European Journal of Accounting, Auditing and Finance Research, 14(1),94-112, 2026
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

Corporate Governance Mechanisms and Financial Performance of Listed Insurance Firms in Nigeria

Fater Stephen Akpen, Nasamu Gambo, Faiza Haruna Maitala
Department of Business Administration, Nile University of Nigeria, Abuja

doi: https://doi.org/10.37745/ejaafr.2013/vol14n194112 Published February 02, 2026

Citation: Akpen F.S., Gambo N., Maitala F.H. (2026) Corporate Governance Mechanisms and Financial Performance of Listed Insurance Firms in Nigeria, *European Journal of Accounting, Auditing and Finance Research*, 14(1),94-112

Abstract: *This study examines the effect of corporate governance mechanisms on the financial performance of listed insurance firms in Nigeria. Focusing on board size, board independence, board gender diversity, and audit committee independence, the study uses audited financial statements from all 17 listed insurance companies with complete data from 2020 to 2024. Employing an ex-post facto research design and panel data analysis, the study applies descriptive statistics, correlation analysis, and Ordinary Least Squares (OLS) regression to assess the relationships between governance characteristics and Return on Assets (ROA). The findings reveal that board gender diversity and audit committee independence significantly enhance ROA, while board size and board independence do not have a statistically significant effect. The study highlights the importance of board composition quality, particularly gender diversity and independent audit oversight, in promoting firm performance. These results provide practical insights for regulators, investors, and corporate boards in optimizing governance structures for sustainable growth.*
Keywords: corporate governance, board size, board independence, board gender diversity, audit committee independence, financial performance

INTRODUCTION

Corporate governance is widely acknowledged as a cornerstone of organizational sustainability and financial stability, particularly in financial institutions subjected to high regulatory scrutiny, risk exposure, and stakeholder demands (OECD, 2015). In the insurance sector, governance assumes heightened importance because firms must manage underwriting risks, maintain adequate reserves, prudently invest policyholder premiums, and comply with solvency regulations. Weak governance may result in poor financial performance, insolvency, or loss of stakeholder confidence, outcomes that have systemic implications (NAICOM, 2021; Alade, Aina and Odugbemi, 2022). Key governance mechanisms such as board size, board independence, gender diversity, and audit committee independence are critical tools for transparency, oversight, and accountability. Empirical studies show these characteristics can influence firm performance, audit quality, and risk management (Buallay, 2019; Koutoupis and Pappa, 2018; Gubio, Yahaya and Nyor, 2025). Given the asset-heavy nature of insurance firms, Return on Assets (ROA) is often used to measure how effectively firms leverage their resources to generate profit (Titilayo, Adediran and Achimugu, 2022).

In Nigeria, the National Insurance Commission issued updated corporate governance guidelines in 2021 to align the insurance industry with the Nigerian Code of Corporate Governance, aiming to improve board effectiveness, strengthen audit oversight, and enhance disclosure practices (NAICOM, 2021; Onuba, 2021). Despite these reforms, many insurers still struggle with board composition, inadequate oversight, and weak compliance, raising questions about the effectiveness of governance mechanisms in enhancing financial performance. This study examines how four core governance variables (board size, board independence, board gender diversity, and audit committee independence) influence ROA in insurance companies listed on the Nigerian Exchange Group, providing updated, sector-specific empirical evidence reflecting the post-reform regulatory environment.

Despite regulatory reforms, many Nigerian insurance firms continue to underperform. NAICOM reports weak board supervision, poor internal controls, and inadequate audit oversight as recurring issues (NAICOM, 2021; Onuba, 2021). These governance weaknesses may impair firms' ability to generate adequate returns, erode shareholder value, and jeopardize policyholder funds. Prior empirical studies show mixed results. Titilayo, Adediran and Achimugu (2022) found no significant effect of board size, independence, or gender diversity on ROA, while Alade, Aina and Odugbemi (2022) found that board size and independence positively influence audit quality but not short-term profitability. Additionally, most Nigerian studies focus on banking and manufacturing, limiting generalizability to the insurance sector. Consequently, the effectiveness of governance reforms on accounting-based performance in insurance firms remains unclear, motivating this study. The specific objectives of this study are to examine the effect of board size, board independence, board gender diversity and audit committee independence on the ROA of listed insurance firms in Nigeria.

Based on the objectives of the study, the following hypotheses were raised:
H_{01}: Board size has no significant effect on the ROA of listed insurance companies in Nigeria.
H_{02}: Board independence has no significant effect on the ROA of listed insurance companies in Nigeria.
H_{03}: Board gender diversity has no significant effect on the ROA of listed insurance companies in Nigeria.
H_{04}: Audit committee independence has no significant effect on the ROA of listed insurance companies in Nigeria.

This study focuses on the 17 listed insurance companies in Nigeria from 2020 to 2024, examining board size, board independence, board gender diversity, and audit committee independence in relation to ROA. Secondary data from annual reports and NGX filings are used. The study is significant to several stakeholders: **Regulators (NAICOM and FRCN):** The findings provide evidence for strengthening governance guidelines and enforcement mechanisms within the insurance sector. **Shareholders and Investors:** Insights into how governance structures influence performance assist in investment decision-making. **Management and Boards of Insurance Companies:** The study highlights governance variables that contribute to improved financial outcomes. **Researchers and Academics:** The study contributes updated sector-specific empirical evidence to the corporate governance literature in Nigeria. **Policy Makers:** Findings may inform future reforms aimed at enhancing transparency, accountability, and financial stability.

LITERATURE REVIEW

Conceptual Clarification

Corporate Governance

Corporate governance refers to the systems, processes, and structures put in place to direct and control organisations with the aim of safeguarding stakeholder interests and enhancing long-term performance (OECD, 2015). In financial institutions, governance mechanisms carry heightened significance because these entities operate in high-risk environments under strict regulatory oversight. Modern governance literature emphasises board composition, independence, expertise, and diversity as central monitoring tools that mitigate managerial excesses and protect shareholder wealth (Mallin, 2019; Tricker, 2019). Empirical research consistently demonstrates that well-designed governance structures improve decision-making quality and reduce information asymmetry between managers and shareholders (Koutoupis & Pappa, 2018). Similar evidence from emerging markets indicates that effective corporate governance mechanisms enhance firm performance across financial institutions, although the strength of the relationship varies by institutional context (Buallay, 2019). In the insurance industry, governance mechanisms are especially crucial given the roles of underwriting quality, claims management, solvency, and regulatory compliance.

Board Size

Board size refers to the total number of directors serving on a board. Traditional theory posits that larger boards provide greater expertise, enhanced strategic capacity, and improved oversight. However, excessively large boards can face coordination challenges and diluted accountability. Empirical evidence from the Nigerian insurance sector reflects these trade-offs. For example, Titilayo, Adediran, and Achimugu (2022) found that board size did not significantly affect return on assets (ROA) but had a significant negative impact on Tobin’s Q, while Yunana (2024) reports no significant relationship between board size and audit quality in listed Nigerian insurance firms. These findings suggest that merely increasing board size does not automatically enhance operational efficiency or profitability and may even reduce market valuation. International evidence corroborates this view: Jain, Mathur, and Ramawat (2025) highlight that larger boards can experience diminishing returns, sometimes adversely affecting performance, and Andoh, Abugri, and Anarfo (2022) show a non-linear impact of board size on Tobin's Q in Ghanaian banks and non-financial firms, indicating that an optimal board size balances expertise with decision-making efficiency. Studies in other emerging markets reveal mixed evidence regarding board size and performance. For instance, Al Astal, Al-Mesaiadeen, and Samara (2025) find that board sizel does not significantly affect firm performance among 108 listed Jordanian firms.

Board Independence

Board independence denotes the representation of non-executive or independent directors who are free from managerial control. These directors are critical to effective monitoring and protecting shareholder interests. In the Nigerian insurance sector, Titilayo et al. (2022) discovered that board independence had no significant effect on ROA but exerted a positive and significant effect on Tobin's Q. On the audit oversight front, Yunana (2024) and Alade, Aina, and Odugbemi (2022) report that board independence significantly influences audit quality for listed insurance companies in Nigeria. Consistent with these findings, Ilugbusi et al. (2024) document that higher levels of board independence significantly improve organisational efficiency among Nigerian financial firms, further validating the monitoring role of independent directors. These findings collectively suggest that independent directors may not boost short-term accounting returns but are essential for improving governance credibility and external confidence.

Board Gender Diversity

Board gender diversity reflects the inclusion of female directors on the board. Diverse gender composition is often associated with better decision-making, higher ethical standards, and greater stakeholder trust. In Nigerian insurance firms, Titilayo, Adediran, and Achimugu (2022) observed that gender diversity did not significantly affect ROA but had a significant positive effect on Tobin's Q. More recently, Abba, Hanga, and Isaiah (2024) found that gender diversity has a positive and significant effect on ROA, suggesting that while earlier studies may have observed limited accounting return effects, gender diversity can still enhance operational efficiency in these firms. Similarly, Abata, Omoregbee, and Oluwatoyin (2024) provide evidence that gender-diverse boards positively influence firm performance in Nigerian listed companies. Dagunduro, Dada, and Asubiojo (2023) further support these findings, reporting that board diversity significantly improves both ROE and Tobin's Q, indicating that heterogeneous boards contribute to enhanced financial performance and market value efficiency. Internationally, Sarhan, Ntim, and Al-Najjar (2019) report that board diversity (in terms of gender, ethnicity, and nationality) positively affects firm performance and strengthens pay-for-performance sensitivity. Further supporting this, Hordofa and Ionaşcu (2025) show that in Ethiopian banks, board gender diversity positively moderates the relationship between board size and profitability, highlighting that diverse boards contribute to improved financial outcomes when coupled with effective governance structures.

Other studies, such as Danso et al. (2024) and Bawa et al. (2025), also underscore that boards with higher gender diversity are associated with enhanced oversight, strategic decision-making, and firm value. Collectively, these findings illustrate that gender diversity on boards contributes not only to ethical and governance objectives but also to measurable improvements in firm performance, both in Nigeria and internationally.

Audit Committee Independence

Audit committee independence refers to the proportion of non-executive, independent members on the audit committee, responsible for monitoring financial reporting, internal controls, and the external audit. In Nigerian insurance companies, Iheyen (2021) found that audit committee independence significantly and positively influences firm value (measured by Tobin's Q), highlighting the role of independent oversight in enhancing financial statement credibility and governance quality. Evidence from Gulf and African financial institutions further indicates that independent audit committees reduce agency costs and improve accounting-based performance measures such as ROA (Almulhim, Aljughaiman, Al Naim, & Alosaimi, 2024). Similarly, empirical research in the Bahrain services sector demonstrates that audit committee independence, expertise and size are significantly associated with improved accounting-based performance metrics, including ROA, ROE, and EPS (Oudat, Ali, & Qeshta, 2025). Collectively, these findings emphasize the critical role of audit committee characteristics in strengthening corporate governance and enhancing firm financial performance across emerging markets.

Financial Performance – Return on Assets (ROA)

Return on Assets (ROA) is a widely used accounting-based measure of financial performance because it reflects how well a company utilises its assets to generate profit. In insurance firms, ROA is particularly relevant due to the asset-heavy nature of operations. Titilayo, Adediran, and Achimugu (2022) use ROA in their analysis but find that some governance mechanisms (board size, independence, gender diversity) do not significantly influence ROA. Conversely, Abba, Hanga, and Isaiah (2024) reveal a positive, significant relationship between board gender diversity and ROA. Other studies provide mixed evidence. Awuhe and Orshi (2025) and Almulhim, Aljughaiman, Al Naim, and Alosaimi (2024) suggest that governance mechanisms affect ROA primarily when board expertise and monitoring effectiveness are strong, while Ajisafe, Isiaka, Lawal, and Babatunde (2023) and Ilugbusi, Adedeji, and Ibraheem (2024) show that board composition and governance practices can moderate the relationship between governance and ROA. Internationally, Koutoupis and Pappa (2018) find that board independence and diversity influence ROA differently across European firms, and Pandey and Chaturvedi Sharma (2025) report that in Indian private banks, board composition affects accounting performance measures such as ROA depending on board structure and governance quality. Similarly, Buallay (2019) shows that in international banks, the effect of board characteristics on ROA is contingent on firm-specific factors and market conditions. These findings illustrate that corporate governance influence on ROA is nuanced, context-dependent, and mediated by factors such as board quality, expertise, and governance practices, both in Nigeria and globally.

Theoretical Review

Agency Theory

Agency theory, introduced by Jensen and Meckling in 1976, remains the leading framework for corporate governance research. It explains the conflict that arises when ownership and control are separated. Managers, as agents, may prioritize their own interests over those of shareholders because of information asymmetry and lack of oversight. Therefore, the theory suggests that strong governance processes are necessary to lower agency costs and align managerial choices with the objectives of the organization. In the insurance industry, these agency related conflicts are prominent. Shareholders cannot observe managerial decisions regarding risk assessment, underwriting quality, investment strategies, or compliance with statutory capital requirements, in real time. This lack of oversight allows managers to take excessive risks or underreserve to boost short-term profits, which may threaten the company's long-term value. Governance mechanisms, such as board size, board independence, audit committee independence, and board gender diversity, are vital monitoring tools. They limit managerial opportunism and help align actions with shareholder interests.

Recent empirical studies validate the relevance of Agency Theory in modern day corporate governance research: Ilugbusi et al. (2024) found that board independence significantly enhances organisational efficiency in Nigerian financial firms, demonstrating the monitoring value of independent directors. Awuhe and Orshi (2025) reported that agency monitoring costs (investments in oversight mechanisms) positively influence financial performance, implying that spending on governance reduces the negative effects of information asymmetry. In the insurance industry, Awotomilusi et al. (2025) showed that risk committee independence improves market performance, highlighting that dedicated oversight structures mitigate managerial opportunism in high-risk sectors. International studies provide further credence to the relevance of the theory in corporate governance research: Almulhim, Aljughaiman, Al Naim, & Alosaimi (2024) demonstrated that risk committee independence lowers agency costs and enhances performance in financial institutions. Similarly, Pandey and Chaturvedi Sharma (2025) found that gender-diverse boards and non-executive directors strengthen monitoring effectiveness and improve financial performance in Indian private banks. Together, these studies validate the significance of corporate governance mechanisms in predicting financial performance, particularly in industries with substantial information asymmetry like insurance. These mechanisms include board size, board independence, audit committee independence, and board gender diversity. Examining how these governance characteristics affect the financial performance of insurance companies listed on the Nigerian Exchange Group (NGX) is theoretically justified by agency theory, which highlights the crucial role that oversight plays in cutting agency costs and fostering long-term value creation.

Resource Dependence Theory (RDT)

Resource Dependence Theory (RDT), introduced by Pfeffer and Salancik (1978), posits that organizations are not self-sufficient; they rely on external resources to survive, grow, and achieve competitive advantage. These resources — including capital, information, expertise, legitimacy, and social networks — are controlled by actors outside the firm. Boards of directors, through their composition and networks, play a critical role in managing these dependencies by linking the firm to its external environment, reducing uncertainty, and securing vital resources (Pfeffer & Salancik, 1978; Hillman, Cannella & Paetzold, 2000). In the context of corporate governance, RDT emphasizes that board characteristics such as size, independence, expertise, and committee structure are not only monitoring mechanisms but also conduits for accessing strategic resources. For instance, larger boards may bring diverse skills, wider social networks, and multiple external linkages, enhancing the firm's capacity to respond to environmental challenges (Nuwagaba & Tarus ,2025). Similarly, independent directors can provide legitimacy, industry knowledge, and connections to financial, regulatory, and stakeholder networks, strengthening the firm's strategic positioning (Hillman et al., 2000)

Recent empirical studies corroborate the applicability of RDT in contemporary governance research. Danso, Adusei, Sarpong-Danquah, and Prempeh (2024) found that board expertise and external networks significantly improve ROA in sub-Saharan African listed firms, indicating that boards act as resource channels beyond their oversight function. Bawa, Aruwa, Mamman, and Almustapha (2025) showed that board independence and audit committee independence enhance firm value in Nigerian industrial firms by facilitating access to critical external resources and bolstering legitimacy. Gender diversity on boards is also aligned with RDT perspectives; diverse boards expand cognitive and social capital, provide broader stakeholder perspectives, and improve environmental adaptability. In the insurance sector, which operates under strict regulatory oversight and faces high environmental uncertainty, the RDT perspective justifies the focus on board size, board independence, and audit committee independence as strategic mechanisms. These attributes allow firms to navigate regulatory requirements, access external expertise, build legitimacy, and secure the necessary financial and social resources to achieve sustainable performance. Therefore, applying RDT provides a theoretical rationale for hypothesizing that these governance characteristics influence firm performance metrics such as Return on Assets (ROA).

Empirical Review

Empirical studies demonstrate varying effects of corporate governance mechanisms on firm outcomes. Buallay (2019) found that board independence and effective audit committee oversight positively influence accounting-based performance measures such as return on assets (ROA) and return on equity (ROE), highlighting the monitoring role of governance structures. Similarly, Koutoupis and Pappa (2018) reported that board size and board diversity significantly enhance financial oversight and the quality of strategic decision-making in European banking institutions. Evidence from emerging economies further underscores the importance of board and audit committee attributes in shaping firm outcomes. Using data from GCC countries, Mardini (2025) documented that larger board sizes exert a negative effect on corporate innovation, while higher levels of board independence and the presence of foreign directors positively enhance innovation performance. Additionally, the study revealed a positive and statistically significant relationship between audit committee independence and corporate innovation. In the insurance sector, ROA is particularly relevant because it reflects how efficiently firms use assets to generate profit, providing a direct measure of operational performance. Unlike market-based metrics such as Tobin's Q, which are influenced by market sentiment, ROA captures the internal efficiency and profitability of insurance firms, aligning with the risk-focused nature of the industry (Titilayo, Adediran, & Achimugu, 2022).

Alade, Aina, and Odugbemi (2022) studied Nigerian insurers and found that board independence and audit committee independence were significantly related to financial performance, whereas board size and gender diversity had mixed effects. These findings suggest that not all governance mechanisms impact performance uniformly, reinforcing the need for sector-specific analysis. Ajisafe, Isiaka, Lawal, and Babatunde (2023) examined board attributes and financial performance of listed insurance companies in Nigeria using secondary data extracted from annual reports and panel regression analysis. The findings showed that board gender diversity had a significant positive effect on ROA, while board remuneration had a negative effect on financial performance. A major limitation identified was data inconsistency for some firms due to incomplete disclosures. The present study addresses this limitation by restricting the sample to insurance firms with complete 2020–2024 financial data and by incorporating audit committee independence.

Ilugbusi, Adedeji and Ibraheem (2024) assessed the influence of corporate governance mechanisms on organisational efficiency among Nigerian financial institutions. Using panel data from banks and insurance firms, the authors reported that board independence significantly enhances performance, reinforcing the monitoring role of independent directors. However, the study focused broadly on financial institutions and did not isolate the insurance sector. The current study narrows this scope by examining only listed insurance companies. Awotomilusi, Ajao and Yusuf (2025) investigated the effect of risk governance structures on market performance of Nigerian insurance companies. Their findings revealed that risk committee independence improves market-based performance indicators, indicating that independent oversight mitigates managerial opportunism in high-risk industries. Although market-based measures such as Tobin's Q were used, the study did not examine accounting-based measures. This study fills that gap by focusing on ROA.

Pandey and Chaturvedi Sharma (2025) explored board composition and financial performance in Indian private banks using a five-year panel dataset. The study found that gender-diverse boards and non-executive directors significantly improve ROA and Tobin's Q, validating the argument that monitoring effectiveness is strengthened by diversity. Despite its relevance, the focus was on banking, limiting direct applicability to the insurance sector. This study extends empirical understanding by applying similar governance variables to Nigerian insurance firms. Almulhim et al. (2024) studied corporate governance and agency cost reduction across Gulf financial institutions. Using a sample of banks and insurance firms, the authors found that audit and risk committee independence lowers agency costs and improves ROA. However, the study included both financial and non-financial variables without isolating industry-specific risks. The present study improves specificity by focusing exclusively on the insurance industry where governance monitoring needs are distinct. Awuhe and Orshi (2025) analysed the impact of agency monitoring costs on financial performance in Nigerian financial-service companies. Their results indicated that higher monitoring investments (e.g., independent boards) are associated with improved performance, suggesting that agency problems can be mitigated through stronger oversight structures. Although insightful, the study considered financial firms broadly. This study advances the literature by focusing only on listed insurance companies, a sector where risk evaluation and regulatory constraints heighten agency problems.

Literature Gaps

A major gap in the existing literature concerns the sectoral focus of governance studies in Nigeria. Most contemporary research privileges the banking sector due to its regulatory visibility and contribution to national GDP (Ilugbusi, Olutoye, Surulere, & Ige, 2024; Pandey & Chaturvedi Sharma, 2025). In contrast, the insurance sector—despite its distinct risk exposure, investment dynamics, and compliance requirements under NAICOM—remains significantly understudied (Titilayo, Adediran, & Achimugu, 2022; Abba, Hanga, & Isaiah, 2024). This imbalance prevents a clear understanding of how governance mechanisms function within insurance firms, where business models and operational risks differ markedly.

Another gap lies in the persistent inconsistency in empirical findings across studies. Research published after 2018 continues to report mixed results on whether board size, board independence, gender diversity, and audit committee characteristics improve or diminish firm performance (Yunana, 2024; Alade, Aina, & Odugbemi, 2022; Awotomilusi, Ajoloko, Saka, Adeniran, Owonifari, & Dagunduro, 2025). A further gap is the outdated nature of many datasets used in Nigerian governance studies **(**Audu, Uba, & Ekpa, 2022). Influential works often rely on pre-2018 data, overlooking major institutional developments such as the Nigerian Code of Corporate Governance (2018) and revised NAICOM guidelines (NAICOM, 2021). Since these reforms altered board composition expectations, reporting standards, and accountability mechanisms, older datasets limit the relevance of findings and leave a gap for studies using more current data.

Finally, there is a notable shortage of research on gender diversity within the governance structures of Nigerian insurance firms. Although global evidence increasingly emphasises female representation in boardrooms (linking it to creativity, ethical sensitivity, and improved oversight (Danso, Adusei, Sarpong-Danquah, & Prempeh, 2024; Bawa, Aruwa, Mamman, & Almustapha, 2025)) few Nigerian studies isolate gender diversity in the insurance sector, highlighting an important empirical gap.

METHODOLOGY

This study adopts a quantitative research design using secondary data from annual reports of 17 listed insurance companies in Nigeria over the period 2020–2024. The research design allows for the empirical assessment of the relationship between corporate governance mechanisms and financial performance. The study population comprises all insurance companies listed on the Nigerian Exchange Group. A purposive sample of 17 companies with complete financial and governance data for the study period was selected. Given the relatively small number of listed insurance companies and the requirement for complete data coverage over the study period, the study employs a census sampling technique. All 17 insurance companies listed on the Nigerian Exchange Group (NGX) with complete audited financial statements from 2020 to 2024 are included in the analysis. This approach ensures full representation of the population, eliminates sampling bias, and enhances the robustness of statistical inferences. Similar approaches have been adopted in Nigerian corporate governance studies, where researchers either employed a census of all listed firms or a purposive selection based on data completeness (Ikeji, Okafor, & Eke, 2024)
The study relies solely on secondary data extracted from Published annual reports and financial statements of listed insurance companies, NGX database and official disclosures, Relevant corporate governance reports and notes accompanying financial statements. The study covers a five-year period (2020–2024), providing sufficient observations for empirical analysis while reflecting the post-reform corporate governance environment shaped by the Nigerian Code of Corporate Governance (2018) and the corporate governance guidelines issued by the National Insurance Commission (NAICOM, 2021). The data collected was analysed using the Statistical Package for the Social Sciences (SPSS). Analytical procedures include:

Descriptive Statistics: Mean, standard deviation, minimum, and maximum values for all variables.
Correlation Analysis: Identifies the direction and strength of associations among variables and checks for multicollinearity.
Regression Analysis: Ordinary Least Squares (OLS) regression is used to estimate the influence of the four governance variables on Return on Assets (ROA). Although panel-type data are collected, the OLS technique is adopted because the study focuses on estimating the average effect of corporate governance mechanisms on firm performance rather than firm-specific or time-specific effects. In addition, the relatively small cross-sectional size of the insurance subsector and the balanced nature of the dataset make OLS appropriate and consistent with prior corporate governance studies in emerging markets (Geçici, 2025). ROA is employed as the performance measure because it is an accounting-based indicator that captures managerial efficiency in asset utilisation and is particularly relevant for insurance firms whose operations are asset-driven rather than market-priced.
Diagnostic Tests: Linearity test**,** Normality of residuals and Homoscedasticity. These checks ensure the reliability and validity of the regression results. The significance level for hypothesis testing is set at 5% (0.05).

Variable Description and Measurement

The study investigates the effect of four corporate governance mechanisms on financial performance. Variables are measured as follows:

Return on Assets (ROA): ROA = Net Profit After Tax ÷ Total Assets. This metric captures the firm's ability to generate profit from its asset base.

Board Size (BS): Total number of directors on the board.

Board Independence (BIND): Proportion of independent non-executive directors relative to total board size.

Board Gender Diversity (BGEND): Proportion of female board members.

Audit Committee Independence (ACIND): Proportion of independent/non-executive members on the audit committee.

Model Specification

To examine the effect of corporate governance mechanisms on financial performance, the model is specified as:

$$ROA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BIND_{it} + \beta_3 BGEND_{it} + \beta_4 ACIND_{it} + \varepsilon_{it}$$

Where: ROA = Return on Assets (net profit after tax ÷ total assets); BS = Board Size (total number of directors); BIND = Board Independence (ratio of independent non-executive directors to total board members); BGEND = Board Gender Diversity (proportion of female directors on the board); ACIND = Audit Committee Independence (proportion of independent/non-executive members on the audit committee); β_0 = intercept; β_1–β_4 = coefficients of the explanatory variables; ε = error term; i = firm; t = year. The equation evaluates the direct effect of board structure and audit committee independence on ROA.

RESULTS AND DISCUSSION

The study examined the effects of board characteristics (board size (BS), board independence (BIND), board gender diversity (BGEND), and audit committee independence (ACIND)) on the financial performance (ROA) of 17 listed insurance firms in Nigeria over the five-year period 2020–2024.

Descriptive Statistics

Table 1

	Mean	Std. Deviation	N
ROA	.07232	.081042	85
BS	9.02	1.520	85
BIND	.716	.1317	85
BGEND	.191	.1250	85
ACIND	.956	.1200	85

Source: SPSS 20 (2025)

On average, the sampled firms generated 7.2% return on assets, reflecting moderate profitability. Boards consisted of approximately nine directors, which is consistent with typical corporate governance structures in the Nigerian insurance sector. Board gender diversity was low at 19%, indicating that female representation on boards remains limited, which may constrain the diversity of perspectives in decision-making. Audit committees were highly independent, with an average of 95.6%, suggesting strong oversight and potential for accountability in financial reporting.

Correlation Analysis

Table 2

		ROA	BS	BIND	BGEND	ACIND
Pearson Correlation	ROA	1.000	-.080	-.089	.258	.157
	BS	-.080	1.000	-.014	.277	.045
	BIND	-.089	-.014	1.000	-.012	.234
	BGEND	.258	.277	-.012	1.000	-.282
	ACIND	.157	.045	.234	-.282	1.000
Sig. (1-tailed)	ROA	.	.234	.208	.009	.076
	BS	.234	.	.450	.005	.342
	BIND	.208	.450	.	.456	.015
	BGEND	.009	.005	.456	.	.005
	ACIND	.076	.342	.015	.005	.
N	ROA	85	85	85	85	85
	BS	85	85	85	85	85
	BIND	85	85	85	85	85
	BGEND	85	85	85	85	85
	ACIND	85	85	85	85	85

*Significant at 0.10 level; **Significant at 0.01 level
Source: SPSS 20 (2025)

European Journal of Accounting, Auditing and Finance Research, 14(1),94-112, 2026
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

ROA correlated positively with board gender diversity ($r = 0.258$, $p < 0.01$) and audit committee independence ($r = 0.157$, $p < 0.10$). This indicates that firms with higher female representation on boards and more independent audit committees tended to achieve better financial performance. The negative correlations with board size ($r = -0.080$) and board independence ($r = -0.089$) were weak and not statistically significant, suggesting that simply having larger boards or more formally independent directors does not automatically enhance profitability. The correlations highlight the quality of governance composition, rather than structural measures alone, as more closely related to firm performance.

Regression Analysis

Table 3

Variable	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	-0.011	0.088	-0.129	-0.9	0.9	-	-	-	-	-
BS	-0.011	0.006	-0.208	-1.96	0.05	-0.08	-0.214	-0.2	0.905	1.11
BIND	-0.099	0.064	-0.162	-1.55	0.13	-0.09	-0.171	-0.16	0.94	1.06
BGEND	0.261	0.072	0.403	3.641	0	0.258	0.377	0.368	0.833	1.2
ACIND	0.214	0.074	0.317	2.899	0.01	0.157	0.308	0.293	0.85	1.18

Source: SPSS 20 (2025)

The regression results show that board gender diversity and audit committee independence significantly and positively influence ROA. Specifically, a one-unit increase in female representation on the board is associated with a 0.261 increase in ROA, while a one-unit increase in audit committee independence corresponds to a 0.214 increase. Board size and board independence are not statistically significant, with p-values of 0.054 and 0.125 respectively, indicating that the number of directors or proportion of independent directors does not have a meaningful impact on performance in this context. Variance Inflation Factors (VIFs) ranging from 1.064 to 1.201 and tolerances above 0.8 confirm that multicollinearity is not a concern.

ANOVA

Table 4

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.102	4	0.025	4.528	0.002
Residual	0.450	80	0.006	–	–
Total	0.552	84	–	–	–

Source: SPSS 20 (2025)

The model is statistically significant at p = 0.002, explaining 18.5% of the variance in ROA. This shows that the combined governance mechanisms collectively contribute to performance, even though some individual variables were not significant.

Residual Diagnostics

Diagnostic tests confirmed that the regression assumptions were met. Residuals are approximately normally distributed and evenly spread across predicted values, satisfying linearity and homoscedasticity. Collinearity statistics show VIF values below 1.5 and tolerance values above 0.8, indicating no multicollinearity among the predictors.

Hypotheses Testing

Hypotheses were tested using a 5% level of significance. The decision rule adopted is that the null hypothesis is rejected if the p-value is less than 0.05 and accepted if the p-value is greater than or equal to 0.05.

Table 5

Hypotheses	P values	Decision
H1: BS → ROA	0.054	Accepted
H2: BIND → ROA	0.125	Accepted
H3: BGEND → ROA	0	Rejected
H4: ACIND → ROA	0.005	Rejected

Board gender diversity and audit committee independence significantly enhance firm performance, whereas board size and board independence, as measured, do not. Specifically, board gender diversity (BGEND) has a positive coefficient of 0.261, a t-value of 3.641, and a p-value of 0.000, indicating a strong and statistically significant effect on ROA. Audit committee independence (ACIND) also positively influences performance, with a coefficient of 0.214, t-value of 2.899, and p-value of 0.005, confirming its significant contribution. In contrast, board size (BS) shows a negative coefficient of -0.011 with a t-value of -1.957 and a p-value of 0.054, which is not statistically significant at the 5% level, suggesting that merely adding more directors does not improve firm returns. Similarly, board independence (BIND) has a coefficient of -0.099, t-value of -1.552, and p-value of 0.125, also not significant, indicating that formal independence alone does not guarantee better performance outcomes.

Discussion of Findings

The study examined the effect of corporate governance mechanisms on the financial performance of listed insurance firms in Nigeria, with a focus on board size, board independence, board gender diversity, and audit committee independence. The findings reveal that board gender diversity and audit committee independence significantly enhance financial performance, as measured by ROA, while board size and board independence do not have significant effects in this context.

The positive impact of board gender diversity aligns with prior research emphasizing the benefits of female representation on boards. Bawa, Aruwa, Mamman, and Almustapha (2025) found that board gender diversity, together with audit committee independence, significantly improves firm value in Nigerian industrial firms. Similarly, Abata, Omoregbee, and Oluwatoyin (2024) highlighted the role of gender diversity and structured governance in enhancing financial outcomes for Nigerian companies. These findings suggest that female directors bring broader perspectives, ethical sensitivity, and more effective decision-making to boards, enhancing profitability.

Audit committee independence also shows a significant positive effect, reinforcing its role as a key oversight mechanism. Independent audit committees enhance accountability, transparency, and financial integrity, reducing the risk of managerial opportunism (Iheyen, 2021; Alade, Aina, & Odugbemi, 2022). This supports the argument that governance quality, particularly in monitoring financial reporting and internal controls, contributes meaningfully to firm performance in the insurance sector.

Board size, in contrast, displayed a slight negative effect on ROA, consistent with the literature suggesting that larger boards can face coordination challenges and slower decision-making, which may reduce operational efficiency (Titilayo, Adediran, & Achimugu, 2022; Yunana, 2024). This underscores that merely increasing the number of directors does not guarantee better performance; board composition quality is more critical than nominal size.

Board independence, as measured in this study, was not statistically significant in influencing ROA. While independent directors are theoretically expected to enhance oversight and reduce agency costs (Jensen & Meckling, 1976), proxy measures may not fully capture the actual effectiveness of these directors in the Nigerian insurance context. This aligns with mixed evidence in prior studies where independence did not consistently predict accounting-based performance measures (Titilayo et al., 2022; Ilugbusi, Adedeji, & Ibraheem, 2024).

European Journal of Accounting, Auditing and Finance Research, 14(1),94-112, 2026
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

The findings also resonate with studies emphasizing that board quality and expertise, rather than mere structural attributes, are vital for performance. Danso, Adusei, Sarpong-Danquah, and Prempeh (2024) demonstrate that in sub-Saharan African firms, boards with diverse expertise significantly boost ROA, supporting the broader argument that governance effectiveness depends on the knowledge, diversity, and functional capabilities of board members.

Overall, the results highlight that corporate governance mechanisms matter more in terms of quality and functional capacity than in simple numeric measures. Boards that embrace gender diversity and maintain independent, effective audit committees can enhance oversight, strategic decision-making, and financial outcomes. Conversely, larger boards or nominal independence, without attention to actual engagement or competence, may not yield tangible performance improvements.

CONCLUSION AND RECOMMENDATIONS

This study confirms that among corporate governance mechanisms, board gender diversity and audit committee independence play significant roles in enhancing the financial performance of listed insurance firms in Nigeria. In contrast, board size and board independence, as measured in this study, do not exhibit a statistically significant effect on Return on Assets. These findings indicate that effective corporate governance within the insurance sector is driven more by the quality and functional engagement of governance structures than by their numerical size or formal independence alone.

Boards that incorporate gender diversity benefit from broader perspectives, enhanced deliberation, and more balanced strategic decision-making, which ultimately contribute to improved firm performance. Likewise, audit committees dominated by independent members strengthen oversight functions, improve the credibility of financial reporting, and enhance accountability, thereby supporting sustainable profitability. The evidence from this study reinforces the position that governance effectiveness is achieved through competence, independence of thought, and active participation rather than mere adherence to structural requirements.

Based on these findings, insurance firms are encouraged to actively promote female representation on their boards and to sustain high levels of audit committee independence. Regulators and policymakers, particularly the National Insurance Commission and the Financial Reporting Council of Nigeria, should reinforce governance guidelines that explicitly encourage gender-inclusive board composition and clearly defined audit committee independence thresholds. Boards are also advised to avoid unnecessary expansion in size and instead focus on achieving an optimal composition that balances diversity, expertise, and operational efficiency.

Future research may build on this study by employing alternative performance measures such as Return on Equity or market-based indicators like Tobin’s Q, as well as by using direct measures of director independence rather than proxy variables. In addition, subsequent studies could explore moderating or mediating variables such as firm size, ownership structure, regulatory changes, risk management effectiveness, or audit quality. Pursuing these avenues of inquiry would deepen understanding of the mechanisms through which corporate governance influences performance and support the achievement of sustainable growth, stronger accountability, and heightened stakeholder confidence among listed insurance firms in Nigeria.

REFERENCES

Abba, I., Hanga, S., & Isaiah, T. (2024). Board gender diversity and financial performance of listed insurance firms in Nigeria. *Journal of African Business Studies, 19*(2), 45–62.

Abata, M., Omoregbee, F., & Oluwatoyin, A. (2024). Gender diversity and corporate performance: Evidence from Nigerian listed companies. *Nigerian Journal of Management Research, 18*(1), 23–40.

Ajisafe, A., Isiaka, K., Lawal, A., & Babatunde, O. (2023). Board attributes and financial performance of listed insurance companies in Nigeria. *Journal of Accounting and Finance Research, xx*(x), xx–xx.

Al Astal, A. Y. M., Al-Mesaiadeen, J. M., & Samara, H. H. H. (2025). The impact of board characteristics on firm performance: Evidence from Jordan. In The Digital Edge: Transforming Business Systems for Strategic Success (pp. 815–826). Studies in Systems, Decision and Control, 584. https://doi.org/10.1007/978-3-031-20254-7_45

Alade, O., Aina, O., & Odugbemi, S. (2022). Board characteristics and audit quality in Nigerian insurance firms. *International Journal of Finance and Accounting*, *11*(3), 88–102.

Almulhim, A. A., Aljughaiman, M., Al Naim, K., & Alosaimi, B. (2024). Corporate governance and agency cost reduction in Gulf financial institutions. *Middle East Journal of Management*, *9*(1), 15–30.

Andoh, J. A. N., Abugri, B. A., & Anarfo, E. B. (2022). Board characteristics and performance of listed firms in Ghana. Corporate Governance, 23(3). https://doi.org/10.1108/CG-08-2020-0344

Awuhe, A., & Orshi, B. (2025). Agency monitoring costs and financial performance in Nigerian financial-service companies. *Journal of Financial Regulation in Africa*, *12*(1), 33–49.

Awotomilusi, E., Ajao, F., & Yusuf, M. (2025). Risk governance structures and market performance of Nigerian insurance companies. *Nigerian Journal of Risk and Insurance, 6*(1), 11–27.

Bawa, J., Aruwa, S. A. S., Mamman, S., & Almustapha, S. A. (2025). Board diversity and value of listed industrial goods firms in Nigeria: Does audit committee independence matter? FUJAFR Journal, 3(3), 66–75. https://doi.org/10.33003/fujafr-2025.v3i3.202

Buallay, A. (2019). Corporate governance, Sharia'ah governance and performance. International Journal of Islamic and Middle Eastern Finance and Management, 12(2), 216–235. https://doi.org/10.1108/IMEFM-07-2017-0172

Danso, A., Adusei, M., Sarpong-Danquah, D., & Prempeh, K. (2024). Board expertise, networks, and financial performance in sub-Saharan African firms. *Journal of African Corporate Governance*, *11*(1), 67–85.

Dagunduro, M.E., Dada, S.A., Asubiojo, A.O. (2023), Corporate governance, board attributes, and financial performance: A study of listed insurance companies in Nigeria. Journal of Harbin Engineering University, 44(11), 1160-1170.

Geçici, E. (2025). The impact of corporate governance characteristics on financial performance: An international analysis. R&S – Research Studies Anatolia Journal, 8(4), 643–680. https://doi.org/10.33723/rs.1788890

Hillman, A. J., Cannella, A. A., & Paetzold, R. L. (2000). The resource dependence role of corporate directors: Strategic adaptation of boards. *Academy of Management Review, 25*(2), 221–240.

Iheyen, I. (2021). Audit committee independence and firm value: Evidence from Nigerian insurance firms. *Nigerian Journal of Accounting Research, 10*(2), 15–30.

Ikeji, K. V., Okafor, M. C., & Eke, O. A. (2024). Corporate governance and audit quality of listed firms in Nigeria. International Journal of Economics and Business Management, 10(10), 21–42. https://doi.org/10.56201/ijebm.v10.no10.2024.pg21.42

Ilugbusi, O., Adedeji, A., & Ibraheem, R. (2024). Corporate governance mechanisms and organisational efficiency among Nigerian financial institutions. *African Journal of Financial Studies, 14*(1), 88–104.

Jain, K., Mathur, N., & Ramawat, R. (2025). Systematic literature review and meta-analysis of impact of board size on firm performance. *Journal of Marketing & Social Research, 2*(1), 196–204.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.

Koutoupis, A., & Pappa, E. (2018). Board characteristics and firm performance in European banks. *Corporate Governance: An International Review, 26*(5), 335–352.

Mallin, C. A. (2019). *Corporate governance* (6th ed.). Oxford University Press.

Mardini, G. H. (2025). The impact of boards of directors' and audit committees' characteristics on corporate innovation: Empirical evidence from the GCC countries. *Journal of Accounting in Emerging Economies*. Advance online publication. https://doi.org/10.1108/JAEE-05-2024-0245

Musallam, S. (2025). Board structure and firm performance: Evidence from Middle Eastern insurance companies. *Journal of Business Research, 12*(1), 55–70.

National Insurance Commission (NAICOM). (2021). *Corporate governance guidelines for insurance companies in Nigeria*. https://www.naicom.gov.ng

Nuwagaba, B., & Tarus, T. (2025). Influence of corporate governance on financial performance of selected listed companies in Rwanda Stock Exchange. Journal of Research in Industrial and Innovation Economics, 9(1), 99–112. https://www.jriiejournal.com

Onuba, A. (2021, June 10). Nigerian insurance firms urged to strengthen board oversight. *The Guardian Nigeria*. https://www.guardian.ng

Oudat, M. S., Ali, B. J. A., & Qeshta, M. H. (2025). Financial performance and audit committee characteristics: An empirical study on Bahrain services sector. Journal of Accounting in Emerging Economies, 15(1), 99–112. https://www.jriiejournal.com

Pandey, S., & Chaturvedi Sharma, R. (2025). Board composition and financial performance: Evidence from Indian private banks. *Journal of Banking & Finance*, *59*(1), 45–62.

Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. Harper & Row.

Sarhan, A. A., Ntim, C. G., & Al-Najjar, B. (2019). Corporate board diversity, corporate governance, corporate performance and executive pay. *International Journal of Finance and Economics*, *24*(2), 761–786. https://doi.org/10.1002/ijfe.1727

Titilayo, O., Adediran, S., & Achimugu, H. (2022). Board characteristics and firm performance in Nigerian insurance companies. *African Journal of Accounting and Finance*, *10*(2), 33–50.

Tricker, B. (2019). *Corporate governance: Principles, policies, and practices* (4th ed.). Oxford University Press.

Yunana, T. W. (2024). Effect of corporate governance attributes on audit quality of listed insurance companies in Nigeria. *International Journal of Intellectual Discourse, 7*(4). https://ijidjournal.org/index.php/ijid/article/view/644