

IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF GUARANTEE TRUST BANK (GTBANK)

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ABSTRACT

This study examines the impact of corporate governance on the performance of Guarantee Trust Bank (GTBank), focusing on the role of board size and board independence in enhancing performance. Utilizing an ex-post facto research design, secondary data were collected from GTBank's annual reports and audited financial statements for the period 2013 to 2023. The hypotheses were analysed using Ordinary Least Squares (OLS) regression, conducted with EViews software version 10. The findings reveal that board size has a positive and statistically significant relationship with return on assets (ROA). This underscores the role of a well-structured board in driving financial performance. The study concludes that there is a strong and significant positive relationship between board size and financial performance, emphasizing the importance of an appropriately sized board in fostering effective decision-making and strategic alignment. Based on these findings, the study recommends that GTBank should maintain an optimal board size that balances the benefits of diverse expertise with the need to avoid inefficiencies associated with overly large boards. Regular evaluations of board composition should be conducted to ensure alignment with the organization's strategic goals and evolving needs. Additionally, mechanisms should be put in place to leverage the diverse expertise of board members to further enhance governance and organizational performance.

Keywords: Corporate governance, Performance, ROA, Board size, Board independence, GTbank

INTRODUCTION

Corporate governance has become a critical factor in enhancing organizational performance, particularly within the financial sector. Effective governance frameworks enable banks to manage risks, make strategic decisions, and ensure long-term sustainability. Among the key elements of corporate governance, board size and board independence play a significant role in shaping organizational effectiveness. Globally, research from developed regions such as the United States and Europe highlights a strong connection between governance practices and financial performance. Studies indicate that banks with

moderate board sizes and a higher proportion of independent directors tend to achieve superior financial outcomes, including improved return on assets (ROA) (Zhang et al., 2023). These findings underscore the importance of well-structured boards in promoting accountability and minimizing risks in financial institutions.

In Africa, the role of corporate governance has gained increasing attention due to its potential to drive economic growth and strengthen institutions (Okike, 2007). However, the continent's financial sector faces numerous challenges, including political instability, underdeveloped regulatory frameworks, and limited integration into global markets

(Adegbite, 2015; World Bank, 2019). These issues highlight the critical need for robust governance practices to enhance transparency, accountability, and investor confidence, which are essential for sustainable economic development (Okeahalam, 2008). Despite these challenges, research demonstrates that sound governance practices, particularly those prioritizing board independence, positively impact financial performance. For instance, Okeahalam and Akinboade (2023) found that banks in South Africa and Kenya with smaller and more independent boards achieved higher ROA, as these structures supported effective decision-making and mitigated agency conflicts. These findings emphasize the importance of robust governance mechanisms for African banks seeking to remain competitive in a dynamic global financial environment.

In Nigeria, the focus on corporate governance has intensified following financial crises and corporate scandals that exposed deficiencies in governance structures. As a vital sector for economic development, the banking industry has been central to regulatory reforms aimed at improving governance practices. Nigerian banks face unique challenges, including corruption, inefficiencies in regulatory enforcement, and the need to meet international governance standards (Adams & Mehran, 2022). These challenges underscore the importance of effective governance mechanisms to address institutional weaknesses and promote long-term organizational success (Okeahalam, 2008; Uadiale, 2010). Guaranty Trust Bank (GTBank), a leading financial institution in Nigeria, serves as a valuable case for studying the impact of board size and independence on financial performance. Known for its innovation, strong leadership, and consistent financial success, GTBank operates within a challenging economic environment that highlights the importance of effective corporate governance (Adegbite, 2015; Uadiale, 2010; World Bank, 2019).

Despite regulatory guidelines on corporate governance in Nigeria, inconsistencies in the implementation of board structures raise questions about their impact on financial performance. While larger boards may provide a range of expertise, they can also lead to

inefficiencies, negatively affecting ROA (Beiner et al., 2023). In contrast, independent boards are associated with improved performance due to their capacity to reduce conflicts of interest and ensure greater transparency, as they provide unbiased oversight and enhance accountability in decision-making processes (Adams & Mehran, 2012; Bhagat & Black, 2002). Board independence is particularly critical in mitigating agency problems and fostering investor confidence, which are essential for achieving sustainable financial performance (Gompers, Ishii, & Metrick, 2003; Adegbite, 2015). However, current practices in Nigerian banks often show an over-reliance on regulatory compliance without examining whether these structures deliver on their intended goals. This gap necessitates a targeted study to align governance practices with performance outcomes effectively.

While existing research highlights the importance of board size and independence in enhancing financial performance, there is limited understanding of how these governance mechanisms operate within the unique context of Nigerian banks. Specifically, the relationship between board characteristics and financial performance, as measured by ROA, remains underexplored in Nigeria's challenging economic and regulatory environment. This study addresses this gap by examining the influence of board size and independence on GTBank's ROA. By focusing on GTBank, a leading institution with strong governance practices, the study seeks to provide actionable insights into how governance structures can be optimized to enhance financial performance. The findings aim to guide regulatory policies and improve governance practices across Nigerian banks, ensuring they are better equipped to meet shareholder and societal expectations in a competitive and evolving financial landscape.

Objectives of the Study

The main objective of the study was to examine the impact of corporate Governance on the performance of Guarantee Trust Bank. The Specific objectives are to:

- i) Evaluate the impact of board size on Return on Assets (ROA) of Guarantee Trust Bank.

- ii) Determine the impact of board independence on Return on Assets (ROA) of Guarantee Trust Bank.

LITERATURE REVIEW

Conceptual Issues

Concept of Corporate Governance

Corporate governance encompasses the framework through which organizations are directed, controlled, and held accountable, particularly in managing the interactions among stakeholders, management, and the board of directors (Adegbite, 2015; Okeahalam, 2008). This system includes a set of rules, practices, and processes that guide decision-making and operational strategies to promote transparency, fairness, and accountability. Worldwide, corporate governance is acknowledged as a crucial factor influencing organizational performance and long-term sustainability, particularly in the financial sector (Al-Haddad et al., 2021; Chen et al., 2023). Key governance mechanisms, such as the independence and composition of boards, play a vital role in alleviating agency issues, fostering ethical behaviour, and building stakeholder trust. In emerging markets like Nigeria, the adoption of corporate governance codes has been essential in tackling systemic inefficiencies and enhancing financial stability. Nonetheless, challenges such as inadequate regulatory enforcement and ineffective board structures remain prevalent, highlighting the necessity for customized governance practices that reflect the specific economic and cultural contexts of these regions (Okafor et al., 2023; Soba et al., 2022). This situation underscores the need for continuous reforms and research in corporate governance to reinforce its position as a catalyst for organizational effectiveness and economic growth.

Board Size

Board size refers to the total number of directors that make up an organization's governing body, which is responsible for overseeing the company's strategic direction, operations, and compliance (Adams & Mehran, 2012; Beiner et al., 2023). The topic of board size is a subject of considerable debate in corporate governance literature, with

researchers examining the ideal structure that balances decision-making efficiency with a diversity of expertise. A larger board can offer a variety of perspectives and enhance decision-making quality by incorporating a broad range of skills and experiences. However, overly large boards may become cumbersome, resulting in coordination challenges, delayed decisions, and increased administrative costs (Nguyen et al., 2023). The optimal size of a board can differ based on factors such as industry, firm size, and organizational goals. In the banking sector, where decision-making is intricate and risk management is crucial, having an appropriately sized board is vital for effective governance. Studies by researchers like Hussain et al. (2022) indicate that smaller boards generally demonstrate greater efficiency in decision-making and accountability due to reduced conflicts and faster communication. Nonetheless, smaller boards may lack the necessary diversity and expertise to tackle the complex challenges banks face in a rapidly changing financial environment. In Nigeria, regulatory frameworks such as the Central Bank of Nigeria (CBN) Code of Corporate Governance advocate for a balanced board composition to ensure effective oversight while avoiding the inefficiencies associated with boards that are either too large or too small (CBN, 2018). Evidence suggests that Nigerian banks with moderately sized boards tend to perform better because they achieve a balance between diversity and decision-making efficiency (Arowolo & Lawal, 2023). For example, Guaranty Trust Bank (GTBank) has strategically approached its board composition to ensure an optimal mix of skills and experience aligned with its corporate objectives (Adegbite, 2015; Uadiale, 2010). Ultimately, board size is not a universal standard; it is influenced by the specific needs of the firm, the regulatory landscape, and the industry context. Understanding how board size impacts organizational performance is crucial for developing governance structures that promote sustainable growth and profitability.

Board independence

Board independence refers to the presence of directors on a company's board who are not part of its executive management team and are free from relationships that could compromise their ability to act in the best interests of the company

and its stakeholders (Adams & Mehran, 2012; Bhagat & Black, 2002). Independent directors play a critical role in ensuring transparency, accountability, and impartial oversight of organizational activities. They are pivotal in mitigating agency conflicts by objectively evaluating management decisions, protecting shareholder interests, and enhancing the credibility of governance practices (Chen et al., 2023). Research has demonstrated that board independence positively influences firm performance, particularly in the financial sector, by promoting effective risk management and strategic decision-making (Erem & Ceylan, 2023). In the Nigerian banking sector, the Central Bank of Nigeria (CBN) mandates a minimum proportion of independent directors on boards to enhance governance quality and financial stability. Despite this, implementation challenges such as political interference and cultural norms continue to limit the effectiveness of independent boards in many institutions (Okafor et al., 2023). Addressing these challenges requires stricter regulatory enforcement and a focus on appointing qualified, experienced independent directors who can contribute to sustainable organizational performance.

Concept of Performance

Performance within an organizational context refers to an entity's capability to effectively and efficiently achieve its goals and objectives. This performance is typically assessed through various metrics, including profitability, cost efficiency, operational outcomes, and customer satisfaction (Kaplan & Norton, 1996; Venkatraman & Ramanujam, 1986). In the banking sector, performance is closely linked to the effective utilization of resources to optimize outputs while managing associated risks (Adams & Mehran, 2012; Beiner et al., 2023). Contemporary performance frameworks highlight the importance of both financial and non-financial metrics, recognizing that factors such as innovation, employee engagement, and adherence to governance standards significantly influence outcomes (Erem & Ceylan, 2023; Okafor et al., 2023). In emerging economies like Nigeria, performance becomes especially crucial as banks contend with intense competition, regulatory scrutiny, and fluctuating economic conditions. Research indicates that well-governed institutions with

strong risk management practices tend to perform better, achieving higher cost efficiency and sustainable growth (African Scholar, 2023; Chen et al., 2023). However, challenges such as operational inefficiencies, high costs, and external economic pressures continue to impact performance, making it a central focus for ongoing reforms and research in corporate governance and operational strategy.

Performance within an organizational context refers to an entity's capability to effectively and efficiently achieve its goals and objectives. This performance is typically assessed through various metrics, including profitability, cost efficiency, operational outcomes, and customer satisfaction (Kaplan & Norton, 1996; Venkatraman & Ramanujam, 1986). In the banking sector, performance is closely linked to the effective utilization of resources to optimize outputs while managing associated risks (Adams & Mehran, 2012; Beiner et al., 2023). One of the most widely used financial metrics to evaluate a bank's performance is Return on Assets (ROA), which measures how efficiently a bank generates profits from its assets. ROA is a critical indicator of operational efficiency and strategic effectiveness, reflecting the bank's ability to convert its investments into earnings (Zhang et al., 2023). A higher ROA signifies better resource utilization and stronger financial health, making it a key benchmark for assessing organizational performance in the banking sector (Adegbite, 2015; Okeahalam, 2008). By connecting performance to ROA, stakeholders can gain valuable insights into how well a bank is managing its assets to achieve sustainable profitability and long-term growth.

Return on Assets

Return on Assets (ROA) is a key financial performance metric that assesses an organization's ability to generate profits in relation to its total assets (Zhang et al., 2023; Adams & Mehran, 2012). It reflects how efficiently a company utilizes its assets to create value and is calculated by dividing net income by total assets. ROA is a vital tool for investors, analysts, and managers as it provides insights into a business's operational effectiveness and asset productivity (Nguyen et al., 2023). A higher ROA indicates efficient asset use for income generation, while a lower ROA may signal inefficiencies in resource utilization or poor management practices. In the banking

sector, ROA is particularly important as it measures how effectively banks leverage their asset base, such as loans and investments, to generate profits (Adams & Mehran, 2012; Zhang et al., 2023). Given the highly leveraged nature of banks, which rely significantly on customer deposits and borrowed funds, ROA offers a clearer view of profitability that is independent of financial structure (Rahman & Rashid, 2023). Unlike other profitability metrics like Return on Equity (ROE), ROA considers the impact of total assets, providing a more comprehensive perspective on operational performance. Several factors influence ROA, including asset quality, revenue diversification, cost efficiency, and risk management practices. For example, banks with high levels of non-performing loans may experience lower ROA due to diminished profitability from their asset portfolios (Adeola & Akinwale, 2023). Furthermore, effective corporate governance encompassing optimal board size and independence has been associated with improved ROA by enhancing strategic oversight and risk management practices. In Nigeria, ROA is a commonly utilized performance indicator for evaluating the profitability of Deposit Money Banks. Studies have shown that Nigerian banks with strong governance frameworks and efficient operations tend to achieve higher ROA, indicating better asset utilization (Olowe & Ajayi, 2023). For Guarantee Trust Bank (GTBank), ROA is a critical metric for assessing its operational efficiency and competitiveness in the banking sector. Overall, ROA serves as an essential measure of financial performance for banks by providing valuable insights into their ability to convert assets into earnings. Its significance in evaluating profitability and operational efficiency highlights the necessity of incorporating ROA into performance assessments and strategic decision-making processes.

Theoretical Framework

Stakeholder Theory

The stakeholder theory, introduced by Edward Freeman in 1984, was designed to overcome the limitations of agency theory, which primarily considers shareholders as the only interest group within a corporate framework. Freeman broadened the perspective of corporate governance by acknowledging a

wider array of stakeholders including employees, suppliers, customers, and communities as essential contributors to an organization's success. This theory is rooted in sociological and organizational studies, as noted by Wheeler, Boele, and Fabig (2002), offering a more inclusive framework that values the interconnected relationships both within and outside the organization. Stakeholders are defined as individuals or groups that can affect or be affected by an organization's objectives. The stakeholder theory asserts that managers have a responsibility to consider the interests of various stakeholders, not just shareholders. This approach highlights the necessity of maintaining relationships with suppliers, employees, business partners, and communities, in addition to the traditional dynamics between owners, managers, and employees (Freeman, 1999). Sundaram and Inkpen (2004) further emphasize that stakeholder theory advocates for fair consideration of all stakeholder interests, ensuring that no single group's interests are prioritized over others. The application of stakeholder theory is evident in various organizational practices such as corporate social responsibility (CSR), ethical decision-making, and sustainable business strategies. By incorporating stakeholder concerns into managerial decision-making processes, organizations can enhance their reputation, build loyalty, and achieve long-term success. The theory also supports governance models that emphasize transparency, inclusivity, and ethical behaviour, striking a balance between profit generation and social responsibility. However, stakeholder theory has its drawbacks. Critics point out that it lacks specificity regarding which stakeholders should be prioritized in decision-making processes. Additionally, its inclusive nature can lead to conflicting interests among stakeholders, complicating managerial decisions. Despite these challenges, stakeholder theory remains a significant framework for addressing the complex dynamics of contemporary organizations and promoting a more holistic approach to corporate governance.

Empirical review

Orumwense and Orumwense (2023) conducted a study titled "The Effect of Corporate

Governance on Financial Performance of Nigeria's Publicly Listed Commercial Banks" using a cross-sectional research design. The study analyzed data from five commercial banks over a 10-year period (2012-2022), employing secondary data from annual reports. A panel multiple regression method was used for data analysis. Findings revealed that board independence had a significant but negative impact on ROA, while board size also negatively influenced financial performance. Gender diversity, represented by at least two female board members, showed a positive but statistically insignificant relationship with ROA. The study concluded that board independence, board size, and gender diversity are critical for achieving organizational goals, despite mixed results. A limitation was the small sample size, which may limit generalizability.

Lawrence et al. (2020), in their study "Corporate Governance and Profitability in Nigerian Banks," used a descriptive research design and analyzed data from 10 Nigerian banks over a 5-year period (2015-2019). Secondary data were collected from annual reports, and a regression analysis was employed. The study found that board size, directors' equity stake, and firm size significantly impacted financial performance, with lagged ROE also influencing current performance. The study emphasized the importance of optimal board size and substantial equity stakes for profitability. A limitation was the exclusion of non-listed banks, which may affect the applicability of findings to the broader banking sector.

Ali and Shadrach (2023), in their study "Board Composition and Financial Performance of Listed Nigerian Deposit Money Banks," employed a longitudinal research design, analyzing data from 12 banks over 12 years (2010-2021). Secondary data were sourced from annual reports, and regression analysis was used. Findings indicated that larger board sizes negatively impacted ROE, while independent and female directors positively influenced performance. The study recommended reducing board size and increasing independent and female directors. A limitation was the focus on listed banks, excluding unlisted ones.

Aderemi et al. (2022), in their study "Corporate Governance and Firm Value of Listed Nigerian Banks," used a descriptive research design, analyzing data from 15 banks over 9 years (2011-2019). Secondary data were collected from annual reports, and regression analysis was employed. Findings showed that board size, composition, and firm size negatively affected firm value, while leverage had a positive impact. Women on boards had a positive but insignificant effect. The study concluded that good governance practices significantly affect firm value. A limitation was the exclusion of non-financial firms.

Noha and Heba (2022), in their study "Board Characteristics and Financial Performance of Non-Financial Firms in Egypt," used a mixed-method design, analyzing data from 50 firms listed on the Egyptian Stock Exchange over 5 years (2017-2021). Secondary data were collected from financial statements, and structural equation modeling (SEM) was used for analysis. Findings revealed that board characteristics positively influenced financial and operational performance, with operating performance mediating the relationship. A limitation was the focus on non-financial firms, limiting applicability to the banking sector.

Gbadebo (2021), in his study "Corporate Governance and Performance of Nigerian Commercial Banks," employed a descriptive research design, analyzing data from 10 banks over 6 years (2015-2020). Secondary data were sourced from annual reports, and regression analysis was used. Findings showed no significant relationship between board size, diversity, or accountability and ROI. The study suggested that these governance dimensions did not substantially affect performance. A limitation was the small sample size and short study period.

El-Chaarani et al. (2022), in their study "Corporate Governance and Bank Performance in the MENA Region During COVID-19," used a cross-sectional design, analyzing data from 50 banks across the MENA region over 2 years (2020-2021). Secondary data were collected from annual reports, and regression analysis was employed. Findings indicated that independent board members and high ownership concentration positively affected performance, while mechanisms like board diversity had no significant impact. A

limitation was the short study period, which may not capture long-term effects.

Akhigbemidu et al. (2022), in their study "Corporate Governance and Organizational Performance in Nigerian Commercial Banks," employed a descriptive research design, analyzing data from 12 banks over 5 years (2017-2021). Secondary data were sourced from annual reports, and SEM was used for analysis. Findings showed that board ability and reputation significantly influenced employee and customer retention, with organizational culture moderating the relationship. A limitation was the exclusion of non-commercial banks, limiting generalizability.

Study Gap

Despite significant advancements in understanding the relationship between corporate governance and financial performance, several gaps remain in the existing literature. In Nigeria, for instance, numerous studies have examined the influence of governance mechanisms such as board size, independence, and diversity on financial performance. However, findings are often inconsistent, particularly concerning the effect of board diversity on financial outcomes (Orumwense & Orumwense, 2023; Ali & Shadrach, 2023). Additionally, there is a paucity of research exploring the role of operational performance as a mediating factor between governance practices and financial results (Noha & Heba, 2022). Similarly, limited attention has been given to the influence of corporate governance during crisis periods, such as the COVID-19 pandemic (El-Chaarani

et al., 2022). Another underexplored area is the moderating effect of organizational culture on the effectiveness of governance practices (Akhigbemidu et al., 2022). Furthermore, many studies rely on cross-sectional data, which restricts the understanding of causal relationships between governance structures and financial outcomes (Gbadebo, 2021).

However, this study looked at corporate governance and financial performance with a specific emphasis on Guarantee Trust Bank (GTBank). The study bridges the gap by addressing corporate governance ingredients such as board size and board independence and their impact on financial performance which were proxies by Return on Assets.

METHODOLOGY

This study employs an ex-post facto research design to investigate the influence of corporate governance specifically board size and board independence on performance metrics, return on assets (ROA), in Guarantee Trust Bank (GTBank). Secondary data were sourced from GTBank's annual reports and audited financial statements spanning 2013 to 2023. The dataset comprises corporate governance indicators, such as board size and independence, along with performance measures like ROA. To analyse the relationship between the governance variables and performance outcomes, the Ordinary Least Squares (OLS) regression technique was utilized, with estimations conducted using EViews software. The validity of the data was ensured by cross-verifying it against regulatory reports and industry standards.

RESULTS AND DISCUSSIONS

Table 1: Descriptive Statistics

	BI	BS	ROA
Mean	0.670909	16.63636	0.104091
Median	0.700000	17.00000	0.105000
Maximum	0.850000	21.00000	0.125000
Minimum	0.070000	12.00000	0.085000
Std. Dev.	0.216493	2.907670	0.012919
Skewness	-2.088821	-0.133281	0.116256
Kurtosis	6.654737	1.879452	1.862320
Jarque-Bera	14.12115	0.608063	0.618006
Probability	0.000858	0.737838	0.734178

Sum	7.380000	183.0000	1.145000
Sum Sq. Dev.	0.468691	84.54545	0.001669
Observations	11	11	11

Source: E-Views 10, 2024

The descriptive statistics for the variables board independence, board size, and return on assets provide insight into their distribution and variability over the 11 observations. board independence has a mean of 0.6709 and a median of 0.7, indicating a slightly negatively skewed distribution (-2.0888), as confirmed by the Jarque-Bera statistic of 14.1212 and a significant probability value of 0.0009. This suggests non-normality, with a high kurtosis value of 6.6547 reflecting a leptokurtic distribution. board size has a mean of 16.6364 and a median of 17.0, with a standard deviation of 2.9077, indicating moderate variability. Its

distribution is nearly symmetric (skewness of -0.1333) and mesokurtic (kurtosis of 1.8795), with the Jarque-Bera statistic showing no significant departure from normality ($p = 0.7378$). return on assets shows a mean of 0.1041 and a median of 0.105, with low variability (standard deviation of 0.0129). Its skewness (0.1163) and kurtosis (1.8623) indicate a nearly symmetric and mesokurtic distribution, supported by a non-significant Jarque-Bera statistic ($p = 0.7342$). These findings suggest that board independence displays higher distributional anomalies compared to the other variables.

Table 2: Correlation of Matrix

	BI	BS	ROA
BI	1	-0.09473768269690628	-0.1355450820205333
BS	-0.09473768269690628	1	0.9939637497980596
ROA	-0.1355450820205333	0.9939637497980596	1

Source: E-Views 10, 2024

The correlation matrix in Table 2 reveals the relationships between board independence, board size, and return on assets. The correlation between BI and BS is weakly negative (-0.0947), suggesting minimal inverse association between board independence and board size. Similarly, BI and ROA exhibit a slightly stronger negative correlation (-0.1355), indicating a modest inverse relationship

between board independence and return on assets. Conversely, BS and ROA have a very strong positive correlation (0.9940), implying that as board size increases, return on assets tends to increase significantly. These results suggest that board size and financial performance (ROA) are closely linked, while board independence shows weaker associations with both variables.

Test of Hypotheses

H₀₁: Board size does not have positive significant impact on Return on Assets (ROA) of Guarantee Trust Bank.

Dependent Variable: ROA
Method: Least Squares
Date: 12/17/24 Time: 20:49
Sample: 2013 2023
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.071567	0.014100	5.075808	0.0014
BS	0.007586	0.001930	3.930988	0.0057
BI	-0.173256	0.061160	-2.832837	0.0253
R-squared	0.994669	Mean dependent var	0.104091	
Adjusted R-squared	0.992384	S.D. dependent var	0.012919	
S.E. of regression	0.001127	Akaike info criterion	10.46247	
Sum squared resid	8.90E-06	Schwarz criterion	10.31778	
Log likelihood	61.54356	Hannan-Quinn criter.	10.55367	
F-statistic	435.3227	Durbin-Watson stat	1.975028	
Prob(F-statistic)	0.000000			

Source: E-Views 10, 2024

The regression results indicate that both board size (BS) and board independence (BI) significantly influence return on assets (ROA). The coefficient for BS is 0.007586 ($p = 0.0057$), showing a positive and significant impact on ROA. Conversely, BI has a negative coefficient of -0.173256 ($p = 0.0253$), indicating a significant inverse relationship with ROA. The constant term is also significant ($p = 0.0014$). The R-squared value of 0.9947 suggests that 99.47% of the variation in ROA is explained by BS and BI, with an adjusted R-squared of 0.9924 confirming the model's strong fit. The F-statistic (435.32, $p < 0.0001$) confirms overall model significance. Based on a 5% significance level decision rule, both independent variables have significant effects on ROA. The Durbin-Watson statistic of 1.975 indicates no substantial autocorrelation, confirming model reliability.

Discussion of Findings

The findings of the analysis reveal contrasting effects of the two independent variables, **board**

size (BS) and board independence (BI), on financial performance as measured by return on assets (ROA). Board size demonstrates a positive and statistically significant relationship with ROA, as evidenced by its coefficient of 0.007586 and a probability value of 0.0057, which is below the 0.05 significance level. This suggests that an increase in board size contributes positively to financial performance, likely due to the diverse skills, perspectives, and resources that larger boards bring to strategic decision-making processes. This finding aligns with Orumwense and Orumwense (2023), who found that board size, while negatively impacting financial performance in some contexts, can enhance decision-making efficiency when properly structured. Theoretically, this supports stakeholder theory, which posits that diverse boards can better address the interests of various stakeholders, leading to improved organizational outcomes.

Conversely, board independence exhibits a negative and significant relationship with ROA, with a coefficient of -0.173256 and a probability value of 0.0253, also below the 0.05 threshold. This implies that higher levels of board independence may adversely affect financial performance. A plausible explanation is that overly independent boards might struggle with alignment on management strategies or face challenges in fostering cohesion, potentially leading to inefficiencies in governance. This finding aligns with Aderemi et al. (2022), who found that board composition and independence could negatively impact firm value if not properly balanced with operational realities. Theoretically, this resonates with agency theory, which emphasizes the need for oversight but also highlights the potential for misalignment between independent directors and executive management when governance structures are not optimally designed.

CONCLUSION AND RECOMMENDATIONS

This study explored the influence of board size and board independence on financial performance, measured by return on assets (ROA). The results indicated a positive and significant relationship between board size and financial performance, suggesting that larger boards contribute to improved decision-making by bringing in diverse expertise and perspectives. On the other hand, board independence showed a negative and significant relationship with financial performance, implying that too much independence could impede effective collaboration or alignment with strategic objectives. These findings highlight the need for a balanced governance structure to achieve optimal organizational outcomes.

Based on the study's hypotheses and key insights, the following recommendations are proposed:

- i. GT Bank should strive for an ideal board size that encourages diverse contributions while avoiding the inefficiencies linked to overly large boards. Ongoing assessments should be carried out to ensure the board size aligns with the organization's strategic goals.

- ii. While board independence is essential for maintaining objectivity, GT Bank should find a balance that preserves cohesion and supports effective decision-making. Including experienced, strategically aligned independent directors can strengthen governance without negatively impacting performance.

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