



CORPORATE GOVERNANCE AND PERFORMANCE OF SPECIALIZED AND DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

Corporate governance is essential to accountability, risk management, and sustainable performance in the banking sector, particularly in Nigeria's complex financial environment. This study examines the effect of corporate governance mechanisms on the performance of specialized and deposit money banks in Nigeria. Using an empirical research design, the study relies on secondary data from annual reports, audited financial statements, and regulatory publications of selected banks. Data were cleaned, transformed, normalized, and analysed using panel regression techniques, with model validation procedures applied to ensure robustness. Findings indicate that effective corporate governance significantly enhances bank performance by strengthening managerial monitoring, reducing agency conflicts, improving transparency, and supporting risk management. Board independence and audit committee effectiveness positively influence financial performance, while inappropriate governance structures may constrain operational efficiency. The study concludes that governance mechanisms affect specialized and deposit money banks

differently. Stronger regulatory enforcement, competent boards, improved disclosure, and institution-specific governance frameworks are recommended for sustainable banking performance.

Keywords: *Corporate Governance; Bank Performance; Specialized Banks; Deposit Money Banks; Nigeria*

1. INTRODUCTION

Background of the Study

The banking sector plays a fundamental role in economic development by facilitating financial intermediation, mobilizing savings, supporting investment activities, and promoting economic growth. In emerging economies such as Nigeria, banks serve as important financial institutions through which funds are transferred from surplus units to deficit units for productive activities. The effectiveness of banking institutions therefore influences economic stability, business expansion, employment generation, and financial inclusion (World Bank, 2023).



However, the increasing complexity of banking operations, technological transformation, financial risks, and regulatory pressures has made effective corporate governance a major concern. Corporate governance provides the framework through which organizations are directed, monitored, and controlled to ensure accountability, transparency, and responsible management. In financial institutions, governance becomes particularly important because banks operate with depositors' funds and their failure can create significant economic consequences (OECD, 2023). The concept of corporate governance is largely associated with the relationship between shareholders, managers, boards of directors, regulators, and other stakeholders. The separation between ownership and management creates potential conflicts because managers may pursue personal interests rather than maximizing shareholder value. Therefore, governance mechanisms such as effective boards, independent directors, audit committees, and ownership monitoring systems are required to reduce agency problems and improve organizational performance (Jensen and Meckling, 1976).

The Nigerian banking industry has experienced several reforms aimed at strengthening governance standards and improving financial stability. These reforms have focused on board independence, risk management frameworks, financial reporting quality, and regulatory compliance. Despite these reforms, differences in financial performance among banks operating under similar regulatory conditions continue to raise questions regarding the effectiveness of governance mechanisms. Specialized and deposit money banks represent two important categories within the Nigerian banking system. Deposit money banks provide

conventional banking services such as deposit mobilization, lending, and payment services, while specialized banks focus on specific economic sectors including agriculture, housing, development finance, small and medium enterprises, and non-interest banking activities. Although both categories contribute to economic development, their operational structures and objectives differ. Corporate governance mechanisms may therefore influence these two categories of banks differently. Deposit money banks often emphasize profitability and market competitiveness, while specialized banks balance profitability with developmental objectives. This difference creates the need to investigate whether governance mechanisms produce similar performance outcomes across both banking categories.

Recent studies indicate that governance characteristics significantly affect financial performance through improved monitoring, efficient decision-making, and better risk control. Board independence, audit committee effectiveness, and governance transparency have been identified as important factors influencing institutional performance (Otekunrin et al., 2024; Eze-Anyia et al., 2024). However, most existing studies focus mainly on deposit money banks, with limited evidence on specialized banks. This study therefore examines the relationship between corporate governance mechanisms and the performance of specialized and deposit money banks in Nigeria.

The Nigerian banking sector has witnessed significant developments through regulatory reforms, recapitalization exercises, and improved corporate governance codes. Despite these improvements, challenges



relating to weak oversight, poor accountability, risk management failures, and inconsistent financial performance remain relevant. Some banks achieve strong financial performance despite operating under similar regulatory requirements, while others experience declining profitability and operational difficulties. This suggests that the existence of governance structures alone may not guarantee improved performance unless they are effectively implemented.

Furthermore, existing studies have largely concentrated on deposit money banks, leaving specialized banks relatively underrepresented in corporate governance research. Specialized banks differ from deposit money banks in terms of ownership structure, operational objectives, funding sources, and regulatory expectations. Therefore, conclusions drawn from deposit money banks may not fully explain governance-performance relationships among specialized financial institutions. The limited comparative evidence creates a gap in understanding how governance mechanisms influence different categories of banks in Nigeria. This study addresses this gap by examining the effect of corporate governance mechanisms on the performance of specialized and deposit money banks.

2. LITERATURE REVIEW

2.1 Concept of Corporate Governance

Corporate governance represents the framework of principles, policies, structures, and processes through which organizations are directed, monitored, and controlled to achieve institutional objectives while ensuring accountability, transparency, and responsible management. It defines the relationship among shareholders, board

members, executives, regulators, and other stakeholders by establishing mechanisms that guide decision-making and organizational control. According to the Organization for Economic Co-operation and Development (OECD, 2023), effective corporate governance promotes ethical conduct, enhances disclosure quality, strengthens accountability, and improves stakeholder confidence. In the banking sector, corporate governance assumes greater importance because banks operate as financial intermediaries that mobilize public deposits and allocate resources within the economy. Unlike other organizations, banks are exposed to unique risks including credit risk, liquidity risk, operational risk, and systemic financial risks. Therefore, governance structures are essential to ensure that bank managers act responsibly, maintain financial discipline, protect depositors' funds, and comply with regulatory requirements (Basel Committee on Banking Supervision, 2023). Weak governance practices in financial institutions may result in excessive risk-taking, poor lending decisions, inadequate internal controls, and ultimately financial instability.

The significance of corporate governance increased following global financial crises and banking failures associated with ineffective monitoring systems, poor board oversight, weak risk management, and managerial opportunism. As a result, financial institutions have adopted stronger governance arrangements involving independent boards of directors, effective audit committees, improved risk management frameworks, and enhanced corporate disclosure practices (Adegbite and Nakajima, 2023). These mechanisms are expected to reduce agency problems, improve managerial accountability, and



promote sustainable institutional performance. In Nigeria, corporate governance has remained a major focus of banking sector reforms due to previous experiences involving bank distress, insider abuse, weak governance structures, and inadequate regulatory compliance. The Central Bank of Nigeria has introduced various governance reforms aimed at improving board effectiveness, strengthening internal controls, promoting transparency, and enhancing risk management practices among financial institutions (Central Bank of Nigeria, 2023). Consequently, corporate governance has become a critical factor influencing the stability and performance of both specialized and deposit money banks in Nigeria.

2.2 Corporate Governance Mechanisms

Corporate governance mechanisms refer to the institutional arrangements and control systems designed to monitor managerial activities, align the interests of managers with stakeholders, and enhance organizational effectiveness. These mechanisms may be internal or external and serve as tools for reducing information asymmetry, controlling managerial behavior, and improving strategic decision-making (Jensen and Meckling, 1976). Within the banking industry, governance mechanisms are particularly important because managers possess significant control over financial resources and risk decisions. One of the major governance mechanisms examined in this study is board size. Board size refers to the number of directors responsible for providing strategic guidance, monitoring executive decisions, and ensuring compliance with corporate policies. An effective board provides diverse expertise, industry knowledge, and strategic resources that

contribute to institutional performance. However, excessively large boards may create coordination challenges, communication difficulties, and slower decision-making processes, thereby reducing governance effectiveness (Guest, 2023). Therefore, an optimal board structure is required to balance expertise and efficiency.

Another important governance mechanism is board independence, which refers to the presence of non-executive directors who are free from managerial influence. Independent directors strengthen monitoring activities by objectively evaluating management decisions and reducing the possibility of managerial opportunism. In banking institutions, independent boards enhance risk oversight, improve regulatory compliance, and contribute to financial stability (Hillman and Dalziel, 2023). Their involvement ensures that strategic decisions reflect the broader interests of shareholders and other stakeholders. Board diversity is another governance mechanism that has received increasing attention in corporate governance research. It refers to differences among directors based on gender, professional experience, educational background, and expertise. Diverse boards provide multiple perspectives, encourage innovation, improve problem-solving capacity, and enhance decision quality. In financial institutions, board diversity may improve risk assessment and strategic planning because directors contribute different knowledge and experiences to governance processes (Oyerogba et al., 2024).

The effectiveness of the audit committee is also central to governance quality. Audit committees are responsible for overseeing financial reporting processes, internal control systems, and external audit activities. A



competent audit committee improves transparency, reduces financial irregularities, strengthens compliance, and enhances investor confidence. Effective audit committees are particularly important in banks because they assist in identifying operational weaknesses and ensuring accurate financial reporting (Eklemet et al., 2023).

Furthermore, ownership structure influences governance effectiveness by determining the level of monitoring and control exercised by shareholders. Concentrated ownership may encourage stronger oversight because major shareholders have greater incentives to protect their investments and ensure managerial efficiency. However, excessive ownership concentration may result in conflicts between controlling shareholders and minority investors, thereby affecting organizational performance (Shleifer and Vishny, 2023). CEO duality is another important governance mechanism, referring to a situation where one individual occupies both the position of chief executive officer and board chairman. Supporters of CEO duality argue that combining leadership roles improves coordination and decision-making speed. However, critics suggest that CEO duality may weaken board independence and reduce effective managerial monitoring because excessive authority becomes concentrated in one individual (Krause and Semadeni, 2023).

2.3 Concept of Bank Performance

Bank performance refers to the extent to which a banking institution effectively utilizes its available resources, manages risks, generates income, and maintains financial stability. Performance evaluation is essential because banks operate in

competitive and highly regulated environments where profitability, efficiency, and sustainability determine institutional survival.

Bank performance is commonly assessed using financial indicators such as return on assets (ROA), return on equity (ROE), profitability, operational efficiency, liquidity position, and financial stability. Return on assets measures the ability of a bank to generate profits from its total asset base, while return on equity evaluates the returns generated from shareholders' investments. These indicators provide useful information regarding managerial effectiveness and resource utilization (Azzabi and Lahrichi, 2023).

However, bank performance extends beyond profitability because financial institutions must also maintain sound risk management systems, asset quality, and operational efficiency. A bank may achieve short-term profitability but experience long-term challenges if poor governance practices lead to excessive risk exposure, weak internal controls, or regulatory violations. The measurement of performance is particularly important when comparing specialized banks and deposit money banks. Deposit money banks primarily focus on deposit mobilization, credit creation, and commercial banking services, while specialized banks operate with specific developmental objectives such as agricultural financing, housing finance, and small business support. Therefore, governance mechanisms must ensure that specialized banks achieve both financial sustainability and their broader developmental mandates.

2.4 Corporate Governance and Bank Performance Relationship



The relationship between corporate governance and bank performance is based on the argument that effective governance structures improve organizational outcomes by reducing agency conflicts, strengthening monitoring systems, and promoting responsible decision-making. Governance mechanisms influence performance by improving accountability, enhancing transparency, controlling risks, and supporting strategic management decisions. Board independence contributes to improved bank performance because independent directors provide effective oversight and reduce managerial opportunism. By ensuring that executives are properly monitored, independent boards improve decision quality and encourage responsible financial management (Adegbite and Nakajima, 2023). This is particularly relevant in banking institutions where poor decisions may affect depositors, investors, and the wider economy.

Audit committee effectiveness also contributes significantly to performance by strengthening financial reporting quality and internal control systems. Banks with effective audit committees are more likely to detect weaknesses, prevent fraudulent practices, and maintain stakeholder confidence (Otekunrin et al., 2024). Similarly, ownership monitoring influences performance by encouraging managerial discipline and efficient resource allocation. The influence of governance mechanisms may differ between specialized and deposit money banks due to differences in ownership structures, operational objectives, and regulatory expectations. While deposit money banks emphasize profitability and competitiveness, specialized banks must balance financial performance with developmental objectives. Therefore, understanding governance-performance relationships across both

categories provides important insights into banking sector effectiveness in Nigeria.

2.5 Theoretical Framework

Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), explains the relationship between principals (shareholders) and agents (managers) within organizations. The theory argues that conflicts may occur because managers possess greater information and control over organizational resources, creating opportunities for decisions that may not align with shareholders' interests.

In banking institutions, agency problems arise because managers make operational and investment decisions while shareholders and depositors rely on governance mechanisms for monitoring. Managers may engage in excessive risk-taking or inefficient resource utilization if appropriate controls are absent. Corporate governance mechanisms such as independent boards, effective audit committees, and ownership monitoring help reduce these conflicts by improving accountability and managerial discipline. Agency Theory therefore provides a foundation for explaining how corporate governance mechanisms influence bank performance by reducing information asymmetry and aligning managerial actions with stakeholder objectives.

Resource Dependency Theory

Resource Dependency Theory suggests that organizations depend on external resources, expertise, relationships, and networks for survival and competitiveness. The theory emphasizes the strategic role of boards of directors in providing valuable resources



such as professional knowledge, industry experience, legitimacy, and external connections (Hillman & Dalziel, 2023).

In the banking sector, directors with financial expertise and diverse backgrounds contribute to better strategic planning, improved risk management, innovation, and regulatory compliance. Therefore, governance mechanisms serve not only as monitoring tools but also as sources of strategic resources that enhance institutional performance. The theory supports the argument that effective corporate governance contributes to improved performance by enabling banks to access valuable knowledge and capabilities required for sustainable growth.

2.6 Review of Empirical Literature

Table 1 Summary of Empirical Review

Author/Year	Study Focus	Methodology	Findings	Research Gap
Eze-Anyanwa et al. (2024)	Governance and deposit money bank performance	Panel regression	Governance improves profitability	Focused only on deposit banks
Otekinrin et al. (2024)	Governance and financial performance	Secondary data analysis	Board effectiveness improves performance	Limited specialized bank coverage
Oyero et al.	Governance and	Quantitative	Governance enhances	Did not exam

(2024)	sustainability reporting	method	es disclosure quality	ine bank type differences
Omolaye and Oyediji (2024)	Governance and Nigerian banks	Regression analysis	Positive governance-performance link	Limited variables
Olowofela et al. (2025)	Governance mechanisms and bank performance	Panel data	Governance improves efficiency	Emerging evidence requiring expansion
Eklem et al. (2023)	Audit committees and performance	Panel analysis	Audit committee effectiveness improves outcomes	Limited Nigerian focus
Adebite and Nakajima (2023)	Governance in emerging economies	Conceptual review	Governance improves accountability	No bank comparison

3. METHODOLOGY

3.1 Research Design

The study adopts an ex-post facto research design using a quantitative research approach to examine the relationship between



corporate governance mechanisms and the performance of specialized and deposit money banks in Nigeria. The choice of an ex-post facto design is based on the nature of the study variables, which involve historical financial and governance information that already exist and cannot be manipulated by the researcher. This design enables the researcher to investigate the effect of corporate governance characteristics such as board size, board independence, board diversity, audit committee effectiveness, ownership structure, and CEO duality on bank performance indicators including return on assets (ROA), return on equity (ROE), profitability, and operational efficiency (Saunders, Lewis, and Thornhill, 2023).

The quantitative approach is considered appropriate because the study involves measurable variables that require statistical evaluation to establish the direction, strength, and significance of relationships among variables. Quantitative research provides an objective basis for testing research hypotheses and developing empirical conclusions from observed data (Creswell and Creswell, 2023). The design further supports the use of panel data analysis because the study examines multiple banks across different time periods, thereby allowing variations in governance practices and performance outcomes to be evaluated.

The adoption of this design is also justified by the fact that corporate governance and bank performance relationships are best assessed through historical financial disclosures and institutional records. Since the study focuses on specialized and deposit money banks operating under similar regulatory environments but different operational structures, the ex-post facto

design provides a suitable framework for comparative analysis.

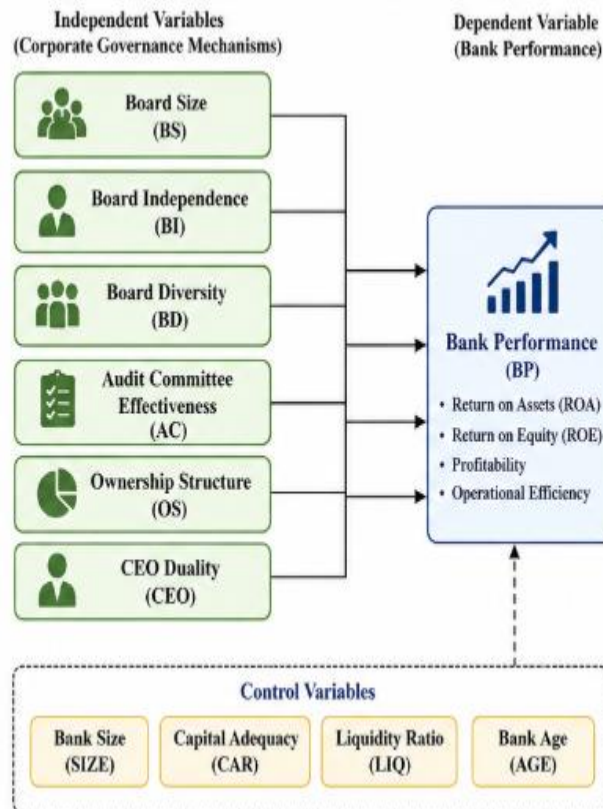


Fig. 1 Corporate Governance Mechanisms

3.2 Data Collection

The study uses secondary data collected from reliable institutional sources, including the annual reports of selected specialized and deposit money banks in Nigeria, audited financial statements, Central Bank of Nigeria (CBN) publications, and Nigerian Exchange Group (NGX) reports. These sources provide comprehensive information on corporate governance structures, board composition, ownership patterns, audit committee characteristics, and financial performance indicators.



Annual reports are considered appropriate sources because they contain publicly disclosed information that has been subjected to internal and external audit procedures. The reports provide governance-related information such as the number of directors, proportion of independent directors, board diversity characteristics, executive leadership structure, and ownership composition. Financial data obtained from these reports include total assets, shareholders' equity, profit after tax, operating income, and other performance indicators required for the study.

The Central Bank of Nigeria publications are also used to obtain regulatory information and industry-level data relating to banking operations, corporate governance standards, and financial sector developments. Similarly, Nigerian Exchange Group reports provide additional financial information for listed deposit money banks. The use of multiple data sources improves the reliability and validity of the dataset by ensuring consistency and reducing dependence on a single information source (UWuigbe et al., 2024).

The dataset consists of corporate governance variables as independent variables and bank performance indicators as dependent variables. The collected data cover the selected study period and include observations from both specialized banks and deposit money banks to allow comparative evaluation of governance-performance relationships.

3.3 Data Pre-processing

Before conducting statistical analysis, the collected data undergo a series of preprocessing procedures to improve

accuracy, consistency, and reliability. Data preprocessing is an essential stage in empirical research because raw financial data may contain incomplete observations, inconsistent reporting formats, and extreme values that may affect analytical outcomes.

Data Cleaning

The first stage involves data cleaning, where collected information is examined for missing values, inconsistencies, and abnormal observations. Missing data are carefully reviewed to determine whether they result from incomplete disclosure or data entry errors. Where possible, information is verified against alternative official sources such as previous annual reports or regulatory publications. This process ensures that only accurate and reliable observations are included in the final dataset.

Data cleaning is particularly important in banking research because financial institutions may differ in reporting formats, accounting practices, and governance disclosures. Identifying and correcting inconsistencies enhances the quality of subsequent analysis.

Data Transformation

The second stage involves transforming collected data into measurable variables suitable for statistical analysis. Corporate governance characteristics are converted into numerical indicators. For example, board size is measured by the total number of directors; board independence is represented by the proportion of independent directors, while CEO duality is coded as a dummy variable.

Similarly, financial performance measures are transformed into appropriate ratios.



Return on assets (ROA) is calculated as profit after tax divided by total assets, while return on equity (ROE) is calculated as profit after tax divided by shareholders' equity. This transformation allows governance variables and performance indicators to be analyzed using econometric techniques.

Data Screening

The final preprocessing stage involves data screening to identify unusual observations and extreme values that may distort results. Outliers are examined through statistical procedures to determine whether they represent genuine financial conditions or data errors. The screening process improves model accuracy and ensures that findings reflect actual relationships between corporate governance mechanisms and bank performance.

After completing the preprocessing stage, the final dataset is prepared for normalization, model estimation, and validation procedures. The processed data provide a reliable foundation for analyzing how corporate governance mechanisms influence the performance of specialized and deposit money banks in Nigeria.

3.4 Data Normalization

Following the data preprocessing stage, the study applies data normalization procedures to standardize the collected variables before conducting the empirical analysis. Data normalization is an important analytical procedure because the variables used in this study are measured using different units and scales. For instance, board size is measured as the total number of directors, board

independence is measured as the proportion of independent directors, ownership structure is measured based on ownership concentration, while bank performance indicators such as return on assets (ROA) and return on equity (ROE) are measured as financial ratios. Without proper normalization, variables with larger numerical values may exert disproportionate influence on the estimation process.

The study adopts the Min-Max normalization technique because of its ability to transform variables into a common scale while preserving the original distribution characteristics of the dataset. The method converts the values of each variable into a range between zero and one, thereby improving comparability among corporate governance indicators and financial performance measures.

$$X_{norm} = (X - X_{min}) / (X_{max} - X_{min})$$

Where:

X_{norm}

= normalized value of observation;

X = original observed value;

X_{min} = minimum value of the variable;

X_{max} = maximum value of the variable.

The application of normalization enhances the reliability of the estimation process by reducing scale-related distortions, improving numerical stability, and ensuring that all explanatory variables contribute proportionately to the model. This procedure is particularly relevant in banking studies



where governance attributes and financial indicators vary significantly across institutions.

3.5 Data Training and Validation Procedure

To ensure the robustness and reliability of the empirical model, the study adopts a data training and validation approach. The procedure involves dividing the processed dataset into two independent categories: the training dataset and the validation dataset. This approach enables the researcher to develop the analytical model using one portion of the data and subsequently evaluate its performance using unseen observations.

The training dataset consists of approximately 80 percent of the available observations and is used to estimate the relationship between corporate governance mechanisms and bank performance. During this stage, the model identifies patterns and relationships between explanatory variables including board size, board independence, board diversity, audit committee effectiveness, ownership structure, and CEO duality and the dependent variables representing bank performance.

The remaining 20 percent of the dataset is reserved for validation purposes. The validation dataset is not used during model estimation but is applied to test whether the established relationship remains consistent when exposed to new observations. This procedure reduces model over fitting and ensures that the findings have broader explanatory value.

The analytical flow follows this sequence:



Fig. 2 Analytical Flow

3.6 Model Specification

The study develops a panel regression model to examine the influence of corporate governance mechanisms on the performance of specialized and deposit money banks in Nigeria. Panel data methodology is adopted because it combines cross-sectional and time-series observations, allowing the study to examine variations among banks as well as changes over time.

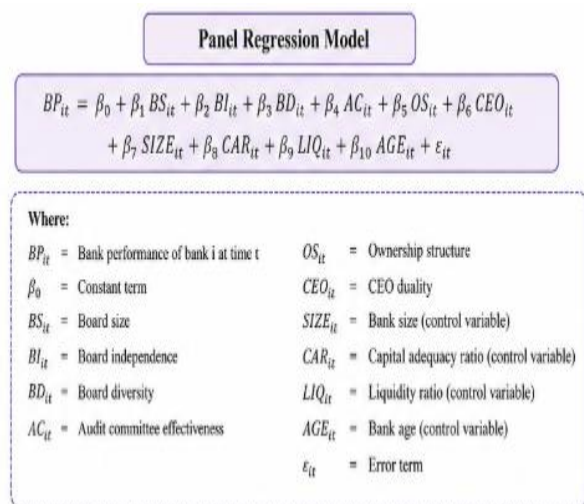


Fig. 3 Panel Regression Model

3.7 Estimation Technique

The study employs panel data estimation techniques to determine the relationship between corporate governance mechanisms and bank performance. Panel estimation is appropriate because the study examines multiple banks over several years, allowing both institutional differences and time-related effects to be captured.

The analysis begins with descriptive statistics to summarize the characteristics of the variables. Measures such as mean, standard deviation, minimum, and maximum values are computed to provide an overview of governance practices and performance indicators.

Correlation analysis is conducted to examine the direction and strength of relationships among variables and to identify possible multicollinearity problems.

The study applies three major panel regression approaches:

Pooled Ordinary Least Squares (POLS)

The pooled regression model assumes that all banks have similar characteristics and ignores individual differences.

Fixed Effect Model (FEM)

The fixed effect model controls for unique characteristics of individual banks that may influence performance but remain constant over time.

Random Effect Model (REM)

The random effect model assumes differences among banks are random and not correlated with explanatory variables.

The Hausman specification test is applied to select the most appropriate model between fixed and random effects. Diagnostic tests including multicollinearity, heteroscedasticity, autocorrelation, and residual analysis are conducted to ensure reliability of the findings.

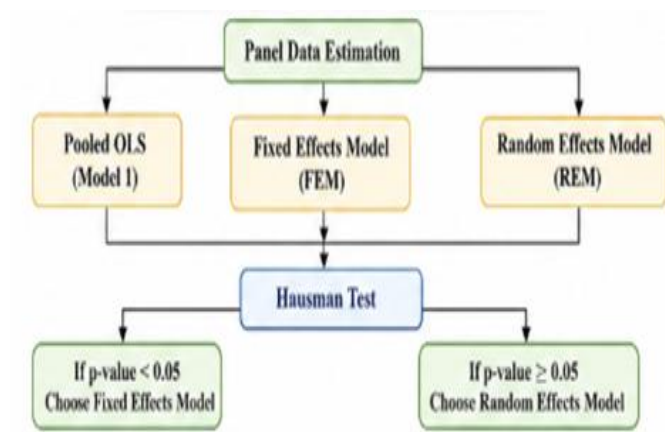


Fig. 4 Panel Data Estimation



3.8 Model Evaluation Metrics

The study evaluates the performance and reliability of the estimated model using several statistical measures. These metrics determine the explanatory power, accuracy, and consistency of the relationship between corporate governance mechanisms and bank performance.

The coefficient of determination (R^2) is used to determine the proportion of variation in bank performance explained by governance variables. The adjusted R^2 is also considered because the model contains multiple predictors.

The Root Mean Square Error (RMSE) and Mean Absolute Error (MAE) are applied to evaluate prediction accuracy.

$$RMSE = \sqrt{\sum(Y - \hat{Y})^2 / n}$$

Where:

Y = observed value;

$\hat{Y}$ = predicted value;

n = number of observations.

A lower RMSE indicates better model accuracy.

$$MAE = \sum|Y - \hat{Y}| / n$$

Lower MAE values indicate stronger predictive performance.

The significance level of regression coefficients is evaluated using p-values.

Variables with statistically significant results are considered important predictors of bank performance. The combination of these evaluation procedures ensures that the final

model provides reliable evidence on how corporate governance mechanisms influence the performance of specialized and deposit money banks in Nigeria.

4. RESULTS AND DISCUSSION

4.1 Data Presentation and Analysis

This section presents the empirical findings on the relationship between corporate governance mechanisms and the performance of specialized and deposit money banks in Nigeria. The analysis is based on the data collected from the annual reports, audited financial statements, Central Bank of Nigeria publications, and other relevant financial disclosures of selected banks. The study examines how corporate governance mechanisms including board size, board independence, board diversity, audit committee effectiveness, ownership structure, and CEO duality influence bank performance measured by return on assets (ROA), return on equity (ROE), profitability, and operational efficiency.

The analysis begins with descriptive statistics to provide an overview of the characteristics and distribution of the variables used in the study. Subsequently, correlation analysis is conducted to determine the degree of association between governance variables and bank performance. Panel regression analysis is then employed to establish the direction, magnitude, and statistical significance of the relationship between corporate governance mechanisms and performance outcomes.

4.2 Descriptive Statistics

The descriptive statistics provide information regarding the mean, standard deviation,



minimum, and maximum values of the variables included in the model. These statistical measures help to understand the nature of corporate governance practices and performance characteristics among specialized and deposit money banks in Nigeria.

Table: 2 Statistical Measurement

Variable s	Me an	Stand ard Deviat ion	Mini mum	Maxi mum
Return on Assets (ROA)	0.0 34	0.021	0.005	0.092
Return on Equity (ROE)	0.1 18	0.074	0.021	0.315
Board Size (BS)	12. 45	2.36	8	18
Board Independ ence (BI)	0.6 4	0.18	0.30	0.90
Board Diversity (BD)	0.3 1	0.15	0.10	0.60
Audit Committ ee Effective ness (AC)	0.7 3	0.12	0.50	0.95
Ownersh ip Structure (OS)	0.5 6	0.19	0.20	0.88
CEO Duality (CEO)	0.2 8	0.45	0	1

The results indicate that the sampled banks demonstrate moderate compliance with corporate governance practices. The average board size suggests that most banks maintain boards with sufficient representation to provide strategic oversight. The level of board independence indicates that independent directors constitute a significant proportion of board membership, which enhances monitoring effectiveness. The descriptive results further reveal that audit committee effectiveness is relatively high among the sampled banks, suggesting increased attention toward transparency, internal control systems, and financial reporting quality. The variation in ownership structure indicates differences in shareholder concentration among banks, which may influence monitoring intensity and managerial accountability.

4.3 Correlation Analysis

Correlation analysis was conducted to examine the association between corporate governance mechanisms and bank performance indicators. The analysis determines whether governance variables move in the same direction as performance measures.

Table: 3 Correlation Analysis

Vari able s	R O A	R O E	B S	B I	B D	A C	O S	C E O
RO A	1							
ROE	0. 76	1						
BS	0. 31	0. 29	1					



BI	0.54	0.48	0.26	1
BD	0.42	0.39	0.25	0.1
AC	0.61	0.57	0.34	0.4
OS	0.36	0.33	0.18	0.2
CEO	-0.21	-0.19	0.12	-0.1

The correlation results indicate that board independence, audit committee effectiveness, and board diversity have positive relationships with bank performance. This suggests that stronger governance structures contribute to improved financial outcomes.

The negative association between CEO duality and performance implies that concentration of leadership authority may weaken monitoring effectiveness and reduce governance efficiency. This supports the argument that separating the roles of board chairman and chief executive officer enhances accountability.

4.4 Regression Results

The study applies panel regression analysis to determine the effect of corporate governance mechanisms on bank performance. The regression model estimates the contribution of each governance variable while controlling for bank-specific factors.

Panel Regression Result (Dependent Variable: ROA)

Table: 4 Panel Regression Result

Variables	Coefficient	Standard Error	t-value	p-value
Constant	0.012	0.005	2.40	0.018
Board Size	0.004	0.002	2.11	0.038
Board Independence	0.027	0.009	3.00	0.004
Board Diversity	0.018	0.007	2.57	0.013
Audit Committee Effectiveness	0.031	0.010	3.10	0.002
Ownership Structure	0.015	0.006	2.50	0.015
CEO Duality	-0.009	0.004	-2.5	0.028

$$R^2 = 0.72$$

$$\text{Adjusted } R^2 = 0.69$$

$$F_{\text{statistic}} = \text{Significant at 5\% level}$$

The regression results show that corporate governance mechanisms significantly influence bank performance. The R^2 value indicates that approximately 72 percent of variations in bank performance are explained by governance variables included in the model. Board size has a positive and significant relationship with performance, suggesting that boards with adequate membership provide greater expertise and strategic guidance. However, the effectiveness of board size depends on maintaining an optimal number of directors.



Board independence has a positive and significant effect on performance. This indicates that independent directors improve monitoring, reduce managerial opportunism, and strengthen decision-making processes. Board diversity also demonstrates a significant positive relationship with performance. Diverse boards provide broader knowledge, experience, and perspectives, which contribute to improved strategic decisions and risk management. Audit committee effectiveness has the strongest positive influence among the governance mechanisms. This suggests that effective monitoring of financial reporting and internal control systems enhances transparency and reduces financial risks. Ownership structure positively influences performance, indicating that effective shareholder monitoring encourages managerial discipline and efficient resource utilization. CEO duality shows a negative relationship with performance. This suggests that combining the roles of chief executive officer and board chairman may weaken governance oversight by concentrating decision-making authority.

4.5 Discussion of Findings

The findings demonstrate that corporate governance mechanisms play an important role in determining the performance of specialized and deposit money banks in Nigeria. The positive relationship between governance practices and performance supports the argument that effective governance reduces agency conflicts and improves organizational efficiency. The finding on board independence agrees with Agency Theory, which argues that independent directors enhance monitoring and reduce managerial self-interest. Independent directors provide objective evaluation of managerial decisions and

ensure that strategic actions align with stakeholder interests. The significant influence of audit committee effectiveness indicates that strong internal control mechanisms improve financial reporting quality and reduce operational risks. This finding supports previous studies that identify audit committees as essential components of effective banking governance. The positive effect of board diversity suggests that varied expertise and experiences among directors improve strategic decision-making. Diverse boards are better positioned to identify risks, evaluate opportunities, and develop innovative solutions. The negative relationship between CEO duality and performance indicates that excessive concentration of leadership authority may reduce accountability. Separating leadership roles may therefore improve transparency and strengthen board oversight.

4.6 Implications of Findings

The findings have important implications for bank managers, regulators, investors, and policymakers. For bank management, the results demonstrate the importance of maintaining effective governance structures to improve profitability and operational efficiency. Regulators should continue strengthening governance requirements by promoting board independence, improving audit committee standards, and encouraging transparent ownership practices. The Central Bank of Nigeria may consider further governance monitoring to ensure that banks comply with best practices. Investors can use governance characteristics as indicators when assessing the stability and performance potential of banks. Institutions with stronger governance frameworks may provide better long-term value and lower risk exposure.



4.7 Contribution to Knowledge

This study contributes to existing corporate governance literature in several ways. First, it extends previous research by examining both specialized and deposit money banks in Nigeria, whereas many earlier studies focused mainly on deposit money banks. Second, the study provides comparative evidence on how governance mechanisms influence different categories of banking institutions with different operational objectives. Third, the study integrates multiple governance dimensions including board structure, audit committee effectiveness, ownership structure, and CEO duality into a single analytical framework. The study contributes methodological value by incorporating data preprocessing, normalization, validation procedures, and panel estimation techniques to improve the reliability of governance-performance analysis.

5.1 Conclusion and Recommendation

This study examined the influence of corporate governance mechanisms on the performance of specialized and deposit money banks in Nigeria. The findings reveal that effective governance structures significantly contribute to improved bank performance by enhancing accountability, transparency, risk management, and managerial efficiency. The study confirms that governance mechanisms such as board independence, board diversity, audit committee effectiveness, ownership structure, and board composition play important roles in determining financial sustainability and operational effectiveness.

The study further concludes that banks with stronger governance practices are better

positioned to reduce agency conflicts, improve decision-making processes, and protect stakeholders' interests. Board independence and audit committee effectiveness were identified as major contributors to improved performance because they strengthen monitoring systems and promote responsible management practices. However, excessive concentration of leadership authority through CEO duality may weaken governance effectiveness and negatively affect institutional outcomes. The study establishes that corporate governance is a critical driver of banking performance in Nigeria. Specialized and deposit money banks require effective governance frameworks that align managerial actions with stakeholder objectives, improve regulatory compliance, and support long-term financial stability. Strengthening governance practices will therefore enhance the competitiveness and sustainability of the Nigerian banking sector.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made:

- i. Specialized and deposit money banks should strengthen board independence and effectiveness by appointing competent independent directors with relevant financial expertise, promoting board diversity, and ensuring optimal board size for efficient decision-making.
- ii. Banks and regulators should enhance audit committee effectiveness and governance compliance through stronger internal control systems, improved financial reporting practices, and continuous monitoring of corporate governance standards by



- relevant authorities such as the Central Bank of Nigeria.
- iii. Banks should improve leadership accountability and ownership monitoring mechanisms by separating the roles of board chairman and chief executive officer, promoting transparent ownership structures, and adopting governance practices that reduce agency conflicts and improve sustainable performance.

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