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RESEARCH ARTICLE

EFFECT OF BOARD CHARACTERISTICS ON THE FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

This study investigates the effect of board characteristics on the financial performance of listed Deposit Money Banks (DMBs) in Nigeria, focusing on CEO duality and audit committee size.. The inconsistency in past research findings on the nexus between board characteristics and financial outcomes prompted this examination within the Nigerian banking sector, characterized by regulatory pressures and corporate governance reforms. Secondary data was collected from the annual reports of ten listed DMBs spanning the period 2013 to 2022. Descriptive statistics, correlation analysis and panel data techniques based on robust least squares regression, were used to analyze the data. The methodology accounted for non-normality and heteroscedasticity in the dataset, using Huber regression and M-estimation procedures to reduce the influence of outliers. The findings indicate that CEO duality and audit committee size showed no significant effect on ROA, with p-values of 0.8345, and 0.2930 respectively. The results suggest that increasing audit committee size does not automatically lead to better financial outcomes. The insignificance of CEO duality challenges assumptions regarding leadership structure's influence on performance. The study concludes that effective governance in the Nigerian banking sector requires a holistic approach that prioritizes the quality of board composition and independence over mere structural attributes and recommends that regulatory bodies prioritize board independence in governance reforms, as it has a measurable impact on financial performance. Additionally, emphasis should be placed on improving the quality and expertise of audit committee members rather than simply increasing their number. These findings contribute to the ongoing discourse on corporate governance and suggest that Nigerian banks can benefit from more independent and diverse boards to enhance their financial performance.

Keywords: Board characteristics, CEO duality, Audit committee size, financial performance, Return on Asset

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1.0. INTRODUCTION

Corporate governance has emerged as a critical component of a well-functioning financial system, influencing the stability and performance of institutions, particularly banks. In the wake of global financial crises and corporate collapses, attention has increasingly turned to the role of corporate governance, specifically the characteristics of boards, in shaping the financial performance of firms (Babalola, 2023). The banking sector, being pivotal to any economy, demands an efficient governance structure to ensure sustainability and profitability.

In Nigeria, the importance of effective corporate governance in Deposit Money Banks has gained significant focus as stakeholders seek to strengthen the sector's integrity, promote accountability, and improve financial performance. The board of directors plays a central role in ensuring that firms are well-governed. Board characteristics such as size, independence, diversity, tenure, and expertise have been found to affect decision-making processes, risk management, and firm performance (Agbaje & Oladele, 2022). Corporate governance codes, including those of the Central Bank of Nigeria (CBN), emphasize the significance of the board in setting policies, monitoring management, and ensuring that the interests of shareholders and other stakeholders are protected.

Therefore, understanding how specific board attributes influence the financial outcomes of firms, particularly DMBs, is crucial for improving corporate governance frameworks and promoting overall economic growth. CEO duality refers to a governance structure where one individual holds both the roles of Chief Executive Officer and Chairperson of the Board. This concentration of power can streamline decision-making, ensuring that the company's leadership has a unified strategic vision. However, critics argue that it may also weaken board oversight, reduce accountability, and increase the likelihood of agency problems, where management's interests diverge from those of shareholders (Olayinka, Faleye & Osagie, 2022).

CEO duality has generated significant debate in corporate governance literature. In the Nigerian context, CEO duality is particularly pertinent due to the regulatory framework provided by the Central Bank of Nigeria. The CBN's efforts to strengthen corporate governance include discouraging excessive concentration of power at the top to promote transparency and accountability. Some studies indicate that separating the CEO and Chairperson roles enhances board independence, which positively influences firm performance (Hussain, Rigoni & Orij

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2023). Others argue that in certain circumstances, CEO duality can drive better performance by aligning leadership with board strategy and reducing bureaucratic friction (Gonzalez, Cazorla & Arellano 2021). Given these mixed findings, further investigation is warranted to understand how CEO duality specifically impacts the financial performance of Nigerian DMBs.

The audit committee plays a pivotal role in safeguarding the integrity of financial reporting, overseeing internal controls, and ensuring regulatory compliance. The size of the audit committee is an important determinant of its effectiveness. Larger audit committees are generally viewed as beneficial due to the diversity of expertise and perspectives they bring, potentially enhancing the quality of oversight and improving financial reporting accuracy (Al-Matari, 2021). However, there is a potential downside: too large a committee can lead to coordination challenges, reduced accountability, and inefficiencies in decision-making (Ghabayen, Hussain, & Al-Shammari 2022). For DMBs in Nigeria, robust governance is essential due to the sector's regulatory demands and the critical role banks play in the national economy. The CBN's Corporate Governance Code stipulates that the size and composition of audit committees should be carefully considered to optimize effectiveness. Recent research shows that a moderate-sized audit committee—neither too large nor too small—tends to perform better, ensuring a balance between diverse perspectives and operational efficiency (Hassan & Salim, 2023). The audit committee's size, therefore, becomes a key factor in understanding how governance structures influence financial performance in the banking sector.

Financial performance in banking is typically measured using metrics such as Return on Assets, Return on Equity, Net Interest Margin etc. These metrics provide insights into how efficiently a bank is using its resources to generate profits (Adewumi & Lawal, 2021). The financial health of DMBs is crucial not only for shareholders but also for the stability of the broader economy, given the critical role that banks play in credit provision and capital mobilization. The Nigerian banking sector has faced several challenges over the years, including economic recessions, regulatory reforms, and fluctuations in oil prices, which have had direct impacts on banks' financial performance (Adamu & Agboola, 2022). Despite these challenges, Nigerian DMBs have remained resilient, with many showing improved financial performance in recent years. However, concerns about corporate governance practices, particularly those related to board characteristics, remain, as stakeholders question the extent to which governance structures are

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aligned with best practices for ensuring long-term profitability and stability. As the banking sector continues to face challenges such as economic volatility and regulatory changes, understanding how board attributes influence financial outcomes is critical for improving corporate governance frameworks and ensuring the long-term stability of the sector. This study aims to contribute to the growing body of literature by providing empirical evidence on the relationship between board characteristics and financial performance in the Nigerian banking industry. Furthermore, many studies have adopted a cross-sectional design, capturing a snapshot of board characteristics and financial performance at a particular point in time, which limits their ability to capture the dynamic nature of corporate governance. Few studies have employed longitudinal designs that could reveal how changes in board characteristics over time affect the financial performance of DMBs. This study aims to fill this gap by adopting a longitudinal approach, examining how shifts in board characteristics over a period impact financial outcome.
In light of the above, there is a clear need for a more comprehensive study of the causal relationship between board characteristics and financial performance in Nigerian DMBs.

Objectives of the Study

The specific objectives are to:

1. Investigate the influence of CEO duality on return on asset of listed deposit money banks in Nigeria.
2. Analyze the impact of audit committee size on return on assets of listed deposit money banks in Nigeria.

2.0. CONCEPTUALIZATION, THEORY AND EMPIRICAL REVIEW

2.1. Conceptualization

Board Characteristics

Board characteristics refer to the attributes, composition, and behaviors of the board of directors that influence the governance of an organization. As a crucial element of corporate governance, the structure and function of the board of directors affect the firm's strategic direction, performance, and accountability (Hussain, Rigoni & Orij 2023). Board characteristics influence the effectiveness of corporate governance by shaping the ability of the board to monitor, advice, and collaborate with management. A well-structured board promotes accountability, reduces the potential for managerial opportunism, and aligns the interests of shareholders and managers (Hendry, Kiel, & Nicholson, 2010).

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Dimensions of Board Characteristics

Audit committee Size: Audit committee size according to Alotaibi & Hussainey (2016), refers to the number of members on an audit committee which is a subgroup of a company's board of directors. It is a specialised committee of the board of directors responsible for overseeing financial reporting, auditing processes and internal controls. It is an essential tool that corporate boards employ to offer efficient decision-making, information processing, and monitoring systems. The number of an audit committee improves its skills, expertise, and trustworthiness of corporate reporting practices (Alotaibi & Hussainey 2016). Due to its diversified variety of experiences, expertise, and opinions, a larger audit committee improves sustainable performance and stakeholder confidence (Buallay & Al-Ajmi, 2019). According to the US Securities and Exchange Commission (SEC), audit committees must consist of at least three independent directors, ensuring an appropriate level of independence and accountability. Having a larger audit committee might provide a broader range of skills and perspectives, but could also lead to coordination challenges and reduced efficiency.

CEO Duality: CEO duality occurs when the CEO also serves as the chairperson of the board. This situation can create a concentration of power that undermines the board's ability to provide effective oversight (Brickley, Coles & Jarrell 2022). Thus, concentration of power can undermine board independence and diminish its effectiveness in monitoring management. Studies by Finkelstein and D'Aveni (2021) suggest that CEO duality can lead to entrenchment and reduced accountability, while Brickley, Coles & Jarrell (2022) propose that combining the roles may facilitate faster decision-making in certain corporate contexts. Nonetheless, the general consensus leans toward the separation of these roles to enhance corporate governance.

Financial Performance

Financial performance refers to the measure of how well a company or organization uses its assets to generate revenues and profits. It is typically evaluated through a variety of financial indicators and ratios that assess profitability, liquidity, solvency, and efficiency (Claessens, & Yurtoglu, 2021). These indicators help stakeholders, such as investors, managers, and regulators, understand the organization's financial health and its ability to sustain operations, grow, and fulfill obligations.

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Return on Assets (ROA) is widely used as a measure of a bank's profitability relative to its total assets. It reflects how efficiently a bank is using its assets to generate profits (Pathan, & Faff, 2013). ROA is calculated by dividing net income by total assets, providing insight into both operational efficiency and profitability (Popescu & Lonescu, 2021).

2.2. Theoretical Framework

Agency Theory: Agency theory was propounded by Michael C. Jensen and William H. Meckling in 1976. The theory is centered on the relationship between principals (shareholders) and agents (managers). It assumes that agents are motivated by self-interest and may not always act in the best interest of the principals. This misalignment of interests can lead to what is known as *agency problems* - where agents prioritize their personal goals (such as higher compensation, job security, or less effort) over the goals of the principals (like profit maximization and shareholder wealth). (Jensen & Meckling, 1976). The problem can be mitigated through incentive structures by aligning the interests of managers and shareholders by linking executive compensation to firm performance (e.g., stock options). Agency Theory can be applied in assessing the nexus between Board Characteristics and Financial Performance of DMBs as it highlights the importance of an effective board in controlling and monitoring management to ensure that decisions align with shareholder interests, ultimately improving financial performance.

Stewardship Theory: Stewardship theory was propounded by Donaldson, L., and Davis, J. H. in the 1980s and early 1990s. The theory offers a contrasting view to Agency Theory. It suggests that managers, rather than acting in their own self-interest, are stewards of the organization and act in the best interests of shareholders because they are motivated by organizational success and personal satisfaction (Donaldson & Davis, 1991). The theory assumes that executives are trustworthy and motivated by intrinsic rewards, such as a sense of duty, achievement, and alignment with organizational goals. According to stewardship theory, the alignment between principals and agents is natural, reducing the need for stringent monitoring mechanisms. This theory advocates for a collaborative governance structure where trust, empowerment, and managerial autonomy enhance organizational outcomes. Stewardship theory can appropriately underpin a study on the influence of board characteristics on financial performance of DMBs as

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having the CEO also serve as the chairperson of the board can lead to unified leadership, fostering faster decision-making and a clearer strategic direction.

2.3. Empirical Review

Adegbite & Adebayo (2024) analysed relationship between CEO duality, audit committee independence, and financial performance of Nigerian deposit money banks. The study employed descriptive research design and secondary data from the annual reports of selected banks from 2016–2020 and analysed using regression analysis. Findings reveal that CEO duality negatively and significantly affects financial performance, while audit committee independence has a positive and significant impact. The study recommends that banks should avoid combining the roles of CEO and board

Eze & Nnamdi (2024) ascertained the impact of board structure, particularly CEO duality and audit committee size, on the financial performance of Nigerian banks with the use of Ex-post facto research design. Data Collected on CEO duality, audit committee size and return on equity from the annual financial statements of 12 listed banks (2017–2021) was analysed using Ordinary Least Squares (OLS) regression. Key Findings reveal that CEO duality has a significant but negative influence on financial performance, and audit committee size had a negative and insignificant relationship with financial performance. It is recommended that optimal board composition and avoidance of role duality are crucial for improved financial outcomes.

Ibrahim & Adeola (2024) analysed the effects of corporate governance mechanisms such as CEO duality and board size, on bank profitability using the Generalized Method of Moments (GMM). With the aid of longitudinal research design, data was collected from 15 banks over 5 years (2016–2020). Results show that CEO duality and board size negatively and significantly affected profitability. The study recommends that banks should adopt smaller and more effective boards and separate the roles of CEO and board chair.

Uche & Okafor (2024) examined the effects of board size and audit committee size on financial reporting quality and implications for financial performance of listed consumer goods firms in Nigeria. The descriptive research design was employed to collect data from listed consumer goods firms from 2015–2022. The result of the multiple regression analysis indicates that both board size and audit committee size has a negative and insignificant effect on financial reporting

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quality. Firms are encouraged to ensure optimal board size for better oversight and reporting quality.

Oladele & Amadi (2023) explored the impact of CEO duality, foreign ownership, and other governance factors on bank performance with the use of panel data from the annual reports of banks (2017–2021). With the use of causal-comparative research design and structural equation modeling, the outcome of the analysis show that CEO duality negatively impacted cost-to-income ratio significantly but had an insignificant effect on ROA. It is recommended that banks should ensure a clear separation of powers between governance roles for better performance.

Falana & Musa (2023) examined the relationship between board size, audit committee, firm size, and financial performance indicators like return on assets (ROA) with the aid of the Quantitative research design. Fixed and random effects models was used to analyse the data collected from annual reports of listed banks (2016–2020). The outcome of the analysis indicate that board size and audit committee size negatively affected financial performance, while board independence had a positive but insignificant effect. Regulators should enforce guidelines to ensure the effectiveness of board composition and audit committee functions.

Bello & Salau (2023) investigated the effects of corporate governance variables such as board size, audit committee size, and CEO duality on financial performance. With the use of correlational research design, data was collected on financial performance data and corporate governance metrics from 10 listed banks (2017–2022) and analysed with the use of panel regression analysis. The result of the analysis show that CEO duality and audit committee size have a positive but insignificant effect on financial performance, and recommends that emphasis should be placed on strengthening corporate governance frameworks to enhance bank performance.

Nwankwo and Uguru (2022) accessed the impact of board characteristics on profitability of twenty (20) listed service firms in Nigeria. Secondary data on board composition, board size, audit committee size and board gender as well as on return on total Asset for a period of ten years (2011 to 2020) were analyzed using the Generalized Method of Moment (GMM) analysis. The study found that the board size, audit committee size and board composition have significant positive effects on service firms' profitability while board gender has insignificant negative

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effect on listed service firms' profitability. The study advised businesses to expand their board sizes as much as possible.

Gatehi and Nasieku (2022) examined the impact of board composition on the financial performance of 26 non-financial companies listed on the NSE. Data on Return on Equity (ROE) as the dependent variable and board size, board independence, CEO duality and board diversity (gender diversity) as independent factors are analyzed using regression and correlational analysis. The results demonstrated that while board diversity (female diversity) had a statistically significant impact on the financial performance of non-financial enterprises listed on the NSE, board size, board independence and CEO duality had statistically insignificant effects on the dependent variable. The study suggests that organizations balance the number of executive and non-executive directors.

Abimbola, Kabiru, and Halima (2022) investigated the impact of board composition on the financial performance of Nigerian listed commercial banks. Multiple regression analysis, processed on SPSS, was used to examine data on CEO duality, board gender and size, and the financial success as determined by Return on Asset of eight Nigerian commercial banks over a five-year period from 2016 to 2020. According to the study's analysis, board size has a significant effect on the financial performance of Nigerian commercial banks while the gender of the board or the CEO duality has no significant effect. Therefore, the study suggests that the majority of board members be women in order to provide some additional skills and perspectives that may not be possible with all-male boards.

Ajisafe, Isiaka, Lawal and Babatunde (2019) examined the effect of board attributes on financial performance of twenty-three (23) listed insurance companies in Nigeria for the period 2013-2018. Random-effect regression analysis was employed in analyzing the secondary data obtained from the annual reports of the sampled companies for the period 2013-2018. The study found that board remuneration has significant negative effect on financial performance while board gender diversity and CEO duality has significant positive effect on financial performance of listed insurance companies in Nigeria. Therefore, this study concluded that board attributes have significant effect on financial performance of listed insurance companies in Nigeria. The study recommends that women should be given more consideration in board composition.

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3.0. MATERIALS AND METHODS

The study adopted ex post facto research design, using a quantitative approach to examine the relationship between board characteristics and financial performance of listed Deposit Money Banks (DMBs) in Nigeria.

The population of this study comprises all 13 Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group (NGX) as at 31st December, 2022. These banks are subject to the same regulatory and governance frameworks, making them appropriate for a comparative analysis of the relationship between board characteristics and financial performance.

The sample is comprised of ten (10) DMBs that were continuously listed on the NGX from 2013 to 2022. This ten-year period is chosen to cover the post IFRS adoption period in the sector for consistent financial reporting standard in the annual accounts and also allow for a thorough examination of the impacts of corporate governance reforms, such as the Nigerian Code of The study used purposive sampling technique to select banks that meet the criteria for inclusion.

The study relied on secondary data from publicly available sources, including Annual reports of listed DMBs, Financial statements filed by DMBs with the Nigerian Exchange Group (NGX).

The independent variables in the study are the board characteristics of listed DMBs, consisting of:

- *CEO Duality*: Where the roles of the Chief Executive Officer and the Board Chairperson are held by the same individual is score 1, otherwise 0.
- *Audit Committee Size*: Measured as the total number of directors that constitute the membership of the audit committee of the Board.

The dependent variable, financial performance, was proxied by Return on Assets (ROA) as its indicator, and calculated as net income divided by total assets.

Descriptive and inferential statistical techniques (Correlation and Panel Multiple Regression) were adopted in analyzing the data collected for the study. The study used descriptive statistics (mean, median, standard deviation) to summarize the data and provide an overview of the board characteristics and financial performance metrics of the sampled banks. Correlation analysis was conducted to examine the strength and direction of the relationships between pairs of the study variables and in particular, to determine the existence or otherwise of multicollinearity problems among the independent/predictor variables.

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All series used for the study were diagnosed as not being normally distributed. This implies the presence of outliers and non-normal residuals; and these could skew the results from the study. Thus, the data set failed to satisfy the normality assumption of Ordinary Least Square (OLS) regression technique, with the risk of leading to biased estimates of the model parameters if adopted. The most appropriate technique in such instance is the Robust Square Regression, which is a variant of ordinary least squares (OLS) regression designed to be less sensitive to outliers in the data; as it effectively reduces and mitigates the effects of outliers.
The model used is specified as follows:

$$ROA_{it} = \beta_0 + \beta_1 ASIZE_{it} + B_2 CEO_{it} + \epsilon \quad \text{Where,}$$

ROA_{it} =Return on Assets used as proxy for bank *i* in year *t*.p; $ASIZE_{it}$= Audit Committee Size for bank *i* in year *t*. ; CEO_{it}= Chief Officer's Executive Duality for bank *i* in year *t*. β_0=Constant Term; $\beta_1 – B_2$=Coefficients or rate of change in the independent variables. ϵ= the error term

4.0. PRESENTATION OF RESULTS AND DISCUSSIONS
4.1. Presentation of Results

The data collected were analyzed and presented with tables and interpreted in the following subsections.
Table 4.1: Descriptive Analysis of Study Variables

Statistics	ROA	ASIZE	CEO
Mean	0.077900	5.790000	0.190000
Median	0.060000	6.000000	0.000000
Maximum	0.260000	6.000000	1.000000
Minimum	0.010000	5.000000	0.000000
Std. Dev.	0.061960	0.409360	0.394277
Skewness	1.172003	-1.423983	1.580419
Kurtosis	3.760922	3.027728	3.497726
Jarque-Bera	25.30569	33.79866	42.66098
Probability	0.000003	0.000000	0.000000
Sum	7.790000	579.0000	19.00000
Sum Sq. Dev.	0.380059	16.59000	15.39000
Observations	100	100	100

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Table 4.1 provides descriptive statistics for the variables used in the study. The statistic for each of the variables is presented and interpreted as follows:

Return on Assets (ROA): The average ROA is 0.0779 (7.79%), which indicates that, on average, the listed Deposit Money Banks (DMBs) generate a return of 7.79% on their total assets. The median value is 0.06 (6%), meaning that half of the banks in the sample have ROA above 6%, while the other half have ROA below 6%. The maximum ROA is 0.26 (26%), and the minimum is 0.01 (1%). This shows a wide variation in the profitability of the banks in the sample. The standard deviation of 0.06196 indicates moderate variability in the ROA of the banks. The ROA distribution is positively skewed (1.17), meaning that the distribution is skewed to the right, with more observations concentrated around lower ROA values. The kurtosis value (3.76) indicates that the distribution is leptokurtic, with fatter tails than a normal distribution. The Jarque-Bera statistic (25.31) and the associated p-value (0.000003) indicate that the ROA variable is not normally distributed at a 5% significance level.

Audit Committee Size (ASIZE): The average audit committee size is 5.79 members, which suggests that most banks have an audit committee comprising around 5 to 6 members. The median audit committee size is 6, indicating that half of the banks have audit committees larger than 6 members, and the other half smaller. The maximum audit committee size is 6, and the minimum is 5, indicating low variability in audit committee size. The standard deviation is 0.4094, confirming that the audit committee sizes are relatively consistent across banks. The skewness (-1.42) shows a strong negative skew, implying that most banks have audit committees with the maximum size of 6 members. The kurtosis (3.03) is close to 3, indicating a distribution that is approximately normal. The Jarque-Bera statistic (33.80) and p-value (0.0000) indicate that audit committee size is not normally distributed.

CEO Duality (CEO): The mean value for CEO duality is 0.19, indicating that 19% of the sampled banks have the same individual serving as both the CEO and the board chairman. The median value is 0, meaning that in most of the banks, the roles of CEO and board chairman are separated. The maximum value is 1, showing that some banks have CEO duality, while the minimum is 0, indicating the absence of duality in other banks. The standard deviation of 0.3943 suggests considerable variation in CEO duality across the banks. The skewness (1.58) indicates a strong positive skew, implying that most banks do not practice CEO duality. The kurtosis (3.50)

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suggests that the distribution has slightly fatter tails than a normal distribution. The Jarque-Bera statistic (42.66) and the p-value (0.0000) show that CEO duality is not normally distributed.

Correlation Analysis

Table 4.2: Correlation Results on Study Variables

Variables	ROA	ASIZE	CEO
ROA	1.000000	0.149701	-0.028985
ASIZE	0.149701	1.000000	0.061957
CEO	-0.028985	**0.061957**	**1.000000**

ROA (Return on Assets): The correlation between ROA and audit committee size is 0.1497, showing a weak positive relationship. This suggests that an increase in audit committee size may be associated with a slight improvement in financial performance. Larger audit committees might enhance the quality of oversight. The correlation between ROA and CEO duality is **-** 0.0290, which is near zero, indicating almost no relationship between CEO duality and the bank's financial performance. This suggests that the separation or combination of the CEO and chairman roles has little direct influence on ROA in these banks.

ASIZE (Audit Committee Size): The correlation between audit committee size and CEO duality is **0.0620**, which is very weak and positive. This suggests that banks with larger audit committees are slightly more likely to have CEO duality, but the relationship is negligible. The correlation results indicate that there is no evidence of multicollinearity, as all the correlation coefficients between the independent variables are below the critical threshold of 0.80. This means that the independent variables are not highly correlated with each other, ensuring that each variable provides unique information in the analysis without redundancy.

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Robust Least Squares (RLS) regression

Table 4.3: Estimates and Interpretation of Model Parameters

Variable	Coefficient	Std. Error	z-Statistic	Prob.
ASIZE	0.015642	0.014876	1.051491	0.2930
CEO	-0.003231	0.015466	-0.208914	0.8345
C	0.070094	0.096961	0.722906	0.4697
	Robust Statistics			
R-squared	0.054067	Adjusted R-squared		0.014238
Rw-squared	0.084280	Adjust Rw-squared		0.084280
Akaike info criterion	102.9184	Schwarz criterion		117.7076
Deviance	0.285649	Scale		0.054927
Rn-squared statistic	6.791618	Prob(Rn-squared stat.)		0.147319
	Non-robust Statistics			
Mean dependent var	0.077900	S.D. dependent var		0.061960
S.E. of regression	0.059675	Sum squared resid		0.338305

The output in table 4.3 presents the results of a Robust Least Squares (RLS) regression, which is used to minimize the influence of outliers on the model by assigning less weight to observations with large residuals. The results are interpreted based on the coefficients, statistical significance, and goodness-of-fit measures. The method employed is M-estimation with Huber Type I standard errors, which is suitable for dealing with non-normality or heteroscedasticity in residuals.

The Rw-squared of 0.084280 is the robust equivalent of the traditional R^2 (0.05067), which indicates the proportion of the variance in the dependent variable that is explained by the independent variables, after accounting for the influence of outliers. An Rw^2 of 0.0843 means that approximately 8.43% of the variability in the dependent variable is explained by the independent variables in the model. This is a relatively low Rw^2, suggesting that the model does

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not explain much of the variability in the outcome. It might further imply that the independent variables are weak predictors, or that important predictors are missing from the model.
The adjusted Rw^2 adjusts the Rw^2 for the number of predictors in the model. It considers the number of predictors relative to the sample size and is a more accurate reflection of model fit when there are multiple predictors. Since the Adjusted Rw^2 is the same as the Rw^2, it suggests that adding more predictors is unlikely to improve the model fit significantly, meaning that the model's ability to explain the variance in the outcome is not improved after adjusting for the number of predictors. Thus, both the Rw^2 and Adjusted Rw^2 values are low, indicating that the independent variables used in the model (ASIZE and CEO) do not explain much of the variance in the dependent variable (ROA).
The resulting coefficients for ASIZE and CEO are 0.015642 and -0.003231 respectively, indicating the proportion of increase/(decrease) in each predictor variable that is associated with a unit increase/(decrease) in ROA. Thus, for each additional increase in number of Audit Committee Size (ASIZE) in a year, ROA will respectively decrease by N3,231. Conversely, an increase in Chief Executive Officer duality (CEO) will concurrently increase ROA by N15,642 respectively,
The statistical significance of the results obtained for each of the predictor variables is instructive. The influence of CEO Duality on ROA has a negative coefficient of -0.003231. This suggests that an increase in CEO Duality (when the CEO also serves as the chairman of the board) is associated with a slight decrease in ROA. Also, the p-value of 0.8345 indicates that this relationship is not statistically significant. Therefore, whether or not the CEO holds both roles does not appear to have a substantial impact on financial performance in this context.
The coefficient (0.015642) of Audit Committee Size (ASIZE) is equally positive, indicating that a larger audit committee size is associated with an increase in ROA. However, the p-value (0.2930) suggests that this relationship is not statistically significant. Therefore, the size of the audit committee does not significantly affect financial performance.

Hypotheses Testing

Testing for the effect of CEO Duality on Return on Assets

H_{01}: The effect of CEO duality on return on asset of listed deposit money banks in Nigeria is not statistically significant.

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***H_{A1}*:** The effect of CEO duality on return on asset of listed deposit money banks in Nigeria is statistically significant.

Results in table 4.3 indicates that the z-statistic for CEO Duality of -0.208914 is not statistically significant at 5% level (P = 0.8345 > 0.05). Accordingly, the researcher fails to reject the first null hypothesis ($H0_1$), with the conclusion that the effect of CEO duality on return on asset of listed deposit money banks in Nigeria is not statistically significant.

Testing for the effect of Audit Committee Size on Return on Assets

***$H0_2$*:** Audit committee size does not have any significant effect on return on assets of listed deposit money banks in Nigeria.

***HA_2*:** Audit committee size has significant effect on return on assets of listed deposit money banks in Nigeria.

Table 4.3 reports the z-statistic for Audit Committee Size of 0.015642 to be insignificant at 5% level (P = 0.2930 > 0.05). Consequently, the study found insufficient evidence to reject second null hypothesis (HO_2), hence the conclusion that audit committee size has no significant effect on ROA of listed DMBs in Nigeria.

4.2. Discussion of Results

Effect of CEO Duality on Return on Assets (ROA)

The study found that CEO duality had a negative and insignificant effect on return on asset (coefficient = -0.003231, p-value = 0.8345), meaning that whether the CEO also serves as the board chairperson does not significantly affect financial performance in Nigerian DMBs. The *agency theory* suggests that CEO duality could harm financial performance by reducing board oversight and increasing the potential for conflicts of interest. In contrast, the *stewardship theory* argues that CEO duality can enhance decision-making efficiency and improve performance. Based on these theories, the effect of CEO duality was expected to be either positive or negative, but significant.

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The study's finding of an insignificant effect does not accord with these expectations. The finding partially challenges the expectations from both theoretical perspectives. It suggests that in the Nigerian banking context, CEO duality does not significantly impact performance, possibly due to other mitigating governance structures that maintain checks and balances even when the CEO holds both roles.The finding is consistent with studies like Gatehi and Nasieku (2022) and Abimbola, Kabiru, and Halima (2022) which also found no significant relationship between CEO duality and firm performance in the financial sector. On the other hand, studies such as Adegbite & Adebayo (2024); Bello & Salau (2023); Eze & Nnamdi (2024); Oladele & Amadi (2023) argue that CEO duality has a significant but negative effect. The lack of significant impact found in this study suggests that other governance mechanisms may compensate for the concentration of power in Nigerian DMBs.

The insignificance of this finding suggests that rigid policies mandating the separation of CEO and board chair roles may not be necessary in all cases. Policymakers should instead ensure that other governance mechanisms (such as board independence or audit committee strength) are robust enough to compensate for any potential issues arising from CEO duality. The prompt for policymakers to reconsider strict regulations mandating the separation of CEO and chairperson roles should in the alternative emphasis on the effectiveness of the board and internal controls to ensure good governance, regardless of leadership structure.

Effect of Audit Committee Size on Return on Assets (ROA)

The study found a positive but statistically insignificant effect of audit committee size on ROA (coefficient = 0.015642, p-value = 0.2930), indicating that the size of the audit committee does not significantly impact financial performance in Nigerian DMBs. This may indicate that the quality and expertise of audit committee members are more critical than size, aligning more with the *agency theory*, which emphasizes the need for effective oversight rather than mere numbers.The finding is consistent with Eze & Nnamdi (2024); Uche & Okafor, J. N. (2024); Uche & Okafor (2024); Falana & Musa (2023); Bello & Salau (2023) who also found that audit committees size has an insignificant effect on financial performance. However, it contrasts with studies such as Adegbite & Adebayo (2024); Ibrahim & Adeola (2024); Nwankwo & Uguru (2022) which reported a significant efect between audit committee size and firm performance,

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suggesting that the composition of the committee may play a more significant role in enhancing oversight.

Given the insignificance of the effect, policymakers like CBN should not prioritize increasing the size of audit committees but should focus on ensuring that audit committees have qualified members rather than merely meeting size requirements. Enhancing the qualifications and experience of committee members will enhance the quality of audit oversight and lead to a more significant impact on financial performance.

5.0. CONCLUSION AND RECOMMENDATIONS

This study examined the relationship between board characteristics and the financial performance of listed Deposit Money Banks in Nigeria, specifically focusing on audit committee size (ASIZE), and CEO duality (CEO). Utilizing robust least squares regression analysis on data collected from 10 banks over a ten-year period (2013–2022), the findings reveal that:

1. CEO duality has a positive but insignificant effect on financial performance, challenging the assumption that separating the roles of CEO and Chairman is necessary for better performance in the context of Nigerian banks.
2. A negative and insignificant relationship exists between audit committee size and ROA. This suggests that the effectiveness of audit committees is not solely dependent on their size, but rather on the expertise and qualifications of their members.

Overall, the study concludes that Board characteristics depict insignificant effect on the financial performance in the Nigerian banking sector.

5.2. Recommendations

Based on the findings of this study, the following policy recommendations are proposed:

1. There should be increased focus on quality over quantity. Instead of imposing regulations on audit committee size, policymakers should emphasize the quality and qualifications of audit committee members. Training programs and workshops can be established to enhance the skills of committee members.
2. Encourage flexibility in the governance structures of DMBs in Nigeria. Given the non-significant impact of CEO duality on financial performance, regulators should allow for flexibility in governance structures. Banks should be encouraged to determine the most

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effective governance models for their specific contexts rather than being forced into rigid frameworks.

Competing Interest

The authors have declared that no conflicting interest exist in this paper.

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