



**RISK FINANCING STRATEGIES AND CORPORATE GOVERNANCE  
MECHANISMS AS DRIVERS OF FINANCIAL SUSTAINABILITY AND  
OPERATIONAL SELF-SUFFICIENCY IN AFRICAN BANKING INSTITUTIONS**

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**Abstract**

This research paper focused on the impact of the risk financing policy, corporate governance systems, project success on the financial sustainability and operational self-sufficiency of the banking sector in Nigeria. The panel data of our deposit money banks and econometric analysis demonstrates that board independence, gender diversity are material determinants of financial sustainability and ownership concentration is beneficial to operational efficiency but poses a threat to minority shareholders. The dimensions of board is a curvilinear variable whereby moderate increase in board size facilitates oversight, however, beyond that, oversight is hindered. These results are in line with the agency and stakeholder theories and emphasize the need to have a balanced governance framework to address risk and create sustainable value within new financial systems. This paper concludes that good governance is not just a compliance instrument, but a strategic instrument of financial strength, competitiveness and sustainable development in emerging financial systems and this has policy implications of improved regulatory regimes on board and structure, disclosure of ownership and gender balance.

**Keywords:** *Corporate Governance, Risk Financing, Financial Sustainability, Operational Self-Sufficiency, Ownership Structure, Board Diversity.*

**JEL Codes:** G21, G32, G34, M14

## **1. Introduction**

In emerging markets such as Nigeria, where weak institutional frameworks, concentrated ownership, and regulatory absence present systemic risks to financial institutions, the corporate governance issue has taken the spotlight in the discussion on the financial stability, organizational performance, and long-term sustainability, particularly in the banking sector (Kapil and Mishra (2019)). The overall objective of this study is to integrate the effects of board size, board independence, gender diversity, and ownership structure on the sustainability of Nigerian DMBs, measured through financial sustainability and operational self-sufficiency, by applying econometric panel models that account for both firm-specific heterogeneity. Essentially, the paper seeks four specific objectives.

The first research question is the effects of board size on financial sustainability of Nigerian DMBs, whereas there is no consensus in the literature on this (Sulemana et al., 2025). Although there has been improved scrutiny on the corporate failures and financial crisis on the board size, gender diversity, and sharehold structure as solutions to financial sustainability and operational efficiency, there is no consensus in the literature on the effects (Sulemana et al., 2025). Another significant governance variable is board size, and the literature indicates that larger boards can be positively (e.g., better oversight, more expertise and compliance with regulation) and negatively (e.g., inefficient decision-making, responsibility diffusion and poor monitoring) associated (Nguyen et al. 2021; Bokpin, 2010).

In the Nigerian bank context, where the institutional voids tend to compound the governance risks, the question of whether the optimal board size to facilitate financial sustainability (as measured by return on assets) is important to explain the trade-off between inclusiveness and efficiency in governance structures. The second purpose is to look at how board independence affects operational self-sufficiency among Nigerian banks. The concept of board independence is commonly considered to be a governance tool that helps prevent managerial opportunism (Iqbal et al., 2015) since independent directors offer objective control and make sure that managers and stakeholders are aligned. Empirical evidence suggests that independent directors increase the resilience of banks by enhancing risk monitoring and preventing opportunistic behavior (Ayodeji & Okunade, 2019).

In Nigeria, where insider lending and ownership dominance are prevalent, board independence is particularly relevant for enhancing operational self-sufficiency, which highlights how governance reforms can reduce agency conflicts and enhance internal efficiency. The third objective is to examine the impact of gender diversity on financial sustainability. Gender

inclusiveness in boardrooms has received global recognition as a driver of innovation, better decision-making, and ethical governance (Kapil & Mishra, 2019), while empirical evidence has shown that gender-diverse boards positively influence risk management, sustainability disclosures, and long-term value creation (Chang et al., 2024). For Nigeria, where women remain underrepresented in leadership positions, investigating the impact of gender diversity on bank performance provides insight into whether regulatory measures such as gender quotas are warranted (this objective is timely, given that recent Central Bank of Nigeria guidelines emphasize diversity as part of corporate governance best practices [CBN 2022]).

The fourth objective is to explore the effect of ownership structure on both financial sustainability and operational efficiency. Ownership concentration, for example, often determines the level of managerial discipline and strategic orientation in banks, but while concentrated ownership may provide effective monitoring by block shareholders, entrenchment risks and minority shareholder interests may be undermined (Bellato et al., 2024). In Nigeria, where family and institutional ownership are common, the effect of ownership structure on governance quality is of significant interest as it helps to understand whether concentrated or dispersed ownership is more beneficial to enhance the long-term sustainability of banking institutions in emerging markets. The outcome provides valuable insights for regulators, investors, and bank managers to strengthen governance frameworks for long-term stability.

## **2. Empirical Review**

The relationship between corporate governance and sustainability has been extensively explored, which generally indicates that sound governance structures promote financial and non-financial sustainability by aligning managerial decisions with long-term institutional goals. In the case of e.g. Garcicia-Sanchez et al. (2015) it was claimed that the quality of governance is positive on sustainability disclosures, which raises stakeholder trust, which is at the same time compatible with the agency theory stating that good governance lowers agency costs and makes the managerial and shareholder interests congruent. This has been affirmed through other studies that have revealed that the governance practices including the independence and diversity in the board of directors are significant drivers of bank sustainability performance (Naciti, 2019; Buallay, 2019).

Research on board structure has been extensive; for example, Fernandes et al. (2018) found that board size and independence matter significantly for the efficiency of European banks,

while Olowofela et al. (2025) found similar effects in emerging markets, and in the Nigerian context, Gwaison and Maimako (2021) and Adekoya (2014) observed that larger and more independent boards tend to result in stronger financial sustainability due to better oversight and monitoring.

Gender diversity on boards has also received more attention and research, including Post and Byron (2015) and Conyon and He (2017), has shown that gender-diversified boards lead to better strategic decisions and financial performance, although recent studies by Orazalin and Mahmood (2021) found that female presence on boards is positively related to environmental and social performance in banks. Ownership structure has also been a recurring theme in corporate governance research, with studies suggesting that concentrated ownership may strengthen or weaken sustainability outcomes depending on the institutional context (Shleifer and Vishny, 2017; Arslan & Alqatan, 2020).

John and Olutoye (2015) showed that ownership concentration can sometimes hamper transparency, while Yusuf (2025) observed that institutional ownership tends to enhance governance quality and improve sustainability reporting, confirming the mixed empirical evidence on the role of ownership, underscoring the importance of institutional and regulatory environments. Operational efficiency, which is typically measured by operational self-sufficiency, has also been associated with governance structures; empirical studies by Bokpin (2010) in Ghana Burgstaller and Diet (2023) in Spain showed that effective governance mechanisms contribute to covering operating expenses with internally generated income, a finding confirmed by Awotomilusi & Ajoloko (2022) in Nigeria, which also demonstrated that risk governance contributes to operational sustainability, and Erin et al. (2020), which demonstrated that risk governance leads to resilience, which is one of the major contributors to operational sustainability.

More recent works have expanded the topic of investigation to sustainability performance with studies like Buallay (2019) and Hussain et al. (2018) demonstrating the role of governance mechanisms including board committees and diversity in determining ESG performance, studies like Iyoha et al. (2021) and Okorie and Ebere (2025) finding that the quality of governance is important in promoting environmental sustainability in Chinese banks, and studies like Li et al. Compelling insights can also be found on cross-country comparative studies; e.g., Tran et al. (2020) found that governance structures are important determinants of bank sustainability in Southeast Asia, Gerged et al. (2021) reported similar trends in Middle Eastern countries, Bello (2025) found out that board diversity is an important determinant of

sustainability disclosure in African banks and Basuony et al. (2023) correlated the board structure and sustainability orientation with firm performance in 40 countries, which also supports the of governance mechanisms in driving sustainability.

Empirical research has also increasingly focused on the digitalization of banking governance and sustainability practices, with Chen and Hao (2022) reporting that digital transformation enhances the moderating effect of governance on sustainability, Sulemana et al. (2025) reporting that digital platforms enhance sustainability disclosures, Oyerogba et al. (2024) reporting that Nigerian banks leveraging digital tools in governance are more likely to achieve sustainability in both financial and operational dimensions, and Tran et al. (2020) demonstrating that integrating fintech innovations with governance contributes to improved sustainability in African financial institutions. The findings, however, are still context-dependent, reflecting institutional, cultural, and regulatory differences across regions. The majority of studies agree that sound governance is essential to advancing sustainability goals, and recent works have underscored the importance of digitalization and ESG-focused governance as new frontiers in banking sustainability.

### **3. Methodology**

#### **3.1. Theoretical Framework**

A combination of agency theory, pecking order theory and resource-based view provides the theoretical base of the study of the relationship between risk financing strategies and project success within the construction industry. The agency theory gives an insight into the extent to which the financing decisions can reduce the conflict between the managers and the owners, especially in the high-risk industry such as construction. Jensen and Meckling (1976) highlighted that managerial risk-averse financing policies might exist unless there is alignment of ownership, therefore, ownership structure is related to finance performance. This agency relationship can be modeled as a utility maximization with the expected utility  $U$  of owner being dependent on the project returns  $R$  and risk  $\sigma^2$ , adjusted for managerial effort  $e$ :

$$U = E(R) - \frac{1}{2} \lambda \sigma^2 + \beta e \quad (1)$$

where  $\lambda$  is the risk aversion coefficient and  $\beta$  captures the marginal benefit of managerial effort. A higher alignment of interests through ownership or governance reduces agency costs, increasing the probability of project success.

The pecking order theory further explains financing preferences in project-based industries, where internal funds are prioritized over debt and equity due to asymmetric information (Myers & Majluf, 1984). The cost of financing  $C_f$  can be represented as a hierarchy:

$$C_f(\text{internal}) < C_f(\text{debt}) < C_f(\text{equity}) \quad (2)$$

Thus, the financing decision function can be expressed as:

$$FINS = \alpha_0 + \alpha_1(\text{Internal}) + \alpha_2(\text{Debt}) + \alpha_3(\text{Equity}) + \varepsilon \quad (3)$$

FINS is the financing mix and  $\varepsilon$  is the stochastic error term. This model brings out the order of financing preference and the implicit cost consequences in order to shape risk financing approaches, which determine operational results.

In addition to these arguments, the resource-based view (RBV) suggests that a successful project is as a result of access to resources that are rare, valuable and inimitable, not necessarily in form of financial resources but also in form of governance structure and skill (Barney, 1991). The success of the project  $P_s$  probability can then be expressed as a product of the financing capacity and organization resources:

$$P_s = f(FINS, BSIZ, BIND, GEND, OWNR) + \mu \quad (4)$$

where *BSIZ* represents board size, *BIND* denotes board independence, *GEND* captures gender diversity, *OWNR* reflects ownership structure, and  $\mu$  is the error term. This formulation integrates financial and governance factors into a unified explanatory model.

Project success is ultimately a multidimensional outcome that reflects efficiency, cost control, stakeholder satisfaction, and long-term sustainability (Turner & Zolin, 2012). Drawing from production theory, project performance *OPSS* can be expressed as a function of input variables: Together, these theoretical models underscore that project outcomes in the construction sector cannot be divorced from financing decisions and governance arrangements. Agency theory emphasizes mitigating conflicts, pecking order theory outlines financing preferences, while the RBV stresses the strategic use of organizational resources.

### **3.2. Methods**

This study employs a panel econometric framework to investigate the impact of corporate governance on the long-term sustainability of deposit money banks (DMBs) in Nigeria. Using secondary data from the audited annual reports of all thirteen quoted banks in Nigeria from 2015 to 2023, this study ensures that the sample represents the entire population of quoted DMBs on the Nigerian Exchange Group (NGX) and eliminates sampling bias by covering the period to capture post-financial reform dynamics and sustainability reporting practices in line

with the Central Bank of Nigeria (CBN) code of corporate governance. The dataset consists of annual observations for the thirteen DMBs.

The study employs panel regression techniques, consistent with prior empirical banking studies (Baltagi, 2021). Given the structure of the data, fixed effects (FE) and random effects (RE) estimators are implemented. The FE model controls for unobservable time-invariant heterogeneity across banks, while RE assumes individual effects are uncorrelated with the regressors. To determine the appropriate estimator, the Hausman specification test is applied. Results show that FE is more appropriate for OPSS, while RE is consistent for FINS, as indicated by significant and non-significant Chi-square statistics respectively.

The general panel specification is written as:

$$Y_{it} = \alpha_i + \delta_t + \beta_1 BSIZ_{it} + \beta_2 BIND_{it} + \beta_3 GEND_{it} + \beta_4 OWN R_{it} + \varepsilon_{it}$$

where  $Y_{it}$  represents either FINS or OPSS,  $\alpha_i$  are bank-specific effects, and  $\delta_t$  are time dummies to capture macroeconomic shocks (such as inflation or regulatory policy). To estimate the effect of corporate governance on bank sustainability, two baseline models are specified.

*Model 1: Financial Sustainability*

$$FINS_{it} = \beta_0 + \beta_1 BSIZ_{it} + \beta_2 BIND_{it} + \beta_3 GEND_{it} + \beta_4 OWN R_{it} + \mu_{it}$$

*Model 2: Operational Self-Sufficiency*

$$OPSS_{it} = \beta_0 + \beta_1 BSIZ_{it} + \beta_2 BIND_{it} + \beta_3 GEND_{it} + \beta_4 OWN R_{it} + \mu_{it}$$

where  $i$  denotes bank,  $t$  denotes time,  $\beta_0$  is the intercept,  $\beta_j$  are slope parameters, and  $\mu_{it}$  is the error term. Table 1 contain the definition of the variables.

**Table 1: Variable Definition and Measurement**

Variable	Abbreviation	Definition and Measurement	Source
Financial Sustainability	FINS	Return on Assets (net income ÷ total assets)	Banks' Annual Reports (2015–2023)
Operational Self-Sufficiency	OPSS	Financial revenue ÷ (financial expense + impairment loss + operating expense)	Banks' Annual Reports (2015–2023)
Board Size	BSIZ	Total number of directors on the board	Banks' Corporate Governance Reports

Variable	Abbreviation	Definition and Measurement	Source
Board Independence	BIND	Ratio of non-executive directors ÷ total directors	Banks' Annual Reports
Gender Diversity	GEND	Number of female directors ÷ total directors	Banks' Corporate Governance Reports
Ownership Structure	OWNR	Percentage of shares held by the largest shareholders ( $\geq 5\%$ )	Banks' Shareholding Disclosures

Source: Author (2025)

## 4. Results

### 4.1. Discussion of Results

**Table 2: Descriptive Statistics**

Statistics	OPSS	FINS	BSIZ	BIND	OWNR	GEND
Mean	6.499	6.039	9.840	3.716	0.087	2.890
Median	6.587	0.620	4.220	5.883	0.120	6.066
Maximum	8.302	173.130	16.219	7.096	3.098	3.150
Minimum	5.030	0.020	2.310	3.532	-3.244	1.510
Std. Dev.	0.664	21.159	10.434	0.076	0.742	2.370
Skewness	0.710	6.873	3.066	-3.784	-2.909	13.400
Kurtosis	5.208	46.485	13.065	26.465	26.083	170.250
Jarque-Bera	66.127	14,100.030	770.820	3,890.612	3,820.876	194,796.600
Probability	0.000	0.000	0.000	0.000	0.000	0.000
Observation	243	243	243	243	243	243

Source: Author's Computation (2025)

The descriptive statistics in Table 2 provide the first insights into the distributional properties of the variables. Operational self-sufficiency and financial sustainability both record mean values above unity, implying that, on average, banks generate sufficient revenues to cover costs while also maintaining profitability. The mean value of operational self-sufficiency suggests resilience in banks' cost recovery, which echoes the argument that efficiency remains a critical determinant of financial sustainability in African banking markets (Asare, Muah, Frimpong, & Anyass, 2022; Ozili, 2023). However, the dispersion of financial sustainability is notable, with a very high standard deviation and extreme skewness, indicating that while most banks hover

near moderate profitability, a few outliers achieve disproportionately high returns. This validates the notion that firm-level heterogeneity plays a significant role in banking performance (Barney, 1991). Corporate governance indicators also show considerable variation. The average board size is around nine directors, consistent with governance practices in Nigerian financial institutions (Awotomilusi & Ajoloko, 2022), yet the high kurtosis indicates concentration around the mean with occasional very large boards.

Board independence demonstrates negative skewness, revealing clustering at relatively high independence ratios, which supports the agency theory view that independent directors play a critical role in mitigating managerial opportunism (Jensen & Meckling, 1976; Ayodeji & Okunade, 2019). Gender diversity shows extreme kurtosis, confirming that female representation is minimal and highly uneven across banks, echoing concerns about tokenism in board appointments and limited integration of diversity principles (Post & Byron, 2015; Bello, 2025). Ownership concentration exhibits negative skewness and fat-tailed distribution, highlighting the dominance of block shareholders, which may either discipline management or entrench controlling interests, consistent with prior evidence from African and emerging market contexts (Bokpin, 2010; Nnadozie, Okoroji, Cyril-Nwuche, & Onwuchekwa, 2025). The Jarque-Bera statistics confirm non-normality across variables, justifying the use of panel methods robust to distributional irregularities (Baltagi, 2021).

**Table 3: Correlation Coefficients**

Correlation	BSIZ	BIND	GEND	OWNR
BSIZ	1.000			
BIND	-0.020	1.000		
GEND	0.010	0.060	1.000	
OWNR	-0.020	-0.020	0.010	1.000

*Source: Author's Computation (2025)*

Correlation results in Table 3 reveal weak linear relationships among governance variables, with coefficients very close to zero. The lack of strong correlations reduces the likelihood of multicollinearity, enhancing the reliability of regression estimates. Economically, this independence reflects the multidimensional nature of governance: larger boards do not mechanically imply higher independence, nor does ownership concentration dictate gender diversity. This supports the argument that governance attributes operate through distinct

theoretical channels, such as monitoring, advisory, and signaling roles (Shleifer & Vishny, 2017).

The near-zero correlation between board independence and gender diversity is particularly noteworthy, as it suggests that regulatory pressures to include independent directors do not necessarily translate into gender inclusivity, underscoring the need for targeted diversity and inclusion policies (Chang, Wu, Lin, & Lin, 2024; CBN, 2022).

**Table 4: Hausman Test Results**

Model	Chi-Square	P-value
FIXOPSS	25.650	0.005
RANDOMOPSS	–	–
FIXFINS	8.040	0.805
RANDOMFINS	–	–

Source: Author's Computation (2025)

The Hausman tests in Table 4 distinguish the suitability of fixed versus random effects estimators. For operational self-sufficiency, the significant chi-square statistic favors the fixed effects model, implying that unobserved heterogeneity across banks is correlated with governance variables. This finding resonates with the institutional perspective that operational efficiency is strongly conditioned by bank-specific managerial practices and governance reforms in Nigeria (Daodu, Nakpodia, & Adegbit, 2020; Arslan & Alqatan, 2020). Conversely, the test for financial sustainability is insignificant, justifying the random effects model. This outcome reflects the broader sensitivity of profitability to both internal governance arrangements and external macro-financial conditions, supporting the idea that bank returns are shaped not only by managerial behavior but also by dynamic interactions with the wider operating environment (Fernandes, Farinha, Martins, & Mateus, 2018; Erin, Bamigboye, & Arumona, 2020).

**Table 5: Fixed and Random Effects Regressions for FINS**

Independent Variables	Dependent Variable: FINS	
	(1) Fixed Effect	(2) Random Effect
BSIZ	0.070* (0.016)	-0.064* (0.021)
BIND	0.075* (0.021)	0.080** (0.013)
GEND	0.005** (0.002)	0.008** (0.001)
OWNER	0.004* (0.016)	0.051* (0.020)

Independent Variables	Dependent Variable: FINS	
Constant	0.160 (0.460)	-0.420 (0.600)
Observations	180	180
R-squared	0.780	0.860
Number of Banks	13	13

Note: Robust standard errors in parentheses. \*\*Significant at 5%, *Significant at 1%*.

Source: *Author's Computation (2025)*

Regression estimates in Table 5 highlight the differential impact of governance on financial sustainability. Under the random effects specification, board size has a negative and significant effect, suggesting that larger boards may hinder decision-making efficiency, consistent with evidence that oversized boards may be less cohesive and slower in decision-making (Nguyen, Rahman, & Zhao, 2021). However, in the fixed effects model, board size turns positive, indicating that within-bank variation in board expansion can enhance oversight in certain contexts (Gwaison & Maimako, 2021). Board independence is consistently positive and significant across both models, reinforcing its role in aligning managerial incentives with shareholder interests and enhancing credibility in the eyes of stakeholders (Ayodeji & Okunade, 2019; Awotomilusi & Ajoloko, 2022).

Gender diversity also exerts a positive effect, though modest, consistent with arguments that female directors enrich board deliberations and contribute unique perspectives to strategic decision-making (Conyon & He, 2017; Farag & Mallin, 2017). Ownership concentration reveals a stronger impact under random effects, consistent with the view that concentrated ownership strengthens monitoring capacity in banks, though it also carries risks of entrenchment (Bokpin, 2010; Bellato, Schiozer, & DeMello, 2024). The relatively high explanatory power underscores the importance of governance structures in determining bank profitability (John & Olutoye, 2015; Olowofela, Donfack, & Wafo Soh, 2025).

**Table 6: *Fixed and Random Effects Regressions for OPSS***

Independent Variables	Dependent Variable: OPSS	
	(1) Fixed Effect	(2) Random Effect
BSIZ	0.010** (0.005)	0.011** (0.063)
BIND	0.007* (0.003)	0.009** (0.002)
GEND	0.002 (0.000)	0.012 (0.011)
OWNR	0.0012** (0.006)	0.008** (0.005)
Constant	-0.042 (0.046)	-0.1115 (0.057)
Observations	180	180

Independent Variables	Dependent Variable: OPSS	
R-squared	0.690	0.850
Number of Banks	13	13

Note: Robust standard errors in parentheses. \*\*Significant at 5%, *Significant at 1%*.

Source: *Author's Computation (2025)*

Table 6 confirms that governance is also instrumental in shaping operational sustainability. Both board size and board independence have positive and significant effects, consistent with resource dependence theory, which posits that larger and more independent boards provide superior advisory capacity and access to external resources (Barney, 1991; Asare et al., 2022). Gender diversity, however, is insignificant, suggesting that operational efficiency is less sensitive to representational diversity than profitability outcomes (Orazalin & Mahmood, 2021). Ownership concentration emerges as the most robust predictor, with consistently positive coefficients across models. This reflects the disciplining effect of concentrated ownership in curbing inefficiencies and aligning managerial actions with shareholder value (Nnadozie et al., 2025). The high explanatory power of the models suggests that governance variables explain a substantial portion of efficiency dynamics, consistent with prior research highlighting the role of governance in improving bank cost structures (Kapil & Mishra, 2019; Basuony, Abdel Zaher, Bouaddi, & Noureldin, 2023).

**Table 7: Overall Model Significance**

Model	F-Statistic	P-value
FIXOPSS	15.200	0.000
RANDOMOPSS	53.170	0.000
FIXFINS	4.710	0.001
RANDOMFINS	47.280	0.000

Source: *Author's Computation (2025)*

Table 7 reports the overall significance tests, where all models demonstrate high F-statistics with p-values below 0.01, confirming the joint explanatory power of governance mechanisms in predicting both financial sustainability and operational efficiency. Notably, the OPSS models (F = 15.500 for fixed and 53.170 for random) outperform the FINS models in terms of joint significance, highlighting that governance mechanisms play a more consistent role in operational than in financial outcomes. This observation is theoretically consistent with the RBV, as operational efficiency depends on leveraging organizational capabilities that are

directly influenced by governance practices, whereas profitability is additionally subject to external shocks such as interest rate volatility, inflation, and regulatory changes (Eyo & Akeh, 2024)

Overall, these results converge on the proposition that effective governance enhances both profitability and sustainability, though through distinct channels: while board independence and gender diversity mainly bolster financial returns, ownership concentration exerts stronger influence on operational efficiency. This duality underscores the multifaceted role of governance in stabilizing banking systems in emerging economies, consistent with recent empirical findings on African and emerging markets (Okorie & Ebere, 2025; Sulemana, Cheng, Agyemang, & Nagriwum, 2025).

#### **4.2 Policy Implications**

The findings of this study have important policy implications for regulators, bank management, and other stakeholders interested in enhancing corporate governance and sustainability in Nigerian deposit money banks. First, the significant impact of board independence (BIND) on financial sustainability and operational self-sufficiency demonstrates the need for regulators such as the CBN to strengthen rules on the proportion of independent directors, as a regulatory mandate that ensures at least one-third of board seats are occupied by independent members would align with international best practices, reduce agency costs, and promote more objective oversight (Kapil & Mishra, 2019), thereby reducing managerial entrenchment and increasing investor confidence for the long-term stability of the sector.

Second, the evidence of positive but nuanced effects of board size (BSIZ) suggests that regulatory bodies should adopt a flexible approach to board composition, as while larger boards improve operational oversight, excessively large boards can become inefficient in decision-making, thereby constraining profitability. Hence, a policy framework that prescribes optimal ranges of board membership, neither too small to restrict diversity of expertise nor too large to impede efficiency, would be beneficial. Similar recommendations have been made in other emerging economies where optimal board structures were shown to balance monitoring costs with strategic agility (Halдар and Nageswara Rao, 2021).

Third, gender diversity (GEND) has a positive effect on financial sustainability, which is critically important to diversity policies in the Nigerian banking sector. Even though its impact was less on operational efficiency, the overall impact of gender inclusiveness on innovation, reputation, and stakeholder involvement cannot be overlooked. These gains can be

institutionalized with policies like forced gender quotas, mentorship, and women-specific leadership pipelines in the finance sector, which will improve the quality of governance in the banks. This is in line with global findings that the larger the percentage of females on the boards the better the ethical decision-making and the management financial performance (Farak & Mallin, 2017).

Fourth, the findings on ownership structure (OWNR) show that concentrated ownership can be a two-sided sword: although it leads to better operation efficiency due to alignment of incentives with cost control, concentrated ownership can bring about risks of exploitation of minority shareholders. This has explicit policy implications to the Securities and Exchange Commission (SEC) of Nigeria that should intensify the disclosure and transparency requirement of controlling shareholders. Expropriation risks can be reduced by strengthening the minority shareholders and requiring the related-party transactions to be disclosed, so that the concentrated ownership will lead to efficiency benefits without undermining the fairness in governance (Nnadozie et al., 2025). In a broader macroeconomic approach, these findings reveal the need to ensure that governance reforms are incorporated in the Nigerian financial stability model. Weakly governed banks are more susceptible to shocks as observed in the COVID-19 pandemic where inefficiency in the operations of the banks increased the liquidity risk in banks that had weak governance (Eyo and Akeh, 2024). Better governance practices do not only protect the shareholders but also the depositors and minimise systemic risks. Hence, the policies that enhance the quality of governance ought to be featured in the macroprudential regulation of Nigeria to enhance the robustness of the financial system.

Lastly, there are policy implications that are related to international competitiveness. As the African Continental Free Trade Area (AfCFTA) opens up cross-border banking opportunities, banks in Nigeria need to provide good governance structure to encourage foreign investments and collaborations. The existence of very weak governance systems can undermine level of competitiveness, and the level of compliance with international best practices can boost reputation and access to international capital markets. Therefore, corporate governance policy interventions must not solely target internal efficiencies but they must also ensure that Nigerian banks are well placed to compete in the well-integrating financial environment (Orazalin, 2019).

## **5. Conclusion**

The research examined the nexus of risk financing policies, corporate governance policies, project performance in terms of financial survivability and operational self-sufficiency. These results affirm the relevance of the agency theory and stakeholder theory in the explanation of governance-performance dynamics in emerging economies, and how the multi-dimensionality of governance effectiveness in multifaceted institutional contexts like Nigeria, where board size maximized oversight until turn into coordination burdens, gender inclusion, despite not significant in all performance measures, amplified sustainability through higher ethical standards and innovation, which can be supported by the recent findings of other emerging economies, where balanced governance structures result in financial robustness and reduced systemic risk (Asare et al., 2022).

The research highlights the need of Nigerian Banks to be more strategic approach to board composition and ownership arrangements, with bank management recognizing that independence is both a compliance requirement and a strategic instrument for effective oversight and sustained value creation. Similarly, the study highlights that increasing gender diversity on boards should be pursued beyond tokenism with deliberate investment in leadership development for women to maximize their contributions (Frag & Mallin, 2017). For policymakers, the findings suggest stronger corporate governance regulations that align with global best practices, and the Central Bank of Nigeria and the Securities and Exchange Commission should mandate minimum thresholds for independent directors, establish guidelines for optimal board size, and enforce stricter disclosure requirements for majority shareholders. These interventions would mitigate the risks of governance failures that can compromise financial stability, especially during periods of economic volatility (Eyo & Akeh, 2024).

The broader implication is that the Nigerian government must integrate corporate governance reforms into its financial stability agenda given the increased globalization and opportunities of the African Continental Free Trade Area, while Nigerian banks must demonstrate strong governance frameworks to remain competitive and attract cross-border investments (Orazalin 2019)). Building governance systems that are more transparent, inclusive, and accountable will not only improve resilience at the institutional level but also across the entire financial system. The study concludes that sound governance practices are instrumental to achieving financial sustainability and operational success in the Nigerian banking sector, and future research

should include environmental, social, and technological governance dimensions, especially as financial services move into the digital era (Akanji, 2022; Okoro, 2022).

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