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Corporate Governance Attributes and Financial Performance of Quoted Deposit Money Banks in Nigeria

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Abstract: *This study examined the relationship between corporate governance attributes and the financial performance of quoted Deposit Money Banks in Nigeria. The study was motivated by the growing importance of effective corporate governance in enhancing transparency, accountability, investor confidence, and the overall stability of the banking sector. Specifically, the study reviewed key corporate governance mechanisms, including audit committee effectiveness, board meetings, and board independence, and their influence on financial performance indicators such as Return on Assets (ROA), Earnings per Share (EPS), Return on Capital Employed (ROCE), and Total Assets. The study adopted a qualitative research design using the secondary method of data collection. Data were obtained from relevant textbooks, peer-reviewed journal articles, regulatory publications, and other credible online sources. The study was anchored on Agency Theory, which explains the role of corporate governance mechanisms in reducing agency conflicts between shareholders and management while promoting effective monitoring and accountability. Findings from the reviewed literature revealed that corporate governance attributes significantly influence the financial performance of quoted Deposit Money Banks, although the effects vary across different governance mechanisms and performance measures. Board independence was found to positively enhance profitability and capital efficiency, while frequent board meetings may produce mixed outcomes depending on organizational circumstances. The study further revealed that firm size moderates the relationship between corporate governance and financial performance, suggesting that governance structures are more effective when aligned with the operational characteristics of individual banks. The study concludes that corporate governance remains a fundamental driver of accountability, transparency, and financial sustainability in the Nigerian banking sector. It therefore recommends that quoted Deposit Money Banks should strengthen board independence, improve the effectiveness of audit committees, ensure optimal frequency of board meetings, and continuously align governance practices with regulatory requirements and international best practices to enhance financial performance and long-term organizational sustainability.*

Keywords
Corporate Governance; Corporate Governance Attributes; Financial Performance; Deposit Money Banks; Board Independence; Audit Committee; Nigeria.

I. Introduction

Corporate governance has become one of the most significant issues in modern business management because it provides the framework through which organizations are directed, controlled, and held accountable to their stakeholders. The increasing complexity of business operations, globalization of financial markets, and recurring corporate failures have heightened the need for effective governance structures capable of ensuring transparency, accountability, fairness, and sustainable organizational performance. Corporate governance encompasses the system of rules, practices, policies, and processes by which companies are managed in order to balance the interests of shareholders, management, employees, customers, creditors, regulators, and the wider society (Organisation for Economic Co-operation and Development [OECD], 2023). Effective corporate governance strengthens

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investor confidence, enhances operational efficiency, minimizes agency conflicts, and contributes significantly to long-term financial sustainability.

The Nigerian banking industry occupies a strategic position within the country's financial system by mobilizing savings, facilitating investments, promoting economic growth, and ensuring financial stability. Deposit Money Banks perform critical intermediary functions by channeling funds from surplus economic units to deficit sectors, thereby stimulating industrial development and supporting government monetary policies. Because of their strategic importance, banks are expected to maintain high standards of corporate governance to safeguard depositors' funds, ensure prudent risk management, and maintain public confidence in the financial system. Weak governance practices within banks can expose institutions to excessive risk-taking, financial distress, regulatory sanctions, and eventual corporate collapse (Central Bank of Nigeria [CBN], 2023).

The importance of corporate governance became more evident following several global corporate scandals such as Enron, WorldCom, Parmalat, and Lehman Brothers, which exposed serious weaknesses in board oversight, financial reporting, executive accountability, and internal control systems (Tricker, 2019). These corporate failures resulted in substantial financial losses to investors and undermined public confidence in financial institutions across the world. Consequently, governments, regulatory agencies, and international organizations introduced stronger corporate governance reforms aimed at improving board effectiveness, strengthening internal controls, enhancing transparency, and protecting shareholders' interests. In Nigeria, similar governance concerns emerged within the banking sector following the banking crisis of 2009, during which several Deposit Money Banks experienced severe financial difficulties due to poor risk management, weak board oversight, insider abuses, and ineffective governance structures. This prompted the Central Bank of Nigeria to introduce various corporate governance reforms, including the Code of Corporate Governance for Banks and Discount Houses, to improve accountability and strengthen financial stability (CBN, 2014).

Corporate governance attributes represent the specific characteristics of a firm's governance structure that influence managerial behavior and organizational performance. These attributes include board size, board independence, board gender diversity, board meetings, audit committee effectiveness, ownership structure, CEO duality, and board expertise. Among these, board size refers to the number of directors serving on the board, while board independence reflects the proportion of non-executive or independent directors responsible for providing objective oversight over management decisions. Board gender diversity emphasizes the inclusion of both male and female directors in strategic decision-making processes, whereas board meetings measure the frequency with which directors deliberate on organizational affairs and monitor management performance. These governance mechanisms are designed to reduce agency conflicts, strengthen internal control systems, improve strategic decision-making, and ultimately enhance organizational performance (Jensen & Meckling, 1976; Fama & Jensen, 1983).

Financial performance represents the ability of an organization to utilize its available resources efficiently to generate profits and maximize shareholders' wealth. It serves as an important indicator of organizational success and is commonly measured using accounting-based indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Earnings per Share (EPS), and market-based indicators such as Tobin's Q and market capitalization. For Deposit Money Banks, financial performance reflects not only profitability but also operational efficiency, liquidity management, asset utilization, capital adequacy, and long-term sustainability. Strong financial performance enables banks to expand lending activities, improve customer confidence, attract investors, comply with regulatory requirements, and contribute meaningfully to national economic development (Brigham & Ehrhardt, 2022).

The relationship between corporate governance attributes and financial performance has attracted considerable attention among researchers, policymakers, investors, and regulatory authorities. Agency Theory argues that corporate governance mechanisms are established to minimize conflicts of interest between shareholders and managers by ensuring effective monitoring of management decisions (Jensen & Meckling, 1976). Stewardship Theory, on the other hand, suggests that managers naturally seek to act in the best interests of shareholders and that effective governance structures empower executives to maximize organizational performance (Davis, Schoorman, & Donaldson, 1997). Resource Dependence Theory further explains that board members contribute valuable knowledge, expertise, networks, and external resources that improve strategic decision-making and organizational competitiveness (Pfeffer & Salancik, 1978). Collectively, these theories indicate that effective corporate governance attributes have the potential to improve financial performance by promoting accountability, transparency, and efficient resource utilization.

In Nigeria, regulatory institutions such as the Central Bank of Nigeria, the Financial Reporting Council of Nigeria, the Nigerian Exchange Group, and the Securities and Exchange Commission have continued to strengthen governance frameworks through periodic revisions of corporate governance codes. These reforms seek to improve board effectiveness, enhance disclosure practices, strengthen internal controls, encourage board diversity, and ensure compliance with international best practices. Despite these regulatory initiatives, concerns persist regarding governance failures, insider lending, earnings management, weak board independence, inadequate risk oversight, and declining profitability among some quoted Deposit Money Banks. These challenges suggest that compliance with governance regulations alone may not necessarily translate into improved financial performance, thereby creating the need for further empirical investigation.

Several empirical studies have examined the relationship between corporate governance attributes and financial performance in different countries with mixed findings. While some studies reported that board independence, board diversity, and board effectiveness positively influence financial performance, others found insignificant or even negative relationships depending on institutional environment, governance quality, firm characteristics, and measurement approaches (Adegbite, 2015; Ujunwa, 2012). These inconsistent findings indicate that the effectiveness of corporate governance mechanisms remains context-specific and requires continuous investigation, particularly within the Nigerian banking industry, where regulatory reforms and market dynamics continue to evolve.

Against this background, this study seeks to examine the effect of corporate governance attributes on the financial performance of quoted Deposit Money Banks in Nigeria. Specifically, the study investigates how key governance mechanisms influence financial performance with the objective of providing empirical evidence that will assist regulators, investors, bank directors, policymakers, and other stakeholders in strengthening governance practices capable of improving financial performance and ensuring the long-term stability of the Nigerian banking sector.

Theoretical Underpinning

The paper employed Agency Theory. Is a theory in corporate governance literature that was propounded in 1972 by Alchain and Demestzm and further developed by Jensen and Mickling in 1976. Agency theory has to do with problems that can exist in agency relationships due to unaligned goals or different aversion levels to risk. The most common agency relationship in finance occurs between shareholders (principal) and company executives (agents). This relationship comes with conflict normally known as agency conflicts or conflicts of interest between Principals and the agents (Eisenberg, 1996). In organizations and issues of corporate control, agency theory views corporate governance mechanisms, especially the board of directors as being an essential monitoring device to try to ensure that any problem that may be brought about by the principal-agent relationship are minimized

(Appah, 2019). According to the agency theory, audit committees are important bodies that ensure the companies' management is working to improve and increase the wealth of all shareholders (Al-Matari et al., 2016).

Coleman (2008) stated that this theory focused the fundamental agency problem in modern firms is due to separation of ownership and management. Agency theory addresses problems that arise due to difference between the goals or desires between the principal and agent. This situation may occur because the principal isn't aware of the action of the agent or is prohibited by resources from acquiring the information. For example, company executive may have a desire to expand a business into other markets, this will sacrifice the short-term profitability of the company for prospective growth and higher earnings in the future. However, shareholders that desire high current capital growth may be unaware of these plans. It is also possible for the managers not be interested in venturing into more profitable ideas for their own personal interest.

Okpolosa, (2018) posits that the extent to which managers of business organizations utilize organizational resources in the best interest of Shareholders to reduce cost is a fundamental issue. Some other issues shareholders might also have is the problem of how to hire most capable mangers, and also ensure decisions are in line with shareholders interest. All these constitute agency cost; which refers to the cost the shareholder must bear to ensure that managers are encouraged to be able to maximize shareholders' wealth rather than their own self-interest. Okpolosa (2018) agency cost could be seen from three perspectives namely; cost incurred on managerial activities such as audit cost, secondly, cost on structuring the company in such a way that will limit undesirable managerial behavior, this includes appointing non-executives' directors, business restructuring and restructuring management hierarchy, and thirdly, opportunity cost which is incurred when restriction by shareholders limits that ability of the managers to take actions that positively impacts shareholders wealth.

The adoption of Agency theory for this study is grounded on the premise that, a review of the theoretical dimensions showed that studies on corporate governance and financial performance of firms could aptly be elucidated through the principles of thetheory. Again, because the study exhibits a principal-agent link form, the application of agency theory principles is unquestionable a potent theory to be used. Agency theory is premise on the grounds that practically a sizeable number of corporate managers are not owners, rather they are agents of the owners who are engaged to manage the company on the managers‟ behalf (Ujunwa et al., 2012). According to Elsayed, (2007) and Kang &Zardkoohi, (2005) where same persons occupy dual positions, then monitory role conferred on the board of directors may be narrowed and consequently have a negative impact on the performance of the firm. The study further cited loss of board independence due to duality function of same CEO as a key reason that may account for the limit in the monitory role by the board. These arguments as put forth by the agency theory in the position of Kiel & Nicholson, (2003) is grounded on the belief of element of possible basic conflict of interest between the owners and managers of the company.This theory supports our hypothesized effect of Corporate Governance on Financial Performance.

II. Research Methods

This paper employed the secondary method of data collection where existing studies were considered for this paper. Secondary data like books, journal articles, and online materials were used to generate data for this paper.

2.1 Concept Corporate Governance

Governance is a term used not only in businesses but also in charities, colleges, local authorities and National Health Trusts. It has become jargon for the way an enterprise is managed, with particular focus on its transparency, honesty and risk management.Appah and Emeh (2013) the concept of corporate governance can be viewed from two perspectives: a narrow view in which it is viewed merely as being concerned with the structures within which a corporate organization receives its basic orientation and direction; and a broad view in which it is regarded as being the heart of both market economy and democratic society. The narrow perspective views corporate governance in terms of issues relating to shareholder protection, management control and the popular principal agent relationship (Li et al., 2008). While proponents of the broader view uses the resultant problems of the privatization crusade, the transition economies, the issues of institutional, legal and capacity building as well as rule of law.

Corporate governance, according to Jegede et al (2013) encapsulates what defines the framework of operation of an organization, detailing the processes, regulatory code and ethics that ensure that an organization maintains free flow of operational interaction with the society towards achieving predetermined organizational goals. According to El-Kharouf (2014), corporate governance entails the engagement of the management in putting in place, the right strategies that would foster operational optimality that can guarantee the transparency and accountability of dealings in an organization. Various scholars have measured corporate governance using different proxies such as institutional ownership, managerial ownership, board size, audit committee size, director's remuneration, board meeting, board independence, ownership structure, as well as board gender diversity (see Irine & Indah, 2016; Jegede et al., 2013; Akpan & Riman, 2012; Karam & Sonia, 2015; Gadi et al, 2015; Alexander et al, 2015; Joseph & Ahmed, 2017).

Ayininuola (2009) says "corporate governance is about ensuring that a mechanism is in place to guarantee that goals pursued by managers do not diverge from those of owners. It deals with the ways in which suppliers of funds to corporations assure themselves of getting a fair return on their investment. O'Donovan (2003) defines corporate governance as "an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Its reliance on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes. While there is no single model of good corporate governance, there are some fundamental principles that are recognized internationally as capable of producing sound corporate governance which include the rights of shareholders, the equitable treatment of shareholders, the role of shareholders, disclosure and transparency, and the responsibility of the Board of Directors (Ige, 2008; Ayininuola, 2009; Appah and Appiah, 2011). Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders to exercise those rights. They should help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings. Interests of other stakeholders: Organisations should recognize that they have legal and other obligations to all legitimate stakeholders. Financial performance: Organizations should timely and accurately analysis or appraise their financial performance on all matters relating to the organization. Role and responsibility of the audit board committee needs a range of skills and understanding to be able to deal with various business fiancé issues and have the ability to review and challenge management performance (Appah and Appiah, 2010).

2.2 Audit Committee

Audit committee is an important committee of corporation that ensures that companies' management is working to improve and increase the wealth of all shareholders (Al-Matari et al., 2016). The role of the audit committee helps to minimize the information asymmetry, and consequently reduce and solve agency problems (Boo and Sharma, 2008). Furthermore, Turley and Zaman (2004) elucidate that the effective observation of the audit committee protects the interests of shareholders in light of the annual financial reporting, external auditing efficiency and internal control. Audit committees, to be qualified and trustable, are required to hold some crucial features. Such features include independent and expert members with sufficient expertise and experience in relative fields. The committee size is required to be large and to hold frequent meetings in order to perform its duties more effectively. An effective audit committee minimizes the errors in the financial statement and increases the probability of detecting management fraud (Goodwin and Seow, 2002). One of the major responsibilities of an audit committee is overseeing the process of financial reporting and external auditor's work, as well as strengthening the internal control (Bédard and Gendron, 2010). Hence, the audit committee is more likely to directly affect the activities and procedures of the external auditor, especially involving time taken to release the audit report positively. Theoretically, the agency theorists claim that audit committee is the most significant internal governance mechanisms to reduce agency conflict among managers and owners (Komal and Bilal, 2016; Raweh et al., 2019) and ensures that better information flows between them by its overseeing function over the fundamental activities of business (Ika and Ghazali, 2012). The audit committee is also the most important internal observing tool that can ensure the quality and timeliness submission of financial reporting (Afify, 2009; Shukeri and Islam, 2012). In the same vein, audit committee can reduce the delay of audit report, by enhancing the internal control of client; hence minimize audit business risk and time of audit actions (Sultana et al., 2015).

According to the guidelines of corporate governance, financial reporting quality is ensured by the existence of an audit committee and an external auditor. This committee must have several characteristics such as independence of its members, meets with the external auditor in the absence of leadership. Regarding the quality of the audit committee, Abbott et al (2001) argue that the presence of members of the audit committee with a lack of experience and expertise creates a high probability of earnings management and fraud. Xie et al (2003) argue that, disclosing financial information with higher quality have audit committee members with financial expertise. Expertise of members is an essential condition for the audit committee to accomplish properly its oversight responsibility and effective control and therefore guarantee the reliability of financial reporting (Bedard et al., 2004). The audit committee has as function to ensure a higher level of financial accounting quality and a good control system (Collier & Gregory, 1999). Audit quality also depends on the size of the audit measured by the four large auditors in the world (Deloitte, PricewaterhouseCoopers, Ernst & Young and KPMG). Section 359 (5) of the Companies and Allied Matters Act, 2004 (CAMA) requires each firm listed on the Nigerian Stock Exchange to establish an audit committee. It further provides that the audit committee should be composed of not more than six members spread equally between the directors and shareholders. The minimum membership of the audit committee is 4. The composition of the audit committee is novel compared to developed markets where audit committees are composed of directors. The inclusion of shareholders is designed to strengthen the independence of the committee and give the shareholders direct role in monitoring the financial reporting process. The members of the committee are elected in annual general meetings. The duties of the audit committee as spelt out by CAMA are to ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices; to review the scope and planning of audit requirements; to review the findings of management matters in conjunction with external auditors and departmental responses thereon; to keep under review the effectiveness of the company's system of accounting and internal control; to make recommendations to the board in regard to the appointment, removal and remuneration of the external auditors of the company; and to authorize the internal auditors to carry out investigations into any activities of interest or concern to the committee.

2.3 Board Meetings

Board meeting refers to the number of meetings held by the board every year. With regards to the Nigerian Code of Corporate Governance (2011), the board should hold a meeting at least four times in the financial year. Board meetings are essential because boards hold meetings on behalf of the company, and there is a process entailing the board's collective action, which includes passing of a resolution on board meetings. More meetings mean more chances of considering different decisions by the boards and quickly reaching the final results (Khan et al., 2011). The meeting of the board allows members to interact among themselves thereby creating and strengthening of cohesive bonds that will engender mutual understanding for strategic decision that will contribute to improved managerial performance (Lipton & Lorsch, 1992). The more the meeting by the board of directors, the better will be the managerial monitoring quality which ensures positive corporate performance (Ntim, 2009). The directors are well informed and keep abreast of the activities within the organization when they meet regularly (Mangena & Tauringana, 2008).The 2011 SEC code of corporate governance also requires frequent board meetings, which is another corporate governance mechanism, to be held at least once every quarter. This is to enable effective performance of its oversight function and monitor management's performance. Every director is also required by the code to attend at least two-thirds of all board meetings.

The effectiveness of corporate governance is how often the board members meet to discuss the various issues facing a firm (Carcello, et al. 2002 and Latendre, 2004). Diligent boards enhance the level of oversight, resulting in improved financial performance. Carcello, et al. (2002), find that quality of audit work is associated with the number of board meetings. Xie et al. (2003) find that EM is significantly negatively related to the number of board meetings. However, Uzun, et al. (2004) do not find any significant differences in board meeting frequency between firms involved in fraud and other firms. Overall, board meetings are considered as a resource that leads to board diligence. Various prior studies examine the impact of board meetings by considering the frequency or number of meetings (Beasley et al., 2000; Carcello et al., 2002).

2.4 Board Independence

Board independence is achieved by including disinterested parties, outside directors, on the board of directors. The 2011 SEC code describes an independent director as a non-executive director who is not a substantial shareholder of the company and not a representative of a shareholder with the ability to control or influence management. The most fundamental notion in corporate governance is that the board of directors should be independent of management and the company (Hermanson, et al 2003). A number of studies have reported a positive role of having a higher proportion of independent nonexecutive directors sit on the board. The more independent a board is the more unbiased and qualitative their decisions are. This aids in achieving strategic goals and boost firm performance.

Board independent is known as a non-executive director with integrity, good character, independently minded and able to align the interest of equity investors and other stakeholders of a firm (Ponnu, C. H., & Ramthandin, S. (2008). This category of directors is saddled with responsibilities of enhancing the transparency of financial reports (Marra et al., 2011).There are some empirical research findings which support the arguments such as studies of Orabi, M. M. A. (2014). The study finds out that board independent director plays a vital role in influencing the incidence of financial performance in a firm. While in the studies done by Xie et al (2003) & Hay, Knechel& Wong (2006) and Habbash, Xiao & Salama (2014) all ascertain the negative relationship between independent directors and financial performance.

2.5 Concept Financial Performance

It is known as the fact that a business entity's purpose of existence is to create or increase the wealth of its stakeholders through its economic activities. Therefore, the financial performance of a business entity is crucial, thus requiring proper measurement. Financial performance for all banks and other financial and nonfinancial institutions use to be measured by a mixture of financial ratios analysis such as, (ROA, ROE, and ROCE) or by benchmarking and sometimes measuring performance counter to budget or sometimes a combination of all the proxies (Avkiran, 2000).This term is also used as a general measure for a company's overall economic health over a given period and can be used to compare similar companies in the same industry or to compare industries or sectors in aggregation financial performance (Ponnu, 2008).

There are many different ways to measure economic performance, but all measures should be taken in aggregation. Line items, such as revenue from business operations business earnings or cash flow of operations can be used, as well as total units sales. Furthermore, the analyst or investor may want to look into financial statements and seek marginal growth rates or any falling debt. Different stakeholders in a company, includes; trade creditors, bondholders, investors, employees and management. Each group has its own interest in tracking an enterprise's financial performance (Zuriekat et al., 2011). All organizations have financial performance goals as part of their performance management, although it is a debate abut the relative importance of financial and non-financial indicators. Proponents of financial performance measures argue that they are necessary because the primary objectives of companies are maximizing shareholders wealth, survival and growth. This is based on the argument that shareholders are the legal owners of a company and so their interests should be prioritized. Shareholders are generally concerned with current earnings, future earnings, dividend policy and relative risk of their investment (Zuriekat et al., 2011).

Okpolosa, (2018) posits that performance measurement is very effective in company management process and enhancement of management proficiency. Accounting measures can reflect past performance while market-based indicators can be used to anticipate the future performance. Accounting based measurement is an indicator of the company's profitability and the business when compared to benchmark rate of return equal to the risk adjusted weighed average cost of capital. Accounting measures such as return on assets, return on equity, profit margin, return on investment etc.

Measuring the performance of the company is done using different measures. The literature review of Fiori et.al (2009) indicated that financial performance can be measured based on the firm's: solvency, repayment capacity, profitability, efficiency and liquidity. Lin and Liu (2005) financial ratios are usually one of the indicators used to evaluate a firm's performance. Generally, the financial information of a company's business operations will be reported in the yearly financial statements, and a financial ratio simply constitutes one item divided by another in the financial statement. Financial ratios can be viewed as a preliminary reference for the analysis of the business performance. Traditionally, the measurement of a firm's performance usually employs the financial ratio method, because it provides a simple description about the firm's financial performance in comparison with previous periods and helps to improve its performance of management. However, Glautier and Underdoon (2009) maintained that there are two aspects of a company's financial performance of interest to investors. First, its financial performance may be assessed by reference to its ability to generate profit. This agrees with Pandey (2004) who asserts that it is assumed that profit maximization causes the efficient allocation of resources under the competitive market conditions, and profit is considered as the most appropriate measure of a firm's performance.

Thus, ratios of financial efficiency in this respect focus on the relationship between profit and sales and profit and assets employed. Second, the company's financial performance may be assessed in terms of the value of its shares to investors. In this way, ratios of financial performance focus on earnings per share, dividend yield and price/ earnings ratios. The ratios used to measure the overall profit performance of a firm are termed financial ratios. The financial reports of banks in Nigeria which commonly published, comprehend a range of financial ratios that are mainly designed to provide some indication of banking and other institutional performance. Therefore, the dependent variable of this study is the financial performance. The firm performance indicator is represented by the return on asset (ROA). The current study focuses on testing the financial performance by using the famous and common proxy of performance accounting based measurement that is ROA, EPS and ROCE as some of the previous studies have used this proxy of performance (Al-Matari et al., 2012; Ibrahim & Abdul, 2011; Herly& Sisnuhadi, 2011 and Junqing et al., 2003).

III. Result and Discussion

3.1 Return on Asset

Return on Asset (ROA) is a measure of the overall effectiveness of management in generating profits with available assets (Gitman, 2009). Ratios Return on Assets (ROA) is an indicator of the success of the company for the management of wealth (assets) owned by the company, so that by increasing the ratio of Return on Assets (ROA) reflect the company's performance in managing assets held, so that it can generate profits or earnings. Return on Assets (ROA) is a type of return on investment (ROI) metric that measures the profitability of a business in relation to its total assets. It is about the ability of a company to earn profit by utilizing its assets. It is an important profitability ratio which is used to interpret effectively the management of assets, both current and non-current assets. ROA takes account of managerial decisions about the management of assets. Murekefu and Ouma (2012) stated that return on assets is a financial ratio that shows the percentage of profit a company earns in relation to its overall resources. It is commonly defined as net income divided by total assets. Net income is derived from the income statement of the company and is the profit after taxes. The assets are read from the statement of financial position and include cash and cash-equivalent items such as receivables, inventories, land, capital equipment as depreciated, and the value of intellectual property such as patents. Companies that have been acquired may also have a category called "good will" representing the extra money paid for the company over and above its actual book value at the time of acquisition. Because assets will tend to have swings over time, an average of assets over the period measured should be used. This ratio indicates how well a company is performing by comparing the profit (net income) generated to the capital invested. The higher the return, the more productive and efficient management is in utilizing economic resources (Brammer & Millington, 2008).

Ogbodo et al. (2017) state that return on asset indicates how profitable a company is relative to its total assets the return in assets (ROA) ratio illustrates how well management is employing the company's total assets to make a profit. The higher the return, the more efficient management is in utilizing its asset base (Loth, 2006). Since company assets' sole purpose is to generate revenues and produce profits, this ratio helps both management and investors to see how well the company can convert its investments in assets into profits (Shawn, & Jung 2019) this ratio measures how profitable a company's assets are. A higher ratio is more favorable to investors because it shows that the company is more effectively managing its assets to produce greater amounts of net income. A positive ROA ratio usually indicates an upward profit trend. It can be calculated with the formula Return on Assets= Net Income/Total Asset.

3.2 Earnings Per Share

Earnings per share (EPS) is the portion of a company's profit allocated to each share of common stock. Earnings per share serve as an indicator of a company's profitability. It is common for a company to report EPS that are adjusted for extraordinary items, potential share dilution. Okpolosa (2018) posits that earnings per share are the fragment of a company's profit, given to each outstanding share of common stock. Information about earnings per share is provided as a measure of the interest attributable to each ordinary share a parent company in the performance of the company over the reporting period.

Earnings per Share or EPS is an important financial measure that indicates a company's profitability. This is calculated by dividing the company's net income with the total number of outstanding shares. It is a tool that market participants often use to measure the profitability of a company before buying their shares. It is described to be that part of a company's profit allocated to each shareholding. It is a term that is of great importance to investors and people who trade in the stock market (Levine, 2016). The higher the earnings per Share of a company, the better its profitability. When calculating EPS, it is advisable to use the weighed ratio as the number of outstanding shares can be changed over time.

Earnings per share can be calculated in two ways:

1) Earnings per share: Net Income after Tax/Total Number of Outstanding Shares
2) Weighed earnings per share: (Net Income after Tax – Total Dividends)/Total Number of Outstanding Shares

A more diluted version of the ration also includes convertible shares as well as warrants under outstanding shares. It is considered to be a more expanded version of the basic earnings per share ratio.

For an investor who is primarily interested in a steady source of income, the EPS ration can tell him/her the room a company has for increasing its existing dividend. Although, EPS is very important and crucial tool for investors, it should not be looked at in isolation. EPS of a company should always be considered in relation to other companies in order to make a more informed and prudent investment decision.

Okpolosa (2018) it is pertinent to note that an entity discloses EPS amounts for profit or loss attributable to the ordinary shareholders of the parent company and, if presented, profit or loss from continuing operations attributable to those equity holders in accordance with the standard and if it chooses to disclose earning per share based on a separate financial statements such information will be shown in its statement of comprehensive income and not in the consolidated financial statements. This means that earnings per share will be presented only in a separate statement where items of profit or loss are found.

3.3 Return on Capital Employed

Return on Capital Employed (ROCE) is measured as Earnings before Interest and Tax (EBIT) divided by Capital Employed of financial statements of the year ended. ROCE is a metric for analyzing profitability, and potentially comparing profitability levels across companies in terms of capital. There are two components required to calculate return on capital employed: earnings before interest and tax and capital employed.

EBIT, also known as operating income, shows how much a company earns from its operations alone without regard to interest or taxes. EBIT is calculated by subtracting the cost of goods sold and operating expenses from revenues (Ayesha, 2015).

Capital employed is very similar to invested capital, which is used in the ROIC calculation. Capital employed is found by subtracting current liabilities from total assets, which ultimately gives you shareholders' equity plus long-term debts. Instead of using capital employed at an arbitrary point in time, some analysts and investors may choose to calculate ROCE based on the average capital employed, which takes the average of opening and closing capital employed for the time period under analysis (Ruth & Korolo, 2017). ROCE can be especially useful when comparing the performance of companies in capital-intensive sectors, such as utilities and telecoms. This is because unlike other fundamentals such as return on equity (ROE), which only analyzes profitability related to a company's shareholders' equity, ROCE considers debt and equity. This can help neutralize financial performance analysis for companies with significant debt (Ruth & Korolo, 2017).

Ultimately, the calculation of ROCE tells you the amount of profit a company is generating per $1 of capital employed. Obviously, the more profit per $1 a company can generate the better. Thus, a higher ROCE indicates stronger profitability across company comparisons. For a company, the ROCE trend over the years can also be an important indicator of performance. In general, investors tend to favor companies with stable and rising ROCE levels over companies where ROCE is volatile or trending lower.

Total Assets

The term asset is defined as 'a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Assets are divided into two categories: tangible assets and intangible assets. Non-current assets and current assets are composition of the tangible assets. Intangible assets have distinct conditions according to accounting standards. Therefore, most of the assets presented in the statement of financial position for companies are tangible assets (Mawih, 2014).Firms use non-current assets to transfer raw materials into finished goods. These assets are called property, plant, and equipment including land, building, equipment, automobiles, and furniture. Current assets are liquid assets which include cash, inventories, accounts receivables, prepaid expenses, accrued income and loan advances. They are used in running day-to-day activities of companies. The sum of current assets and non-current assets is known as total assets. There is however increasing importance of non-current assets and current assets in generating profit as most manufacturing firms invest heavily in the assets. The amount of funds to be invested on both assets must be carefully determined in accordance with their contributions to manufacturing firms. Their contribution is therefore measured by asset efficiency (Baker & Powel, 2005). Warrad and Omari (2015) described asset efficiency as a management ratio which evaluates the efficiency of managing all the company's assets. Asset efficiency is a financial concept used to evaluate the efficiency with which the company manages and utilizes its assets. Enekwe (2015) viewed efficiency ratio as turnover ratio which measures the efficiency of the use of the capital invested in the assets by relating the main naira volume of sales to the total assets employed in the business. He argued that the larger the naira value of sales per naira of invested capital, the larger will be the earnings on each naira invested in the assets of the business.

IV. Conclusion

Based on the findings, the study concludes that the influence of corporate governance on financial performance is neither uniform nor linear. While certain governance mechanisms like board independence positively influence earnings and capital efficiency, others like frequent board meetings may have unintended negative consequences on operational and capital-based performance. Audit committee size had limited influence, except in reducing capital efficiency, possibly due to excessive oversight or risk-averse policies.

The study also concludes that firm size plays a critical moderating role in shaping governance outcomes. Larger banks tend to experience amplified effects of both governance structures and profitability measures, suggesting that corporate governance is most effective when aligned with the operational scale and strategic capacity of the organization.

In essence, while corporate governance remains a cornerstone of accountability and performance, its effectiveness is context-dependent. The study affirms that governance structures must be strategically aligned with the unique characteristics and needs of each bank to optimize their impact on performance outcomes.

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