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IMPACT OF BOARD COMPOSITION ON THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

Performance of banks plays a crucial role in the economic development of any country, with the boards of these banks being key to their success. These boards are responsible for ensuring the long-term sustainability and growth of the banks. One of the key questions that arise is what kind of board composition leads to the most effective performance of corporate organizations, including banks. This study explored the impact of board composition on the financial performance of listed deposit money banks in Nigeria. A total of twelve banks were randomly selected and analyzed over a ten-year period (2010-2023). Data from annual reports and financial statements were analyzed using Ordinary linear model, Regression analysis. The results revealed that the size of the board has a significant positive effect on the financial performance of listed deposit money banks in Nigeria. Based on these findings, the study recommends that banks should maintain a board size between ten and fifteen members, depending on the scale and complexity of the bank. It also highlights the importance of ensuring the board includes skilled, competent, independent members who are available for meetings. In line with corporate governance best practices, the study further recommends a focus on non-executive directors, carefully selecting them based on their skills, competence, experience, independence, and availability for meetings.

Keyword: Board composition, Board Size, Non-Executive Directors, Performance, Deposit Money Banks.

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Introduction

It is widely accepted that the composition of the corporate board could play a vital role in Determining firm performance. Scholars, accountancy professional bodies and practitioners as well as policy makers have for the last two decades debited on the role of boards of directors as one of the key pillars of corporate governance. Furthermore, the board's effectiveness in addressing agency problems hinges on the characteristics of its members (Dakhlallh, Rashid, Abdullah, & Dakhlallh, 2019).

Some scholars argued that the different boards of directors' attributes have impact on organizational performance owing to different orientations. In recent years, board independence has become an emerging issue within corporate governance practice and research. There has been an increasing focus on studies about board composition such as board size, and board independence (Rafinda. , Witiastuti; Suroso and Trinugroho, 2018; Gambo; Bello and Rimanshung, 2018; Furhan; Tabash., Almagtari and Yahya, 2020). Several studies tried to relate board diversity with organizational performance (Okiro 2016; Mohammed. Ahmod and Khai (2018).Nesseem., Xiaoming., Riaz and Rehman, (2021), indicated that ethnic diversity in board of director could lead to better corporate governance which leads to the more profitable business (Bairathi 2019; Bhayat and Black, 2012; Priya and Nimakathasan, 2013). Some countries already set the rule for board composition. Norway is also the first country in the world implementing this regulation since 2006. Norwegian government has decided a minimum of 40 percent of the board members must be woman (Alfuma., Musa, Gold and Usman, 2021;). CEO duality, also known as the combination of CEO and chairman roles, refers to the practice of one individual simultaneously holding both positions within a company. In this structure, the Chief Executive Officer (CEO) serves as both the head of the company's management and the chairman of its board of directors (Dagunduro *et, al*., 2023).

However the current financial crisis in the banking sector of Nigerian economy which has been credited to the Abuse of corporate governance practices is identified as one of the factors responsible for the failure of many banks in Nigeria financial health and performance of banks are important for the growth and Development of Nigeria. (Faleye and Hoitash, 2021; Owolabi., Banisaye and Efuntade, 2021; Nwaiwu and Joseph, 2021), banks play three crucial roles to the development of any nation. Firstly, banks have an overwhelmingly dominant position in the financial systems and extremely important engines of growth. Secondly, banks in these developing economies are typically one of the most important sources of finance for the majority of firms. Also, banks are the main depository for the economy's savings and provide the means for payments. Therefore, the banking industry in Nigeria has a significant role to play in the development of the country's economy. Banks have been the main sources of financing in the Nigerian

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

financial market and bank loans were the predominant sources of Debt financing in the economy (Central Bank of Nigeria Annual Report, 2006).

Scholars and practitioners alike have widely acknowledged the significance of financial performance (Elgadi and Ghardallon, 2022; Ur Rehman *et al*,2022) it plays a crucial role in maximizing firm profits, ensuring sustainable returns, and preserving shareholder investments (Kowoon *et, al*, 2022; Lu *et al*, 2022; Pathan and Faff 2013). In terms of motivation, several key theories underpin the study and offer perspectives on board governance roles. Agency theory highlights the board monitoring function in aligning managerial interest with shareholders (Alhossini *et al*, 2021; Jensen and Meckling1976; Ntim, 2013; Quoc, Trung, 2022).

Board Size and Financial Performance

The correlation between board size and financial performance remains a focal point in corporate governance research. Valuable insights have been provided by recent studies into the relationship. McConnel and Servaes (2020) explored the impact of board size on financial performance across different samples of companies. Their findings suggested that larger boards are associated with better financial outcomes connecting this to the increased diversity of skills and perspectives leading to more effective decision making and governance. On the contrary, Klein (2021) argued that smaller boards tend to exhibit higher levels of cohesion and communication, resulting in faster and precise decision making processes. Board size is the number of individuals that constitute the board of directors of a company. The number of individuals that make up the board of directors influences the advisory capacity of the board as well as its monitoring effectiveness. According to Zabri, Ahmad, and Wah (2016) board size is the total number of directors on the corporate board. The authors further stated that the size of the board of directors varies from country to country. Famba, Kong, Kurauone, & Chituku-

Dzimiro (2020) noted that the agency theory perspective provides that a firm with a higher number of directors could improve control of management by contributing to firm performance. Board size assumes a critical part in executives' capacity to administer and control the management. The board should be of a sufficient size relative to the scale and complexity of the company's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability ofmembers to attend meetings. It should comprise a mix of executive and non-executive directors, headed by a chairman. Understanding the relationship between board size and financial performance has significant implications for corporate governance practices. Hence companies must carefully assess their specific needs, industry dynamics and strategic objectives in determining the optimal size of their boards

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

Bank Corporate Performance

Firm performance refers to the overall effectiveness and success of a business entity in achieving its objectives and goals (Dagunduro *et, al*., 2023; Dagunduro *et al*., 2022). Financial performance refers to the measure of a company's success and profitability based on its financial statements and key financial indicators (Aluko *et, al*., 2022; Asubiojo *et, al*., 2023; Boluwaji *et, al*., 2023: Dagunduro *et al*., 2022; Kolawole *et al*., 2023). It is a multidimensional concept encompassing various aspects of a firm's operations, financial health, strategic management, and overall competitiveness in the market (Dada *et al*., 2023). The assessment of firm performance involves evaluating how well a company utilizes its resources to generate profits, achieve growth, and create value for its stakeholders (Asubiojo *et al*., 2023; Awotomilusi *et al*., 2023; Oluwagbade *et al*., 2023). Assessing the company's ability to generate profits over a specific period. It involves the ability of firms to increase sales and revenue over time.

Firm performance is a comprehensive concept that integrates both financial and non-financial Indicators (Aluko *et al*., 2022). Successful firms strive to achieve a balance across these dimensions, aligning their strategies with market demands, managing resources efficiently, and fostering a positive organizational culture. Regular evaluation of firm performance is crucial for identifying areas of improvement, making informed strategic decisions, and maintaining competitiveness in the business landscape (Boluwaji *et al*., 2024; Kolawole *et al*., 2023).

The financial performance analysis involves evaluating various financial metrics and ratios to gain insights into a company's financial health and efficiency (Aluko *et al*., 2022; Asubiojo *et al*., 2023; Dada *et al*., 2023). Assessing financial performance is crucial for investors, shareholders, lenders, and other stakeholders to make informed decisions. It helps evaluate the company's ability to generate profits, manage risks, repay debts, and creates value over time (Dada *et al*., 2023; Dagunduro *et al*., 2022; Kolawole *et al*., 2023; Oluwagbade *et al*., 2023).

Return on Assets - Return on Assets (ROA) is a financial ratio that measures a company's efficiency in utilizing its assets to generate profits. It provides insight into how well a company can convert its investments in assets—such as property, equipment, inventory, and receivables—into net income (Dada *et al*., 2023; Dagunduro *et al*., 2023). ROA is an efficiency metric that assesses how effectively a company utilizes its assets to generate earnings. A higher ROA indicates better asset utilization. It reflects the company's ability to generate profits relative to its asset base. A higher ROA suggests that the company is more efficient in turning assets into earnings. Monitoring changes in ROA over time can provide insights into a company's operational efficiency and financial health. Consistent Improvement or deterioration may signal underlying trends (Awotimilusi *et al*., 2023; Oluwagbade *et al*., 2023). Net Income in the ROA formula includes all operating and non-

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Prof. R. Rena [South Africa]

operating income and deducts all expenses, providing a comprehensive measure of profitability (Boluwaji *et al*., 2024). ROA can be decomposed into two components—net profit margin (net income divided by sales) and asset turnover (sales divided by average total assets). This decomposition helps identify whether changes in ROA are driven by profitability or asset turnover. Return on Assets is a key financial metric that allows investors, analysts, and stakeholders to evaluate how well a company is managing its assets to generate profits. It provides a comprehensive view of operational efficiency and is an important tool for financial analysis and performance benchmarking (Awotomilusi *et al*., 2023; Dada *et al*., 2023; Dagunduro *et al*., 2023; Oluwagbade *et al*., 2023).

The relationship between board composition and firm performance has become a focal point in contemporary corporate governance and sustainability discourse. Performance can generally be described as a measurement of how well a firm uses its assets from its primary mode of business to generate revenue and have good value; the term is also used as a general measure of a firm's overall financial health over a given period (Asikhia and Sokefun 2013). it can further be seen as measuring results of a firm's policies and operations in monetary terms and those results are reflected in firm's return on investment, return on assets, value added and so on.

According to Espeed, and Bagheri (2017), financial performance is "the firm's ability to use its resources efficiently and produce outputs that are appropriate to its goals and appropriate for its users Whereas, Okoro *et al*. (2017) define financial performance as "the financial position that exists in an enterprise at a specific time or period for a specific aspect of the enterprise's performance or its performance as a whole. Hawash and Stephen (2019) also defines financial performance as "the extent to which activities contribute to creating value or effectiveness in using available financial resources by achieving financial goals with minimal financial costs. Financial performance in banks measures mainly three purposes. Firstly, they serve as a tool of financial management; secondly they serve as major objectives of business, for example, to have 40% ROA. And lastly, they serve as a mechanism for motivation and control within an organization.

A firm's performance can be viewed from the financial statement reported by the company's performance measurement refers to the process of measuring of action's efficiency and effectiveness. According to Ebrahim, Abdullah, and Faudziah (2014) globalization has helped facilitate business activities and this has also assisted in encouraging high performance in corporate trade and investment, they further stated that people are interested in working and inverting in any company around the world that shows high performance for investment. Thus, all stakeholders should help to improve firm performance through new plans and procedures to update its operations and transactions. It should be noted that for performance to be improved, it requires measurement to identify the level to which the use of organizational resources impacts

on business performance. Hence, performance is critical for the effective management of a firm (Demirbag, Tatoglu, Tekinus and Zain, 2020) financial performance can be categorized into two dimensions; accounting measurement and market-based measurement (Ebrahim, Abdullah and Faudziah, 2022). For the purpose of this study therefore, performance is seen from the angle of market based performance which is an aspect of financial performance. Financial performance is the monetary returns that come from business operations. Maintaining and improving financial performance is a commitment (Pascareno and Siringoringo, 2019).

The performance of a firm implies the completion of a given task effectively and efficiently beyond the present known standards. The performance of a business entity according to (Caroll 2020) is multi-dimensional, that is, it can be identified by the level of profitability, market value, growth, returns on shareholder's funds, stability and economic value-added among others. Recent banking studies have focused on financial performance because financial performance is critical to the informed economic decisions taken by investors, creditors, government and a number of other Stakeholders (Herciu, 2017). In the banking literature profitability measures of bank performance often adopt include returns on assets-ROA, return on equity-ROE and net interest margin-NIM. However, given the importance attached to the earnings per share (EPS) in the world of corporate reporting, EPS is also considered a significant measure of bank performance. The importance of EPS is noted in the dedication of an accounting standard, that is, International Accounting Standard No. 33 (IAS 33) to it by the International Accounting Standards Board.

This significance was empirically acknowledged by Wang *et al*. (2019), who used EPS as one of the measures of firm's performance in a Taiwanese study. Also, as a measure of performance, EPS is an important mandatory disclosure in corporate reporting in Nigeria. ROA represents the relationship between net income and total assets of a bank while ROE is the result of the relationship between the after-tax earnings and shareholders' funds (Salami and Uthman, 2018; Tan, 2016). NIM, an important measure of profit margin in the banking industry, symbolizes interest income to earning assets ratio (Grochulski *et al*., 2018).

Employee performance is a fundamental determinant of organizational success, especially in dynamic service sectors such as banking (Adegbuyi et al., 2020). It refers to how well employees execute their assigned duties in alignment with organizational expectations, contributing to overall efficiency, customer satisfaction, and competitive advantage (Nwachukwu & Chladkova, 2020). In Nigeria, the performance of bank employees is pivotal due to the strategic role the banking sector plays in financial intermediation, economic growth, and digital transformation (Nwankwo & Ofoegbu, 2019). With increasing competition, rising customer expectations, and regulatory scrutiny, the emphasis on optimal employee performance has intensified. As observed by Okoye

and Ezejiofor (2022), the quality of services rendered by bank staff significantly determines the public's perception of the sector and can affect customer retention, profitability, and operational resilience. Recognizing the importance of employee performance, Nigerian commercial banks have implemented a variety of organizational strategies aimed at enhancing worker output, efficiency, and engagement. These include performance-based rewards, training and development, digital reskilling, and improved workplace conditions (Ishola & Adebayo, 2021). Among these, job design has attracted growing attention as a strategic human resource management (HRM) intervention (Ude & Coker, 2021). Research has shown that the structuring of job roles and responsibilities can influence employee motivation, satisfaction, and output (Ogunyomi & Olaniyan, 2021; Abiola & Ajayi, 2023).

Theoretical framework

Agency Theory This study is anchored on the agency theory. The agency theory as propounded by Jensen and Meckling in 1976, views the board of directors as the agent of the shareholders and as such, there is a need for them (board of directors) to act in the best interest of the shareholders. In this situation the interests of both the parties are often non-aligned which ultimately leads to the agency problem. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents. Agency theory suggests that employees or managers in organizations can be self-interested and may be succumbed to opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits. Agency theory explains the problems that occur due to variances between the goals of the principal and the agent; over time this problem has expanded to include stakeholders, and the Board (Gwala and Mashau, 2023).

Agency theory has evolved to be consider one of the oldest theories in the management and economic literature (Derakhshan, turner, and Mancini, 2019; Gwala and Mashau, 2022) (Abdelkarim and Zuriqi, 2020), Researchers have extensively studied the hazard conflict between shareholders and managers (Zhang *et al*., 2023). According to Berle and Means (1932), when monitoring agents is expensive and some actions are not fully observable managers may put in the effort or allocate resources, towards activities that don't maximize shareholder value like building their empires (Gwala and Mashau, 2023). Over time this problem has expanded to include stakeholders, and the Board (Gwala and Mashau, 2023).

Empirical Review

Appah (2022) investigated the effects of corporate governance mechanisms on the value of deposit money banks in Nigeria from 2010 to 2020. The results from the multiple

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

regression results disclosed that board independence, the board size, ownership structure, gender diversity and board meetings positively and significantly influence the value of deposit money banks in Nigeria. The study concluded that corporate governance attributes positively and significantly Affect the value of deposit money banks in Nigeria. The study made several recommendations Amongst others that board sizes should be enhanced as this allows for the appropriate Combination of directors. A large board increases the chance of directors having appropriate Knowledge, skill and networks. The knowledge, skill and networks of directors may increase the financial performance of an organization.

Omolehin Motunrayo E.1, Obaje Folashade (2023)**,** this study therefore examined the effect of board composition on the financial performance of listed deposit money banks in Nigeria. Five (5) banks were randomly sampled and studied over a six year period (2012-2017). Data collected from various annual reports and accounts were analyzed using Ordinary Least Square Regression analysis. Results show that board size has negative significant effect on the financial performance of listed deposit money banks in Nigeria while non-executive directors have positive significant effect on the financial performance of listed deposit money banks in Nigeria. This study recommends among others aboard size composition of ten and a maximum of fifteen (15) listed deposit money banks depending on the scale and complexity of the bank without prejudice for skills, competence, independence and availability of meetings. This study also recommends in line with corporate governance codes that emphasis be placed on non-executive directors although with great care and considerations given to skills, competence, experience, independence and availability for meetings.

Yermack (2021) in board diversity and financial performance (Panel Data Evidence from quoted listed deposit money banks in Nigeria) concluded that foreign directorship do not impact significantly on the financial performance of quoted banks in Nigeria noted that the presence of foreigners' on the board of banks in Nigeria will not add value to their financial performance Aliyu, Onipe and Samuel (2023) evaluates the impact of board composition on the financial

Results of 14 Nigerian listed banks over the course of five (5) years, from 2018 to 2022. Board meetings, gender, independence, and size act as stand-ins for different aspects of the board. Return on assets is used as a proxy for financial performance. Secondary information was taken from the annual listed banks' accounts and reports. The research design that was used was correlational research design. Panel data regression was the type of regression technique used.

The results show that there are no appreciable effects of board meetings, gender diversity, or Independence on financial performance. The study also demonstrates a

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

noteworthy positive impact of board size on financial performance. The report suggests that banks with boards

Comprising more than nine members should lower the number of board members in A study by Agrawal and knoeber (2022) found a positive association between board independence and firm value. In the study it was highlighted that companies with higher proportion of independent directors tend to exhibit superior financial performance as measured by metrics such as return on assets (ROA) and return on equity (ROE). Li and Li (2023) also corroborates this stance with the outcome of their study stating that firms with a more independent board are more likely to engage in innovative activities that could lead to enhanced long term financial performance and competitive advantage. Extant literature argues that nonexecutive directors can play a significant role in the effective resolution of agency problems

Conceptual Framework

Conceptual framework of the study consists of independent variable of board composition and performance of listed deposit money bank in Nigeria and the dependent variable of Tobin's Q based on the review of the literature, the conceptual framework showing the relationship between board composition and performance variables driving by listed banks in Nigeria.

Methodology

The study employed a quantitative research design to examine the relationship between boards Composition and financial performance in Nigerian listed deposit money banks in Nigeria, Specifically; panel study was utilized to analyze data from a defined period (2010-2023). The target population consists of all twelve (12) Nigerian deposit money banks listed on the Nigerian Exchange Group (NGX) as at 31st December 2023. A purposive sampling technique was used to select 7 banks that have publicly available data on board composition and financial performance over the past years, ensuring the results are recent and relevant. Data on board composition were collected from the banks' annual reports and other official documents. Financial performance was derived from financial statements and indicators such as Return on Assets.

Population of the study

Table 3.1: List of Licensed Deposit Money Banks Currently Operating in Nigeria

S/No	Banks	Corporate Status	License Authorization
1.	Access Bank Plc	Listed	International
2.	Eco Bank Plc	Listed	National
3.	First Bank Holding Plc	Listed	International

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

S/No	Banks	Corporate Status	License Authorization
4.	First City Monument Bank Plc	Listed	International
5..	Guaranty Trust Bank	Listed	International
6.	Sterling Bank Plc	Listed	National
7.	Stanbic IBTC Bank Plc		
8.	Union Bank Plc	Listed	International
9.	United Bank for Africa Plc	Listed	International
10.	Unity Bank Plc	Listed	National
11.	Wema Bank Plc	Listed	National
12.	Zenith Bank Plc	Listed	International

Source: Nigerian Exchange Group, 2026

Model Specification

The model of the study is expressed in linear form as follows;

$Y_{it}=B_{O+}B_1X1_{It}it_{+\sum it}$

This relationship can be expressed in this function; Tobin's $QIt_{=}F\ (BC)$
By substituting the variables into the equation, the following relationship is:

$Tobin's\ Q_{it\ =}\ B_{O+}B_1+B_3BC_{it}+S_t+\sum it$

Where;
Tobin's Qit = represents Financial Performance for bank i at time t.
BCit= represents Board composition for bank i at time t
Bo =constant
Bo-B1= coefficients of explanatory variables
Board composition (BC) while the dependent variables used is Tobin's Q.

Tobin's Q (Q) represents the ratio between the market value of a firm's assets and the replacement value of those assets. The Q is calculated as;

$Q = (MVS + MVD)/ RVA$

Where;
MVS +Market
Value of all outstanding Stock
MVD = Market Value of all Debts
RVA = Replacement Value of Assets or production costs.

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

However, owing to the unavailability of data on replacement cost in Nigeria, the study adopted the modified form of Tobin's Q which is as follows; [MVE (annual closing stock price x annual outstanding ordinary shares) + LPS (liquidating value of firm preferred stock) + DEBT (short term assets — short term liabilities + long term debt)! BTA (Book Value of Total Assets) (Chung and Pruitt 1994).

Measurement of Variables

Variables	Specification	Measurement	Type
Tobin's Q	Tobin's Q	(MVE (Market Value of Equity) + LPS (Liquidating value of firm preferred stock) DEPT (short-term assets-short term liabilities) + long term dept)/BTA (Book value of the total asset) hung and Pruitt(1994), (Samaila2017)	dependent
Board composition	BC	aggregate number of directors on the Board (Pfeiffer, 1972; Musa 2006)	independent

Source; Adopted by the Researcher, 2026

Data Analysis Techniques

Descriptive statistics were used to present and analyze data so as to enable the researcher to summarize and organize data in an effective and meaningful way. Spaceman's Correlation was employed and Generalize Linear regression analysis was utilized to dissect the panel data based on random effect model utilizing View 11. The random effect is shown from the result of Durbin-Wu-Hausman test which settled decision of choice between the fixed effects model and random effects model.

Apart from GLR,, other supportive analyses such as descriptive statistics to provide information on the set of data analyzed and the Breusch-Pagan/Cook-Weisberg tests for multi-collinearity test for auto correlation was employed to ensure the fitness of the model.

Results and discussion

Board Composition does not have significant effect on the performance of listed deposit money banks in Nigeria.

According to Table below there is a modest amount of variation in firm value, with a mean Tobin's Q of 0.7342 and a standard deviation of 0.492. Across the studied listed DMBs, the average number of board members is 12.80, with a minimum of 6 and a maximum of 19. This suggests that although board composition differs, the majority of banks are in the same range for governance structure size. According to Tobin's Q's positive skewness

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

(0.388), the majority of enterprises cluster below the mean, while a select few have exceptionally high market valuations. The idea of broad dispersion in firm performance without significant outliers is supported by its negative kurtosis (-0.793), which indicates a comparatively flatter distribution with fewer extreme values. Furthermore, a symmetrical distribution is shown by the number of board members' near-zero skewness (0.001) and slightly negative kurtosis (–0.334). There is no significant clustering at either extremity of the distribution, indicating a well-balanced range in board size among banks. The absence of skewness indicates that there are no organizational biases towards either smaller or bigger boards, or that board sizes are regularly distributed around the mean. Additionally, with an average of almost 13 members, Table below shows a steady and balanced board structure throughout the examined institutions. The constancy of board size may indicate that industry or regulatory requirements contribute to the upkeep of consistent governance frameworks. Because it may lessen variability in board-related decision-making and firm supervision capabilities, this uniformity is crucial. On the other hand, Tobin's Q values exhibit greater variability, suggesting that a more intricate array of elements beyond governance structure alone impact company market value. The positive skewness indicates that certain banks do better than others in terms of market valuation, maybe as a result of increased innovation, operational efficiency, or reputational capital

Descriptive Analysis of the Relationship Between Board Composition and Tobin's Q

Statistic	Tobin's Q	Number of board members
Mean	0.7342	12.80
Std. Deviation	0.49237	3.081
Skewness	0.388	0.001
Std. Error of Skewness	0.211	0.211
Kurtosis	-0.793	-0.334
Std. Error of Kurtosis	0.419	0.419
Minimum	0.01	6
Maximum	2.00	19

Source: Researcher's Computation, 2026

Spearman's rank-order correlation of the relationship between company value (as determined by Tobin's Q) and board composition (as determined by the number of board members) is displayed in Table below The two variables have a statistically significant link at the 0.01 level ($p = 0.003$), with a correlation value of $\rho = 0.257$. This suggests that there is a positive and statistically significant correlation between Tobin's Q and the number of board members. Despite the weak connection strength, the p-value's significance indicates that companies with larger boards typically have higher market valuations.

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

The strategic benefit of having a wider range of networks, experience, and oversight capabilities that come with larger boards may be reflected in this conclusion. From a governance standpoint, it implies that board size may contribute to better company performance, maybe through increased management responsibility, stakeholder representation, and decision-making quality. Nonetheless, considering the relationship's moderate strength, board size by itself does not seem to be a major factor influencing business value. It is implied that although board composition is
important, other structural and operational factors probably have a greater impact.

Analysis of correlation between board composition and Tobin's Q

			Number of board members	Tobin's Q
Spearman's rho	Number of board members	Correlation	1.000	0.257**
		Sig. (p)	.	0.003
	Tobin's Q	Correlation	0.257**	1.000
		Sig. (p)	0.003	.

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher's Computation, 2026

Board members have a positive and statistically significant coefficient (B = 0.051, p = 0.020), as shown in Table below The effect's dependability is shown by the 95% Wald confidence interval (0.008 to 0.093), which excludes zero. Additionally notable is the model intercept (B = -0.972, p = 0.001), and a strong model fit is shown by the scale parameter (MLE = 0.672). Board size is a major predictor of Tobin's Q, according to the investigation. The bank's success is positively correlated with the number of board members, as indicated by the positive coefficient. In particular, a 5.1% rise in the Tobin's Q value is predicted for every extra board member, indicating that board growth might boost market confidence.

This association may also be explained by the importance of a larger board's ability to offer strategic direction, oversight power, and a range of experience. Additionally, broader governance may indicate institutional maturity and transparency, qualities that investors frequently value. Furthermore, the robustness of the conclusion is reinforced by the fact that its significance is maintained even after correcting for Tobin's Q's non-normality using the Gamma log-link model. Although board composition does contribute to business value, it does so gradually and in conjunction with other organizational elements including profitability, innovation, and external economic conditions, as indicated by the coefficient's low magnitude. The strategic conclusion for boards and regulators is that governance structure is important for corporate valuation as well as

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

compliance. Hence the study rejects the null hypothesis H_{01} and submits that board membership has a significant effect on the performance of listed deposit money banks.

The necessity of preserving an ideal equilibrium is shown in the board composition, which has a strong and substantial correlation with Tobin's Q. While smaller, more organized boards may improve decision-making, larger boards may impede efficient governance. This outcome motivates businesses to rigorously assess their governance frameworks.

According to Faleye, Hoitash and Hoitash (2021); Owolabi, Banisaye&Efuntade (2021); and Nwaiwu and Joseph (2021), sound corporate governance standards are critical to banks' performance and financial stability. This supports the results that the makeup of the board has a significant impact on how well a company performs. According to Elgadi and Ghardallon (2022), Liang et al. (2013), Ntim and Soobaroyen (2013), Pathan and Faff (2013), and Ur Rehman et al. (2022), financial performance is crucial for optimizing business profitability and guaranteeing long-term returns. The results lend credence to the notion that attaining these objectives requires strategic leadership and governance. The significance of board diversity in fostering inclusive and representative decision-making was covered by Dagunduro et al. (2023). The results imply that improved performance and strategic direction might result from a board that is well-rounded and varied.

According to Okiro (2016), Mohammed, Ahmod and Khai (2018), and Nesseem et al. (2021), having a diverse mix of ethnic backgrounds on the board of directors may improve corporate governance and efficiency. The results of this study provide credence to the notion that a well-written board improves performance.

Analysis of regression between board composition and Tobin's Q

Parameter	B	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
			Lower	Upper	Wald Chi-Square	Df	Sig.
(Intercept)	-0.972	0.2871	-1.535	-0.410	11.468	1	0.001
Board Members	0.051	0.0217	0.008	0.093	5.454	1	0.020
(Scale)	0.672[a]	0.0752	0.539	0.836			
a. Maximum likelihood estimate.							

Source: Researcher's Computation, 2026

Conclusion

This study investigates the relationship between board composition and financial performance of listed deposited money banks in Nigeria. In line with the specific objectives of the study, Board composition (BC) has significant effect on the financial

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

performance of listed DMBs in Nigeria. The general result of the study findings were obtained The bank's success is positively correlated with the number of board members (BC) as indicated by the positive coefficient, the study's findings have significant effect on the financial performance of listed deposit money banks in Nigeria, it is in line with the study of Agrawal and knoeber (2022) . And the agency relationship between the management and shareholder of listed deposit money banks in Nigeria can be further improved so as to add to the financial performance of the Banks.

Recommendation

The investor and shareholders including the regulatory agencies should emphasize on the importance of board composition since it offer strategies direction oversight power and a range of experiences the broader governance may indicate institutional maturity and transparency, qualities that investors frequently valued

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