The Effect of Corporate Governance on the Profitability of Money Deposit Banks in Nigeria

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ABSTRACT

This study examined the effect of corporate governance on the profitability level of money deposit banks in Nigeria. The specific objectives were to investigate the impact of board independence on the profitability of money deposit banks in Nigeria and examine the extent to which audit committee effectiveness influences the profitability of money deposit banks in Nigeria. Relevant conceptual, empirical and theoretical literatures were reviewed. The study is anchored on Agency theory. This study adopted an Ex-Post Facto and a descriptive survey research design, both primary and secondary data were collected and analysed using both descriptive and inferential statistics. The findings revealed that independent boards foster better governance practices, positively impacting profitability. The findings also showed that the effectiveness of audit committees plays a crucial role in enhancing the financial performance of money deposit banks, underscoring the importance of robust audit practices in promoting transparency, accountability, and sustainable profitability in the banking sector. The study concluded that there is significant impact of corporate governance on the profitability level of money deposit banks in Nigeria. Board independence enhances decision-making quality, governance, and accountability, leading to improved profitability. Effective audit committees strengthen financial reporting, risk management, and stakeholder trust, supporting sustainable profitability. To strengthen the profitability of money deposit banks in Nigeria, it is recommended that banks prioritize board independence and to enhance the oversight function of audit committees, banks should formulate transparent and effective audit processes.

Key words: Corporate Governance, Financial Performance, Board Independence, Money Deposit Bank, Audit Committee effectiveness.

INTRODUCTION

The global financial landscape has undergone significant transformations in recent decades, driven by rapid technological advancements, economic liberalization, and stringent regulatory frameworks. Within this dynamic environment, money deposit banks play a pivotal role in fostering economic growth by mobilizing savings, facilitating credit, and ensuring financial stability. However, the sustainability of these institutions hinges on their ability to adopt effective corporate governance practices that promote accountability, transparency, and operational efficiency. Corporate governance, defined as the system of rules, policies, and structures that guide and control organizational operations, is a critical determinant of financial performance in the banking sector (Adegbite, 2023). In Nigeria, where the banking industry faces unique challenges such as economic volatility, regulatory complexities, and competitive pressures, robust governance mechanisms are essential for enhancing profitability and maintaining stakeholder confidence.

The Nigerian banking sector has experienced significant reforms aimed at strengthening its resilience and aligning it with global best practices. The 2004–2005 banking consolidation exercise, initiated by the Central Bank of Nigeria (CBN), marked a turning point by reducing the number of banks, increasing their capital base, and emphasizing governance reforms to curb financial mismanagement (Sanusi, 2020). These reforms introduced the Code of Corporate Governance for Banks, which mandates practices such as board independence, audit committee oversight, and regulatory compliance to ensure sound management and sustainable performance. Despite these efforts, the sector continues to grapple with governance-related challenges, including insider lending, weak internal controls, and non-compliance with regulatory guidelines, which have adversely affected profitability and eroded public trust (Okoi, Stephen, & Sani, 2024).

Corporate governance influences bank profitability through various mechanisms, including strategic decision-making, risk management, and financial transparency. A well-composed board with independent directors can provide objective oversight, ensuring that management decisions align with long-term organizational goals. Similarly, effective audit committees enhance financial reporting quality, reduce fraud, and mitigate operational risks, all of which contribute to improved financial outcomes (Adegbite, 2023). Profitability, often measured through metrics such as return on assets (ROA), return on equity (ROE), and net interest margin (NIM), reflects a bank’s ability to efficiently utilize its resources to generate income. Studies have shown that banks with strong governance frameworks tend to outperform their peers, as they are better equipped to navigate competitive pressures and economic uncertainties (Okoi et al., 2024).

The Nigerian banking sector has faced persistent challenges related to poor corporate governance, which have adversely affected the profitability and sustainability of many institutions. Issues such as financial mismanagement, insider lending, and weak internal controls have led to significant losses and, in some cases, bank failures (Sanusi, 2020). Despite the introduction of governance reforms by the CBN, including the Code of Corporate Governance for Banks, compliance remains uneven, particularly among smaller or regional banks. This raises concerns about the effectiveness of governance mechanisms in enhancing profitability, especially at the branch level.

Previous studies have highlighted the importance of corporate governance in improving financial performance, but there is limited empirical evidence on its impact in semi-urban banking contexts in Nigeria. For instance, while Okoi et al. (2024) found a positive relationship between board independence and profitability, their study focused on urban-based banks, leaving a gap in understanding how governance practices affect profitability in smaller, less urbanized settings. Additionally, the specific governance mechanisms such as audit committee effectiveness or regulatory compliance that drive profitability in these contexts remain underexplored.

Another challenge is the inconsistency in governance practices across bank branches. While head offices may adopt robust governance frameworks, branch-level implementation often varies due to limited resources, inadequate training, or weak oversight (Adegbite, 2023). This discrepancy can lead to inefficiencies, financial losses, and reduced profitability at the branch level. The extent to which corporate governance mechanisms are effectively implemented and their impact on profitability in semi-urban branches is unclear, necessitating further investigation.

Furthermore, the competitive banking environment in Nigeria, coupled with economic uncertainties, places additional pressure on banks to optimize their governance structures to remain profitable. Without effective governance, banks risk mismanaging resources, alienating stakeholders, and losing market share. This study thus, seeks to address these gaps by examining how corporate governance influences the profitability of money deposit banks in Nigeria, focusing on key governance mechanisms and their financial implications.

In view of the above, the following research questions would guide the study:

1. How does board independence affect the profitability of money deposit banks in Nigeria?
2. To what extent does the effectiveness of the audit committee effectiveness influence the profitability of money deposit banks in Nigeria?

The main objective of this study is to assess the effect of corporate governance on the profitability level of money deposit banks in Nigeria, while the specific objectives are to:

1. investigate the impact of board independence on the profitability of money deposit banks in Nigeria.
2. examine the extent to which audit committee effectiveness influences the profitability of money deposit banks in Nigeria.

The following null hypotheses were tested in this study:

$H0_1$: Board independence has no significant effect on the profitability of money deposit banks in Nigeria. **$H0_2$:** Audit committee effectiveness has no significant influence on the profitability of money deposit banks in Nigeria.

LITERATURE REVIEW

Conceptual Review

Corporate Governance

Corporate governance refers to the system of rules, policies, and practices that direct and control the operations of an organization, particularly deposit money banks in Nigeria, ensuring accountability and transparency. It encompasses the relationships among stakeholders, including shareholders, board members, management, and regulators, aiming to align their interests with the bank's objectives (Gaski, 2022). In the Nigerian banking sector, corporate governance is critical due to the industry's systemic importance and history of financial instability. It involves mechanisms like board oversight, internal controls, and ethical standards to safeguard assets and enhance performance. The Central Bank of Nigeria (CBN) emphasizes robust governance to prevent mismanagement and promote financial stability. Effective corporate governance fosters trust among depositors and investors, crucial for banking operations (Ogbu & Ogbu, 2020). However, weak enforcement and cultural influences challenge its implementation. By understanding corporate governance, Nigerian banks can strengthen their operational framework (Afolabi & Adeyemi, 2021).

The concept of corporate governance in Nigerian deposit money banks is shaped by regulatory frameworks and global best practices, such as the CBN's Code of Corporate Governance and international standards like Basel III. These frameworks mandate independent boards, audit committees and risk management systems to ensure prudent decision-making. In Nigeria, governance addresses unique challenges, such as insider abuses and political interference, which have historically undermined banking stability (Eze & Okoye, 2022). Corporate governance establishes clear roles for boards in strategic oversight and management in daily operations, reducing conflicts of interest. It also promotes transparency through financial reporting, enabling stakeholders to monitor performance. Challenges include resource constraints and lack of skilled directors. By adopting robust governance structures, Nigerian banks can enhance accountability and operational efficiency (Umar & Ibrahim, 2021).

According to Akinyomi & Enahoro (2020), corporate governance in Nigeria's banking sector evolves with economic and technological changes, requiring adaptability to maintain relevance. The rise of digital banking and fintech competition necessitates governance frameworks that address cybersecurity and innovation risks. In Nigeria, governance ensures banks balance profitability with ethical practices, fostering stakeholder trust in a competitive market. It integrates stakeholder theory, prioritizing the interests of depositors, shareholders, and regulators, alongside agency theory, which mitigates conflicts between management and owners. Effective governance enhances strategic alignment, critical for navigating Nigeria's volatile economy. By embracing evolving governance principles, Nigerian deposit money banks can achieve sustainable performance and resilience (Oladapo & Akingbade, 2022).

The 2014 CBN Code of Corporate Governance for Banks and Discount Houses outlines the corporate governance guidelines for Banks in Nigeria. The 2014 code is an update to the prior corporate governance code, which came into effect in April 2006 and was developed to improve corporate governance procedures within the banking industry. The 2006 code was revised because some of its rules were difficult for Nigerian banks to apply because they were unclear or in conflict with Companies and Allied Matters Act (CAMA) provisions. The code needed to be updated in order to reflect current trends and international best practices.

The revised 2014 Corporate Governance Code aims to modernise and harmonise corporate governance in the Nigerian banking sector with global best practises, while reducing perceived uncertainties and boosting governance processes. All banks in Nigeria are mandated to comply with the Code and they are required to report to the CBN on their compliance status at the end of each quarter.

With effect from January 1, 2020, the Financial Reporting Council of Nigeria (FRCN) has extended to Nigerian banks the obligation to comply with and apply the Nigerian Code of Corporate Governance 2018 (NCCG). By defining a comprehensive set of principles on corporate accountability, transparency, and sustainability for both public and private firms in Nigeria, the Code establishes a framework "to ensure good corporate governance practices in the public and private sectors of the Nigerian economy..."

It offers general corporate governance guidelines and global benchmarks that are applicable to all management levels (i.e., the board, the MD and CEO, independent directors, the chairperson, the company secretary and external auditors). Furthermore, the FRCN 2018 mandates that all pertinent companies (including banks) include a statement regarding NCCG compliance in their annual reports for each fiscal year.

Companies and Allied Matters Act, 2020 (CAMA 2020) provides general corporate governance principles and global benchmarks applicable to all levels of management (i.e., the board, the MD and CEO, independent directors, the chairperson, the company secretary and external auditors). In addition, the FRCN 2018 requires all relevant companies (including banks) to include a statement regarding NCCG compliance in their annual reports for every fiscal year.

Banks and Other Financial Institutions Act (2020) is a fundamental legislation governing the conduct of banks in Nigeria. It specifically spelt out guidelines guiding the conduct of banks in Nigeria, in line with global best practices. For instance, Section 67 (1a) of the BOFIA 2020 specifies that “the CBN Governor shall make regulations and issue guidelines for or with respect to corporate governance, including the appointment of principal officers of banks and other financial institutions in Nigeria”.

Corporate governance significantly influences the profitability of deposit money banks in Nigeria by establishing frameworks for accountability and strategic oversight. Effective governance, characterized by transparent board practices and robust risk management, ensures that banks optimize resources and make sound financial decisions (Mustapha, 2023). Governance structures, such as independent boards and audit committees, help mitigate risks like credit defaults, enhancing financial performance. Strong governance also attracts investor confidence, facilitating access to capital that supports profitable operations. By aligning management actions with shareholder interests, corporate governance drives efficiency and profitability in banking operations (Ogbu & Ogbu, 2020). However, weak governance practices, such as inadequate oversight, can undermine these benefits. Nigerian banks must strengthen governance mechanisms to maximize profitability (Eze & Okoye, 2022).

Profitability in Deposit Money Banks

Profitability in Nigerian deposit money banks refers to the ability to generate financial returns from operations, reflecting efficiency and sustainability. It is a key performance indicator, measured through metrics like return on assets, net interest margins, and operating income, crucial for stakeholder confidence and regulatory compliance (Afolabi & Adeyemi, 2021). In Nigeria’s banking sector, profitability is driven by factors like lending activities, fee-based services, and cost management, but challenged by economic volatility and regulatory pressures. Profitability ensures banks meet capital adequacy requirements and fund growth initiatives, such as digital transformation (Dung, Schmied, & Van Chinh, 2022). It reflects the balance between revenue generation and risk management, critical in a competitive market. By understanding profitability, Nigerian banks can align strategies with financial goals (Ogbu & Ogbu, 2020).

Conceptual Framework

In this section, the researcher developed the conceptual framework based on the review of literatures of the study that indicates the effect of corporate governance, as independent variable, profitability of deposit money banks (dependent variable).

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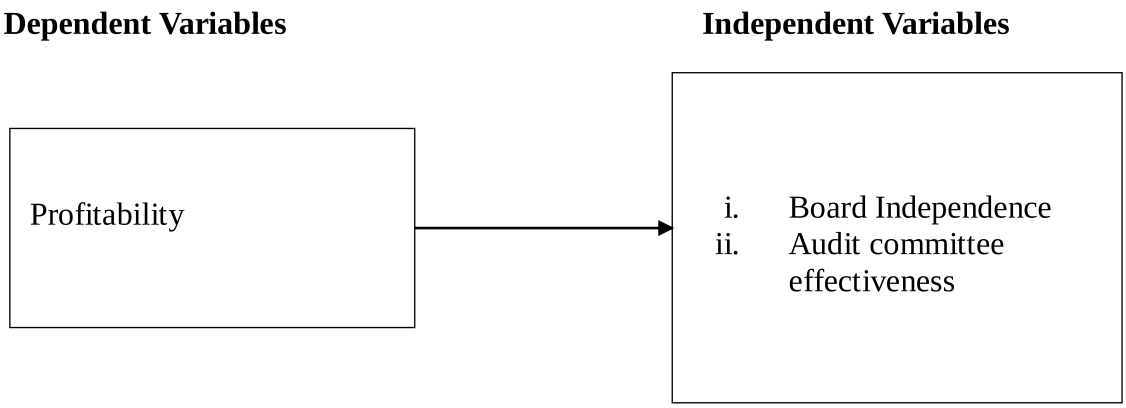

Figure 2.1: Conceptual Framework Source:

Researcher's Design (2025)

Empirical Review

A number of empirical studies have been conducted in evaluating issues relating to the effect of corporate governance on the profitability level of money deposit banks across the globe. However, to the best knowledge of the author's, very limited studies have addressed the subject matter in the context of Nigeria. For instance, Mwangi, Makau and Kosimbei (2024) investigated the relationship between capital structure and performance of 42 non-financial companies listed in the Nairobi Securities Exchange, Kenya. The study used secondary panel data contained in the annual reports and financial statements of the sampled listed firms, and employed panel data models (random effects) and feasible generalized least square (FGLS). The results showed that financial leverage is statistically negatively related to performance measured by return on assets and return on equity.

Omole & Adewole (2024) investigated the relationship between corporate governance and financial performance of Deposit Money Banks (DMBs) in Nigeria. Utilizing panel regression analysis, the study examines board size, CEO duality, and board independence as governance proxies, with earnings per share (EPS) as a measure of financial performance. Descriptive statistics reveal diverse governance dynamics among DMBs, with regression results indicating a positive (coefficient of 1.027416) but statistically insignificant association between board size and EPS (0.0916 > 0.05). Surprisingly, board independence shows a negative influence on EPS (with the coefficient of -0.261614). The absence of CEO duality aligns with best governance practices revealed a positive influence on financial performance (Coefficient of 2.239216). Overall, the study highlights the significance of tailored governance practices in shaping DMBs' financial performance, emphasizing the need for meticulous approaches to enhance outcomes.

Theoretical Review

Rashid (2021) argued that there are various theories that can be used to explain corporate governance conventions and also the issues that arise as a result of these conventions. Various theories have been employed in explaining these governance conventions; these theories include the agency theory, stakeholder theory and stewardship theory. Sanda, Mikaila and Garba (2021) also identified three most prominent theories of corporate governance. They are stewardship theory, agency theory, and stakeholder theory. Below is the explanation of each theory:

Stewardship Theory

Stewardship theory has its root in psychology and sociology. It was adopted as a theoretical framework for researchers to examine decision making actions and performance of executives who are acting as faithful stewards for principals (Deutch, 2005, cited in Kedikoglu, 2022). The stewardship theory is anchored on the protection of stakeholders. An effective steward, executive or director of an organization is invariably effectively managing his own careers (Victor, 2021). Managers return finance to investors to establish a good reputation, allowing the investors to re-enter the market for future finance (Shleifer & Vishny, 1997 quoted in Abd-Bosit, 2024). It implies that managers are trustworthy and competent administrators of corporate resources and are best situated to maximize the interest of shareholders because they are most familiar with the intricacies of corporate strengths, weakness, opportunities and threats.

Agency Theory

Agency theory is seen as the principal-agent relationship theory. It is based on the belief that there is a basic conflict of interest between the owners and managers of the company (Kiel & Nicholson, 2003 cited in Peerasut, 2024). This theory was formalized in the early 1970's by Harold Denisetz, Micheal, Jenson, William and Meckling and others. Agency theory continues to be the dominant theoretic-anchor for studies of corporate governance practices and firm performance. Jensen and Meckling (1976) as cited by Peerasut (2024) define the agency relationship in terms of "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent".

Daily, Dalton and Canella (2003) cited in Husain (2024), acknowledged two factors that influence the prominence of agency theory. Firstly, the theory is a conceptually simple one that reduces the corporation to two participants, managers and shareholders. Secondly, the notion of human beings as self-interested is a generally accepted idea. Agency theory is a long-held concept that occurs when corporate ownership is separated from corporate management. As stated by David (2021), Behaviours, decisions and actions by managers will deviate from those required to maximize shareholders value. In other words, it assumes an imminent divergence of the interest of shareholders. This study is anchored on agency theory.

METHODOLOGY

This study examines the effect of corporate governance on the profitability of money deposit banks in Nigeria. The area of this study is restricted to a money deposit bank in Ede, Osun State, Nigeria. It is selected due to proximity and ability to get reliable information.

This study adopted an Ex-Post Facto and a descriptive survey research design, given its alignment with the research problem concerning the relationship between corporate governance and profitability level of Nigerian deposit money banks.

The target population for this study consists of all staff of the Deposit Money Bank in Ede, Osun State Nigeria. Preliminary investigation to the bank revealed that there are thirty-two (32) staff working in the branch. Structured questionnaires were distributed to the staff. Thus, the study adopted a total enumeration sampling techniques to cover all staff in the Money Deposit Bank. This sampling technique was adopted because the total population is of controllable size.

Secondary data from the audited financial statements and CBN publications was used to supplement the primary data. The secondary data covered a period of five-year (2020–2024) to analyze recent governance practices and financial outcomes; while the primary data includes the data collected from the questionnaire administered by the researcher. The primary data also include information collected from direct survey, which involves direct contact with the respondents.

The statistic tools used comprised of descriptive statistics, frequency distribution, percentage and mean score. For the purpose of validating the hypotheses stated, this study adopted Multiple Regression analysis evaluation technique. Test of hypothesis was carried out through the inferential statistics. All tests were carried out at 0.05 level of significance. For this study, a model was developed in order to evaluate the effect of corporate governance on the profitability level of money deposit banks in Nigeria. The model used in this research is as follows:

PROF = f (CG, BDI) …………………………..1

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$PROF = \beta_0 + \beta_1 AC + \beta_2 BDI + \mu it$…………….2

Where:

β_0 = Constant term (intercept)

β_1, β_2 = Coefficient of independent variables

μ = Error term (stochastic term)

PROF = Profitability (dependent variable)

Corporate Governance (independent variable measured by BDI and AC)

BDI = Board Independence

AC = Audit Committee

RESULTS AND DISCUSSION

Impact of Board Independence on the Profitability of Money Deposit Banks in Nigeria

Table 1 presents the analysis of responses regarding the impact of board independence on the profitability of money deposit banks in Nigeria.

Table 1 presents the analysis of data on the survey conducted regarding the impact of board independence on the profitability of money deposit banks in Nigeria. On whether board independence enhances decision-making quality, potentially improving profitability, 11 respondents which represent 34.4% strongly agreed, 10 respondents which represent 31.3% agreed. Conversely, 4 respondents which represent 12.5% disagreed, 5 respondents which represent 15.6% strongly disagreed, with 2 respondents which represent 6.3% remaining undecided. With a weighted average score of 3.81, the assertion is accepted, indicating that board independence significantly enhances decision-making quality, contributing to improved profitability.

Further analysis on whether independent boards promote better governance, leading to increased profitability reveals that 13 respondents which represent 40.6% strongly agreed, 8 respondents which represent 25% agreed. Conversely, 4 respondents which represent 12.5% disagreed, 5 respondents which represent 15.6% strongly disagreed, with 2 respondents which represent 6.3% remaining undecided. With a weighted average score of 3.94, assertion is accepted, suggesting that independent boards foster better governance practices, positively impacting profitability.

On whether board independence fosters a culture of accountability, driving business growth, 9 respondents which represent 28.1% strongly agreed, 12 respondents which represent 37.5% agreed. Conversely, 4 respondents which represent 12.5% disagreed, 5 respondents which represent 15.6% strongly disagreed, with 2 respondents which represent 6.3% remaining undecided. With a weighted average score of 3.75, assertion is accepted, indicating that board independence promotes accountability, which drives business growth and profitability.

Additionally, the results on whether independent boards can make unbiased decisions, reducing conflicts of interest indicate that 15 respondents which represent 46.9% strongly agreed, 8 respondents which represent 25% agreed. Conversely, 4 respondents which represent 12.5% disagreed, 5 respondents which represent 15.6% strongly disagreed. With a weighted average score of 4.00, assertion is accepted, confirming that unbiased decision-making by independent boards reduces conflicts of interest, enhancing profitability.

Regarding whether better strategic planning and resource allocation drive business success, 11 respondents which represent 34.4% strongly agreed, 12 respondents which represent 37.5% agreed. Conversely, 3 respondents which represent 9.4% disagreed, 4 respondents which represent 12.5% strongly disagreed, with 2 respondents which represent 6.3% remaining undecided. With a weighted average score of 3.94, assertion is

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accepted, indicating that strategic planning and resource allocation by independent boards contribute to business success and profitability.

Table 1: Impact of Board Independence on the Profitability of Money Deposit Banks in Nigeria

S/N	Items	SA (%)	A (%)	U (%)	D(%)	SD (%)	WAS	Remark
1	Board independence enhances decision-making quality, potentially improving profitability	12 (37.5%)	10 (31.3%)	2 (6.3%)	4 (12.5%)	4 (12.5%)	3.81	Accept
2	Independent boards promote better governance, leading to increased profitability.	14 (43.8%)	8 (25.0%)	2 (6.3%)	4 (12.5%)	4 (12.5%)	3.94	Accept
3	Board independence fosters a culture of accountability, driving business growth.	10 (31.3%)	12 (37.5%)	2 (6.3%)	4 (12.5%)	4 (12.5%)	3.75	Accept
4	Independent boards can make unbiased decisions, reducing conflicts of interest.	16 (50.0%)	8 (25.0%)	0 (0%)	4 (12.5%)	4 (12.5%)	4.00	Accept
5	Better strategic planning and resource allocation drive business success.	12 (37.5%)	12 (37.5%)	2 (6.3%)	3 (9.4%)	3 (9.4%)	3.94	Accept

Source: Field Survey (2025)

Key: SA = Strongly Agree, A = Agree, U= Undecided, D = Disagree, SD = Strongly Disagree, and WAS = Weighted Average Score

Influence of Audit Committee Effectiveness on the Profitability of Money Deposit Banks in Nigeria

Table 2 presents the analysis of responses regarding the influence of audit committee effectiveness on the profitability of money deposit banks in Nigeria.

With respect to whether effective audit committees improve financial reporting quality, supporting profitability, 14 respondents which represent 43.8% strongly agreed and 10 respondents which represent 31.3% agreed that effective audit committees improve financial reporting quality, supporting profitability. Conversely, 3 respondents which represent 9.4% disagreed, and 3 respondents which represent 9.4% strongly disagreed, while 2 respondents which represent 6.3% remained undecided, with weighted average score of 4.00, assertion is accepted, which translates that effective audit committees enhance financial reporting quality, supporting bank profitability.

Concerning the finding on whether audit committee effectiveness enhances risk management, reducing potential losses, 12 respondents which represent 37.5% strongly agreed and 12 respondents which represent 37.5% agreed that audit committee effectiveness enhances risk management, reducing potential losses. In contrast, 3 respondents which represent 9.4% disagreed, and 3 respondents which represent 9.4% strongly disagreed, with 2 respondents which represent 6.3% remaining undecided, with weighted average score of 3.94, assertion is accepted, which translates that audit committee effectiveness reduces potential losses through improved risk management.

On whether improved oversight by audit committees promotes better resource allocation, 10 respondents which represent 31.3% strongly agreed and 12 respondents which represent 37.5% agreed that improved oversight by audit committees promotes better resource allocation. In contrast, 4 respondents which represent 12.5% disagreed, and 4 respondents which represent 12.5% strongly disagreed, with 2 respondents which represent 6.3% remaining undecided, with weighted average score of 3.75, assertion is accepted, which translates that audit committee oversight improves resource allocation, contributing to profitability.

Furthermore, as regards the detection and prevention of financial irregularities through effective audit committees, 16 respondents which represent 50.0% strongly agreed and 8 respondents which represent 25.0%

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agreed that effective audit committees detect and prevent financial irregularities. In contrast, 4 respondents which represent 12.5% disagreed and 4 respondents which represent 12.5% strongly disagreed, with weighted average score of 4.00, assertion is accepted, which translates that effective audit committees prevent financial

irregularities, supporting profitability.

Lastly, with respect to whether enhanced stakeholder confidence and trust boost bank reputation, 14 respondents which represent 43.8% strongly agreed and 10 respondents which represent 31.3% agreed that enhanced stakeholder confidence and trust boost bank reputation. In contrast, 3 respondents which represent 9.4% disagreed and 3 respondents which represent 9.4% strongly disagreed, while 2 respondents which represent 6.3% remained undecided, with weighted average score of 4.00, assertion is accepted, which translates that audit committee effectiveness enhances stakeholder confidence, boosting bank reputation and profitability.

Table 2: Influence of Audit Committee Effectiveness on the Profitability of Money Deposit Banks in Nigeria

S/N	Items	SA (%)	A (%)	U (%)	D (%)	SD (%)	WAS	Remark
1	Effective audit committees improve financial reporting quality, supporting profitability.	14 (43.8%)	10 (31.3%)	2 (6.3%)	3 (9.4%)	3 (9.4%)	4.00	Accept
2	Audit committee effectiveness enhances risk management, reducing potential losses.	12 (37.5%)	12 (37.5%)	2 (6.3%)	3 (9.4%)	3 (9.4%)	3.94	Accept
3	Improved oversight by audit committees promotes better resource allocation.						3.75	Accept
4	Effective audit committees detect and prevent financial irregularities.	16 (50.0%)	8 (25.0%)	0 (0%)	4 (12.5%)	4 (12.5%)	4.00	Accept
5	Enhanced stakeholder confidence and trust boost bank reputation.	14 (43.8%)	10 (31.3%)	2 (6.3%)	3 (9.4%)	3 (9.4%)	4.00	Accept

Source: Field Survey (2025)

Key: SA = Strongly Agree, A = Agree, U= Undecided, D = Disagree, SD = Strongly Disagree, and WAS = Weighted Average Score

Test of Hypotheses

Decision Rule:

The possible range of values for the correlation coefficient is -1 to +1

-1 indicates negative correlation

+1 indicates positive correlation

0 indicate no correlation

The closer the r-value is to +1 the stronger the correlation of the relationship

When the r-value is -1, the relationship is said to be perfectly negatively correlated

When the r-value is +1, the relationship is said to be perfectly positively correlated

When the r-value of the correlation coefficient is near +1 or -1, the relationship strong but when it is near 0 the

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relationship is said to be weak.

H0$_1$: Board independence does not significantly affect the profitability of money deposit banks in Nigeria.

The hypothesis that board independence does not significantly affect the profitability of money deposit banks in

Nigeria (H01) was tested through correlation and regression analysis (Table 3). The results revealed a fair positive relationship between board independence and profitability, indicating that board independence significantly affects the profitability of money deposit banks in Nigeria. The coefficient of determination (R^2) of 0.491 suggests that approximately 49% of the variance in profitability can be explained by board independence, while the adjusted R^2 of 0.481 confirms the significance of this relationship. The Durbin-Watson statistic of 2.129 indicates that the variables in the model are not auto-correlated, ensuring the reliability of the model for predictions. Given these findings, the null hypothesis was rejected, affirming that board independence plays a crucial role in influencing the profitability of deposit money banks in Nigeria.

Table 3: Model Summary **(**Regression Analysis)

Model Summary[b]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.701[a]	.491	.481	.27921	.491	46.784	2	97	.000	2.129
a. Predictors: (Constant), profitability of deposit money banks										
b. Dependent Variable: Board Independence										

Source: Researcher's Computation (2025)

H0$_2$: Audit committee effectiveness does not significantly influence the profitability of money deposit banks in Nigeria.

The hypothesis that audit committee effectiveness has no significant influence on the profitability of money deposit banks in Nigeria (H02) was tested using the Analysis of Variance (ANOVA). From Table 4 the ANOVA results revealed a statistically significant relationship between audit committee effectiveness and profitability, as indicated by an F-statistic value of 46.784 with a probability of 0.000, which is less than the 0.05 level of significance. This led to the rejection of the null hypothesis, suggesting that audit committee effectiveness indeed has a significant influence on the profitability of money deposit banks in Nigeria. The results imply that the effectiveness of audit committees plays a crucial role in enhancing the financial performance of banks, underscoring the importance of robust audit practices in promoting transparency, accountability, and sustainable profitability in the banking sector.

Table 4: ANOVA (Regression Analysis)

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.295	2	3.647	46.784	.000[b]

	Residual	7.562	97	.078		
	Total	14.857	99			
A. Dependent Variable: Profitability of Deposit Money Banks						
b. Predictors: (Constant), Audit committee effectiveness						

Source: Researcher's Computation (2025)

DISCUSSION OF FINDINGS

The study revealed a significant positive relationship between board independence and the profitability of money deposit banks in Nigeria. The findings indicate that independent boards enhance decision-making quality, promote better governance, foster accountability, reduce conflicts of interest, and support strategic planning. These factors collectively contribute to improved financial performance, leading to the rejection of the null hypothesis (H01: Board independence has no significant effect on the profitability of money deposit banks in Nigeria) in favor of the alternate hypothesis, which suggests that board independence has a significant effect on profitability. Similar findings were reported by Agyei-Mensah (2020), who emphasized the importance of board independence in ensuring effective governance and improving financial performance.

The study also found that audit committee effectiveness significantly influences bank profitability. Effective audit committees improve financial reporting quality, enhance risk management, promote better resource allocation, detect financial irregularities, and boost stakeholder confidence. These outcomes highlight the importance of robust audit committees in ensuring financial discipline and transparency, leading to the rejection of the null hypothesis (H02: Audit committee effectiveness has no significant influence on the profitability of money deposit banks in Nigeria) in favor of the alternate hypothesis, which suggests that audit committee effectiveness has a significant effect on profitability. Comparable results were obtained by Al-Matari et al. (2022), who found that effective audit committees improved financial reporting quality and reduced the likelihood of financial irregularities.

CONCLUSION

The study demonstrated the significant impact of corporate governance on the profitability level of money deposit banks in Nigeria. Board independence enhances decision-making quality, governance, and accountability, leading to improved profitability. Effective audit committees strengthen financial reporting, risk management, and stakeholder trust, supporting sustainable profitability. The study also identified challenges that hinder effective corporate governance, including weak oversight, lack of transparency, and inadequate internal controls. These findings underscore the importance of robust corporate governance mechanisms in promoting transparency, accountability, and financial performance in money deposit banks, contradicting the null hypotheses and affirming the critical role of governance in profitability.

RECOMMENDATIONS

Based on the overall findings, the following were recommended:

1. To strengthen the profitability of money deposit banks in Nigeria, it is recommended that banks prioritize board independence and establish robust mechanisms to ensure effective governance. This can be achieved by developing and implementing clear policies, procedures, and guidelines that promote board independence, transparency, and accountability.
2. To enhance the oversight function of audit committees, banks should formulate transparent and effective audit processes. This involves involving stakeholders in the audit process, providing timely and accurate financial information, and ensuring that audit committee decisions are made in a transparent and accountable manner.

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