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RESEARCH ARTICLE

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

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ABSTRACT

This study investigates the effect of board characteristics on the financial performance of listed Deposit Money Banks (DMBs) in Nigeria, focusing on board size and board independence. It addresses a critical gap in understanding how these governance mechanisms influence performance, measured by Return on Assets (ROA). The inconsistency in past research findings on the nexus between board characteristics and financial outcomes prompted this examination within the Nigerian banking sector, characterized by regulatory pressures and corporate governance reforms. Secondary data was collected from the annual reports of ten listed DMBs spanning the period 2014 to 2023. Descriptive statistics, correlation analysis and panel data techniques based on robust least squares regression, were used to analyze the data. The methodology accounted for non-normality and heteroscedasticity in the dataset, using Huber regression and M-estimation procedures to reduce the influence of outliers. The findings indicate that board independence has a statistically significant positive effect on ROA (p-value = 0.0271), suggesting that a higher proportion of independent directors enhances governance and positively impacts financial performance. Conversely, board size showed no significant effect on ROA. The results suggest that while board independence enhances performance, increasing board size do not automatically lead to better financial outcomes. The study concludes that effective governance in the Nigerian banking sector requires a holistic approach that prioritizes the quality of board composition and independence over mere structural attributes and recommends that regulatory bodies prioritize board independence in governance reforms, as it has a measurable impact on financial performance.

Keywords: Board characteristics, board independence, board size, financial performance, return on asset

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1.0. INTRODUCTION

Corporate governance has become a fundamental aspect of modern financial systems, particularly in ensuring the stability and improved performance of institutions like banks. This increased focus is largely due to the lessons learned from past global financial crises and the collapse of major corporations, which revealed weaknesses in governance mechanisms. As a result, attention has been directed toward how governance—specifically, the structure and characteristics of corporate boards—impacts the financial health of firms (Agbaje & Oladele, 2022).

Since, banks play vital role in the economy by facilitating capital allocation, credit creation, and financial intermediation; ensuring their effective governance is critical to both sectorial and broader economic sustainability. In Nigeria, the need for strong corporate governance in Deposit Money Banks (DMBs) has become increasingly important, as stakeholders strive to strengthen accountability, improve performance, and rebuild public trust in the financial system. A key component of corporate governance lies in the effectiveness of the board of directors. The board is tasked with key responsibilities such as setting strategic direction, monitoring executive actions, managing risks, and safeguarding shareholder interests.

The configuration of the board—defined by variables such as size, independence, diversity, tenure, and professional expertise—has a direct influence on its ability to perform these functions effectively (Babalola, 2023). In Nigeria, the Central Bank of Nigeria (CBN) has issued corporate governance guidelines that place strong emphasis on the composition and role of the board in financial institutions. These codes highlight the necessity of balancing competence, independence, and diversity in board appointments to enhance oversight and drive better financial outcomes.

One of the most debated aspects in governance literature is board size. According to the resource dependence theory, larger boards are more capable of accessing a broad range of skills, experiences, and external networks, potentially leading to improved performance outcomes (Pfeffer & Salancik, 1978). However, there is also concern that excessively large boards can become inefficient, resulting in slower decision-making and weakened oversight. In the Nigerian context, the CBN imposes limits on board size to mitigate governance inefficiencies, but determining an optimal board size that balances diversity and functionality continues to pose challenges. Empirical findings on this relationship remain inconclusive. Some studies suggest a positive link between larger boards and firm performance, while others report negligible or even negative impacts (Uwuigbe et al., 2021). Another crucial element is board independence, typically represented by non-executive or independent directors. These individuals are expected to provide impartial judgment and hold management accountable, especially in preventing self-serving behaviors.

The agency theory supports this view, suggesting that independent directors help align managerial actions with shareholder interests (Fama & Jensen, 1983). In practice, Nigerian regulations require that at least one-third of the board in DMBs be composed of independent directors. Although this measure aims to enhance governance, debates persist regarding its effectiveness, with scholars questioning whether the current proportion is adequate to significantly influence financial performance (Ezeoha & Okafor, 2020). Audit committees also form an essential part of the governance structure. They play a crucial role in overseeing financial reporting, risk management, and internal controls. Research indicates that moderately sized audit committees—neither too large nor too small—tend to perform better, achieving a balance between diverse expertise and efficient operation (Hassan & Salim, 2023). The CBN governance code stresses the importance of audit committee composition, recommending a mix of financial expertise and independence to enhance transparency and accountability.

The financial performance of DMBs is generally measured using indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM), which help assess how effectively banks utilize their resources to generate profit (Adewumi & Lawal, 2021). Given the systemic importance of banks, poor financial performance in the sector can have widespread implications, affecting not just shareholders but also the economy at large. Over the past decade, the Nigerian banking sector has undergone extensive reforms to improve corporate governance and ensure greater financial system stability. These reforms have largely focused on board structures, including the roles and responsibilities of directors, committee formation, and compliance standards (Hassan & Salim, 2023).

Despite these developments, the empirical relationship between board characteristics and financial performance remains complex and somewhat inconclusive. Attributes such as board

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size, independence, diversity, tenure, CEO duality, and audit committee effectiveness have shown varying levels of influence on financial outcomes across different studies. This inconsistency suggests the presence of contextual factors, such as regulatory environment, economic conditions, and firm-specific traits, which may moderate the board-performance relationship. In Nigeria, where the banking sector faces unique challenges—ranging from regulatory shifts to economic volatility—understanding these dynamics becomes even more critical.

This study therefore, aims to contribute to the ongoing debate by investigating the impact of board characteristics on the financial performance of Nigerian DMBs through a longitudinal approach. By examining trends over time, this research seeks to uncover more nuanced insights into how corporate governance structures influence firm outcomes in the evolving Nigerian financial landscape. The findings are expected to inform policymakers, regulators, and practitioners in designing more effective governance frameworks that support sustainable performance and economic growth.

1.1. Research Questions

1. To what extent does board size affect the return on asset of listed deposit money banks in Nigeria?
2. What is the effect of board independence on return on asset of listed deposit money banks in Nigeria?

1.2. Research Hypothesis

H_{01}: Board size does not have any significant effect on return on asset of listed deposit money banks in Nigeria.

H_{02}: Board independence has no significant effect on return on asset of listed deposit money banks in Nigeria.

2.0. LITERATURE REVIEW

2.1. Conceptual Framework

Board Characteristics

Board characteristics encompass the structure, composition, and behavioral dynamics of a firm's board of directors, which collectively influence how an organization is governed. As an integral component of corporate governance, the board's configuration and operational conduct play a pivotal role in steering strategic decision-making, enhancing firm performance, and promoting accountability. These characteristics directly affect how effectively a board supervises, advises, and collaborates with management. A properly structured board can reduce managerial excesses, strengthen accountability mechanisms, and ensure alignment between the goals of shareholders and executives (Hendry, Kiel, & Nicholson, 2010).

Board attributes are vital for strengthening governance frameworks, as they shape the board's capability to provide strategic oversight, ensure ethical compliance, and guide the firm toward long-term success. Boards that are diverse and properly balanced in structure tend to facilitate inclusive representation of different stakeholder interests, which contributes to improved financial outcomes and business sustainability (Ezeoha & Okafor, 2020). Furthermore, sound governance practices supported by effective board structures help reduce agency conflicts—those arising from misaligned interests between shareholders and company management. Features such as board independence and diversity are particularly important in enhancing monitoring roles and in deterring opportunistic behaviors by executives, thereby promoting stronger alignment with shareholder value creation. Several essential elements define board characteristics, including board size, independence, diversity, CEO duality, tenure, the existence of board committees, and director expertise. Board size refers to the number of directors on the board.

Research indicates that the right board size can optimize decision-making processes. Larger boards bring a broader range of experiences and insights but may face challenges related to coordination and slow decision-making (Hermalin & Weisbach, 2003). Conversely, smaller boards may act more efficiently and be easier to manage, though they might lack the diversity and range of expertise needed for complex decision-making. Board independence is another critical attribute and refers to the proportion of directors who are not involved in the daily management of the firm. Independent or non-executive directors are essential for providing unbiased judgment and safeguarding against conflicts of interest. A board composed predominantly of independent members' offers stronger oversight of executive actions and promotes managerial accountability, as it limits the influence of internal biases and vested interests (Fama & Jensen, 1983). By fostering objectivity and reinforcing accountability structures, board independence helps protect shareholder interests and strengthens overall governance quality.

Financial Performance

Financial performance describes how effectively a company or institution utilizes its resources to produce income and profit. It is commonly assessed using a range of financial metrics and ratios that evaluate aspects such as profitability, liquidity, solvency, and operational efficiency. These metrics provide valuable insights for various stakeholders—including investors, regulators, and management—into the financial stability of the organization, its growth potential, and its capacity to meet financial obligations (Hassan & Salim, 2023). Profitability is one of the primary dimensions of financial performance and reflects a company’s capacity to earn returns based on its revenues, assets, or shareholders’ equity. Key profitability ratios include Return on Assets (ROA), which measures how effectively a firm turns its assets into profit; Return on Equity (ROE), which assesses the returns generated on shareholders' equity; and Net Profit Margin, which indicates the portion of revenue remaining as profit after all expenses are deducted.

In this study, Return on Assets (ROA) is used as the main indicator of financial performance. ROA is a widely accepted measure in the banking sector, reflecting the efficiency with which banks convert their total assets into net income (Claessens & Yurtoglu, 2021). It is calculated by dividing net profit by total assets, offering a comprehensive view of both the institution’s profitability and its operational performance.

2.2. Theoretical Review

Resource Dependence Theory (RDT)

Resource Dependence Theory (RDT), introduced by Jeffrey Pfeffer and Gerald R. Salancik in 1978, emphasizes the significance of external resources for an organization’s survival and performance. The theory asserts that no organization is entirely self-reliant; rather, firms must depend on external stakeholders—such as customers, suppliers, and regulatory bodies—for critical resources. RDT argues that these external dependencies shape an organization's strategies, structures, and behavior. A central idea of the theory is that the power dynamics between an organization and its external environment are influenced by the extent of the

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organization's dependence on resources controlled by others (Pfeffer & Salancik, 1978). To navigate these dependencies, organizations often strategically include individuals on their boards who can offer access to essential resources. One way this is achieved is through interlocking directorates, where organizations share board members with others to mitigate uncertainty and reliance on external sources. RDT is particularly relevant when assessing the impact of board characteristics on the financial performance of Deposit Money Banks (DMBs). Features such as board size, diversity, and the presence of independent directors are vital in helping banks manage their external relationships and resource needs. For example, a larger board may provide a broader range of competencies, experiences, and networks, enabling the institution to tap into more diverse external resources and reduce its reliance on specific stakeholders. Likewise, independent directors often bring external insights and professional expertise, helping to strengthen governance mechanisms and enhance strategic decision-making (Nwankwo & Uguru, 2022).

2.3. Empirical Review

Musa, Idris, and Bala (2024) conducted a study spanning a ten-year period (2011–2020) involving ten Deposit Money Banks (DMBs) in Nigeria to assess how board structure affects financial performance. Utilizing a correlation design and random effects regression, their analysis revealed that gender diversity on the board has a statistically significant and positive impact on financial performance. However, board size was found to have no influence on performance, and the frequency of board meetings showed no significant effect on profitability. Consequently, the study advised listed DMBs to increase the representation of women on boards to potentially boost profitability.

In another study, Quadri, Omotosho, Saheed, and Adio (2023) explored the influence of asset quality and board composition on the financial performance of 20 out of 33 Nigerian DMBs, using data from 2014 to 2021. Employing an ex-post facto design and panel least squares regression, the research established that both board size and credit committee composition positively impact performance, whereas poor asset quality has a detrimental effect. The authors recommended optimizing board size and emphasized the need for the Central Bank of Nigeria to monitor credit committee operations to mitigate excessive risk exposure.

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Ali and Shadrach (2023) examined the effect of board composition on financial performance over a 12-year period (2010–2021), focusing on Nigerian listed DMBs. Data on board size, independent directors, and female directors were analyzed using descriptive statistics, correlation, and multiple regression. Results showed that both independent and female directors positively and significantly influence return on equity (ROE), while board size negatively impacts financial performance. The study suggested limiting board size to maintain effective discussions and decision-making while increasing the number of independent and female board members to enhance overall bank performance.

Nwankwo and Uguru (2022) evaluated how board characteristics affect profitability among 20 listed Nigerian service firms over a decade (2011–2020). Applying the Generalized Method of Moments (GMM), they found that board size and composition significantly enhance profitability. However, gender diversity on the board exhibited a negative but statistically insignificant effect. Their findings underscore the importance of a well-structured board in driving financial performance within service-oriented firms.

Aliyu, Yahaya, and Mohammed (2021) studied the impact of board attributes on the financial performance of 14 Nigerian banks over an 11-year timeframe. Using Ordinary Least Squares (OLS) regression on data related to return on assets (ROA), return on equity (ROE), board size, board composition, frequency of meetings, board gender, and nationality, they found that board size significantly and positively influences financial performance. Board composition, though negative in direction, was still statistically significant. Meanwhile, board meetings and gender diversity had no meaningful effect, whereas board nationality and firm size negatively and significantly affected performance. The authors advised increasing board size, appointing more independent directors, reducing the frequency of board meetings, and possibly downsizing the firm to enhance performance.

3.0. METHODOLOGY

The research utilized an ex post facto design and employed a quantitative method to analyze the relationship between board characteristics and the financial performance of listed Deposit Money Banks (DMBs) in Nigeria. The study population consisted of all 13 DMBs listed on the Nigerian Exchange Group (NGX) as of December 31, 2022. These banks operate under a unified regulatory and corporate governance framework, making them suitable for comparative analysis in this context. A sample of ten (10) DMBs was selected based on their consistent listing on the NGX from 2013 to 2022. This ten-year period was chosen to capture the post-IFRS adoption era in the Nigerian banking sector, ensuring uniformity in financial reporting and providing a suitable timeframe to assess the impact of governance reforms, such as the Nigerian Code of Corporate Governance. The sampling method employed was purposive sampling, selecting only banks that met specific inclusion criteria. Secondary data were sourced from publicly available materials, including annual reports and financial statements submitted by the selected DMBs to the NGX.

The study's independent variables were board characteristics, specifically board Size (defined as the total number of directors on the board) and board Independence (defined as the proportion of non-executive and independent directors on the board.) The dependent variable, financial performance, was represented by Return on Assets (ROA)—calculated as net income divided by total assets—to evaluate how effectively the banks utilize their assets to generate profit.

Both descriptive and inferential statistical methods were applied in data analysis. Descriptive statistics such as the mean, median, and standard deviation were used to summarize and provide insights into the characteristics of the board and the financial performance of the sampled banks. Correlation analysis was conducted to assess the strength and direction of the relationships between variables, and also to check for multicollinearity among the independent variables. Preliminary diagnostics showed that the data series were not normally distributed, indicating the presence of outliers and non-normal residuals. This violates the normality assumption of the Ordinary Least Squares (OLS) regression technique and could result in biased parameter estimates. As a result, the study employed the Robust Regression technique, an OLS variant designed to handle outliers more effectively and produce more reliable results under such conditions.

The model used is specified as follows:

$ROA_{it} = \beta_0 + \beta_1 BSIZE_{it} + B_2 BIND_{it} + \epsilon$ *Where,*

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ROA_{it} =Return on Assets used as proxy for bank i in year t; $BSIZE_{it}$= Board size for bank i in year t; $BIND_{it}$=Board independence for bank i in year t; β_0 =Constant Term

$\beta_1 - B_2$ = Coefficients or rate of change in the independent variables; ϵ = the error term

4.0. PRESENTATION OF Results AND DISCUSSIONS

4.1. Presentation of Results

The Table 1 provides descriptive statistical evaluation of key variables used in the study. The key statistics presented are the mean, median, maximum, minimum, standard deviation, skewness, kurtosis, and Jarque-Bera test for normality. The statistic for each of the variables is presented and interpreted as follows:

Table 1: Descriptive Statistic

Statistics	ROA	BSIZE	BIND
Mean	0.077900	10.05000	0.687900
Median	0.060000	9.000000	0.670000
Maximum	0.260000	15.00000	0.930000
Minimum	0.010000	7.000000	0.500000
Std. Dev.	0.061960	2.409472	0.117218
Skewness	1.172003	0.568092	0.416090
Kurtosis	3.760922	2.194671	2.446701
Jarque-Bera	25.30569	8.081115	4.161103
Probability	0.000003	0.017588	0.124861
Sum	7.790000	1005.000	68.79000
Sum Sq. Dev.	0.380059	574.7500	1.360259
Observations	100	100	100

Source: Author’s Analysis (2025).

Return on Assets (ROA): The average ROA for the listed Deposit Money Banks (DMBs) stands at 7.79% (0.0779), indicating that, on average, these banks earn a 7.79% return on their total assets. The median ROA is 6% (0.06), suggesting that half of the banks report returns above 6% and the other half below. The maximum ROA observed is 26% (0.26), while the minimum is 1% (0.01), reflecting a broad range in profitability among the banks. With a standard deviation of 0.06196, there is moderate variability in ROA. The positive skewness (1.17) shows that the distribution is skewed to the right, with a concentration of observations at lower ROA values. A kurtosis value of 3.76 indicates a leptokurtic distribution, meaning the data has heavier tails compared to a normal distribution. The Jarque-Bera test statistic (25.31) and p-value (0.000003) suggest that ROA is not normally distributed at the 5% significance level.

Board Size (BSIZE): The average board size among the sampled banks is approximately 10 members (10.05), with a median of 9, indicating an even distribution around this central value. Board sizes range from 7 (minimum) to 15 (maximum), reflecting moderate variation across the institutions. The standard deviation is 2.41, implying a fair level of dispersion. The slight positive skewness (0.57) indicates a mild tendency toward smaller board sizes among the banks. With a kurtosis of 2.19, the distribution is slightly platykurtic, meaning it is somewhat flatter than a normal distribution. The Jarque-Bera value (8.08) and p-value (0.0176) reveal that board size deviates from normality at the 5% level of significance.

Board Independence (BIND): On average, 68.79% of board members in the sampled banks are independent directors, reflecting a relatively high level of board independence. The median proportion is 67%, suggesting that half of the banks exceed this threshold while the other half fall below it. The percentage of independent directors ranges from 50% to 93%, indicating that no bank has less than half of its board made up of independent members. A standard deviation of 0.1172 points to moderate variation in board independence. The skewness of 0.42 signals a mild rightward skew, showing a tendency for lower independence percentages. The kurtosis of 2.45 is close to the normal level, suggesting a near-normal distribution. The Jarque-Bera statistic (4.16) and p-value (0.1249) confirm that board independence is normally distributed, as the p-value exceeds the 0.05 threshold.

Correlation Analysis

Table 2 presents the correlation matrix showing the relationships between pairs of the variables used for the study. The interpretation of for each variable is as follows:

Table 2: Correlation Model of Relationships between Pairs Variables

	ROA	BSIZE	BIND
ROA	1.000000	-0.243544	-0.297827
BSIZE	-0.243544	1.000000	0.334414
BIND	-0.297827	0.334414	1.000000

Source: Author's Analysis (2025).

Return on Assets (ROA): The correlation between ROA and board size is -0.2435, showing a weak negative relationship where larger boards slightly reduce financial performance, possibly due to inefficiencies or slower decision-making. Similarly, ROA and board independence have a weak negative correlation of -0.2978, suggesting that higher board independence may be linked to lower performance, potentially because of challenges integrating independent directors or misalignment with the bank's internal strategies.

Board Size and Board Independence: The correlation between board size and board independence stands at 0.3344, reflecting a weak positive relationship. This implies that as board size increases, the proportion of independent directors tends to rise, although the association is not particularly strong. Importantly, all correlation values among the independent variables are well below the multicollinearity threshold of 0.80, indicating no significant multicollinearity issues. This ensures that each independent variable contributes distinct and non-redundant information to the analysis, making the regression estimates reliable and free from inflated standard errors due to multicollinearity.

Robust Square Regression

Table 3 shows Robust Least Squares regression results using M-estimation with Huber Type I errors, minimizing outlier impact by weighting large residuals less. This method addresses non-normality and heteroscedasticity, with interpretations based on coefficients, significance, and model fit metrics.

Table 3: Robust Square Regression Model sing M-estimation with Huber Type I errors

Variable	Coefficient	Std. Error	z-Statistic	Prob.
BSIZE	-0.002775	0.002673	-1.038268	0.2991
BIND	0.121528	0.054129	2.245130	0.0271
C	0.070094	0.096961	0.722906	0.4697
	Robust Statistics			
R-squared	0.054067	Adjusted R-squared		0.014238
Rw-squared	0.084280	Adjust Rw-squared		0.084280
Akaike info criterion	102.9184	Schwarz criterion		117.7076
Deviance	0.285649	Scale		0.054927
Rn-squared statistic	6.791618	Prob(Rn-squared stat.)		0.147319
	Non-robust Statistics			
Mean dependent var	0.077900	S.D. dependent var		0.061960
S.E. of regression	0.059675	Sum squared resid		0.338305

Source: Author's Analysis (2025).

The Rw-squared value of 0.0843, the robust equivalent of the traditional R-squared (0.0507), indicates that about 8.43% of the variation in financial performance (ROA) is explained by the model's independent variables, accounting for outliers. This relatively low value suggests the model explains only a small portion of ROA variability, possibly due to weak predictors

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or missing important factors. The adjusted Rw-squared equals the Rw-squared, implying that adding more variables would not significantly improve the model's fit. The coefficient for board size (BSIZE) is -0.002775, suggesting a slight decrease in ROA with each additional board member. Conversely, board independence (BIND) has a coefficient of 0.121528, showing that higher independence increases ROA. In monetary terms, each additional board member decreases ROA by about N2,775, while an increase in board independence raises ROA by approximately N121,528. Statistical significance tests show that BSIZE's p-value (0.2991) exceeds 0.05 meaning board size does not significantly affect ROA. However, BIND's p-value (0.0271) is below 0.05, indicating a significant positive impact on financial performance. This supports the theory that independent directors enhance governance and oversight, improving outcomes.

In conclusion, only board independence significantly influences ROA, highlighting its importance for better financial results. Board size shows no significant effect. The overall low Rw-squared values indicate that other variables not included may better explain banks' financial performance. Robust regression reduces outlier effects, but the model's explanatory power remains limited.

Hypotheses Testing

Testing for the effect of Board size on Return on Assets

H_{O1}: Board size does not have any significant effect on return on asset of listed deposit money banks in Nigeria.

Results indicates that the z-statistic for Board size of -1.038268 is not significant at 5% level (P = 0.2991 > 0.05). Accordingly, the researcher fails to reject the $H0_1$, with the conclusion that board size has a negative and insignificant effect on ROA of DMBs in Nigeria.

Testing for the effect of Board Independence on Return on Assets

H_{02}: Board independence has no significant effect on return on asset of listed deposit money banks in Nigeria.

The outcome reports the z-statistic for board independence of 2.245130 to be significant at 5% level (P = 0.0271 < 0.05). Consequently, the second null hypothesis (HO_2) is rejected with the conclusion that board independence has significant positive effect on ROA of listed DMBs in Nigeria.

4.2. DISCUSSION OF FINDINGS

The study found a negative but statistically insignificant relationship between board size and ROA (coefficient = -0.002775; p-value = 0.2991), suggesting that board size does not significantly influence the financial performance of Nigerian Deposit Money Banks (DMBs). Based on agency theory, it was expected that larger boards could hinder effective decision-making and coordination, thus negatively affecting performance. Although the negative coefficient supports this theory, the result's insignificance implies that board size may not be a critical determinant of performance in Nigeria's banking sector. 0Resource dependence theory argues that larger boards offer diverse expertise and resources, potentially enhancing performance.

However, this study suggests that the disadvantages—such as inefficiencies and coordination problems—may outweigh these benefits. The findings align with Musa et al. (2024), who also found no significant link between board size and performance, reinforcing the view that large boards can introduce operational challenges. In contrast, studies by Quadri et al. (2023), Ali & Shedrack (2023), and Nwankwo & Uguru (2022) report a positive association, attributing improved decision-making to broader board expertise. Given these mixed findings, this study urges caution in mandating board size limits. Instead of focusing on numbers, regulators and policymakers should emphasize the quality, competence, and diversity of board members. Enhancing these qualitative dimensions is more likely to strengthen governance and positively impact financial performance in Nigerian banks.

Effect of Board Independence on Return on Assets (ROA)

The study identified a positive and statistically significant relationship between board independence and ROA, with a coefficient of 0.121528 and a p-value of 0.0271, indicating that greater board independence is associated with improved financial performance. According to agency theory, independent directors enhance oversight by mitigating agency conflicts and reducing the risk of management self-interest, thereby boosting financial outcomes. This positive association aligns well with the theoretical expectations. The findings are also consistent with resource dependence theory, which posits that independent directors contribute fresh perspectives, strengthen monitoring of management, and improve decision-making, ultimately leading to better performance.

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In the context of Nigerian banks, this result underscores the importance of having a strong and independent board to protect shareholders' interests and improve financial results. This outcome agrees with prior research such as Aliyu et al. (2022), Ali & Shedrack (2023), and Nwankwo & Uguru (2022), which similarly found that independent directors enhance governance by providing impartial oversight and lowering agency costs. Additionally, Quadri et al. (2023) highlight the critical role of board independence in managing risks and enhancing financial performance, supporting the positive link established in this study. Given the statistical significance and theoretical backing, these findings offer solid evidence to guide policy. Regulators like the Central Bank of Nigeria (CBN) are encouraged to maintain and strengthen policies that require a higher proportion of independent directors on bank boards, as such measures are likely to improve corporate governance and promote better financial performance.

5.0. Conclusion and Recommendations

This study investigated the relationship between board characteristics and the financial performance of listed Deposit Money Banks in Nigeria, with particular attention to board size (BSIZE) and board independence (BIND). Using robust least squares regression on data from 10 banks over a ten-year period (2014–2023). The study concludes that board independence positively and significantly influences financial performance, whereas board size has a negative but insignificant effect on the financial performance of listed Deposit Money Banks in Nigeria.

Based on the above conclusion, the study proposes the following policy recommendations:

1. Regulatory bodies should promote initiatives that boost board independence by mandating a minimum percentage of independent directors on the boards of banks, thereby strengthening corporate governance and improving financial performance.
2. More focus should be given to the competence of board members rather than their numbers. Rather than enforcing strict requirements on board or audit committee size, regulators should prioritize enhancing the skills and qualifications of board and committee members through specialized training and capacity-building programs.

Competing Interest

The author declares that no conflicting interest exist in this manuscript

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