studies indicate that overly large boards may suffer from coordination issues, leading to inefficiencies.

Research suggests that an optimal board size, often ranging between seven and nine members, can enhance decision-making efficiency and monitoring capabilities, supporting financial performance. Large boards can introduce coordination challenges and dilute accountability, whereas smaller boards may facilitate better oversight and cost-effectiveness, particularly in the financial sector.

A study by Arora and Singh (2021) provides a comprehensive review of literature on corporate governance and firm performance, focusing on board characteristics such as size, meetings, composition, and CEO duality. Their findings indicate that while some studies report a positive relationship between board size and firm performance, others find no significant correlation or even a negative relationship, highlighting the complexity of this association. A larger board size is often associated with improved performance due to the diversity of expertise and perspectives it brings. For example, Zahra and Pearce (1989) found that board size positively affects performance, especially in complex organizations like banks.

Research on board size has yielded mixed findings regarding its impact on firm performance and governance effectiveness. While some studies suggest that larger boards facilitate diversity of expertise and perspectives, others argue that larger boards may lead to coordination challenges and decision-making inefficiencies. Recent research found a curvilinear relationship between board size and firm value, indicating that moderate board sizes are associated with optimal governance outcomes.

The impact of board size on financial performance is multifaceted, with studies reporting positive, negative, or insignificant correlations. These discrepancies suggest that the optimal board size is likely contingent upon various factors, including industry specifics, firm size, and governance structures. Therefore, firms should consider their unique contexts when determining board composition to balance the benefits of diverse expertise against potential coordination challenges.

Overall, the literature indicates that the impact of board size on financial performance is nuanced and influenced by various factors, including industry characteristics, firm size, and cultural context. Therefore, determining an optimal board size requires a careful consideration of these variables to balance the benefits of diverse expertise against the challenges of coordination and decision-making efficiency.

***H₁:** Board size does not exert a significant positive influence on the financial performance of the listed deposit money banks in Nigeria.*

Board Independence and Financial Performance

The presence of independent directors on corporate boards is widely regarded as a cornerstone of effective governance. Independent directors, who lack financial ties to the firm, can provide unbiased oversight, improving governance quality and ultimately bolstering financial results. The relationship between board independence and financial performance has been extensively studied, yielding mixed results. Recent research continues to explore this dynamic, considering various moderating factors and contextual influences. A study examined non-financial firms and found that enhanced board independence contributes positively to firm performance in periods of adverse demand shocks. Independent directors provide effective oversight and strategic guidance, enhancing resilience in challenging market conditions.

Another study analyzed how board independence influences firm performance across varying product market conditions. The findings suggest that the impact of board independence varies with market dynamics, indicating that independent boards may be more effective in certain competitive environments. Research by Ngo et al. (2023) focused on Vietnamese listed companies and found that market competition mediates the relationship between board independence and financial performance. The study submits, in highly competitive industries, the board independence's positive result on performance is amplified. In contrast, a study by Qadorah and Fadzil (2018) on Jordanian firms reported an insignificant relationship between board independence and firm performance, indicating that the effectiveness of independent directors may be influenced by regional governance practices and cultural factors.

A literature review by Agarwal and Singh (2020). highlighted the complex nature of the link between board independence and firm financial outcomes, noting that factors such as board size, frequency of meetings, and ownership structure can moderate this relationship. Recent studies emphasize the positive impact of board independence on firm performance and shareholder value. For example, studies have indicated that greater board independence contributes to more transparent financial reporting and lower agency-related inefficiencies.

The presence of independent directors is crucial for effective governance, as it enhances oversight and reduces agency costs. Recent studies have found that increased board independence correlates positively with firm performance metrics such as Return on Assets and Return on Equity (Pham & Ho, 2024). In contrast, Otekunrin et al. (2024) observed a significant negative nexus between board independence and financial outcome of firms in Nigerian banks, highlighting the importance of contextual factors in these relationships.

The impact of board independence on financial performance is nuanced and context-dependent. While some studies demonstrate a positive effect, others find insignificant or conditional relationships influenced by market conditions, competition, and regional factors. These findings suggest that the effectiveness of board independence in enhancing financial performance may vary across different corporate governance environments.

***H₂:** Board independence does not have a statistically significant positive effect on the financial performance of Nigeria's listed deposit money banks.*

Gender Diversity and Financial Performance

The representation of women on corporate boards has garnered increasing attention in governance research. As much is the relationship between gender diversity and financial performance, with studies exploring how the inclusion of women in corporate leadership roles influences firm outcomes. Gender diversity, especially, is associated with stronger governance and enhanced firm performance. Studies have found that women directors bring unique perspectives, improve board engagement, and mitigate agency conflicts, which collectively strengthen financial performance. From a resource dependency perspective, diversity enhances the board's collective skills and resources, contributing to improved corporate outcomes.

Evidencing further corporate boards' gender diversity association with improved financial performance, studies show that the inclusion of women directors fosters diverse perspectives, innovative decision-making, and enhanced governance. This diversity also reduces agency conflicts by promoting transparency and aligning more closely with a broad range of stakeholders. Furthermore, firms with gender-diverse boards often demonstrate better financial resilience and profitability.

A comprehensive review indicates that increased female participation in management correlates with improved financial performance, highlighting the value of diverse perspectives in strategic decision-making. Similarly, a study focusing on Indian firms found that gender diversity at both operational and leadership levels positively impacts financial performance, suggesting that inclusive practices enhance firm value in emerging economies. McKinsey & Company's analysis indicates that companies with high levels of board gender diversity—those in the top quartile—are 27% more likely to achieve stronger financial outcomes than their lower-quartile counterparts. This suggests that diverse boards may contribute to better financial outcomes.

Despite these positive associations, some research presents mixed results. A quantified review notes that while many studies report a positive relationship between gender diversity and financial performance, others find no significant effect, indicating that contextual factors may influence these outcomes. Companies with high gender diversity underperformed those with lower diversity by 3.1% globally (Morgan Stanley, 2021). This underperformance was observed across various regions, except Europe, indicating that the benefits of gender diversity may be context-dependent.

The gender diversity's influence on financial performance remains a complex and debated topic. While some studies suggest a positive correlation, others find mixed or context-dependent results. This underscores the need for further research to understand the conditions under which gender diversity contributes to financial success.

Recent studies highlight the positive impact of gender diversity on board decision-making processes and firm performance. For example, gender-diverse boards are associated with enhanced financial performance and innovation outcomes, underscoring the importance of gender diversity in governance.

Gender diversity on boards has gained significant attention, with studies indicating that diverse boards contribute positively to firm performance by fostering innovation and enhancing decision-making processes. For instance, Musa et al. (2024) found a significant positive impact of gender diversity on the financial performance of Nigerian Deposit Money Banks. However, findings can be mixed; some studies indicate that gender diversity alone does not guarantee improved financial outcomes (Davies, 2023).

Gender diversity on corporate boards has emerged as a critical aspect of corporate governance, with implications for firm performance and value creation. Studies in the Nigerian context have explored the relationship between gender diversity and firm value, albeit with mixed findings. While some researchers argue that gender-diverse boards are associated with improved financial performance and firm value, others find no significant relationship or even negative effects. These contrasting results underscore the need for further investigation into the dynamics of gender diversity and its impact on firm value in Nigeria.

The relationship between gender diversity and financial performance is complex and influenced by various factors, including industry context, regional governance practices, and the specific metrics used to assess diversity. While many studies suggest a positive correlation, the variability in findings underscores the need for a nuanced understanding of how gender diversity impacts firm performance.

H₃: *Gender diversity on corporate boards does not demonstrate a statistically significant positive effect on financial performance of the listed deposit money banks in Nigeria.*

MATERIAL AND METHODS

This study is an expo-facto type of research and it adopts a quantitative research approach to examine the relationship between board characteristics and financial performance of the deposit money banks listed on the Nigerian Exchange Group. Quantitative methods allow for the systematic analysis of numerical data to test hypotheses and draw statistical inferences. The population is the thirteen listed DMBs on Nigerian Exchange Group as at 31st December, 2023. Considering the size and data availability for the study, the whole 13 firms were purposefully selected as sample for the study and the data used cover a ten-year period between 2014 and 2023.

Model Specification

The following equation model was constructed to capture the relationships between the dependent variable (Return on Equity) and the independent and control variables.

$\mathrm{ROE}i = \beta 0 + \beta 1\mathrm{BS}i + \beta 2\mathrm{BI}i + \beta 3\mathrm{GD}i + \beta 4\mathrm{AQ}i + \epsilon i$

Where:
ROEi = Returns on Equity for firm i
$\beta 0$ = Intercept
$\beta 1,2,\ldots,\beta 4$ = Coefficients of respective variables
BSi = Board Size for firm i
BIi = Board Independence for firm i
GDi = Gender Diversity for firm i
AQi = Audit Quality for firm i
ϵi = Error term

Variable Measurements

Table 1 presents the variable measurements as follows:
Table 1. Variable Measurements

Variables	Indicators	Hypothesized Sign	Measurement	Source
Dependent Variable (Financial Performance)				
Return on Equity	ROE		Net income to Shareholders' Equity	Pham and Ho (2024), Hasan et al. (2024).
Independent Variables (Corporate Governance)				
Board Size	BS	+	Total numbers of directors	Pham and Ho (2024)

Board Independence	BI	+	The percentage of board members who are independent	Pham and Ho (2024), Fatma and Chouaibi (2021), Maulina (2023).
Gender Diversity	GD	+	The proportion of female directors to total numbers of directors	Maulina (2023).
Control Variable				
Audit Quality	AQ	+	Dummy variable: assign '1' if a big 4 firm (PWC/ Deloitte/E&Y/KPMG) serves as external auditor. Otherwise, '0'	Detthamrong et al. (2017), Aldamen et al. (2012)

Source: Researcher's Compilation (2025).

Data Analysis Techniques

The study used descriptive statistics to summarize and describe the main features of the data, including measures of central tendency, dispersion (standard deviation (SD), range), and distribution. This provides an initial understanding of the characteristics of the variables and the distribution of data. Correlation analysis is conducted to examine the relationships between variables, particularly the correlation between board characteristics and firm value indicators. Pearson's correlation coefficient or Spearman's rank correlation coefficient is calculated to determine the strength and direction of the relationships.

The study employed multiple regression analysis to assess the relationship between board characteristics and firm value indicators while controlling for relevant factors. The regression model includes independent variables (board characteristics), control variable (Audit Quality). Robustness checks are performed to assess the stability and reliability of the regression results. This includes conducting sensitivity analyses with different model specifications, testing for multicollinearity among independent variables, and checking for heteroscedasticity using diagnostic tests such as Breusch-Pagan test/White test. Statistical inference is used to draw conclusions from the data analysis results. Hypothesis testing is conducted to assess the significance of regression coefficients and determine whether the relationships between variables are statistically significant. Confidence intervals are also calculated to estimate the range within which population parameters are likely to fall.

The goodness-of-fit of the regression models is assessed using measures such as R-squared, adjusted R-squared, and F-test. These statistics indicate the proportion of variance explained by the independent variables and the overall fit of the models. Model diagnostics, including residual analysis and tests for model assumptions, are also conducted to ensure the validity of the regression results.

RESULTS

Descriptive Statistics

A summary of the descriptive statistics for the variables included in the model is shown below.

Table 2. Summary of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
roe	129	. 1382477	.0837175 -.	0121324	. 3653405
bs	129	12.60465	2.655827	6	19
bi	129	. 1747165	.1122792	0	. 5833333
gd	129	. 2447886	.1200901	00	. 5294118
aq	129	.8992248	.3022044		1

Source: Stata output from authors inputted data (2025)

The descriptive result in table 2 shows that Returns on Equity (ROE) with an average value of 0.1382 has SD of 0.0837. This suggests that most data points fall below the mean, indicating a low level of dispersion in ROE throughout the entire dataset, as reflected by the high and low values of 0.3653 and -0.0121 respectively.

The descriptive statistics as shown in table 2 indicate Board Size (BS) has an average value of 12.6047 and 2.6558 standard deviation. This suggests that the data points are concentrated around the mean, indicating a low dispersion in BS across the entire observation period, as evidenced by the maximum and minimum values of 19 and 6. The statistical analysis of Board Independence (BI) reveals a mean of 0.1747 and a SD of 0.1123, indicating that the data points are closely clustered around the mean. This suggests a low level of dispersion in BI, with most values falling below the mean. The extreme values are 0.5833 and 0.0000 respectively. Gender Diversity (GD) has a mean of 0.2448 and 0.1201 SD below the mean showing low distribution of values with upper and lower bounds of 0.5294 and 0.0000 respectively.

Lastly, Audit Quality (AQ), which is the control variable, has a mean of 0.8992 and SD of 0.3022 below the mean showing low dispersion of values with maximum and minimum values of 1 and 0 respectively.

Correlation Matrix

A correlation analysis was conducted to assess the strength of the relationship involving the dependent variable: financial performance proxied by ROE, independent variables (Board Characteristics) of the study proxied by BS, BI, GD and AQ which is the control variable. The table below shows the results.

Table 3. Correlation Matrix

	Roe	bs	Bi	gd	aq
r	1.0000				
bs	0.1396	1.0000			
bi	0.2473	-0.1071	1.0000		
gd	0.0905	-0.0741	0.1278	1.0000	
aq	**0.2325**	**-0.0987**	**0.1276**	**0.3000**	**1.0000**

Source: Stata output from authors inputted data (2025)

The Correlation results in table 3 indicate that board size, audit quality, gender diversity and board independence are positively correlated with financial performance respectively. This indicates that board size, board independence, gender diversity and audit quality have positive influence on financial performance (ROE) of DMBs listed in Nigeria.
A correlation coefficient of 0.80 or higher between two variables indicates the presence of multicollinearity Glen (2015). However, as presented in Table 3, none of the variables exhibit correlations reaching this threshold, suggesting that multicollinearity is not a concern in this dataset.

Regression Analysis
The Regression analysis shown in table 4 is robust pooled regression results for the model.
Table 4. Robust Pooled Regression Results

Linear Regression

Number of obs	=	**129**
F(4, 124)	=	**8.55**
Prob > F	=	**0.0000**
R-squared	=	**0.1366**
Root MSE	=	**.07904**

roe	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf. Interval]	
bs	.005904	.0025997	2.27	0.025	.0007584	**.0110496**
bi	.1777847	.0549978	3.23	0.002	.0689288	**.2866407**
gd	.0059164	.0546045	0.11	0.914	-.1021612	**.113994**
aq	.0603996	.0176009	3.43	0.001	.0255626	**.0952367**
_co	**-.0229938**	**.0380134**	**-0.60**	**0.546**	**-.0982329**	**.0522454**

Source: Stata output from authors inputted data (2025)

Table 4 shows the outcomes of the robust pooled regression as specified by econometric model. The result shows that board size has a positive value of 0.0059 and significantly impacts financial performance (ROE) of Nigeria's listed deposit money banks. This means that the number of board members has the potential average of 0.01 percent positive influence on the listed DMBs' financial performance, controlling for other variables. This result is very significant with a p-value of 0.025. Board independence also has a positive value of 0.1778 and it also significantly influences financial results (ROE) of listed deposit money banks in Nigeria. It means that board independence has the potential average of 0.18 percent positive influence on the financial performance (ROE) of listed deposit money banks in Nigeria, assuming all other variables remain unchanged. With 0.002 p-value, it is evident that the result is very significant.

Gender diversity, though has a positive value of 0.0059 but insignificant influence on financial performance (ROE) of the listed deposit money banks with the p-value of 0.914.

Audit Quality has a significant positive influence on financial performance (ROE) of listed Nigerian DMBs with a value of 0.0604 and p value of 0.001 showing about 0.06 percent positive impact.

The coefficient of determination, $R^2 = 0.1366$ shows that 13.66 percent of variation in financial performance proxied by ROE is explained by the independent and control variables; BS, BI, GD and AQ.

DISCUSSIONS

The study showed board size significantly and positively impacts on financial performance of deposit money banks that listed in Nigeria. This finding supports Hasan et al. (2024), Igbinosa et al. (2024), and also the finding of Zahra and Pearce (1989). It however negates the position of Abdullah et al. (2024) and Musa et al. (2024) who found negative impact.

The study found that financial performance is positively and significantly impacted by board independence. The findings of this study on board independence support the results of different studies conducted by Aidoo et al. (2024), Otonne et al. (2023), and that of Pham and Ho (2024). This however negates the findings of Abdullah et al. (2024) and Otekunrin et al. (2024).

The findings of this study show gender diversity has insignificant positive effect on the banks' financial performance. This result however negates the findings of Musa et al. (2024).

The findings of this study on audit quality indicate that audit quality influences the financial results of deposit money banks in Nigeria, positively and significantly. While the finding supports the position of Lawrence et al. (2011), it also confirms the moderating effect of audit quality on the relationship between board characteristics and financial performance. Audit quality strengthens the positive impact of board independence and gender diversity on ROE by ensuring that financial statements accurately reflect the firm's true performance. This finding aligns with the broader corporate governance literature, which emphasizes the role of external audits in enhancing the effectiveness of internal governance mechanisms.

CONCLUSIONS

This study set out to examine the board characteristics' effect on the financial performance of DMBs that are listed in Nigeria, with audit quality included as a control variable. Grounded in the Resource Dependence Theory, the study explored how features such as board size, board independence, and gender diversity influence financial results, measured through Return on Equity (ROE), over a ten-year period, using robust pooled regression techniques.

The empirical evidence suggests that larger and more independent boards contribute positively and significantly to a firm's financial outcomes, highlighting the strategic value of a well-structured and independent board in enhancing firm outcomes. Additionally, audit quality was shown to significantly bolster financial performance, underscoring the importance of transparency and credibility in corporate governance structures. In contrast, gender diversity was found to have no significant effect on the financial performance of the banks under review. From these results, the study concludes that enhancing board structure—especially through increasing board independence and maintaining an optimal board size—can serve as a catalyst for improved financial performance in the banking sector. The findings support policy initiatives by the Central Bank of Nigeria to mandate higher ratios of independent directors and to establish minimum board size thresholds for listed banks. These insights also offer guidance for shareholders who influence board composition during Annual General Meetings.

The novelty of this study lies in its contextual focus on Nigeria's financial sector over a recent and comprehensive timeframe of ten years, while combining board characteristics and audit quality in a single analytical model. This integrative approach adds depth to existing literature and offers fresh empirical evidence for emerging economies.

Practical implications of the study include its utility for financial regulators, bank executives, and institutional investors in optimizing board governance frameworks for improved returns. It also sets a regulatory precedent for considering audit quality as a standard board-related variable when evaluating firm performance.

Future research directions may involve expanding the scope to include non-bank financial institutions or cross-sectoral comparisons. It may also include introduction of additional governance variables such as CEO duality, board tenure, or ESG integration. Exploring the moderating role of economic shocks or technological adoption on the board-performance relationship could also be relevant for future research.

In a nutshell, this study provides actionable insights into how board structures can be aligned with regulatory expectations and shareholder interests to drive sustainable financial performance in Nigeria's banking sector and similar emerging markets.

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