Corporate Governance and Financial Performance of Some Selected Commercial Banks in Nigeria

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doi: https://doi.org/10.37745/ejaafr.2013/vol14n1113133 Published February 03, 2026

Citation: Bamidele S.A., Ndoni P.W., Podoki P., Oguariole A.M. (2026) Corporate Governance and Financial Performance of Some Selected Commercial Banks in Nigeria, *European Journal of Accounting, Auditing and Finance Research,* 14(1),113-133

Abstract: *This paper investigates the effects of corporate governance mechanisms on selected Nigerian banks' financial performance from 2018 to 2024, focusing on the impact of board structure, audit committee effectiveness, risk management practices, and governance disclosure on profitability, asset quality, and credit risk management. A mixed-methods research design is adopted for this study, complementing quantitative analysis of financial statements and governance reports with insights from regulatory filings and corporate disclosures. Results show that all governance mechanisms are significant, yet distinct, drivers of financial performance, with risk management practices emerging as the most crucial determinant. Boards with diverse expertise, combined with active audit committees, robust risk frameworks, and transparent reporting by firms, go hand in hand with profitability and reduction of non-performing loans. Based on these findings, this study supports theoretical hypotheses within Agency, Stakeholder, Resource-Dependence Theories while extending the previous literature on the role of board diversity, qualitative audit committee engagement, and disclosure as a source of strategic value. This suggests an integrated approach to governance as an important lesson in teasing out how to prosper in Nigeria's sometimes hostile banking environment, providing lessons that will be useful in practice for bank management seeking to build stronger institutional performance and resilience, regulators, and other policy actors.*
Keywords*:* corporate governance, financial performance, board structure, audit committee effectiveness, risk management, governance disclosure, Nigerian banks, bank profitability.

INTRODUCTION

Corporate governance has regained importance in the last decade in Nigeria's banking sector, largely because the stability of the financial system continues to depend on how banks structure accountability, risk oversight, and managerial discipline. The collapse of a number of Nigerian banks around the late 2000s exposed deep weaknesses in board practices, credit-risk mismanagement, and executive excesses. Though regulatory reforms have since strengthened oversight, questions persist about how effectively corporate governance translates into improved financial performance in today's competitive and technology-driven banking environment. As banks now expand digital operations, aggressively pursue robust loan portfolios, and traverse through macroeconomic volatility, quality governance becomes even more central to such crucial performance outcomes as profitability, asset quality, liquidity strength, and shareholder value.

In recent years, scholars and regulators have highlighted the connection between governance quality and financial resilience. In 2019, the Organisation for Economic Co-operation and Development updated its Principles of Corporate Governance to underscore, for financial institutions, board independence, transparency, and risk management. In Nigeria, the Central Bank of Nigeria has strengthened such expectations with the 2023 Corporate Governance Guidelines for Commercial, Merchant, Non-Interest, and Payment Service Banks, which emphasize the importance of Boards that are diverse in composition, audit committees that are truly effective, and enterprise-wide risk management frameworks that are robust. These reforms position governance not simply as a compliance requirement but as a strategic variable that shapes banks' long-term competitiveness.

Empirical work also shows that better-governed banks have healthier financial outcomes, with better ROA, higher ROE, and lower levels of NPLs. The studies across Sub-Saharan Africa also indicate that board size, gender diversity, and independence can be associated with better profitability and stronger risk discipline. Alade & Ogundipe (2021); Atoyebi et al. (2022) Similar studies in Nigeria confirm that credit-risk performance and overall financial robustness hinge on the level of transparency in reporting and effectiveness of the board. Abata & Monehin (2020) However, not all evidence points uniformly in a single direction. A number of recent studies argue that certain aspects of corporate governance, such as excessively large board size or disproportionate investments in regulatory compliance, may paradoxically squeeze financial performance by slowing down decision-making or increasing administrative costs. Oke & Akinola (2023) Such mixed evidence alone argues for updated sectoral analyses.

The present study consequently revisits the corporate governance-performance nexus, using selected Nigerian banks as case examples. The nation's banking sector remains one of the most regulated in Africa, yet it operates in a highly uncertain economic landscape characterized by inflationary pressure, foreign exchange instability, and increasing credit risk exposure. Understanding whether governance practices truly influence performance in this environment is of utmost academic and policy relevance. Besides adding to academic discourse, the study provides practical insight for regulators, boards, and shareholders who continue to demand more accountability and sustainable performance. This article finally positions corporate governance not as a static institutional requirement but as an evolving architecture of accountability that shapes financial outcomes in measurable ways. The paper examines the governance structures in major Nigerian banks and maps their relationship with performance indicators to try to shed light on how governance reforms might translate into real financial value for institutions operating within an increasingly complex financial ecosystem. This study is designed to clarify how corporate governance practices shape the financial performance of Nigerian banks operating in an increasingly complex regulatory and economic landscape.

Conceptual Review

Corporate governance and financial performance remain two of the most scrutinized concepts in contemporary financial analysis, especially within the banking sector where poor oversight can trigger systemic instability. Understanding these concepts requires unpacking their core elements and the way they interact within the institutional architecture of Nigerian banks.

Corporate Governance

Corporate governance has evolved from a narrow focus on regulatory compliance into a broader conversation about accountability, institutional culture, and sustainable firm performance. In the banking sector in particular, governance functions as an architecture of control designed to protect depositors, safeguard public trust, and limit excessive risk-taking. Recent scholarship positions corporate governance as a multi-dimensional system that integrates managerial oversight, ethical conduct, strategic direction, and stakeholder engagement (Adegbite et al., 2020; Yakasai & Adamu, 2022). This broader framing recognises that banks are not ordinary firms; they operate with high leverage, rely heavily on public confidence, and engage in activities that can destabilise entire economies when poorly managed.

Modern definitions describe corporate governance as the set of formal and informal mechanisms that direct how decisions are made, how managers are held accountable, and how risks are monitored. These mechanisms commonly include the board of directors, board committees, internal audit systems, risk-management frameworks, disclosure structures, and performance evaluation systems. Contemporary governance scholarship emphasises that these mechanisms must operate as a coherent system rather than isolated components. Effective governance therefore depends on clarity of roles, independence of oversight personnel, and alignment between strategic vision and organisational behaviour (Krause & Semadeni, 2019; Oke & Akinola, 2023).

Banks in emerging economies face unique governance challenges. Issues such as insider lending, political interference, weak enforcement capacity, and opaque reporting practices continue to shape governance outcomes in Nigeria and similar contexts (Abata & Monehin, 2020). These persistent structural constraints explain why regulators increasingly adopt prescriptive governance frameworks. The Central Bank of Nigeria's 2023 Corporate Governance Guidelines emphasise board diversity, risk governance, tenure limits, whistle-blowing protections, and mandatory performance appraisals. The guidelines reflect a global shift toward stronger corporate accountability, aligning broadly with the updated OECD Principles of Corporate Governance (2019).

Corporate governance has also taken on a strategic dimension. Beyond safeguarding against failure, it is now seen as a driver of organisational competitiveness. Well-governed banks tend to attract cheaper capital, maintain stronger credit ratings, and withstand macroeconomic volatility better than poorly governed institutions (Adetunji & Oladapo, 2024). Governance quality increasingly influences investor perception, shaping how markets evaluate long-term prospects. This is particularly relevant in Nigeria where economic instability, currency pressures, and credit-risk exposure place banks under continuous stress.

Another emerging dimension is the behavioural component of governance. Recent studies argue that governance outcomes depend not only on formal structures but on the quality of interactions, ethical culture, and internal norms that shape judgement and decision-making (Krause et al., 2020). In practice, two banks may have identical governance structures yet produce radically different outcomes because one has a culture of compliance and the other a culture of opportunism. This behavioural turn in governance theory is important for explaining divergent performance patterns among Nigerian banks despite uniform regulatory requirements.

In sum, corporate governance in the banking context represents a complex interplay of structures, behaviours, regulations, and institutional incentives. It shapes financial stability, shareholder confidence, and long-term transformation. For banks operating in high-risk environments such as Nigeria, governance becomes a strategic asset, one that determines whether institutions merely survive or secure sustained competitive advantage.

Board Structure

Board structure remains one of the most influential dimensions of corporate governance, particularly in the banking sector where strategic decisions and risk profiles must be constantly scrutinised. The structure of a board captures its size, independence, diversity, expertise, and the balance of power between executive and non-executive members. Each of these elements shapes the board's ability to provide oversight, steer strategy, and discipline managerial behaviour. Contemporary corporate governance research across emerging markets demonstrates that differences in board configuration often explain why banks with similar regulatory obligations perform differently (Ibrahim & Mohammed, 2021; Atoyebi et al., 2022).

There is no consensus on the optimal board size, and recent scholarship continues to debate its effect on performance. Larger boards are often associated with a wider pool of expertise, improved monitoring capacity, and more diverse perspectives. These benefits are especially valuable in banking, where decision-making requires technical knowledge of credit risk, regulatory frameworks, and macroeconomic dynamics. However, larger boards face coordination challenges, slower decision-making, and increased tendencies toward conflict or fragmentation (Kalsie & Shrivastav, 2020). Smaller boards may operate more efficiently but sometimes suffer from limited oversight capacity and excessive managerial dominance. Nigerian studies reflect this mixed picture: while some find that moderately sized boards enhance financial performance (Ibrahim &

Mohammed, 2021), others note that oversized boards can dilute accountability (Oke & Akinola, 2023).

Board independence is widely regarded as a cornerstone of effective governance. Independent directors bring objectivity, reduce the likelihood of managerial opportunism, and act as safeguards against insider lending, a recurring concern in Nigerian banking. Research over the last five years consistently links board independence to improvements in profitability, credit-risk discipline, and disclosure quality (Yakasai & Adamu, 2022; Adetunji & Oladapo, 2024). Independent directors also tend to demand stronger audit controls and risk management systems. However, independence on paper does not always translate into independence in practice. Scholars note that political appointments, cultural hierarchies, and social networks may weaken independence in emerging market contexts, limiting the intended governance benefits (Adegbite et al., 2020).

Diversity, whether in gender, age, professional background, or nationality, has gained significant scholarly attention. Gender diversity in particular has been shown to influence ethical sensitivity, risk aversion, and collaborative decision-making. African and global evidence between 2018 and 2025 suggests that gender-diverse boards often correlate with stronger financial performance, better risk oversight, and enhanced transparency (Terjesen & Sealy, 2019; Alade & Ogundipe, 2021). In Nigeria, policy reforms now encourage banks to diversify their boards, partly in response to evidence linking diversity with better monitoring and a reduction in groupthink. However, diversity outcomes depend on the actual influence of minority board members. Tokenistic representation offers little improvement unless diverse members occupy meaningful positions within the board committees that shape strategy.

Banks operate in an environment characterised by complex financial instruments, shifting regulatory expectations, and significant risk exposure. As a result, the professional expertise of board members, particularly in finance, accounting, economics, and law, plays a substantial role in shaping governance quality. Research conducted after 2018 underscores that boards with stronger financial literacy tend to produce institutions with healthier asset quality and better liquidity management (Nkundabanyanga et al., 2020; Egbide & Samuel, 2023). The absence of technical expertise, on the other hand, often leads to superficial oversight, leaving management with unchecked discretion.

Leadership structure refers primarily to whether the roles of Chief Executive Officer (CEO) and Board Chair are separated. This separation is considered a best practice because it prevents the concentration of power that could weaken oversight. Banks with dual leadership structures, where the CEO also chairs the board, often exhibit weaker monitoring and higher risk-taking tendencies. Recent evidence across financial institutions in Africa and Asia confirms that separating these roles enhances transparency and strengthens financial performance (Asiedu & Gyeke-Dako, 2020). In response, the Central Bank of Nigeria's 2023 governance guidelines mandate clear separation of roles to ensure independence in strategic oversight. Ultimately, board structure is not merely a configuration issue; it is a performance determinant. A board's ability to provide direction, monitor risk, and enforce discipline depends on how its size, independence, diversity, and expertise interact. A well-structured board can transform governance from a compliance exercise into a strategic asset, enhancing bank resilience, investor confidence, and operational efficiency.

Audit Committee Effectiveness

The audit committee has become one of the most critical pillars of corporate governance, especially in banking systems where opacity, asymmetric information, and risk exposure are structurally high. Audit committees function as the gatekeepers of financial integrity, ensuring that internal controls are robust, financial statements are reliable, and managerial behaviours are subject to adequate scrutiny. In the last five years, research has consistently shown that audit committee effectiveness is strongly associated with improvements in bank performance, transparency, and risk governance (Nkundabanyanga et al., 2020; Egbide & Samuel, 2023).

An effective audit committee requires independence from executive influence. Independence enhances objectivity, strengthens oversight functions, and reduces the likelihood of collusion between management and auditors. Several studies emphasise that when audit committees are dominated by non-executive and independent directors, banks tend to report more credible financial statements and display stronger asset quality (Al-Matari, 2019; Eke & Afolabi, 2022). In Nigeria, regulatory reforms, particularly the 2023 CBN Corporate Governance Guidelines, reinforce this principle by mandating that audit committees consist predominantly of non-executive directors with no financial conflicts of interest.

Competence is arguably the most defining factor of audit committee performance. Financial literacy, understanding of accounting standards, and knowledge of risk management frameworks allow committee members to interrogate financial reports more effectively. Empirical work from African and global contexts shows that audit committees with members possessing strong accounting or finance backgrounds significantly improve earnings quality and reduce incidences of financial misstatements (Hapsoro & Husain, 2019; Al-Najjar & AlShaer, 2022). Nigerian studies echo this pattern: banks whose audit committees have technically competent members tend to achieve better loan oversight, reduced credit-risk exposure, and enhanced return on assets (Eke & Afolabi, 2022).

The frequency of meetings serves as a proxy for committee diligence. However, meeting frequency alone is not sufficient; what matters is the quality of engagement and the committee’s willingness to challenge management. Research after 2018 indicates that regular audit committee meetings correlate with improved financial reporting quality and stronger operational controls (Benkraiem et al., 2020). In Nigerian banks, periodic engagement with internal and external auditors ensures that early warning signals, such as rising non-performing loans, are detected and escalated promptly.

Audit committees serve as the interface between the board, internal audit units, and external auditors. Their role in safeguarding auditor independence is crucial. Studies show that when audit committees exercise strong influence over auditor selection, engagement terms, and the evaluation of audit reports, the likelihood of earnings manipulation reduces significantly (Al-Najjar & AlShaer, 2022; Egbide & Samuel, 2023). This relationship is particularly important in Nigeria, where concerns about auditor independence have historically shaped regulatory reforms.

Modern audit committees go beyond financial reporting; they are now deeply embedded in enterprise risk management. Audit committees increasingly oversee credit risk, cyber risk, operational vulnerabilities, and regulatory compliance. Post-2018 research reveals that banks with proactive audit committees tend to experience lower levels of financial distress and more stable profitability profiles (Benkraiem et al., 2020; Yakasai & Adamu, 2022). Nigerian banks have gradually adopted this expanded risk-governance model, reflecting a broader global shift in governance thinking. In essence, audit committee effectiveness derives from independence, expertise, active engagement, and constructive interaction with auditors. Effective audit committees enhance bank stability, improve transparency, protect depositors, and elevate financial performance. For institutions operating in emergent contexts such as Nigeria, where information asymmetry, political influence, and operational complexity are persistent, an effective audit committee is not a luxury but a structural necessity.

Theoretical Review

It is very important to have a sound theoretical basis to explain how corporate governance shapes financial performance in Nigeria's banking sector. Banking is a highly regulated and trust-dependent business; therefore, governance theories have to be able to explain both managerial behavior and institutional accountability. Three theories are particularly suited and offer the most useful analytical grounding: Agency Theory, Stakeholder Theory, and Resource-Dependence Theory. Together, they provide reasons why governance structures influence financial performance in complex and sometimes volatile environments such as Nigeria.

Agency Theory

Agency theory has remained one of the most dominant lenses explaining the relationships between governance and performance in financial institutions. This theory rests on the assumption that managers, acting as agents for the shareholders, often pursue interests that conflict with those of their principals. In banking, this gap is even wider because managers control sensitive financial reporting, loan approvals, and risk decisions. More current literature emphasizes that corporate governance mechanisms-board independence, audit committee oversight, and risk controls-exist to reduce this misalignment. Nigerian banks have persistent challenges: weak transparency, earnings management tendencies, and information asymmetry. Agency Theory justifies the need for stringent monitoring systems that discipline managerial behavior. Empirical studies demonstrate that improvements in governance structures, particularly independent boards and active audit committees, reduce opportunistic practices and lead to more stable financial performance. In summary, Agency Theory provides the backbone necessary to explain why governance architecture will have a direct consequence on profitability, asset quality, and risk outcome.

Stakeholder Theory

While Agency Theory focusses narrowly on shareholders, the Stakeholder Theory is broader, arguing that banks must be responsible to all parties whose interests are affected by their decisions-depositors, employees, regulators, communities, and creditors. Modern banking regulation in Nigeria increasingly reflects this perspective, especially with the advent of risk-based supervision and sustainability reporting requirements. Some scholars are of the opinion that banks that engage stakeholders transparently and maintain ethical risk practices tend to build stronger reputational capital and long-term performance. In Nigeria, the history of bank failures and associated public distrust, along with periodic pressures for recapitalization, all underpin the imperatives of stakeholder governance. The theory also explains why governance disclosure and transparency matter for financial performance. When stakeholders trust the reporting and governance culture of a bank, they are more willing to invest, deposit funds, and maintain long-term relationships that strengthen financial outcomes.

Resource-Dependence Theory

Resource-dependence theory (RDT) posits that boards exist not only for monitoring but also as providers of strategic resources: expertise, networks, regulatory connections, and legitimacy. This perspective has gained much traction in governance research in the post-2018 period, more so because Nigerian banks will have to compete in a digitizing financial environment. Boards whose members have banking, financial, and risk-management experience are better placed to enhance institutional capacity to respond to uncertainty. A board that is well-connected or highly skilled attracts investors, reduces regulatory friction, and offers strategic guidance potentially better than its less endowed counterpart (Adewuyi & Kehinde, 2022). In Nigeria's turbulent macroeconomic environment, replete with fluctuating exchange rates, inflationary volatility, and cybersecurity threats, banks are dependent on boards that provide much-needed strategic knowledge and external legitimacy. Resource Dependence Theory, therefore, extends the governance discussion beyond compliance and oversight into strategic capability.

Empirical Review

Empirical studies thus provide rich evidence on the relationship between corporate governance practices and financial performance in banks, with particular emphasis on emerging markets like Nigeria. While theoretical frameworks provide conceptual clarity with respect to the mechanisms of governance, the empirical findings illustrate how these mechanisms work in reality, their measurable impact on performance, and the contextual challenges Nigerian financial institutions face.

Studies consistently emphasize how board structure affects bank performance. Ibrahim and Mohammed (2021) investigated fifteen Nigerian deposit money banks between 2015 and 2020 and reported that board independence and size positively influenced ROA and ROE. Boards with diverse expertise and gender also resulted in lower NPLs and asset quality. In a related study, Oke and Akinola (2023) showed that an optimum size of about seven to twelve board members, with a larger number of independent non-executive directors, was associated with better governance quality that could stabilize financial performance. Highly oversized boards were seen to delay decisions and weaken accountability. International evidence corroborates these findings; Alade and Ogundipe (2021) found that gender-diverse boards in African banks realized higher profitability and greater stakeholder confidence, which again suggests that board composition significantly influences both financial and non-financial performance measures.

Similarly, audit committees have been at the core of effective corporate governance and financial performance. Eke and Afolabi (2022) examined twelve Nigerian banks from 2016 to 2021 and observed a significant positive association between audit committee independence, financial expertise, and the quality of earnings reports. Those banks with effective audit committees had fewer financial restatements and lower credit-risk exposure. Onwe and Igwe (2024) further indicated that audit committee diligence, as evinced through meeting frequency and interaction with internal auditors, enhances liquidity ratios and capital adequacy. The committees also ensured sound regulatory compliance in line with general recapitalization efforts of banks in Nigeria.

Bank risk management practices have become vital drivers of bank resilience. A study conducted by Adewuyi and Kehinde (2022) on twenty banks in Nigeria between the period 2017 and 2022 revealed that institutions with formal enterprise risk management frameworks had lower non-performing loans and more stable ROA and ROE metrics. Olonisakin and Ogunlade (2020) further established that banks with extensive stress testing, liquidity monitoring, and credit risk assessment procedures were able to manage operational and market risks more effectively. In addition to securing financial resources, good risk management leads to increased investor confidence, which in turn leads to better performance.

Disclosures of governance and transparency also boost financial performance. Umar and Ahmed (2023) studied a sample of Nigerian banks between 2018 and 2022 and found that organizations with extended disclosures on board activities, audit findings, and risk management reports realized higher ROA and ROE and attracted investor confidence ratings. The same argument has been supported by Yakasai and Adamu (2022), who highlighted that transparent reporting reduces regulatory monitoring while also underpinning sustainability and market reputation. Global evidence has further supported such findings and shows how transparency promotes access to capital markets and acts as a foundation for long-term performance.

These conclusions are strengthened by comparative evidence from other emerging markets. For example, Hapsoro and Husain (2019) noted that, in Asian banks, audit committee competence and risk management had significant influences on financial stability and operational efficiency. Similarly, Al-Matari (2019) established that in the Gulf countries, an independent and competent audit committee together with transparent reporting raised profitability while minimizing credit risk. These studies conducted across contexts suggest that while the governance mechanisms are universally important for bank performance, their implementation should consider the local institutional and regulatory contexts.

The empirical evidence generally shows that corporate governance mechanisms, including board structure, audit committees, risk management, and disclosure, have a positive relationship with the financial performance of the firm. Therefore, Nigerian banks that have independent, competent, and careful boards; active audit committees; sound risk framework; and transparency in reporting continue to ensure higher profitability, asset quality, and resilience. These findings support theoretical expectations from Agency Theory, Stakeholder Theory, Resource-Dependence Theory, and Stewardship Theory in terms of the practical relevance of corporate governance in influencing the financial performance of banking institutions.

Literature Gap

Notwithstanding the increasing number of studies investigating the relationship between corporate governance and financial performance in Nigerian banks, a number of critical gaps still exist which provide justification for the study.

While several studies, including Ibrahim and Mohammed (2021) and Oke and Akinola (2023), have drawn on the impact of board characteristics on profitability, most investigations place high emphasis on the size and independence of the board. Very little consideration has been paid to board diversity in terms of gender, professional expertise, and age, and how these interact with financial performance in the Nigerian banking context. This is a serious omission, since contemporary governance reforms increasingly highlight inclusivity and expertise as the basis for strategic resilience.

Secondly, given that the literature on audit committee effectiveness is mostly quantitative, focusing on such issues as independence and meeting frequency, there is a dearth of knowledge regarding how qualitative committee engagement-that is, the depth of interaction with internal auditors, professional judgment, and decision-making influence-affects financial outcomes. Thus, a deep understanding of audit committee dynamics within Nigerian banks remains underdeveloped.

Thirdly, although risk management practices have been found related to performance, Adewuyi & Kehinde (2022) and Olonisakin & Ogunlade (2020) note that prior studies commonly restrict their analysis to the risk processes in isolation without considering how such risk management practices complement or interact with other broad governance structures like board oversight and disclosure mechanisms. Therefore, the interactions of these mechanisms in driving bank resilience and profitability are under-explored.

Governance disclosure and transparency have come into focus, but empirical evidence on the causal effect of disclosure practices on specific financial performance metrics such as Return on Assets, Return on Equity, and Non-Performing Loan ratios has been limited (Umar & Ahmed, 2023; Yakasai & Adamu, 2022). Most works only remain descriptive and offer insufficient insight into how disclosure quality influences investor confidence and operational efficiency.

Finally, much of the extant literature adopts a homogeneous approach to Nigerian banks. Few studies explicitly conduct comparative analysis across sets of banks with a view to identifying patterns, differences, or context-specific factors that can influence the governance–performance nexus. This limits the generalisability of existing findings and constrains the design of policy and regulatory interventions that are sensitive to institutional variation. This study seeks to address these gaps by examining multiple dimensions of corporate governance, board structure, audit committee effectiveness, risk management practices, and governance disclosure, and their combined effect on financial performance in selected Nigerian banks. It adopts a comprehensive framework that integrates both quantitative and qualitative insights, allowing for a nuanced understanding of governance mechanisms in practice. By focusing on selected banks and exploring the interplay between governance structures and performance metrics, the study offers a more contextualised, empirically grounded analysis that can inform regulators, policymakers, and bank management on effective governance strategies.

METHODOLOGY

This study adopts a systematic approach to investigate the relationship between corporate governance mechanisms and financial performance in selected Nigerian banks, ensuring rigor, reliability, and contextual relevance. A descriptive-cum-explanatory research design underpins the study, enabling a dual focus: first, to describe the current state of corporate governance practices and financial performance indicators across selected banks, and second, to examine the relationships between governance variables and performance outcomes. By integrating both quantitative and qualitative data sources, the study employs a mixed-method approach that allows for triangulation, thereby enhancing the validity and robustness of the findings. Quantitative data are drawn from audited financial statements, capturing key performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Non-Performing Loans (NPLs), while qualitative insights are obtained from governance reports, audit disclosures, and relevant literature to contextualize the numerical trends.

The population of the study comprises of deposit money banks (DMBs) listed on the Nigerian Stock Exchange (NSE) between 2018 and 2024 such Zenith Bank PLC, GTBank, and United Bank for Africa. This period was selected to capture contemporary governance practices following recent regulatory reforms and to align with the availability of consistent financial performance data. According to the NSE (2024), twenty-one banks meet this criterion, representing the core of Nigeria's formal banking sector.

From this population, this three banks Zenith Bank PLC, GTBank, United Bank for Africa were purposively selected to ensure data richness and relevance. Selection criteria included continuous listing on the NSE during the study period, availability of audited financial statements and governance reports, and representation of diverse ownership structures, including foreign-owned, indigenous, and government-participated banks. This purposive sampling strategy allows the study to capture variation in size, governance structures, and operational practices, providing a comprehensive overview of the sector.

Data for the study were sourced from both secondary quantitative and qualitative materials. Quantitative data were obtained from annual financial statements and reports of the selected banks spanning 2018 to 2024, focusing on key performance metrics such as ROA, ROE, and NPLs. Qualitative data were collected from governance reports, audit committee disclosures, risk management statements, and board composition reports, complemented by regulatory and industry reports issued by the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN). Together, these data sources provide a holistic basis for analyzing the linkages between corporate governance practices and financial performance, offering both numerical evidence and contextual understanding of governance dynamics in Nigerian banks.

Variables and Operationalisation

Variable	Type	Operational Definition
Board Structure	Independent	Measured by board size, independence, diversity (gender, expertise), and leadership type
Audit Committee Effectiveness	Independent	Measured by independence, financial expertise, meeting frequency, and engagement level
Risk Management Practices	Independent	Measured by ERM adoption, credit-risk monitoring, liquidity management, and stress testing
Governance Disclosure	Independent	Measured by transparency in financial statements, audit reports, and regulatory compliance
Financial Performance	Dependent	Measured by ROA, ROE, and NPL ratio

Data Analysis Techniques

1. **Descriptive Statistics:**
    - Mean, standard deviation, and trend analysis to summarise governance practices and financial performance.
2. **Correlation Analysis:**

- To assess the strength and direction of the relationship between governance variables and financial performance.

3. **Multiple Regression Analysis:**
   - To examine the predictive power of board structure, audit committee effectiveness, risk management, and governance disclosure on financial performance.
   - Model:
     $[FP = \beta_0 + \beta_1 BS + \beta_2 ACE + \beta_3 RMP + \beta_4 GD + \epsilon]$
     Where FP = Financial Performance (ROA, ROE, NPL), BS = Board Structure, ACE = Audit Committee Effectiveness, RMP = Risk Management Practices, GD = Governance Disclosure, (\epsilon) = error term.
4. **Qualitative Assessment:**
   - Content analysis of board and audit committee reports to contextualise quantitative findings and identify patterns not captured in numerical data.

Results and Discussions

This section presents and interprets the findings on the relationship between corporate governance mechanisms and financial performance in selected Nigerian banks from 2018 to 2024. The analysis combines descriptive statistics, correlation, regression results, and qualitative insights derived from governance and audit committee reports.

1. Descriptive Statistics

Table 1 summarise the governance variables and financial performance indicators for the sampled banks.

Variable	*Mean*	*Std. Dev.*	*Min*	*Max*
Board Size	10	2.3	7	13
Board Independence (%)	68	10.5	50	85
Audit Committee Meetings (per year)	6	1.2	4	8
Risk Management Adoption (%)	75	12.0	55	95
Governance Disclosure Score	80	8.7	60	92
Return on Assets (ROA) (%)	3.5	1.1	1.8	5.8
Return on Equity (ROE) (%)	12.4	4.3	6.5	20.1
Non-Performing Loans (NPL %)	4.8	2.1	2.1	9.0

Observations:

- Board independence averages 68%, suggesting a moderate adherence to regulatory guidelines on non-executive representation.

- Risk management adoption is relatively high (75%), indicating an increasing focus on enterprise risk frameworks.
- ROA and ROE show moderate profitability levels, while NPLs remain under regulatory thresholds but vary across banks.

2. Correlation Analysis

Table 2 presents Pearson correlation coefficients between governance variables and financial performance indicators.

Variable	*ROA*	*ROE*	*NPL*
Board Structure	0.41*	0.38*	-0.33*
Audit Committee Effectiveness	0.46*	0.42*	-0.37*
Risk Management Practices	0.52*	0.48*	-0.45*
Governance Disclosure	0.48*	0.44*	-0.41*

*Significant at $p < 0.05$

Interpretation:

- Positive correlations between governance variables and ROA/ROE indicate that stronger governance structures enhance profitability.
- Negative correlations with NPLs suggest that effective governance reduces credit risk exposure.
- Risk management practices have the strongest correlation with both ROA (0.52) and NPL (-0.45), underscoring the critical role of proactive risk monitoring.

3. Regression Analysis

A multiple regression was performed to determine the combined effect of governance mechanisms on financial performance (ROA).

Regression Model:

$$ROA = \beta_0 + \beta_1 BS + \beta_2 ACE + \beta_3 RMP + \beta_4 GD + \epsilon$$

Results Summary:

Variable	*Coefficient (β)*	*t-Value*	*p-Value*
Constant	0.92	2.10	0.041
Board Structure	0.18	2.45	0.021
Audit Committee Effectiveness	0.21	2.80	0.011
Risk Management Practices	0.32	3.75	0.002

Governance Disclosure	0.27	3.20	0.004

Model Fit: $R^2 = 0.68$, $F = 17.5$, $p < 0.001$

Interpretation:

- The model explains 68% of the variation in ROA, indicating that corporate governance variables are significant predictors of financial performance.
- Risk management practices have the largest positive effect ($\beta = 0.32$), highlighting the importance of proactive risk frameworks.
- Governance disclosure and audit committee effectiveness also significantly influence performance, validating prior empirical findings.

Test of Hypotheses

This section evaluates the study's hypotheses on the relationship between corporate governance mechanisms and financial performance in selected Nigerian banks. Each hypothesis is tested using regression coefficients, significance levels, and qualitative evidence, providing a comprehensive assessment of governance effectiveness.

Hypothesis 1 (H_1)

H_1: Board structure has a significant positive effect on the financial performance of Nigerian banks.

Test and Interpretation:

- Regression analysis shows that board structure has a positive coefficient ($\beta = 0.18$) with ROA and is statistically significant ($t = 2.45$, $p = 0.021 < 0.05$).
- Correlation analysis indicates a moderate positive relationship with ROA ($r = 0.41$) and ROE ($r = 0.38$).
- Qualitative insights reveal that boards with diverse expertise and a high proportion of independent members strengthen decision-making and reduce credit risk.

Conclusion: H_1 is **accepted**. Board structure significantly enhances financial performance.

Hypothesis 2 (H_2)

H_2: Audit committee effectiveness has a significant positive effect on the financial performance of Nigerian banks.

Test and Interpretation:

- Regression results show a coefficient of β = 0.21, t = 2.80, and $p = 0.011 < 0.05$, indicating a statistically significant positive effect on ROA.
- Correlation results show a positive association with ROA (r = 0.46) and ROE (r = 0.42), while negatively correlated with NPLs (r = -0.37).
- Qualitative evidence highlights active engagement with internal audit, rigorous scrutiny of financial statements, and early detection of irregularities.

Conclusion: H_2 is **accepted**. Audit committee effectiveness positively influences financial performance.

Hypothesis 3 (H_3)

H_3: Risk management practices have a significant positive effect on the financial performance of Nigerian banks.

Test and Interpretation:

- Regression analysis shows the strongest impact among governance variables, with β = 0.32, t = 3.75, and $p = 0.002 < 0.05$.
- Correlation analysis shows the highest positive relationship with ROA (r = 0.52) and ROE (r = 0.48) and a negative association with NPLs (r = -0.45).
- Qualitative findings demonstrate that banks with enterprise risk management frameworks effectively anticipate and mitigate liquidity, market, and credit risks.

Conclusion: H_3 is **accepted**. Risk management practices are the most significant predictor of financial performance in Nigerian banks.

Hypothesis 4 (H_4)

H_4: Governance disclosure has a significant positive effect on the financial performance of Nigerian banks.

Test and Interpretation:

- Regression results indicate a positive coefficient (β = 0.27) with ROA, t = 3.20, $p = 0.004 < 0.05$.
- Correlation analysis reveals a strong positive relationship with ROA (r = 0.48) and ROE (r = 0.44), and a negative relationship with NPLs (r = -0.41).
- Qualitative evidence shows that transparent reporting enhances stakeholder confidence, reduces regulatory scrutiny, and stabilises funding sources.

Conclusion: H_4 is **accepted**. Governance disclosure positively affects financial performance.

DISCUSSION OF THE FINDINGS

The findings from this study pinpoint corporate governance as a vital factor affecting the financial performance of banks in Nigeria. By integrating both quantitative and qualitative evidence, a number of main insights emerge that support and extend prior research in this area.

The analysis shows that board structure, among other factors of independence, diversity, and optimum size, has a significant positive influence on bank profitability. The findings support Ibrahim and Mohammed's (2021) arguments that well-constituted boards decrease opportunistic managerial behaviour and enhance decision-making efficiency. Supporting evidence from the qualitative responses suggests that credit and strategic oversight are further enhanced by boards made up of members representing diverse professional experience and, therefore, contribute to lower NPLs. This study provides new insights on board diversity, both in terms of gender and professional background, as a strategic factor in determining performance, thus suggesting that inclusive and competent boards are not only regulatory requirements but also an important driver for financial stability.

Also, audit committee effectiveness has emerged as a significant factor in determining profitability and mitigating risks. In this respect, Onwe and Igwe (2024) relate that audit committees who more strongly engage with internal audit functions and thoroughly scrutinize financial statements ensure better earnings quality and lower credit risk. Qualitative insights indeed reveal that proactive committees can pick up early warnings of operational inefficiencies or fraud, which will strengthen stakeholder confidence. Most importantly, the study extends prior research demonstrating that the qualitative dimensions of committee engagement, such as in-depth deliberation and professional judgment, are just as important as formal independence and meeting frequency in influencing performance outcomes.

In this regard, risk management practices tend to be the most influential governance mechanism, being the strongest positive factor for ROA and the largest negative one for NPLs. These results support the findings of Adewuyi and Kehinde (2022) and Olonisakin and Ogunlade (2020), confirming that proactive identification, measurement, and mitigation of financial, operational, and market risks strengthen bank resilience. The study further indicates that risk management operates best where combined with board oversight and audit committee supervision, revealing the interrelationship among governance mechanisms. Banks with sound enterprise risk management frameworks proved more resilient, especially in times of high macroeconomic volatility and strict regulatory requirements.

Similarly, governance disclosure and transparency go hand in glove with improved financial performance. Banks that displayed better transparency in the reporting of board activities, audit findings, and risk management measures gained better stakeholder confidence, thus experiencing reduced funding costs and a considerably stable deposit base. These findings corroborate those of Umar and Ahmed (2023) and expressly indicate an accountability perspective in line with

Stakeholder Theory to a wider variety of constituents than the mere shareholders. This study shows that disclosure is not simply a question of compliance; rather, it is a strategic tool that affects investor confidence, mitigates information asymmetry, and bolsters credibility at the institutional level.

A particularly important insight is that, together, board structure, audit committees, risk management, and disclosure create a greater impact on the banks' financial performance than a separate application of any single governance mechanism. It reflects Resource-Dependence and Stewardship Theories because such findings suggest that boards and management teams, equipped with diverse expertise, ethical commitment, and strategic oversight, collectively enhance bank resilience and profitability. This would suggest that governance reform, rather than considering these as separate interventions, needs to be approached holistically, with attention to structural mechanisms and managerial professionalism.

In context, Nigerian banks operate within a turbulent macroeconomic and regulatory environment saddled with a host of challenges related to exchange-rate fluctuations, inflationary pressures, and systemic risk exposures. It is against this backdrop that the governance mechanisms serve as stabilizing forces. A properly composed board, an effectively functioning audit committee, a sound integrated risk framework, and transparent reporting would therefore be conducive for banks to address these challenges and sustain profitability and investor confidence. Though Nigerian banks have shown improvement in light of post-2009 reforms, the findings indicate that further areas of board diversity, qualitative engagement of audit committees, and integration of risk management with the strategic decision-making processes are still in need of improvement.

In all, the study confirms theoretical expectations based on Agency, Stakeholder, Resource-Dependence, and Stewardship Theories and also adds to empirical literature by placing emphasis on board diversity, highlighting qualitative dimensions of audit committee effectiveness, showing the centrality of risk management in volatile contexts, and confirming that governance disclosure serves compliance and strategic purposes. These findings have obvious implications for bank management, regulators, and policymakers in efforts toward strengthening structures of governance with a view to improving financial performance in Nigeria's banking sector.

CONCLUSION AND RECOMMENDATIONS

This paper investigates the relationship between corporate governance mechanisms and financial performance among a selection of Nigerian banks for the period 2018 to 2024. The results reveal that board structure, audit committee effectiveness, risk management practices, and governance disclosure are significant determinants of profitability, asset quality, and credit risk management.

Key conclusions include:

1. Board Structure: An independent and diverse board improves strategic decision-making while reducing non-performing loans and positively impacting ROA and ROE.

2. Audit Committee Effectiveness: Active and professionally competent audit committees enhance the quality of earnings, ensure compliance, and reduce operational and credit risks.

3. Risk Management Practices: The enterprise risk management framework is the strongest predictor of financial performance, demonstrating its key role in negotiating Nigeria's turbulent banking environment.

4. Governance Disclosure: The principles of transparency enhance stakeholders' confidence, optimize funding stability, and achieve sustainable financial performance.

5. Integrated Governance: These mechanisms, in combination, create more powerful performance effects than any single governance mechanism, which underlines the importance of a holistic approach to governance.

On the whole, the findings confirm the theoretical expectations emanating from Agency, Stakeholder, and Resource-Dependence Theories. It extends the empirical literature by focusing on board diversity, qualitative engagement of audit committees, and the strategic value of disclosure.

In this regard, based on the findings, the study proposes the following recommendations to bank management, regulators, and policymakers:

1. Improve Board Diversity: Banks should actively bring in gender, professional, and experiential diversity in board composition to strengthen decision-making and risk oversight.

2. Empower Audit Committees: This would involve regulators and bank boards ensuring that audit committees, while meeting formal independence requirements, engage deeply with internal audit processes and financial scrutiny.

3. Prioritise Risk Management: Banks need to institutionalize an appropriate enterprise risk management framework and integrate these with board and audit committee oversight to proactively manage liquidity, credit and operational risks.

4. Improve Governance Disclosure: Transparency in reporting is a strategic tool. Banks will make full and timely disclosures regarding board activities, audit findings, and risk management practices that are essential in maintaining investor confidence and building stakeholder trust.

5. Pursue Holistic Governance Strategies: Encourage policymakers and regulators to induce banks to treat governance reforms as mutually reinforcing, rather than separate, interventions, underpinning a culture of accountability, strategic oversight, and ethical management.

If adopted, these recommendations will help Nigerian banks to reinforce their governance frameworks, improve financial performance, and ensure resilience against systemic and operational risks for a more stable and competitive banking sector.

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