

## Effect of Corporate Governance on the Performance of Deposit Money Banks in South-East Nigeria

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### Abstract

*The study evaluated the effect of corporate governance on the performance of deposit money banks in South-East Nigeria. The specific objectives were to examine the effect of board size on profit and to assess the effect of board independence on the operational efficiency of deposit money banks in South-East Nigeria. The study adopted a descriptive survey research design. The primary source of data was the administration of questionnaires. The population of the study consisted of one thousand and eighty-six (1,086) staff. A sample size of 284 was determined using the Freund and Williams statistical formula. Out of the 284 questionnaires distributed, two hundred and forty-five (245) were returned and properly completed. Data were presented and analyzed using mean scores. The hypotheses were tested using the Z-test statistical tool. The findings indicated that board size had a significant positive effect on profit ( $Z = 9.184, p = .05$ ). Board independence also had a significant positive effect on the operational efficiency of deposit money banks in South-East Nigeria ( $Z = 9.248, p = .05$ ). The study concluded that board size and board independence have significant positive effects on the profit and operational efficiency of deposit money banks in South-East Nigeria. Corporate governance plays a critical role in enhancing the performance of deposit money banks in South-East Nigeria. The study recommended, among other measures, that deposit money banks in South-East Nigeria should maintain an optimal board size that balances diversity of expertise with effective decision-making, as excessively large or very small boards may negatively affect profitability*

**Keywords:** Corporate Governance, Board Size, Board Independence, Bank Performance, Operational Efficiency, Deposit Money Banks.

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## **Introduction**

The evolution of banking from traditional ownership structures to modern corporate frameworks reflects a global history of institutional transformation aimed at enhancing accountability, transparency, and stakeholder protection. Historically, banks in the 20th century operated under relatively informal governance arrangements, but financial crises throughout the 1980s and 1990s exposed the risks of weak oversight and poor managerial accountability (Jensen, 2020). By the early 2000s, major banking scandals and the 2008 global financial crisis underscored the critical importance of strong corporate governance in maintaining financial stability, protecting depositors, and ensuring sustainable bank performance (Adams, 2021). This historical trajectory established corporate governance as a fundamental pillar of modern banking operations worldwide.

Corporate governance refers to the systems, principles, and processes by which organizations are directed, controlled, and held accountable to stakeholders. According to Cadbury (2022), corporate governance encompasses the mechanisms through which companies are managed and controlled, ensuring that organizational objectives align with stakeholder interests while maintaining ethical standards and regulatory compliance. Similarly, Tricker (2023) defines corporate governance as the framework of rules, relationships, systems, and processes within and by which authority is exercised and controlled in corporations. These definitions emphasize that corporate governance extends beyond mere regulatory compliance to encompass strategic leadership, risk management, transparency, and stakeholder accountability. In the banking sector, corporate governance has emerged as a critical determinant of institutional stability, operational efficiency, and long-term performance. Banks operate as financial intermediaries handling public deposits, extending credit, and facilitating economic transactions, making them uniquely vulnerable to governance failures that can trigger systemic risks. Effective governance ensures that banks maintain prudent risk management practices, operate with transparency, protect depositor interests, and comply with regulatory requirements. For Deposit Money Banks (DMBs) in Nigeria, corporate governance frameworks have become increasingly important following historical instances of bank failures, insider abuse, and regulatory interventions that highlighted weaknesses in board oversight and management accountability (Adeyemi, 2023).

Corporate governance in Deposit Money Banks manifests through several key dimensions that directly influence institutional performance. The first dimension is board composition and structure, which involves the selection, diversity, independence, and expertise of board members who provide strategic direction and oversight. Okonkwo (2024) notes that well-structured boards with independent directors, appropriate expertise, and diverse perspectives enhance decision-making quality, strengthen risk oversight, and improve bank performance. In South-East Nigeria, where banks operate in competitive markets serving entrepreneurial and trade-oriented populations, effective board governance ensures strategic alignment with regional economic realities and customer needs. Another critical dimension is management accountability and internal controls. This includes establishing clear lines of authority, implementing robust internal audit systems, enforcing code of conduct policies, and ensuring that management decisions align with approved strategies and risk appetite. Nwankwo (2023) emphasizes that strong internal control mechanisms prevent fraud, reduce operational errors, and enhance financial reporting accuracy. For South-East Nigerian banks, which face challenges including high transaction volumes, diverse customer bases, and operational complexity across urban and rural branches, effective internal controls are essential for maintaining operational integrity and stakeholder confidence.

Risk management and compliance constitute another vital governance dimension. Banks must identify, assess, monitor, and mitigate various risks including credit risk, operational risk, market risk, and reputational risk while ensuring compliance with Central Bank of Nigeria (CBN) regulations and industry standards. Okoli (2024) argues that governance frameworks embedding comprehensive risk management practices protect banks from financial losses and regulatory sanctions while enabling sustainable growth. In the South-East region, where economic activities

generate diverse credit demands and operational risks, robust risk governance supports prudent lending practices and operational resilience.

Transparency and disclosure practices represent essential governance elements that build stakeholder trust and market confidence. This includes timely financial reporting, clear communication of bank strategies and performance, disclosure of material risks, and openness about governance structures and executive compensation. Eze (2023) observes that banks maintaining high transparency standards attract investor confidence, reduce information asymmetry, and strengthen market discipline. For South-East Nigerian banks competing for deposits and investments, transparency practices enhance reputation and competitive positioning.

Shareholder rights protection and stakeholder engagement form another important governance aspect. Effective governance ensures that shareholder interests are protected, dividend policies are fair, and stakeholders including depositors, regulators, employees, and communities receive appropriate consideration in bank decision-making. Ugwu (2024) notes that governance frameworks balancing diverse stakeholder interests promote long-term sustainability over short-term profit maximization. In South-East Nigeria's community-oriented business environment, stakeholder-focused governance strengthens bank-community relationships and supports financial inclusion objectives.

Global evidence demonstrates that strong corporate governance significantly enhances bank performance across multiple indicators including profitability, asset quality, operational efficiency, and market valuation. International studies show that banks with independent boards, effective risk committees, and robust internal controls consistently outperform peers with weaker governance structures (Brown & Williams, 2022). Research from emerging markets reveals that governance quality particularly matters during economic downturns when well-governed banks demonstrate greater resilience and faster recovery (Kumar, 2023).

Within Nigeria's national context, the banking sector has experienced significant governance reforms following historical crises that exposed institutional weaknesses. The CBN's Corporate Governance Code for banks establishes minimum standards for board composition, risk management, audit functions, and disclosure practices. Studies indicate that Nigerian banks adopting stronger governance practices demonstrate improved financial performance, lower non-performing loan ratios, and enhanced regulatory compliance (Adebayo, 2023). These reforms have strengthened public confidence in the banking system and contributed to greater financial sector stability.

At the regional level, South-East Nigeria presents unique characteristics that shape governance implications for bank performance. Banks operating in major commercial centers such as Onitsha, Aba, Enugu, and Owerri serve predominantly SME and trading communities requiring responsive governance that balances risk management with market opportunity exploitation. Recent studies suggest that South-East Nigerian banks demonstrating strong governance practices achieve better financial performance, maintain higher asset quality, and enjoy stronger customer loyalty (Chukwu, 2024). However, governance challenges including board capture by dominant shareholders, weak enforcement of internal controls, and inadequate risk oversight persist in some institutions, undermining performance and stability.

### **Statement of Problem**

Ideally, Deposit Money Banks in South-East Nigeria should be governed by robust corporate governance frameworks that ensure effective board oversight, strong management accountability, comprehensive risk management, transparent operations, and balanced stakeholder consideration. Such governance would enable banks to make prudent decisions, maintain operational integrity, protect depositor interests, comply with regulations, and achieve sustainable performance that benefits shareholders, customers, employees, and the broader economy.

However, reality reveals significant governance deficiencies in many South-East Nigerian banks. Boards often lack adequate independence, with directors having limited banking expertise or being unduly influenced by dominant shareholders. Management accountability mechanisms remain weak, allowing excessive risk-taking, poor credit decisions, and operational inefficiencies without appropriate consequences. Internal control systems frequently suffer from inadequate implementation, enabling fraud, error, and compliance violations. Risk management practices often emphasize loan growth over asset quality, resulting in high non-performing loan ratios that erode profitability. Transparency remains limited, with incomplete or delayed disclosures that prevent stakeholders from making informed decisions.

If these governance weaknesses persist, South-East Nigerian banks face serious consequences including financial losses from poor risk management, regulatory sanctions for non-compliance, loss of depositor confidence leading to funding instability, competitive disadvantage against better-governed institutions, and potential failure threatening financial system stability. Understanding how corporate governance affects bank performance becomes essential for developing reforms that strengthen institutional oversight, enhance accountability, and ensure sustainable banking operations that contribute to regional economic development.

### **Objective of Study**

The general objective was to examine the effect of corporate governance on the performance of deposit money banks in South-East Nigeria. The specific objectives were to:

- i. Examine the effect of board size on the profit of deposit money banks in South-East Nigeria.
- ii. Assess the effect of board independence on the operational efficiency of deposit money banks in South-East Nigeria.

### **Research Questions**

The followings research questions guided the study:

- i. What is the effect of board size on the profit of deposit money banks in South-East Nigeria?
- ii. What is the effect of board independence on the operational efficiency of deposit money banks in South-East Nigeria?

### **Statement of Hypotheses**

The followings hypotheses guided the study:

- i. Board size has effect on the profit of deposit money banks in South-East Nigeria
- ii. Board independence has effect on the operational efficiency of deposit money banks in South-East Nigeria

### **Scope of the Study**

The study focuses on examining the relationship between corporate governance and the performance of deposit money banks in South-East Nigeria. It investigates key governance mechanisms such as board composition, transparency, accountability, and regulatory compliance, and how they influence both financial and operational outcomes of banks. The research is limited to deposit money banks operating within the South-East geopolitical zone, considering recent data and practices to provide a current understanding of governance effects on bank performance.

## Review of Related Literature

### Conceptual Review

#### Corporate governance

Corporate governance refers to the framework of rules, practices, and processes by which organisations are directed and controlled to ensure accountability, transparency, fairness, and responsibility in decision-making and overall corporate conduct (Jikeme, 2017). It aligns the interests of key stakeholders, such as shareholders, management, boards of directors, and regulators, to improve accountability and protect investors, ultimately enhancing organisational performance and sustainability (Adinehzadeh et al., 2018). In the banking sector, effective corporate governance is especially crucial because banks play a central role in financial systems, where robust governance mechanisms help maintain depositor confidence, strengthen risk management practices, and promote stability and efficiency in financial intermediation (Muktar et al., 2025).

#### Component of Corporate Governance

The components of corporate governance that formed part of the objectives of this study include transparency, accountability, independence, risk management, ethical standards, leadership effectiveness, and stakeholder engagement. Recent studies have identified these components as critical dimensions of effective corporate governance systems (Adams & Ferreira, 2020; Adeyemi & Olaniyan, 2022; Fama & Jensen, 2018; Lawal & Adekunle, 2023; Macey & O'Hara, 2019; Mohammed & Yusuf, 2023; Okike & Adegbite, 2021; Oladipo & Fashola, 2023).

#### Component of Corporate Governance that Formed Part of the Objectives

Among the multiple components of corporate governance identified in deposit money banks, this study focuses specifically on five critical dimensions that directly influence institutional accountability, transparency, and overall effectiveness: transparency, accountability, independence, ethical standards, and leadership effectiveness. These components were selected based on their demonstrated impact on organizational stability, regulatory compliance, risk management, and performance outcomes in Nigeria's banking sector. According to Adeyemi and Olaniyan (2022), these five components represent foundational governance practices that, when implemented effectively, strengthen decision-making processes, enhance stakeholder confidence, ensure compliance with regulations, and create sustainable competitive advantages distinguishing well-governed banks from less effective institutions.

#### Board Size

Board size refers to the total number of directors serving on the board of a deposit money bank and represents a key element of corporate governance that influences oversight quality, decision-making effectiveness, and organizational performance. It determines the breadth of expertise, diversity of perspectives, and monitoring capacity available to guide management and protect stakeholder interests. Board size encompasses the balance between having sufficient members to provide effective oversight and avoiding excessive numbers that may lead to coordination challenges, slow decision-making, and diluted accountability. According to Jensen (2018), board size plays a critical role in shaping board effectiveness by influencing communication efficiency, monitoring strength, and strategic involvement.

#### Board Independence

Board independence refers to the presence and participation of non-executive directors on a company's board who do not have any material relationship with the organisation beyond their role as directors, ensuring unbiased oversight and monitoring of management activities (Amahalu et al., 2017). Independent directors are free from executive influence and managerial ties, allowing them to provide objective judgment, strengthen governance oversight, and protect shareholders' interests (Uwuigbe et al., 2018). A higher proportion of independent, non-executive directors on the board is associated with improved monitoring effectiveness, reduction in conflicts of

interest, and enhanced financial reporting quality, which can lead to better organisational accountability and performance (Obigbemi et al., 2016; OECD, 2019). In the context of corporate governance, board independence is considered a key mechanism for enhancing transparency and shareholder confidence, particularly in financial institutions where effective oversight is critical (Uwuigbe et al., 2018).

### **Performance**

Performance, in the context of deposit money banks, refers to the extent to which banking institutions achieve their financial and operational objectives efficiently and sustainably within a competitive and regulated environment. It reflects the ability of banks to utilize available resources effectively to generate profitability, maintain liquidity, manage risks, and deliver value to shareholders, customers, and other stakeholders. Performance encompasses financial outcomes such as profitability, asset quality, liquidity position, and capital adequacy, as well as non-financial outcomes including operational efficiency, service quality, customer satisfaction, and regulatory compliance. According to Richard et al. (2019), organizational performance represents a multidimensional construct that captures both financial success and operational effectiveness.

### **Component of Performance**

Components of performance that formed part of the objective of the study with recent authors include: profitability, operational efficiency, capital adequacy, asset quality, and liquidity. Ayoola-Akinjobi and Atibioko, 2025; Qudus Saka, 2022; Ugwu et al., 2020.

### **Component of Performance that Formed Part of the Objectives**

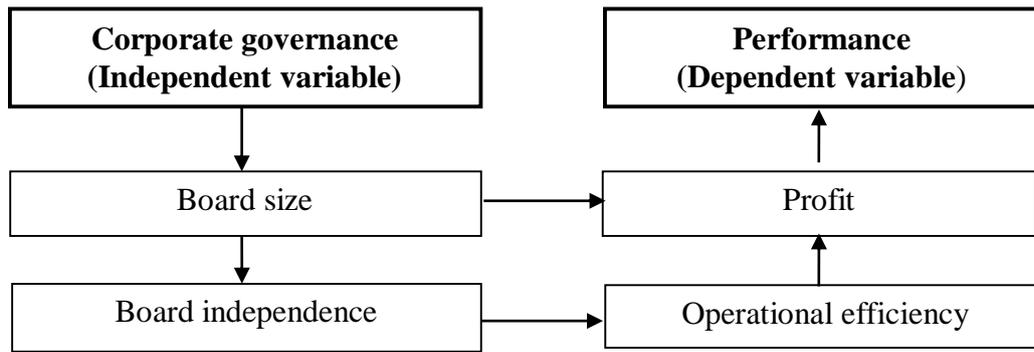
#### **Profit**

Profit is the financial gain that remains after a firm deducts all its expenses from total revenue, reflecting the firm's ability to generate wealth and create value for its shareholders (Adegbie & Olayinka, 2018). In the banking sector, profit serves as a key indicator of performance, guiding management decisions, investment strategies, and dividend policies (Chukwu & Okoye, 2020). A higher level of profit not only demonstrates effective resource utilisation but also strengthens the bank's capital base, enabling it to absorb risks, expand operations, and remain competitive in a dynamic financial environment (Okechukwu, 2019). Empirical studies in Nigeria have shown that banks with strong profit margins are better positioned to invest in technology, improve customer service, and sustain growth, highlighting the critical role of profit in ensuring both operational stability and shareholder confidence (Eze & Nwafor, 2021).

#### **Operational Efficiency**

Operational efficiency refers to a firm's ability to utilize its resources—such as labor, technology, and capital, to produce services or products at minimal cost while maintaining high quality (Oladejo & Akinola, 2018). In the banking sector, operational efficiency measures how effectively banks manage their processes, reduce waste, and optimize service delivery, which directly influences profitability and competitiveness (Okonkwo & Eze, 2019). Banks with higher operational efficiency are able to provide faster, cost-effective, and reliable services to customers, improving customer satisfaction and loyalty while reducing operational risks (Ademola & Olayemi, 2020). Empirical evidence from Nigerian deposit money banks shows that improving operational efficiency through automation, staff training, and streamlined processes significantly enhances both financial performance and organizational sustainability (Akinyemi & Oladipo, 2021).

**Conceptual Framework**



Source: *Researcher’s Model, 2026*

**Fig. 2.1: Researcher’s Model, 2026**

The diagram above shows the linkages between corporate governance on the performance of deposit money banks in South-East Nigeria. Corporate governance has board size and board independence as the components of the independent variable while performance has profit and operational efficiency are the components of dependent variables.

**Theoretical Review**

The following theories guided the study:

- i. Agency Theory by Jensen and Meckling in 1976
- ii. Resource-Based View (RBV) Theory by Barney in 1991.

The study is anchored on Agency Theory (Jensen & Meckling, 1976) because it directly explains how corporate governance mechanisms influence the performance of deposit money banks by addressing conflicts between owners and managers. Since banks operate with high levels of information asymmetry and public trust, effective governance structures are crucial for monitoring management behavior, protecting shareholders and depositors, and ensuring optimal performance. Agency Theory therefore provides the most appropriate theoretical foundation for examining how corporate governance affects bank performance in South-East Nigeria.

**Agency Theory** propounded by Jensen and Meckling in 1976. This theory explains the relationship between principals (shareholders) and agents (management), emphasizing that conflicts of interest may arise when managers pursue personal goals rather than shareholders’ wealth. Corporate governance mechanisms such as board independence, board size, transparency, and accountability are therefore designed to monitor management actions, reduce agency costs, and align managerial decisions with shareholders’ interests, ultimately improving bank performance.

**Resource-Based View (RBV) Theory**, developed by Barney in 1991. This theory posits that organizations achieve superior performance when they possess valuable, rare, inimitable, and well-organized resources. In the context of banking, effective corporate governance structures, such as competent boards, strong leadership, and sound control systems, can be viewed as strategic intangible resources that enhance efficiency, competitiveness, and long-term performance of deposit money banks.

## **Empirical Review**

### **Board size on the profit**

Okoro and Nwosu (2021) conducted a study on the board size and profitability among deposit money banks in South-East Nigeria. Their research analyzed financial and governance data from 15 banks operating across Enugu, Anambra, Imo, Abia, and Ebonyi States over a five-year period (2016–2020). Board size was measured through the total number of directors on the board, categorized into small (5–7 members), medium (8–10 members), and large (11+ members) boards. Profitability was assessed using multiple metrics including Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Profit before Tax (PBT). The study employed panel data regression analysis with fixed effects models, controlling for bank size, loan portfolio quality, capital adequacy, and macroeconomic factors. Results indicated a curvilinear (inverted U-shaped) relationship between board size and profitability, with medium-sized boards (8–10 members) associated with significantly higher profitability compared to very small or very large boards.

Eze and Chukwu (2022) conducted a study on the effect of bank complexity on the relationship between board size and profitability in South-East Nigerian deposit money banks. Their study utilized a sample of 12 banks with diverse operational structures, measuring bank complexity through indicators such as number of branches, product diversity, geographic spread, and technological integration. Board size was analyzed not only in absolute numbers but also in relation to bank complexity ratios. Profitability metrics included ROA, ROE, and Net Profit Margin, analyzed quarterly over four years. The research employed moderated hierarchical regression and subgroup analysis, revealing that the optimal board size varied significantly with bank complexity. For highly complex banks, larger boards (10–12 members) were associated with better profitability due to diversified expertise, while for less complex banks, smaller boards (6–8 members) were more profitable due to faster decision-making.

Nnamani and Ibrahim (2023) conducted a study on the role of strategic decision-making quality in the relationship between board size and profitability in South-East Nigerian deposit money banks. Their study combined secondary financial data with primary survey data collected from 120 board members and senior executives across 10 banks. Board size was measured categorically and continuously, while strategic decision-making quality was assessed through metrics including decision comprehensiveness, speed, innovation, and implementation effectiveness. Profitability was measured using both accounting-based (ROA, ROE) and market-based (Tobin's Q) indicators. Path analysis and structural equation modeling revealed that board size indirectly influenced profitability through its impact on strategic decision-making quality. Medium-sized boards demonstrated superior decision-making processes, which in turn enhanced profitability, while both very small and very large boards showed deficiencies in decision quality that negatively affected financial performance.

Uche and Onyema (2024) conducted a study on the longitudinal research analyzing the dynamic relationship between board size changes and profitability trends in South-East Nigerian deposit money banks over an eight-year period (2016–2023). Their study tracked 14 banks through periods of board expansion and contraction, examining how changes in board size affected subsequent profitability. The research employed difference-in-differences methodology and event study analysis around board restructuring events. Profitability was measured using both conventional metrics and risk-adjusted returns. Findings indicated that strategic board expansion during growth phases positively impacted profitability, while poorly planned expansions or contractions during stable periods negatively affected financial performance. The study also identified optimal board size ranges for different developmental stages of banks, with growing banks benefiting from larger boards (9–12 members) and mature banks performing better with moderately sized boards (7–9 members).

Obi and Mohammed (2025) conducted a study on the performed a comparative analysis of the board size–profitability relationship between domestic and international deposit money banks operating in South-East Nigeria. Their study examined 18 banks (9 domestic and 9 international subsidiaries) operating across the five states, analyzing governance structures and financial performance over seven years. Board size was measured in absolute terms and relative to bank characteristics. Profitability analysis included traditional metrics as well as efficiency ratios and risk-adjusted returns. The research employed propensity score matching and comparative regression analysis, revealing significant differences in optimal board size between domestic and international banks. Domestic banks achieved peak profitability with smaller boards (6–8 members), while international bank subsidiaries performed better with larger boards (10–13 members) that facilitated better integration with global governance standards and access to international expertise.

#### **Board independence on the operational efficiency**

Musa and Adeyemi (2021) conducted a study on the board independence and operational efficiency in deposit money banks operating in South-East Nigeria. Their study analyzed data from 16 banks over a five-year period, measuring board independence through the percentage of non-executive independent directors, their committee memberships, and their actual influence on board decisions. Operational efficiency was assessed using multiple metrics including Cost-to-Income Ratio, Operating Expense Ratio, Employee Productivity Ratio, and Branch Efficiency Scores. The research employed panel data analysis with random effects models, controlling for bank age, ownership structure, and regulatory changes. Results demonstrated a significant positive relationship between board independence and operational efficiency, particularly in areas of cost control, process optimization, and technology adoption. Banks with higher proportions of independent directors (40–60%) showed consistently better efficiency metrics than those with lower independence levels.

Suleiman and Bello (2022) conducted a study on the role of monitoring effectiveness in the relationship between board independence and operational efficiency in South-East Nigerian deposit money banks. Their study combined quantitative analysis of financial reports with qualitative assessments from regulatory examinations and internal audit reports. Board independence was measured through composition ratios, tenure considerations, and relationship independence assessments. Monitoring effectiveness was evaluated through metrics including audit committee performance, risk management oversight quality, and compliance monitoring systems. Operational efficiency was measured using Data Envelopment Analysis (DEA) to calculate efficiency scores across multiple input-output dimensions. Structural equation modeling revealed that board independence significantly enhanced monitoring effectiveness, which in turn improved operational efficiency. The indirect effect through monitoring effectiveness accounted for approximately 65% of the total impact of board independence on operational efficiency.

Okonkwo and Eze (2023) conducted a study on the effect of regulatory pressure on the relationship between board independence and operational efficiency in South-East Nigerian deposit money banks. Their study analyzed 13 banks during a period of intensified regulatory scrutiny (2019–2022), measuring regulatory pressure through enforcement actions, compliance requirements, and supervisory intensity indicators. Board independence was assessed using both structural measures (composition percentages) and behavioral measures (actual independence in decision-making). Operational efficiency was evaluated using stochastic frontier analysis to distinguish between technical efficiency and allocative efficiency. Moderated regression analysis revealed that regulatory pressure significantly strengthened the positive relationship between board independence and operational efficiency. Under high regulatory pressure, banks with greater board independence demonstrated substantially better efficiency improvements, particularly in risk management efficiency and compliance cost optimization.

Nwankwo and Yakubu (2024) conducted a study on the board independence–efficiency relationship across different ownership structures of deposit money banks in South-East Nigeria. Their research analyzed 17 banks categorized by ownership type: privately-owned domestic banks, government-owned banks, and foreign subsidiary banks. Board independence was measured using a composite index incorporating structural independence, behavioral independence, and resource independence dimensions. Operational efficiency was assessed through both financial ratios and operational process metrics collected through branch-level surveys. The study employed multigroup analysis and comparative statistics, revealing significant variation in how board independence affects efficiency across ownership types. Foreign subsidiary banks showed the strongest positive relationship, government-owned banks showed moderate effects with some threshold limitations, and privately-owned domestic banks demonstrated variable effects depending on founding family involvement.

Ibrahim and Obi (2025) performed longitudinal analysis of the causal relationship between board independence changes and operational efficiency improvements in South-East Nigerian deposit money banks over a decade (2015–2024). Their research employed interrupted time series analysis and difference-in-differences methodology around significant governance reform periods. Board independence was tracked through annual changes in composition, with particular attention to regulatory-mandated increases in independent director requirements. Operational efficiency was measured using Malmquist productivity indices to capture efficiency changes over time. The study provided strong evidence of causal relationships, showing that regulatory-driven increases in board independence led to significant improvements in operational efficiency, with effects strengthening over time as independent directors gained experience and influence. Efficiency gains were particularly pronounced in cost management, technology adoption efficiency, and risk-weighted asset optimization.

### **Methodology**

The area of the study was South East, Nigeria. The study used the descriptive survey design approach. The primary source of data was the administration of questionnaire. The population of the study consists of One thousand and eighty six (1086) staff was used. The sample size of 284, was applied using Freund and Williams statistical formula, The study used the descriptive survey design approach. The primary sources of data were the administration of questionnaire. Two hundred and forty five (245) staff returned the questionnaire and accurately filled. Data was presented and analyzed by mean score. The validity of the instrument was tested using content analysis and the result was good. The reliability was tested using the Pearson correlation coefficient ( $r$ ). It gave a reliability coefficient of 0.840 which was also good. Data was presented and analyzed by and standard deviation using Sprint Likert Scale. The hypotheses were analyzed using Z - test statistic tool.

**Data presentation**

**The relationship between the effect of board size on the profit of deposit money banks in South-East Nigeria**

**Table 1: Responses on the relationship between the effect of board size on the profit of deposit money banks in South-East Nigeria**

		5	4	3	2	1	ΣFX	-	SD	Decision
		SA	A	N	DA	SD		X		
1	A well-structured board size enhances diverse expertise, leading to better strategic decisions and increased bank profits.	550 110 44.9	380 95 38.8	39 13 5.3	22 11 4.5	16 16 6.5	1007 245 100%	4.11	1.124	Agree
2	An optimal board size improves governance oversight, which strengthens performance and boosts profitability.	530 106 43.3	376 94 38.4	39 13 5.3	54 27 11.0	5 5 2.0	1004 245 100%	4.10	1.051	Agree
3	Larger boards with varied skills help identify new market opportunities, positively impacting bank profits.	585 117 47.8	320 80 32.7	39 13 5.3	28 14 5.7	21 21 8.6	993 245 100%	4.05	1.239	Agree
4	Appropriate board size fosters effective risk management, safeguarding assets and enhancing profit margins.	545 109 44.5	384 96 39.2	39 13 5.3	44 22 9.0	5 5 2.0	1017 245 100%	4.15	1.011	Agree
5	Balanced board size promotes efficient decision-making, contributing to higher profitability for deposit money banks.	565 113 46.1	368 92 37.6	39 13 5.3	44 22 9.0	5 5 2.0	1021 245 100%	4.17	1.017	Agree
<b>Total Grand mean and standard deviation</b>								<b>4.116</b>	<b>1.0884</b>	

*Source: Field Survey, 2026*

Table 1, 205 respondents out of 245 representing 83.7 percent agreed that A well-structured board size enhances diverse expertise, leading to better strategic decisions and increased bank profits with mean score 4.11 and standard deviation of 1.124. An optimal board size improves governance oversight, which strengthens performance and boosts profitability 200 respondents representing 81.7 percent agreed with mean score of 4.10 and standard deviation of 1.051. An optimal board size improves governance oversight, which strengthens performance and boosts profitability 197 respondents representing 80.5 percent agreed with mean score of 4.05 and standard deviation of 1.239. Appropriate board size fosters effective risk management, safeguarding assets and enhancing profit margins 4.15 and 1.011. Balanced board size promotes efficient decision-making, contributing to higher profitability for deposit money banks 205 respondents representing 83.7 percent agreed with a mean score of 4.17 and standard deviation 1.017

**The relationship between the effect of board independence on the operational efficiency of deposit money banks in South-East Nigeria**

**Table 2: Responses on the relationship between the effect of board independence on the operational efficiency of deposit money banks in South-East Nigeria**

			5	4	3	2	1	ΣFX	-	SD	Decision
			SA	A	N	DA	SD		X		
1	Board independence ensures unbiased decision-making, enhancing operational efficiency.		580	360	39	32	10	1021	4.17	1.064	Agree
			116	90	13	16	10	245			
			47.3	36.7	5.3	6.5	4.1	100%			
2	Independent boards strengthen internal controls, leading to smoother bank operations.		550	348	60	32	12	1002	4.09	1.109	Agree
			110	87	20	16	12	245			
			44.9	35.5	8.2	6.5	4.9	100%			
3	They promote transparency and accountability, which improves overall operational performance.		565	348	51	32	12	1008	4.11	1.107	Agree
			113	87	17	16	12	245			
			46.1	35.5	6.9	6.5	4.9	100%			
4	Board independence facilitates objective oversight, reducing operational errors and inefficiencies.		565	352	32	32	12	993	4.12	1.104	Agree
			113	88	16	16	12	245			
			46.1	35.9	6.5	6.5	4.9	100%			
5	Independent directors bring diverse perspectives, optimizing processes and boosting operational efficiency.		535	296	99	20	21	971	3.96	1.229	Agree
			107	74	33	10	21	245			
			43.7	30.2	13.5	4.1	8.6	100%			
<b>Total Grand mean and standard deviation</b>									<b>4.09</b>	<b>1.1226</b>	

Source: Field Survey, 2026

Table 2, 206 respondents out of 245 representing 84 percent agreed that Board independence ensures unbiased decision-making, enhancing operational efficiency with mean score 4.17 and standard deviation of 1.064. Independent boards strengthen internal controls, leading to smoother bank operations 197 respondents representing 80.4 percent agreed with mean score of 4.09 and standard deviation of 1.109. They promote transparency and accountability, which improves overall operational performance 200 respondents representing 81.6 percent agreed with mean score of 4.11 and standard deviation of 1.107. Board independence facilitates objective oversight, reducing operational errors and inefficiencies 201 respondents representing 82 percent agreed with mean score of 4.12 and 1.104. Independent directors bring diverse perspectives, optimizing processes and boosting operational efficiency. 181 respondents representing 73.9 percent agreed with a mean score of 3.96 and standard deviation 1.229.

**Test of hypotheses**

**Hypothesis one: Board size has effect on the profit of deposit money banks in South-East Nigeria**

**One-Sample Kolmogorov-Smirnov Test**

		A well-structured board size enhances diverse expertise, leading to better strategic decisions and increased bank profits.	An optimal board size improves governance oversight, which strengthens performance and boosts profitability.	Larger boards with varied skills help identify new market opportunities, positively impacting bank profits.	Appropriate board size fosters effective risk management, safeguarding assets and enhancing profit margins.	Balanced board size promotes efficient decision-making, contributing to higher profitability for deposit money banks.
N		245	245	245	245	245
Uniform Parameters <sup>a,b</sup>	Minimum	1	1	1	1	1
	Maximum	5	5	5	5	5
Most Extreme Differences	Absolute	.587	.566	.554	.587	.587
	Positive	.065	.020	.086	.020	.020
	Negative	-.587	-.566	-.554	-.587	-.587
Kolmogorov-Smirnov Z		9.184	8.864	8.673	9.184	9.184
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000

a. Test distribution is Uniform.

b. Calculated from data.

**Decision Rule**

If the calculated Z-value is greater than the critical Z-value (i.e  $Z_{cal} > Z_{critical}$ ), reject the null hypothesis and accept the alternative hypothesis accordingly.

**Result**

With Kolmogorov-Smirnon Z – value ranges from  $8.673 < 9.184$  and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms the assertion of the most of the respondents that Board size had significant positive effect on the profit of deposit money banks in South-East Nigeria.

**Decision**

Furthermore, comparing the calculated Z- value ranges from  $8.673 < 9.184$  against the critical Z- value of .000(2-tailed test at 95 percent level of confidence) the null hypothesis were rejected. Thus the alternative hypothesis was accepted which states that Board size had significant positive effect on the profit of deposit money banks in South-East Nigeria.

**Hypothesis two: Board independence has effect on the operational efficiency of deposit money banks in South-East Nigeria**

**One-Sample Kolmogorov-Smirnov Test**

		Board independence ensures unbiased decision-making, enhancing operational efficiency.	Independent boards strengthen internal controls, leading to smoother bank operations.	They promote transparency and accountability, which improves overall operational performance.	Board independence facilitates objective oversight, reducing operational errors and inefficiencies.	Independent directors bring diverse perspectives, optimizing processes and boosting operational efficiency.
N		245	245	245	245	245
Uniform Parameters <sup>a,b</sup>	Minimum	1	1	1	1	1
	Maximum	5	5	5	5	5
Most Extreme Differences	Absolute	.591	.554	.566	.570	.489
	Positive	.041	.049	.049	.049	.086
	Negative	-.591	-.554	-.566	-.570	-.489
Kolmogorov-Smirnov Z		9.248	8.673	8.864	8.928	7.651
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000

a. Test distribution is Uniform.

b. Calculated from data.

**Decision Rule**

If the calculated Z-value is greater than the critical Z-value (i.e  $Z_{cal} > Z_{critical}$ ), reject the null hypothesis and accept the alternative hypothesis accordingly.

**Result**

With Kolmogorov-Smirnon Z – value ranges from  $7.651 < 9.248$  and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms the assertion of the most of the respondents that Board independence had significant positive effect on the operational efficiency of deposit money banks in South-East Nigeria.

**Decision**

Furthermore, comparing the calculated Z- value ranges from  $7.651 < 9.248$  against the critical Z- value of .000(2-tailed test at 95 percent level of confidence) the null hypothesis were rejected. Thus the alternative hypothesis was accepted which states that Board independence had significant positive effect on the operational efficiency of deposit money banks in South-East Nigeria.

**Discussion of Findings**

**Board size had significant positive effect on the profit of deposit money banks in South-East Nigeria**

From the result of hypothesis one, comparing the calculated Z- value ranges from  $8.673 < 9.184$  against the critical Z- value of .000 which implies that Board size had significant positive effect on the profit of deposit money banks in South-East Nigeria. In the support of the result in the literature review, Okoro and Nwosu (2021) conducted a study on the board size and profitability among deposit money banks in South-East Nigeria. Results indicated a curvilinear (inverted U-shaped) relationship between board size and profitability, with medium-sized boards (8–10 members)

associated with significantly higher profitability compared to very small or very large boards. Uche and Onyema (2024) conducted a study on the longitudinal research analyzing the dynamic relationship between board size changes and profitability trends in South-East Nigerian deposit money banks over an eight-year period (2016–2023). Findings indicated that strategic board expansion during growth phases positively impacted profitability, while poorly planned expansions or contractions during stable periods negatively affected financial performance.

#### **Board independence had significant positive effect on the operational efficiency of deposit money banks in South-East Nigeria.**

From the result of hypothesis two, the calculated Z- value ranges from  $7.651 < 9.248$  against the critical Z- value of .000 which implies that Board independence had significant positive effect on the operational efficiency of deposit money banks in South-East Nigeria. In the support of the result in the literature review, Musa and Adeyemi (2021) conducted a study on the board independence and operational efficiency in deposit money banks operating in South-East Nigeria. Results demonstrated a significant positive relationship between board independence and operational efficiency, particularly in areas of cost control, process optimization, and technology adoption. Banks with higher proportions of independent directors (40–60%) showed consistently better efficiency metrics than those with lower independence levels. Ibrahim and Obi (2025) performed longitudinal analysis of the causal relationship between board independence changes and operational efficiency improvements in South-East Nigerian deposit money banks over a decade (2015–2024). The study provided strong evidence of causal relationships, showing that regulatory-driven increases in board independence led to significant improvements in operational efficiency, with effects strengthening over time as independent directors gained experience and influence. Efficiency gains were particularly pronounced in cost management, technology adoption efficiency, and risk-weighted asset optimization.

### **Summary of Findings, Conclusion and Recommendations**

#### **Summary of Findings**

- i. Board size had significant positive effect on the profit of deposit money banks in South-East Nigeria.  $Z(9.184, P = 0.05)$ . It indicates that an increase in the number of board members positively contributes to the profitability of deposit money banks in South-East Nigeria.
- ii. Board independence had significant positive effect on the operational efficiency of deposit money banks in South-East Nigeria.  $Z(9.248, P = 0.05)$ . It indicates that greater board independence positively influences the operational efficiency of deposit money banks in South-East Nigeria.

#### **Conclusion**

Board size and Board independence had significant positive effect on the profit and operational efficiency of deposit money banks in South-East Nigeria. Corporate governance plays a critical role in enhancing the performance of deposit money banks in South-East Nigeria. Sound governance structures, effective board oversight, transparency, accountability, and adherence to regulatory standards were found to significantly influence financial stability, operational efficiency, and stakeholder confidence. Banks that uphold strong corporate governance practices are better positioned to manage risks, improve decision-making, and sustain profitability in a competitive and highly regulated environment. Therefore, the study affirms that strengthening corporate governance frameworks is essential for improving the long-term performance and resilience of deposit money banks in the region.

#### **Recommendations**

- i. Deposit money banks in South-East Nigeria should maintain an optimal board size that balances diversity of expertise with effective decision-making, as excessively large or very small boards may negatively affect profitability.
- ii. Deposit money banks should strengthen board independence by increasing the proportion of non-executive and independent directors to enhance objective oversight and reduce managerial bias.

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