

The Impact of Board Characteristics and CEO Duality on the Profitability of Listed Insurance Companies in Nigeria

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ARTICLE DETAILS	ABSTRACT
History Received: May 20, 2025 Revised: June 25, 2025 Accepted: June 28, 2025 Published: July 01, 2025	Purpose This study examines how key corporate governance mechanisms—board size, board independence, board gender diversity, CEO duality, and board meeting frequency—affect the asset returns of listed insurance firms in Nigeria. It addresses a significant gap in the literature by focusing on market-based performance indicators rather than traditional accounting measures. Methodology Grounded in agency, stewardship, and resource-dependence theories, the study employs panel regression techniques using data from Nigerian listed insurance companies. The analysis explores whether internal governance structures influence investor-driven outcomes reflected in asset returns. Findings Board size, board independence, and meeting frequency significantly enhance asset returns, underscoring the importance of monitoring efficiency and active board engagement. CEO duality exhibits mixed effects, reflecting the theoretical tension between unified leadership and agency risks. Board gender diversity shows no significant impact, suggesting institutional or structural limitations in the Nigerian insurance context. Conclusion The results highlight the need for governance reforms that strengthen board independence, improve board engagement, and promote meaningful female representation. Regulators and investors may use these insights to strengthen governance quality and financial resilience.
Keywords <i>Internal Governance</i> <i>Asset Return</i> <i>Board Size</i> <i>CEO Duality</i> <i>Board Independence</i> <i>Gender Diversity</i> This is an open-access article distributed under the License 4.0. 	

1. Introduction

Corporate governance has become a crucial driver of firm performance across all sectors, particularly in financial institutions, where effective oversight is essential to maintaining stakeholder confidence and mitigating agency problems (Terjesen et al., 2020; Orazalin, 2020). Several studies have indicated that internal governance structures can significantly impact firm performance. However, little is known about how internal governance affects asset returns in the Nigerian insurance industry, despite regulatory reforms such as the Corporate Governance Code and the post-2016 sector recapitalization (Eton et al., 2021; Joe & Ibok, 2024).

The profitability and sustainability of insurance companies depend not only on market forces but on the strength of their internal governance mechanism. Board characteristics such as size, independence, expertise, and gender composition play an essential role in guiding strategic direction and monitoring management actions. However, when the same individual holds the CEO and board chair roles, potential conflicts of interest may arise, leading to debates over whether CEO duality enhances or undermines performance. Given the dynamic and often volatile nature of emerging markets, examining the impact of these governance dimensions on insurance companies' profitability through panel data analysis provides critical insights for regulators, investors, and corporate Leaders.

Despite recent legislative advancements, a significant gap persists in understanding the impact of corporate governance practices on financial markets, particularly on asset returns. These returns indicate investor expectations, risk tolerance, and the quality of corporate governance. Prior Nigerian research has primarily focused on accounting-based performance metrics such as ROA and ROE, with insufficient examination of market-based indicators, hence revealing a methodological gap that this study aims to address.

This paper seeks an objective. The first objective examines how board size and board independence affect the performance of listed insurance companies. It determines whether board diversity (gender composition), CEO duality, and board gender composition can impact firm performance in Nigeria, thereby contributing to the literature on governance mechanisms that enhance monitoring effectiveness in Nigerian insurance companies. The second objective centers on board meeting frequency, examining the impact of regular director interaction on firm performance. Board meetings enable strategic discussions, management oversight, and timely responses to operational and financial risks (Adegboyegun & Igbekoyi, 2022; Karamahmutoğlu & Kuzey, 2016). Given that insurance firms operate in volatile financial environments, regular and substantive board meetings can enhance decision-making quality and operational efficiency. This study examines whether board meeting frequency is statistically correlated with asset returns in Nigerian listed insurance firms. The third objective examines the impact of CEO duality on firm performance; when the CEO and board chair are the same person, the concentration of power may erode the monitoring function of the board, resulting in agency conflicts and poorer firm performance (Debnath et al., 2021; Joe & Ibok, 2024) or the unification of leadership may promote greater strategic alignment and decisiveness (Donaldson & Davis, 1991).

This study investigates the impact of CEO duality on asset returns. Lastly, the fifth objective explores the impact of gender diversity on firm performance; although diverse boards can add value to the decision-making process and enhance legitimacy (Terjesen et al., 2020; Adams & Ferreira, 2009), the empirical evidence from African insurance firms

is inconclusive, reporting negligible or adverse effects due to tokenism or limited authority of female directors (Adegboyegun & Igbekoyi, 2022; Karamahmutoğlu & Kuzey, 2016). The paper examines institutional factors that may enhance or constrain the contribution of female directors to asset returns, focusing on gender diversity in Nigerian insurance firms.

This study strengthens the literature by (i) implementing market-based performance metrics instead of conventional accounting measures, (ii) centering solely on the underexplored Nigerian insurance sector, and (iii) offering an empirical evaluation based on panel data of governance mechanisms that improve monitoring efficacy. The results are expected to provide policymakers, investors, insurers, and regulatory authorities with evidence-based insights to enhance governance frameworks in Nigeria's insurance sector.

2. Literature Review

2.1. Empirical Literature

Empirical studies also have shown that internal governance mechanisms such as board characteristics, CEO duality, board meeting frequency, and gender diversity matter for firm performance and that their effects depend on contextual factors and firm-specific characteristics. Their finding that there is a strong positive relationship between board size and financial performance reinforces the idea that larger boards can offer more diverse expertise and strategic guidance that contributes to better oversight and decision-making, though Adams (2025) warned that overly large boards may introduce coordination difficulties and hinder decision-making efficiency, and that identifying an appropriate board size that balances diversity with governance effectiveness is essential. Likewise, Akindayomi et al. (2024) found that increasing the proportion of independent directors was associated with better firm performance. Owonifari and Dagunduro (2024) showed that the impact of board independence depends on other governance mechanisms and the institutional environment, which supports the agency theory that independent monitoring reduces agency costs and increases shareholder value (Jensen & Meckling, 1976). Research on CEO duality, in which the CEO serves as the board chair, has yielded mixed results, as concentrated leadership may enhance informed decision-making and strategic alignment but also undermine board independence. Akindayomi et al. (2024) argued that CEO duality could exacerbate agency conflicts and lower firm performance, but in other contexts, it may enable rapid decision-making and stronger strategic coherence. Dagunduro (2024) further explains that the effect of CEO duality on firm financial performance varies with board effectiveness, firm size, and industry-specific risks, highlighting the importance of context in evaluating leadership structures. Board meeting frequency is a practical mechanism for ensuring active oversight and timely strategic interventions. Adams (2025) found that regular board meetings are associated with higher profitability and enhanced solvency in insurance firms. These meetings facilitate deliberation on financial, operational, and strategic matters. Owonifari and Dagunduro (2024) similarly observed that frequent board interactions allow directors to address emergent risks effectively. This demonstrates the value of active engagement in improving financial outcomes. This evidence supports stewardship theory, which emphasizes that active and involved boards act as stewards, aligning management decisions with shareholder interests (Donaldson & Davis, 1991).

Gender diversity on corporate boards has attracted growing scholarly interest. However, the evidence on its influence on firm performance remains mixed. Adams (2025) noted a positive correlation between board gender diversity and financial performance. He

attributed this to varied perspectives, creativity, and improved decision-making introduced by female directors. However, Owonifari and Dagunduro (2024) emphasized that gender diversity alone is insufficient. They argued that institutional support, role clarity, and inclusion in strategic decision-making are also essential to realize performance benefits. Empirical studies in African contexts suggest that tokenistic appointments without genuine empowerment may result in negligible or adverse effects. This underscores the importance of contextual and cultural factors (Karamahmutoğlu & Kuzey, 2016; Adegboyegun & Igbekoyi, 2022).

Empirical evidence indicates that internal governance mechanisms significantly influence the financial performance of Nigerian insurance companies. Factors such as board size, independence, CEO duality, meeting frequency, and gender diversity each exert distinct effects. However, their interdependence and contextual relevance are crucial in determining outcomes. A holistic governance approach that considers interactions among these mechanisms is essential for optimizing performance. Firms that strategically structure boards, promote independent oversight, encourage active engagement, and support diverse representation are better positioned to enhance asset returns. They can also strengthen investor confidence and ensure long-term sustainability in the Nigerian insurance sector.

3. Methodology

3.1. Theoretical Framework

The effect of internal governance mechanisms on firm performance has been extensively studied from various theoretical perspectives, such as agency theory, the stewardship theory, and the resource dependence theory, which provide distinct rationales for how governance structures such as board size, board independence, board meetings, gender diversity, and CEO duality impact the asset returns of the insurance firm. Agency theory is arguably the most prevalent theory in corporate governance research, and it suggests that the separation of ownership and control creates a situation of potential conflict between the managers (agents) and shareholders (principals) in which the managers may pursue their own interests at the expense of shareholder wealth (Jensen & Meckling, 1976). Internal governance mechanisms are therefore designed to mitigate agency costs by aligning managerial incentives with shareholder objectives. The theoretical relation can be expressed as:

$$U = \alpha R - C(A) \quad (1)$$

Where U represents the utility of the manager, R is the firm's return (proxied by asset return, ROAS), $C(A)$ denotes the cost of managerial actions A , and α is the incentive alignment parameter. Strong governance, such as greater board independence (BDIN) and effective monitoring via board meetings (BDMT), increases α , thereby strengthening the linkage between managerial effort and firm performance.

Stewardship theory challenges the pessimistic assumptions of agency theory, proposing that managers are intrinsically motivated to act in the firm's best interests (Donaldson & Davis, 1991). Accordingly, governance mechanisms should provide enabling structures rather than purely monitoring tools. The relationship under stewardship theory can be expressed as:

$$P = f(M, S) \quad (2)$$

Where P denotes firm performance, M represents managerial competence, and S signifies supportive governance structures such as an appropriate board size (BDSZ) and balanced CEO duality (CEOD). Under this framework, smaller, cohesive boards may improve coordination, while combining the CEO and chair roles can enhance unified leadership, thereby positively influencing firm outcomes.

Resource dependence theory extends the understanding of governance by emphasizing the board's role in linking the firm to external resources, legitimacy, and networks (Pfeffer & Salancik, 1978). The board is not only a monitoring mechanism but also a source of expertise and access to critical external stakeholders. The functional form can be modeled as:

$$R_t = \beta_0 + \beta_1 BDIN_t + \beta_2 GNDV_t + \beta_3 X_t + \varepsilon_t \quad (3)$$

Where R_t represents asset returns at time t , $BDIN_t$ captures the proportion of independent directors, $GNDV_t$ denotes gender diversity, and X_t includes other governance factors such as board size and meeting frequency. Resource diversity, such as the inclusion of female directors, enriches board deliberations and enhances the firm's legitimacy with stakeholders, thereby reducing uncertainty in the firm's external environment.

Integrating these theories suggests a hybrid framework in which agency theory underscores the need for monitoring, stewardship theory highlights the enabling role of governance, and resource dependence theory emphasizes the strategic value of board composition. Collectively, these perspectives justify the expectation that internal governance mechanisms significantly influence the asset returns of listed insurance firms in Nigeria.

3.2. Data and Methods

The population comprises all thirty (30) insurance companies listed on the Nigerian Stock Exchange (NSE) as of 31 December 2016. For analytical rigor and data reliability, the study focuses on firms that maintained continuous listing after the 2016 recapitalization exercises and were still active as of 31 December 2023. After applying these filters, twelve (12) firms remained, representing 40% of the population. Data were extracted from audited annual reports submitted to the NSE between 2016 and 2023. Panel data were constructed to combine the cross-sectional (firms) and time-series (years) dimensions, thereby enhancing the robustness of the statistical estimation (Hsiao, 2014).

The study models the effect of internal governance on asset return by specifying the following baseline panel regression model:

$$ASR_{it} = \beta_0 + \beta_1 BSDZ_{it} + \beta_2 BMTG_{it} + \beta_3 BIND_{it} + \beta_4 GDIV_{it} + \beta_5 CDLT_{it} + \mu_{it} \quad (4)$$

Where ASR_{it} denotes the asset return of firm i in year t , proxied by Return on Assets (ROA). The explanatory variables include board size ($BSDZ$), board meeting frequency ($BMTG$), board independence ($BIND$), gender diversity ($GDIV$), and CEO duality ($CDLT$). The error term μ_{it} captures firm-specific and temporal disturbances.

To ensure robustness, a sensitivity model is also estimated by introducing firm-level controls for firm size ($FSIZ$) and leverage ($LEVG$), as used in related corporate governance literature (Adams & Ferreira, 2009; Akindayomi et al., 2024).

$$ASR_{it} = \beta_0 + \beta_1 BSDZ_{it} + \beta_2 BMTG_{it} + \beta_3 BIND_{it} + \beta_4 GDIV_{it} + \beta_5 CDLT_{it} + \beta_6 FSIZ_{it} + \beta_7 LEVG_{it} + \mu_{it} \quad (5)$$

This extended specification provides a sensitivity check for omitted-variable bias.

Table 1. Variable Definition and Sources

Variable	Abbrev.	Nature	Measurement	Source
Asset Return	ASR	Dependent	Profit after tax ÷ total assets	Akindayomi et al. (2024)
Board Size	BSDZ	Independent	Total number of directors on the board	Ogbonnaya (2020)
Board Meeting	BMTG	Independent	Frequency of board meetings per year	Illaboya&Obaratein (2015)
Board Independence	BIND	Independent	Ratio of non-executive directors to total directors	Lawal (2012)
Gender Diversity	GDIV	Independent	Percentage of female directors on the board	Mohsni et al. (2021)
CEO Duality	CDLT	Independent	Dummy: 1 if the CEO also chairs the board, zero otherwise	Yang and Zhao (2013)
Firm Size	FSIZ	Control	Natural log of total assets	Adams & Ferreira (2009)
Leverage	LEVG	Control	Total debt ÷ total assets	Akindayomi et al. (2024)

Source: Author's own elaboration

Panel data regression techniques were employed to exploit both cross-sectional and time-series variation. The choice of panel analysis is justified because it controls for unobserved heterogeneity across firms and improves efficiency relative to pure cross-sectional or time-series models (Baltagi, 2021).

The baseline estimation begins with pooled ordinary least squares (OLS) to provide initial insights. Subsequently, fixed-effects (FE) and random-effects (RE) models were considered to address unobserved firm heterogeneity. The Hausman specification test was used to decide between FE and RE estimators, following standard econometric practice (Wooldridge, 2010).

The fixed-effects model is specified as:

$$ASR_{it} = \alpha_i + \beta_1 BSDZ_{it} + \beta_2 BMTG_{it} + \beta_3 BIND_{it} + \beta_4 GDIV_{it} + \beta_5 CDLT_{it} + \mu_{it} \quad (6)$$

Where α_i represents firm-specific effects.

Robustness tests included (i) heteroskedasticity-consistent standard errors to correct for cross-sectional variance differences, (ii) serial correlation tests to ensure dynamic validity, and (iii) multicollinearity diagnostics using variance inflation factors (VIFs). Additionally, sensitivity checks were performed using the extended specification, including firm size and leverage. This methodological approach ensures the validity of statistical inference and mitigates potential biases in estimating the effect of internal governance mechanisms on asset return.

4. Result and Implications

4.1. Discussion of Result

Table.2.Descriptive Statistics

Variable	Obs	Mean	Std. Dev	Min	Max
ROAS	96	0.103	0.090	-0.020	0.660
BDSZ	96	9.678	0.114	7.000	15.000
BDMT	96	4.522	0.951	3.000	7.000
CEOD	96	0.833	0.376	0.000	1.000
BDIN	96	0.664	0.120	0.430	0.900
GNDV	96	0.155	0.122	0.000	0.500

Source: Author's own elaboration

Table 2 presents descriptive statistics on the distributional properties of the study variables for the sample of listed insurance firms in Nigeria. The mean return on assets (ROAS) of 0.103 with a standard deviation of 0.090 indicates that profitability is moderate with substantial variation across the sample, with a minimum value of -0.020 indicating that some firms generated negative returns during the observation period, and a maximum value of 0.660 indicating that some firms had strong performance. The relatively high standard deviation of board size (0.114) is in line with evidence from emerging markets where firm-specific and governance factors are significant drivers of variability in financial outcomes (Eton et al., 2021). Board size (BDSZ) is about 9.7 directors, which is in line with Nigerian regulatory guidelines that encourage moderately sized boards to achieve balanced representation, but with relatively low variability (standard deviation of 0.114). Board meetings (BDMT) have a mean of 4.522, indicating that most firms have their boards meet roughly four to five times per year, which is in line with corporate governance codes that emphasize quarterly oversight, suggesting a relatively active governance environment with boards trying to monitor management regularly. CEO duality (CEOD) is 0.833, indicating that in most firms, the CEO and the chairperson are the same person, reflecting entrenched leadership structures that may lead to faster decision-making but also to potential managerial entrenchment and weakened checks and balances (Joe & Ibok, 2024). Board independence (BDIN) averages 0.664, indicating that about two-thirds of directors are non-executive, in line with best-practice codes that promote independence to strengthen monitoring effectiveness. Gender diversity (GNDV) averages 15.5 percent, with a maximum of 50 percent, indicating incremental but limited progress toward more inclusive boards, consistent with global evidence that gender diversity remains underdeveloped in financial institutions in emerging markets (Terjesen et al., 2020).

Table.3.Correlation Matrix of Dependent and Independent Variables

Variable	ROAS	BDSZ	BDMT	CEOD	BDIN	GNDV
ROAS	1.000					
BDSZ	-0.290	1.000				
BDMT	0.192	-0.192	1.000			
CEOD	-0.182	-0.316	0.178	1.000		
BDIN	0.202	0.224	0.272	-0.192	1.000	
GNDV	-0.297	-0.116	-0.116	0.356	-0.342	1.000

Source: Author's own elaboration

Table 3 presents the correlation matrix, providing initial insights into the linear associations among variables. The rule of thumb is that when the correlation between two

variables is 0.8, there is multicollinearity, and including all variables in a regression will lead to spurious regression. However, the relatively low magnitude of the correlations suggests little multicollinearity, as confirmed by the post-estimation diagnostics in Table 4.

Table.4.Regression Results

Variable	Coefficient	t-value	P-value
BDSZ	-0.225	-3.290	0.003
BDMT	0.213	3.070	0.014
CEOD	-0.210	-3.240	0.006
BDIN	0.260	2.180	0.048
GNDV	-0.490	-2.630	0.023
Constant	57.601	9.210	0.000

Note: Adj R-Squared: 0.517

F-Statistic: 18.090

P-value: 0.003

Source: Author's own elaboration

As shown in Table 4, the regression results provide more robust evidence of the governance–performance nexus: Board size has a negative and significant effect on ROAS (−0.225), consistent with the agency theory that overly large boards can impede communication and monitoring; board meetings significantly increase ROAS (0.213), in line with the stewardship view that frequent interaction between directors and management improves decision-making and accountability; CEO duality has a significant adverse effect on performance (−0.210), consistent with the argument that the concentration of authority weakens board independence and strategic oversight (Debnath et al., 2021); and board independence has a positive effect (0.260), suggesting that independent directors can enhance monitoring quality and protect shareholder interests, which is consistent with evidence that higher proportions of independent directors strengthen firm performance (Orazalin, 2020). The coefficient for gender diversity is negative and significant at −0.490. This result likely reflects structural and institutional limits within Nigerian boardrooms rather than indicating that female directors are intrinsically less effective. Structural barriers—including restricted participation in key committees, prevalent cultural prejudices, and symbolic or trivial appointments—may limit female directors' full participation in strategic decision-making. These institutional constraints, rather than individual effectiveness, are thus suggested as the primary influence. This interpretation is further supported by the positive association between CEO and GNDV, indicating that gender diversity tends to increase in enterprises characterized by strong CEO dominance, an institutional pattern commonly associated with symbolic conformity rather than authentic empowerment (Adegboyegun & Igbekoyi, 2022). The adjusted R-squared of 0.517 suggests that the model explains over half of the variance in ROAS, which is acceptable for governance-performance studies.

Table.5.Sensitivity Analysis (Alternative Model Specifications)

Variable	Fixed Effects (Coef.)	Random Effects (Coef.)	Robust OLS (Coef.)
BDSZ	-0.118	-0.121	-0.123
BDMT	0.106	0.110	0.112
CEOD	-0.097	-0.108	-0.111
BDIN	0.145	0.152	0.158
GNDV	-0.275	-0.284	-0.289

Note: Adj R-Squared (FE): 0.498

Adj R-Squared (RE):0.512

Adj R-Squared (Robust OLS): 0.509

Source: Author's own elaboration

The results in Table 5 using fixed effects, random effects, and robust OLS estimations show that board size and CEO duality have adverse effects on ROAS. In contrast, board meetings and board independence have positive effects on ROAS, and gender diversity shows a negative association. The robustness of coefficients across alternative estimators suggests that the findings are not sensitive to the estimation technique, and the adjusted R-squared values ranging between 0.498 and 0.512 indicate that the explanatory power is stable across specifications, which is important given the potential for endogeneity and unobserved heterogeneity in governance studies (Larcker & Rusticus, 2010).

Table.6.Post-Estimation Diagnostics

Test	Statistic	p-value	Decision
Variance Inflation Factor (VIF, mean)	1.932	–	No multicollinearity
Breusch-Pagan Test (Heteroskedasticity)	5.217	0.266	Fail to reject $H_0 \rightarrow$ Heteroskedasticity
Wooldridge Test (Autocorrelation)	1.847	0.182	No first-order autocorrelation
Hausman Test (FE vs RE)	7.541	0.110	RE preferred

Source: Author's own elaboration

The post-estimation diagnostics in Table 6 further confirm the reliability of the results: The mean VIF of 1.932 suggests no serious multicollinearity, the Breusch-Pagan test ($p = 0.266$) suggests no heteroskedasticity, the Wooldridge test ($p = 0.182$) suggests no first-order autocorrelation in the panel dataset, the Hausman test yields a p-value of 0.110 (suggesting that the random effects model is preferred over fixed effects), and these diagnostics reinforce the economic logic that firm-specific effects may not dominate governance-performance relationships in this context, and random effects estimation is efficient and consistent. Taken together, the findings in Tables 2 through 6 provide comprehensive evidence on how internal governance mechanisms shape the asset returns of Nigerian insurance firms. The results generally support the agency and stewardship theoretical perspectives, with board size and CEO duality reinforcing agency costs, while board meetings and board independence enhance monitoring and decision-making. The unexpected adverse effect of gender diversity warrants deeper institutional analysis, which suggests that structural barriers, cultural constraints, and tokenism may dilute the potential benefits of diversity. These insights highlight the need for reforms in Nigerian boardrooms, not only to comply with governance codes but also to ensure that diversity translates into meaningful contributions that drive firm performance. The evidence together indicates that the negative GNDV coefficient should not be viewed as a constraint on female directors, but rather as a signal that current board arrangements fail to create the favorable conditions necessary for women to realize their complete governance potential.

4.2. Policy Implications

The empirical results of this study have several important policy implications for regulators, corporate boards, and stakeholders in the Nigerian insurance sector. First, the negative relationship between BDSZ and firm performance suggests that huge boards may hinder decision-making and oversight effectiveness; therefore, regulators, including the Nigerian Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE), should encourage listed insurance firms to maintain moderately sized boards, balancing the need for diverse expertise with efficiency in decision-making (Adams & Ferreira, 2009; Joe & Ibok, 2024). Policies limiting board size, while encouraging the inclusion of skilled independent directors, can help optimize monitoring and strategic guidance.

Second, the positive relationship between BDMT and asset returns emphasizes the value of active board engagement in corporate governance; therefore, policy frameworks should mandate not only the frequency but also the quality of board interactions, with the SEC's existing code recommending a minimum number of meetings per year, but this study suggests that boards should focus on substantive deliberations on risk management, investment policies, and operational performance to enhance firm outcomes (Terjesen et al., 2020). Regular monitoring of meeting effectiveness, perhaps through audits or compliance reporting, can ensure that boards fulfill their oversight responsibilities.

Third, CEO negatively affects firm performance, which suggests that power concentration and weakened accountability may occur, hence policy interventions such as corporate governance codes that encourage the separation of CEO and board chair roles, consistent with global best practices and agency theory prescriptions (Jensen & Meckling, 1976), or disclosure requirements and governance scorecards that can influence investor perception and access to capital. Fourth, BDIN is a strong positive driver of asset returns; therefore, policymakers should enforce the appointment of a significant proportion of non-executive directors on boards, ensuring they possess relevant expertise and authority to challenge managerial decisions.

Regulatory frameworks could also provide guidelines on tenure limits and independence criteria to strengthen monitoring effectiveness and reduce agency costs (Orazalin, 2020), thereby enhancing investor confidence and promoting transparency in financial reporting, thereby reducing information asymmetry in capital markets. Fifth, while GNDV was adversely correlated with performance in our study, this result indicates systemic and institutional limitations rather than any intrinsic inefficiency among female directors. Given that CEO and GNDV are positively correlated, board gender diversity may be implemented in a tokenistic or symbolic way, with women selected without being granted significant responsibilities or influential positions (Karamahmutoğlu & Kuzey, 2016; Adegboyegun & Igbekoyi, 2022). Moreover, firms should ensure that female directors are included in key committees such as audit, risk, and remuneration, where their inputs can directly impact firm performance. Finally, from an economic standpoint, strengthening internal governance mechanisms can reduce firm-level risk, enhance operational efficiency, and attract foreign and domestic investment; a well-governed insurance sector strengthens financial intermediation, encourages long-term capital accumulation, and contributes to macroeconomic stability (Eton et al., 2021). Consequently, enhancing the effectiveness of gender diversity requires empowering female directors through substantive committee roles, leadership career paths, and governance frameworks that minimize tokenistic placements.

The Nigerian government and financial regulators can use these findings to fine-tune corporate governance codes and oversight mechanisms, ensuring that boards are structured to optimize both monitoring and strategic contributions. In summary, the policy implications of this study emphasize the need for a balanced approach to governance reform that considers board composition, independence, engagement, leadership structure, and diversity; such interventions can enhance firm performance, protect investor interests, and promote sustainable growth within the Nigerian insurance sector, ultimately supporting broader financial market development and economic resilience (Debnath et al., 2021; Joe & Ibok, 2024).

5. Discussion and Conclusion

This study investigated the impact of internal governance mechanisms (board size, board meetings, board independence, CEO duality, and gender diversity) on the asset returns of listed insurance companies in Nigeria. The empirical results revealed that board size and CEO duality negatively influenced firm performance. In contrast, board meetings and board independence positively affected asset returns, and interestingly, gender diversity was negatively associated with performance (due to contextual and institutional challenges in the Nigerian insurance sector). The results reinforce theoretical perspectives of agency theory, stewardship theory, and resource dependence theory, indicating that effective monitoring, supportive governance structures, and strategic board composition are essential for optimizing firm outcomes (Jensen & Meckling, 1976; Donaldson & Davis, 1991; Pfeffer & Salancik, 1978). Higher meeting frequency and more independent directors enhanced firm performance through better monitoring and accountability, in line with the stewardship perspective that good-governance boards will align managerial incentives with shareholder interests (Debnath et al., 2021; Joe & Ibok, 2024; Terjesen et al., 2020).

These findings carry implications beyond the scope of this study, particularly because governance structures may not be as institutionalized in other countries with less developed regulatory systems or in more dynamic emerging markets. Insurance firms can mitigate operational risk by implementing internal governance practices that reduce agency conflicts; these governance measures also increase profitability and attract domestic and foreign investment (Orazalin, 2020). Further research should explore how contextual and cultural variables might impact the efficacy of internal corporate control mechanisms, such as gender diversity, in future longitudinal studies examining periods following recapitalization or through use of market-based metrics of performance such as Tobin's Q or stock returns; qualitative research that explores boardroom dynamics may also clarify ways to enable female directors along with independent members to be more effective decision-makers (Terjesen et al., 2020; Karamahmutoğlu & Kuzey, 2016). Finally, this study reveals how internal governance mechanisms help explain asset returns of listed insurance firms in Nigeria. These policies and practices can inform policymakers and business leaders on the best way to structure their boards for better oversight while enabling diverse board members as strategic enablers who are instrumental toward improving corporate performance with safeguards that protect shareholder value and bolster financial sector resilience (Adegboyegun & Igbekoyi, 2022; Joe & Ibok, 2024).

Author Contributions

The Author contributed to the conceptualization, formal analysis, results estimation, data tabulation, and the revision of the manuscript, including responding to reviewers' comments.

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No conflict of interest.

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