EFFECT OF BOARD CHARACTERISTICS ON THE STABILITY OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract
This study examines the influence of board characteristics on the stability of listed deposit money banks in Nigeria between 2015 and 2024 using an ex-post facto research design. Data were sourced from the annual reports of fourteen (14) banks and the Central Bank of Nigeria's Statistical Bulletin and analyzed within a panel framework. After a Hausman test favored fixed-effects estimation, bank stability was operationalized via the Z-score, while governance variables included board size, gender diversity and independence, with bank size as a control variable. The findings reveal that board size and board independence have significant positive effects on bank stability whereas gender diversity revealed insignificant negative effect on stability. The study concludes that optimizing board composition by focusing on appropriate board size and independence can materially enhance bank resilience. It is recommended that regulators and banking institutions revise governance guidelines to encourage these attributes while offering targeted training to translate diversity into effective oversight.
Keywords: *Bank, Board, Diversity, Independence, Size, Stability.*

INTRODUCTION

Globally, the banking business is a critical economic activity that serves as the backbone of other businesses, facilitating financial intermediation and economic transactions. Banks operate within three broad segments: retail banking, wholesale banking, and wealth management. Among these, retail banking is the most familiar to the general public, as it encompasses products such as deposits, loans, and credit cards. The revenue generated from these activities, particularly from interest and non-interest income, constitutes a significant portion of the total earnings of banks. However, the performance of banks remains susceptible to market volatility (Adamczyk, 2017; Ajibade & Richard, 2019). In Nigeria, Deposit Money Banks (DMBs) are categorized under retail banking, while wholesale banking and wealth management are separately handled by merchant banks and pension fund administrators, respectively. A fundamental orientation of every Deposit Money Bank is profitability, which aligns with the accounting concept of a going concern. The need to sustain profitability has necessitated the adoption of various corporate strategies and financial management practices. Interestingly, despite Nigeria's challenging economic environment characterized by inflation and macroeconomic instability, banks have continued to report substantial profits in recent years.

Deposits money Banks performs critical transformative functions, including mobilizing financial resources from surplus units and channelling them to deficit units where they can be deployed productively. However, the ability of banks to sustain these roles depends largely on their stability. A stable banking system ensures uninterrupted financial intermediation, maintains public confidence, and reduces the risk of systemic crises that can undermine global economic progress. In recent years, international regulatory bodies such as the Basel Committee on Banking Supervision have emphasized the importance of maintaining adequate capital buffers, prudent liquidity management, and sound corporate governance to safeguard bank stability worldwide (BCBS, 2025). Global financial crises and market shocks have demonstrated that instability in the banking sector can have far-reaching effects, disrupting not only domestic economies but also international trade and investment flows. Consequently, ensuring bank stability has become a key priority in sustaining global economic resilience. However, given the centrality of stability to the effective functioning of banks, scholarly focus has increasingly shifted to the internal governance mechanisms that underpin such stability. One area of particular interest is the structural attributes of bank boards, often referred to as board characteristics.

Board characteristics is the structural and compositional features of a bank's board of directors, encompassing elements such as board size, independence, gender diversity, tenure, expertise, and affiliation of members (Rahman et al., 2024; Adeyemo et al., 2024). These attributes determine the

board's capacity to provide effective oversight, guide strategic decisions, and balance risk-taking with regulatory compliance. Recent empirical evidence on Nigerian deposit money banks underscores the pivotal role of board independence and board size in shaping financial sustainability and value creation. Findings from Maimako et al. (2024) reveal that independent directors enhance long-term financial resilience, whereas the impact of board size varies according to the financial metric applied. Similarly, Adeyemo (2024), in a study on listed Nigerian banks, observed that board size, gender diversity, and independence significantly influence market value. In contrast, Ishaya et al. (2025) reported that for the period 2014–2020, while board independence positively affected financial sustainability, neither board size nor gender diversity had a meaningful impact. This study however focused on how board size, board independence and board gender diversity affect stability of DMBs in Nigeria.

The banking sector is undergoing rapid changes driven by technological advancements, regulatory reforms, and intensified competition, making it essential to understand the factors that influence financial performance. Among these factors, board characteristics; such as composition, diversity, experience, and independence are key in shaping strategic decisions and ensuring effective management oversight. However, despite the growing recognition of the importance of strong governance structures, many Nigerian banks continue to face challenges related to poor financial outcomes. Several studies suggest that weaknesses in board characteristics are often linked to poor financial performance. Efforts have been made to address governance challenges in the sector. Regulatory bodies, like the Central Bank of Nigeria, have introduced guidelines to improve board effectiveness, enhance transparency, and ensure adherence to best corporate governance practices. Additionally, some banks have implemented training programs aimed at strengthening board competencies and fostering a culture of accountability yet the impact is yet to be reflected on the overall stability of the banks and hence this study which examined the effect of board characteristics on stability of listed DMBs in Nigeria.

The study was guided by the following objectives:

i. To assess the effect of board size on the stability of listed deposits money banks in Nigeria.
ii. To ascertain the effect of board diversity on the stability of listed deposits money banks in Nigeria.
iii. To analyzed the effect of board independence on the stability of listed deposits money banks in Nigeria.

LITERATURE REVIEW

Bank Stability

Barth and Caprio (2024) framed bank stability as the ability of financial institutions to maintain consistent performance and avoid distress during economic fluctuations, characterized by strong capital reserves and effective risk governance. Ali et al. (2021) posited that stability enables banks to invest in technology and develop new financial products without compromising solvency, thereby fostering innovation and product development. It also reduces bailout costs by minimizing the need for costly government interventions during crises. Moreover, stable banks improve employment stability by maintaining their workforce and avoiding layoffs that could occur during financial distress. Banking stability further strengthens payment systems, ensuring the smooth functioning of payment and settlement mechanisms essential to economic activity. In addition, it boosts capital market development as stable banks actively participate in and support market growth through underwriting and investment activities. Finally, stability enhances a country's global reputation, positioning it as a safe investment destination, attracting foreign capital, and strengthening economic ties. On the other hand, Eze and Amadi (2022) opined that bank stability is the resilience of banks to sustain credit provision and financial intermediation despite challenges like political instability or currency fluctuations.

Board Size

Herbert and Agwor (2021) opined that board size is the membership of the board of directors, in terms of the number of directors serving on the board. A larger board can bring diverse perspectives through varied professional backgrounds, experiences, and viewpoints, leading to richer discussions and more

informed decision-making. It also provides a broader skill set, offering expertise in areas such as finance, risk management, law, and technology, which strengthens oversight functions. Furthermore, having more members enhances monitoring capacity, as responsibilities can be shared across committees, thereby improving the overall quality of governance. Furthermore, board size may signify and offer advantages of strategic thinking, credibility, insight, industry knowledge, good judgment, communication skills and decision-making ability (Herbert & Agwor, 2021) which may influence the financial performance of the organization. It is therefore important to choose the number of persons constituting the board that is ideal and the persons are competent, committed, and can carry out a variety of functions (Abdullah, et al., 2022).

Krause et al., (2020) defined board size as the number of directors serving on a firm's board, emphasizing that the size of the board plays a crucial role in shaping the firm's strategic decision-making and governance effectiveness. In addition, while a larger board may bring more diverse expertise and insights, it can also lead to inefficiencies in decision-making, highlighting the need for a balanced board size to optimize financial performance. In a similar vein, Ongore, et al., (2018) stated that board size is the sum of members with voting privileges on the board of directors of a company.

Board Gender Diversity

Onyeka and Daniel (2024) posited that Board diversity refers to the situation where there is the representation of different genders on a company's board of directors. It is the variety of differences among board members in terms of their background, experiences, perspectives, and demographics. It includes dimensions such as gender, age, ethnicity, professional expertise, and other characteristics that can bring diverse viewpoints to decision-making processes within a corporate board. The idea is that diverse boards are more likely to enhance creativity, reduce groupthink, and improve the overall governance of the organization, which may ultimately lead to better financial performance. Furthermore, it is the presence of differences among board members in terms of gender, age, ethnicity, and background. In the same vein, Adegboyegun and Igbekoyi, (2022) argued that board diversity is a diverse blend of features, qualities, and proficiency made available by the individuals in the board room as an input to the decision-making process.

Board Independence

Yahaya (2025) posited that board independence refers to the extent to which the board of directors comprises independent, non-executive members who are free from managerial or operational affiliations with the company. Independent directors ensure impartial oversight of management, protecting shareholder interests and upholding governance standards. Independent directors are more likely to act in the best interests of the company and its stakeholders.

Haat (2018) opined that board independence refers to the quality of board members being free from any relationships or influences that could compromise their judgment and decision-making on behalf of the organization. Board independence involves the absence of conflicts of interest that could arise from past employment, business dealings, or familial ties to the company's management or major shareholders. It is characterized by the presence of directors who do not have any material relationships with the company, its management, or its significant shareholders. Furthermore, this ensures that their decisions are based solely on the best interests of the company and its stakeholders. Independence is defined as the ability of board members to exercise objective judgment without being influenced by personal interests or external pressures (Eyenubo et al., 2017).

Board Size and Stability

Olowofela et al. (2025) examined governance mechanisms — among them board size — and their relationship with bank outcomes for Nigerian DMBs covering 2012–2022. The study used a balanced panel of banks with available data and employed GMM to reduce endogeneity concerns, while measuring bank soundness using Z-score, NPL ratios and capital adequacy. The findings suggested that board size had a small but positive association with financial strength in some models, while other governance

variables (audit committee, board independence) had stronger, more consistent relationships with stability indicators. Recommendations emphasized improving board expertise and committee functions. The study's use of multiple stability measures and GMM strengthens inference, but it noted potential measurement error in director-level variables (cross-year consistency) and the remaining challenge of isolating reverse causality (e.g., struggling banks restructuring boards).

Adeyemo et al. (2024) investigated the effect of board structure on the financial stability of Nigerian banks between 2010 and 2022, with particular attention to board size. The population consisted of listed banks in Nigeria, and the study adopted a quantitative research method using secondary data. Descriptive statistics revealed that no bank in Nigeria had less than an average of 10 board members during the study period. Using statistical analysis with the Sharpe ratio as a measure of financial stability, the results showed that board size had a negative and significant effect, indicating that as board size increased to 10 members, the reward-to-volatility ratio of Nigerian banks fell by approximately 3%. This suggested that larger boards may hinder decision-making efficiency and ultimately reduce financial stability. The study recommended that Nigerian banks reduce their board size in order to enhance financial stability.

Agazo et al. (2024) explored how board attributes, including board size, affected the financial performance of listed deposit money banks in Nigeria between 2013 and 2022, using return on assets (ROA) as a performance proxy but also discussing implications for bank stability. The study sampled 12 purposively selected banks (from a population of 14 listed on the Nigerian Exchange Group) and drew secondary data from annual reports. After conducting descriptive statistics, correlation matrices, and random-effects panel regression via Stata 16, it was found that board size had a positive and significant effect on financial performance, while board composition and board meetings had positive but insignificant effects. The study concluded that larger boards may enhance performance through deeper expertise and diversity, which in turn supports stability. It recommended streamlining board size—neither too small nor excessively large—to balance oversight and efficiency.

Board Diversity and Stability

Umar et al. (2024) assessed how board attributes affect the stability of Islamic banks and whether a standalone risk-management committee (SARC) moderates these relationships. A panel of 43 Islamic banks across 15 countries, covering the period 2010–2020, was analyzed using feasible generalized least squares (FGLS) and two-step system generalized method of moments (GMM). It was found that board meetings, gender diversity, and foreign directors had no significant direct impact on stability, while board members holding PhDs had a significant negative effect. However, the presence of SARC significantly improved stability and moderated the negative effects of PhDs and foreign directors. Recommendations emphasized stronger risk-governance structures such as establishing SARC and tailoring board composition to enhance stability.

Obianuju, et al. (2024) examined the effect of board diversity on the financial performance of listed consumer goods firms in Nigeria. The specific objective was to determine the effect of nationality diversity (BND), gender diversity of corporate board (BGD) and age diversity of corporate board members (BAD) on cash flow return on investment (CROI) of listed consumer goods firms in Nigeria, with firm size (FSZ) as the control variable. The study adopted ex-post facto research design on a population of twenty-one listed consumer goods firms on the Nigerian exchange group. The sample size of fifteen firms used in the study was determined through purposive sampling. Secondary data were sourced from the firms' annual reports over a period of ten (10) years, covering the years 2013 to 2022. Panel-corrected standard errors (PCSE) regression was applied in testing the hypotheses, which revealed that: Nationality diversity has a negative but insignificant effect on cash flow return on investment of listed consumer goods firms in Nigeria (p-value = .359); Gender diversity has a positive but no significant effect on the cash flow return on investment of listed consumer goods firms in Nigeria (p-value = 0.080); Age diversity has a positive and significant effect on the cash flow return on investment of listed consumer goods firms in Nigeria (p-value = 0.007). In conclusion, the negative impact of nationality diversity on cash flow return on investment shows the need for organizations to carefully manage the

challenges associated with diverse national backgrounds, emphasizing effective communication and cultural alignment. It is recommended that organizations should carefully evaluate and manage the composition of their leadership teams with regard to nationality by fostering inclusive leadership practices and providing cross-cultural training to mitigate potential challenges associated with nationality diversity and enhance overall financial performance.

Board Independence and Bank Stability

Yahaya (2025) examined the relationship between board independence and financial performance in publicly traded companies, incorporating audit quality, firm leverage, and firm size as control variables. The study adopts a quantitative, ex-post facto research design, as it seeks to examine the relationship between board independence and financial performance using secondary data. Using panel data from 153 listed firms spanning 2014 to 2023, the study employed a random effects model (REM) regression analysis to explore the effects of independent board members on financial performance metrics, specifically return on assets (ROA). Data were collected from annual reports and verified through third-party financial databases to ensure reliability. The findings reveal that board independence positively influences financial performance, with firms exhibiting higher proportions of independent directors achieving superior ROA values. Among the control variables, audit quality and firm size positively correlate with financial performance, while firm leverage shows a negative association. However, the study relies on a single financial performance metric (ROA), which may not fully capture the complexities of a firm's financial health.

Aza et al. (2025) examined the moderating effect of board independence on the relationship between sustainability reporting and earnings management in quoted deposit money banks in Nigeria between 2013 and 2022. The population comprised the fifteen deposit money banks listed on the Nigerian Stock Exchange, and the study adopted an ex post facto research design using all fifteen banks as the sample. Secondary data were analysed using the Generalized Method of Moments (GMM) model, applying the Arellano–Bond dynamic panel estimation to address endogeneity concerns. The findings revealed that sustainability reporting had a significant negative relationship with earnings management, indicating that improved sustainability disclosures reduced earnings manipulation. The interaction between earnings reporting and board independence also showed a significant negative effect on earnings management, suggesting that independent directors enhanced the role of earnings transparency in limiting managerial discretion. Furthermore, the interaction between sustainability reporting and board independence was negative and significant, confirming that board independence strengthens the monitoring effect of sustainability disclosures. The study recommended that regulatory bodies such as the Central Bank of Nigeria and the Financial Reporting Council implement policies to increase board independence, and that shareholders advocate for a greater proportion of independent directors to strengthen governance structures that deter earnings manipulation. However, the study did not explore whether the qualifications, expertise, or level of involvement of independent directors influence the strength of the moderating effect, which could provide more nuanced insights into how board independence improves financial reporting quality.

Agency Theory

Agency theory, put forth by Jensen and Mecklings in 1976, is where the study of corporate governance has its roots. In accordance with the principle, the principal appoints or assigns an agent to do a task. One party represents the other party in this form of connection. According to traditional agency theory, a problem occurs when the principal's and the agent's interests are not always in harmony (Uwuigbe, 2011). The agency theory, which has its roots in economic theory and has taken center stage in the corporate governance literature, has been emphasised with a particular emphasis on the principal-agent problem. The goals of organizational managers frequently clash with those of the true owners of the company. Therefore, corporate owners must link their financial benefits to the wages and other forms of compensation that the organization's executives get (Sami, et al., 2009). The time it becomes difficult to forecast how business administrators would act, at which point their compensation becomes a governance problem designed to encourage them to perform their tasks in the owners' best interests (Vo

& Phan, 2013). The idea supports the selection of board members, their incorporation, and the use of enticing compensation packages, while the board oversees the managers through periodic reporting, evaluation, and acceptance of established rules (Uwuigbe, 2011). Despite the fact that certain agency theory research claims that good governance can reduce agency costs and increase firm owners' profits, some other investigations' findings seem to support the opposite. The use of several organizational governance metrics may be one explanation for this divergence outcome; thus, our study is based on this notion.

METHODOLOGY

The study adopted an ex-post facto research design. The population of the study consist of all deposit money banks listed on the Nigerian Exchange Group (NGX). Based on the available reports, there are fourteen (14) DMBs listed on the NGX and hence formed the population. Census sampling technique was used to select the entire 14 as the sample size of the study. Secondary data were collected from annual reports of the DMBs for a period ranging 2015-2024. These data were analyzed using the panel regression analysis. The model is specified **thus:**

$BST_{it} = \beta_0 + \beta_1 BSZ_{it} + \beta_2 BDV_{it} + \beta_3 BIN_{it} + \beta_4 FSZ_{it} + e_{it}$

Where;

BST = Bank Stability

β_0 = Constant term

β_1 to β_4 = coefficient used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables.

BSZ = Board Size, BDV = Board Diversity, BIN = Board Independence, FSZ = Size of DMBs.

e = is the error term to capture unexplained variations in the model and which is assumed to be normally distributed with mean zero and constant variance.

EQA = Equity, ROA = Return on Assets

The variables of the study were measured thus:

S/N	Variable	Type	Measure	Source
1	Bank Stability (Z-Score)	DV	$\frac{ROA+EQA}{\delta (ROA)}$	Malik (2011)
2	Board Size (BSZ)	IV	Measured as the total number of directors serving on a bank's board.	Kumar and Singh (2012)
3	Board Diversity (BDV)	IV	The number of women directors divided by the board size	Sani (2021)
4	Board Independence (BIN)	IV	Percentage of independent directors to the total number of directors of firm.	Abidin et al. (2009)
5	Size (FSZ)	Control	Log of total assets	Kusi et al., 2019; Kafidipe, 2021

Source: Author's Computation, 2025

RESULTS AND DISCUSSION

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
BST	140	.572	.295	.01	1.05
BSZ	140	9.507	3.036	5	14
BDV	140	.493	.407	0	1.6
BIN	140	.741	.373	.214	1.8
BS	140	19.823	.864	17.137	20.721

Source: Stata Output, 2025

The descriptive statistics presented in Table 4.1 provide an overview of the central tendencies, dispersion, and range of the variables involved in the study on the impact of board characteristics on bank stability among listed deposit money banks in Nigeria. The dependent variable, Bank Stability (BST), measured using the Z-Score, has a mean value of 0.572 with a standard deviation of 0.295, indicating moderate stability on average across the banks in the sample. The minimum and maximum values for BST range from 0.01 to 1.05, showing variability in the financial stability levels among the banks, with some exhibiting very low stability while others demonstrate relatively high stability.

Regarding the independent variables, Board Size (BSZ) has a mean of approximately 9.5 directors, with a standard deviation of about 3.0, suggesting that most banks have boards ranging roughly between 5 and 14 members, consistent with typical board sizes in the banking sector. This variability could imply differences in governance structures across the sample banks. Board Diversity (BDV), measured as the proportion of women directors on boards, has a mean of 0.493 and a relatively large standard deviation of 0.407, with values ranging from 0 to 1.6. This wide range indicates significant variation in gender diversity across banks, with some having no female representation and others exceeding parity. Board Independence (BIN) has a mean of 0.741 and a standard deviation of 0.373, with minimum and maximum values from 0.214 to 1.8. This indicates that, on average, about 74% of directors are independent, but some banks have significantly fewer independent directors, whereas others exceed the typical ratio, showing differing levels of external oversight. The control variable Bank Size (BS), measured by the logarithm of total assets, averages 19.823 with a standard deviation of 0.864, and ranges from 17.137 to 20.721. This relatively narrow range suggests the sample banks vary in size, but most are within a comparable scale of asset magnitude.

Table 4.2: Correlations Matrix

Variables	(1)BST	(2)BSZ	(3)BDV	(4)BIN	(5)BS
(1) BST	1.000				
(2) BSZ	-0.059	1.000			
(3) BDV	-0.101	-0.480	1.000		
(4) BIN	0.155	-0.733	0.306	1.000	
(5) BS	0.017	-0.005	-0.046	0.066	1.000

Source: Stata Output, 2025

The correlation matrix in Table 4.2 offers insights into the linear relationships between the study variables, which is crucial for understanding how board characteristics and control variable interact with bank stability (BST) as well as among themselves. Bank Stability (BST), the dependent variable, shows a weak positive correlation with Board Independence (BIN), with coefficients of 0.155. This positive correlation suggests that banks with boards that have a higher proportion of independent directors tend to exhibit slightly better stability. On the other hand, Board Size (BSZ) and Board Diversity (BDV) have weak negative correlations with BST (-0.059 and -0.101 respectively), implying that larger boards or those with higher female representation may not necessarily contribute positively to bank stability in this sample. Bank Size (BS) has a near-zero correlation with BST (0.017), suggesting that the size of the bank, in logarithmic terms, does not have a meaningful direct relationship with stability in this dataset.

Board Size (BSZ) has significant negative correlation with Board Diversity (BDV) (-0.480) indicating that larger boards tend to have less gender diversity. Furthermore, Board Independence (BIN) is highly negatively correlated with Board Size (-0.733), suggesting that banks with larger boards tend to have fewer independent directors proportionally. Positive correlations among BDV and BIN (0.424) indicate that boards with more women directors also tend to have higher independence levels.

Test for Heteroskedasticity

Table 4.3 Heteroskedasticity

Test	Variable	χ^2 (df)	p-value	Decision
Breusch–Pagan / Cook–Weisberg	Fitted values of BST	0.04 (1)	0.8389	Fail to reject H_0: constant variance

Source: Stata Output, 2025

The results from the Breusch-Pagan/Cook-Weisberg test for heteroskedasticity presented in Table 4.3 indicate that the null hypothesis of constant variance (homoskedasticity) cannot be rejected. Specifically, the chi-square statistic is very low at 0.04, and the associated p-value is 0.8389, which is well above the common significance thresholds (such as 0.05). This means there is no statistical evidence of heteroskedasticity in the residuals of the regression model based on the fitted values of bank stability (BST).

In practical terms, this result suggests that the variance of the error terms is constant across different levels of the predicted BST values, supporting the assumption of homoskedasticity. This is important because heteroskedasticity can lead to inefficient estimates and biased standard errors, which affect hypothesis testing. Since the test indicates homoskedasticity, the regression estimates and associated inference about the relationships between board characteristics and bank stability are more reliable under this assumption. However, it remains prudent to consider other diagnostic tests and model specifications to ensure robustness of the results.

Variance Inflation Factor

Table 4.4 Variance Inflation Factor

VIF	1/VIF
2.620	0.382
2.300	0.434
2.120	0.471
2.100	0.475
1.320	0.756
1.280	0.782
1.020	0.982
1.820	

Source: Stata Output, 2025

The Variance Inflation Factor (VIF) results in Table 4.4 provide an assessment of multicollinearity among the independent variables included in the regression model. Multicollinearity occurs when predictor variables are highly correlated, which can inflate the variance of coefficient estimates and make it difficult to isolate the individual effect of each variable.

In this analysis, the VIF values range from a minimum of 1.02 to a maximum of 2.62. Generally, a VIF value below 5 (and more conservatively below 10) is considered acceptable and indicates low to moderate multicollinearity. Therefore, the observed VIF values suggest that multicollinearity is not a serious concern in this model. The corresponding 1/VIF values, which represent the tolerance levels, range from 0.382 to 0.982, with values closer to 1 indicating less correlation among the independent variables.

These results imply that the independent variables, including the board characteristics and control variables, do not exhibit excessive correlation that would distort the regression estimates. Consequently, the regression coefficients are likely to be reliable and interpretable, supporting the validity of subsequent inference about the relationships between board attributes and bank stability. Nonetheless, it is always advisable to consider these findings alongside other diagnostics and theoretical expectations.

Panel Regression Analysis

To analyze the data collected, the study examined first, the Fixed Effect (FE) model which was followed by the Random Effect (RE) model. The Hausman Specification test was then conducted to help select between the FE and RE model. The probability of the Hausman test stood at 0.000 which is less than 0.05, hence justifying the choice of the FE model. The post estimation tests of heteroskedasticity and VIF were conducted and they showed acceptable values which further mandates the interpretation of the FE model and hence Table 4.5.

Table 4.5 Fixed Effect Regression results

BST	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
BSZ	0.035	.006	5.78	0.000	0.023	0.048	***
BDV	0.04	.03	1.31	0.192	-0.02	0.099	
BIN	0.153	.039	3.98	0.000	0.077	0.23	***
BS	0.011	.018	0.59	0.554	-0.025	0.047	
Constant	-0.291	.364	-0.80	0.425	-1.011	0.429	

Mean dependent var	0.572	SD dependent var	0.295
R-squared	0.828	Number of obs	140
F-test	81.851	Prob > F	0.000
Akaike crit. (AIC)	-201.206	Bayesian crit. (BIC)	-177.672

*** p<.01, ** p<.05, * p<.1*

Source: Stata Output, 2025

Hypotheses Testing

The first null hypothesis posits that board size has no significant effect on bank stability of listed deposit money banks in Nigeria. The Random-effects estimate of 0.035 (p =0.000 < .05) indicates a positive and highly significant effect of board size on stability of listed DMBs in Nigeria. Hence the acceptance of the first alternative hypothesis which states that board size has significant effect on bank stability of listed deposit money banks in Nigeria.

The second null hypothesis posits that board diversity has no significant effect on bank stability of listed deposit money banks in Nigeria. The Random-effects estimate of 0.040 (p = 0.192 > .05) indicates a positive and insignificant effect of board diversity on stability of listed DMBs in Nigeria. Hence the acceptance of the second null hypothesis which states that board diversity has no significant effect on bank stability of listed deposit money banks in Nigeria,

The last null hypothesis posits that board independence has no significant effect on bank stability of listed deposit money banks in Nigeria. The Random-effects estimate of 0.153 (p =0.000 < .05) indicates a positive and highly significant effect of board independence on stability of listed DMBs in Nigeria. Hence the acceptance of the last alternative hypothesis which states that board independence has significant effect on bank stability of listed deposit money banks in Nigeria,

Discussion of Findings

Consistent with resource dependence arguments, this study finds that board size enhances bank stability. Empirical research supports the positive role of larger boards: Adams and Mehran (2012) link board expansion to improved credit ratings, Pathan and Faff (2013) show that banks with more directors' better weather market downturns, and Nguyen et al. (2021) report similar effects in emerging markets. Bello's (2024) global analysis further demonstrates that expanded boards correlate with stronger capital buffers. Furthermore, the study's evidence that independent boards contribute to greater resilience aligns closely with stewardship and agency theories. On board independence, Bhagat and Black (2002) demonstrate its

role in curbing earnings management, Klein (1998) highlights better loan performance with independent oversight, and more recent work by Adegbite (2021) and Emeana (2023) confirms its positive impact on risk-adjusted returns. However, some scholars warn that independence can slow decision making or dilute firm-specific knowledge (Cullen & John, 2019; Balasubramanian & Muhammed, 2022; Musa & Ogun, 2020).

In contrast, board diversity does not appear to influence stability of DMBs, suggesting that mandates in these areas may yield mixed results depending on context. Torchia, et al. (2011) found that gender diversity's impact on outcomes is often ambiguous, while Singh (2020) and Ogbeide (2022) report no stability benefits from female representation in Nigerian firms.

CONCLUSION AND RECOMMENDATIONS

The study provides evidence that certain board attributes play a decisive role in enhancing the stability of listed deposit money banks in Nigeria. Specifically, larger boards and a higher proportion of independent directors each contribute positively to a bank's resilience against financial distress. Conversely, the absence of significant effects from board gender diversity underscores the existing problems of governance in the Nigerian banking sector. This suggest that diversity alone may not automatically translate into stronger stability outcomes without complementary factors—such as inclusive board dynamics, targeted training, or supportive regulatory frameworks—that fully leverage these attributes. Based on the following the study recommends thus:

i. To enhance board effectiveness and reinforce bank resilience, regulators should revisit governance codes to encourage an optimal board size. Rather than prescribing a one-size-fits-all threshold, guidelines could set a minimum and maximum range for board membership, allowing institutions to tailor their board composition to their complexity and risk profile.

ii. Although gender diversity did not significantly predict stability of banks in this study, banks should nonetheless pursue efforts to build an inclusive culture and continuous learning environment that ensures the full advantages of gender diversity are tapped. This may be advanced through mentorship schemes which encourages the pairing of seasoned directors with new female appointees. This can help translate demographic diversity into deeper insights and more robust decision-making.

iii. Bank management should strive to strengthen the nomination and appointment process for board seats, prioritizing candidates with demonstrated integrity, diverse industry experience, and a commitment to active oversight. Institutions can enhance the effectiveness of independence by providing tailored induction programs that familiarize new directors with bank-specific risks, regulatory expectations, and the institution's strategic objectives.

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