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Board Independence and Profitability of Listed Service Firms in Nigeria

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Abstract: ***This study examined the effect of board independence on the profitability of listed service firms in Nigeria, with the specific aim of determining how the proportion of non-executive directors to total board members influenced net profit after tax. An ex post facto research design was adopted because the work relied on historical financial data that had already been published. The population comprised twenty two listed service firms, from which a purposive sample of sixteen firms was drawn based on the availability of complete annual reports from 2014 to 2024. Data were obtained from audited annual reports, and the hypothesis was tested using panel data regression. The results showed that board independence had a significant positive effect on firm profitability during the study period (β = 2,899,897; p = 0.0000). The study concluded that the composition of the board, particularly the presence of non-executive directors, played an important role in shaping the financial outcomes of listed service firms in Nigeria. Thus, it was recommended that boards of listed service firms in Nigeria need to strengthen the role and presence of non-executive directors. The corporate governance committees and shareholders should ensure that a higher proportion of independent directors are appointed and actively involved in oversight and strategic decision-making.***

Key words: *Board Independence, Firm Profitability, Listed Service Firms*

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1.0 INTRODUCTION

In recent decades, the business environment in Nigeria has undergone significant transformation, driven by globalization, technological advancement, and evolving regulatory frameworks. As companies expand and compete both locally and internationally, effective corporate governance has become increasingly important to ensure sustainable growth, investor confidence, and long-term stability (Yolanda et al., 2025). Corporate governance structures are designed to establish checks and balances between management and shareholders, reduce agency problems, and enhance transparency and accountability (Ikelegbe et al., 2025). Within this governance framework, the board of directors serves as a pivotal mechanism for guiding strategic decisions, monitoring managerial performance, and safeguarding shareholder interests (Amedu et al., 2025). The composition of the board, including the independence of its members, plays a critical role in shaping corporate policies and ensuring that managerial actions align with the company's objectives. Board independence has gained prominence globally as a key element of effective governance, reflecting the ability of non-executive directors to provide unbiased oversight and objective judgment in organizational decision-making. Independent directors are not involved in the day-to-day management of the firm, allowing them to critically evaluate managerial actions, enforce compliance with regulatory standards, and advocate for shareholder interests without undue influence from internal executives (Yahaya, 2025). This is particularly significant in Nigeria, where corporate scandals and financial misreporting have highlighted weaknesses in governance structures and the need for stronger checks on managerial discretion.

Profitability, on the other hand, remains the central measure of a firm's success, reflecting its ability to generate returns for shareholders, reinvest in operations, and maintain competitive advantage (Paul, 2025). In today's business environment, profitability is influenced not only by market forces, operational efficiency, and innovation but also by governance mechanisms that ensure prudent decision-making and accountability. Effective board oversight, especially by independent directors, can improve strategic planning, risk management, and resource allocation, all of which directly impact profitability (Dannana, 2025). Furthermore, regulatory bodies and investors increasingly emphasize governance quality as a determinant of firm performance, with independent boards often viewed as a signal of credibility and financial discipline (Siddique et al., 2025). For listed service firms in Nigeria, which operate under intense scrutiny from both regulators and market participants, the presence of independent directors can provide assurance that managerial decisions are aligned with shareholder value creation.

The influence of board independence on profitability is multi-faceted, encompassing both direct and indirect effects on strategic, operational, and financial outcomes. Yunusa and Musa (2024) argued that independent directors bring diverse experiences, professional expertise, and external perspectives that can enhance the quality of decision-making, mitigate conflicts of interest, and ensure that executive actions support long-term value creation rather than short-term personal gains. Their oversight can help firms implement sound financial policies, optimize capital allocation, and strengthen risk management practices, which collectively contribute to improved profitability (Aidoo et al., 2024). In addition, independent boards can monitor managerial performance, ensuring that resources are utilized efficiently, operational inefficiencies are minimized, and strategic objectives are pursued effectively.

In well-governed firms, the board of directors plays a crucial role in guiding strategic decisions, monitoring management, and ensuring that resources are allocated efficiently to maximize profitability (Adekunle et al., 2024). Directors who are independent of day-to-day management are able to provide unbiased judgment, challenge managerial decisions when necessary, and uphold the interests of shareholders. Companies that maintain a strong proportion of independent directors typically demonstrate disciplined financial practices, effective risk management, and transparent reporting (Udoh et al., 2023). In service firms, where performance is often measured by client satisfaction, innovation, and financial returns, robust oversight by independent board members helps align management actions with long-term profitability, fostering trust among investors and stability within the organization. Such governance structures contribute to sustainable growth, enhance the firm's reputation, and improve overall operational efficiency.

Despite this, many listed service firms in Nigeria continue to face challenges related to board composition and governance effectiveness. Several firms have boards with limited independence, where non-executive directors may have close ties to management or lack sufficient influence to hold executives accountable (Yahaya, 2025). Weak board oversight can lead to inconsistent strategic direction, poor financial controls, and decision-making that prioritizes short-term gains over sustainable profitability. In some cases, the absence of strong independent oversight has been linked to financial misreporting, inefficient resource allocation, and inadequate monitoring of managerial performance. These challenges are compounded by the competitive and dynamic nature of the Nigerian service sector, where firms must respond rapidly to technological changes, regulatory requirements, and market pressures while maintaining profitability and stakeholder confidence.

The consequences of limited board independence are significant for both firms and the broader economy. Companies that struggle with weak oversight may experience declining profitability, reduced investor confidence, and increased risk of financial instability. Poor governance can also result in lost opportunities for growth, inefficient use of resources, and reputational damage, which can affect a firm's ability to attract investment and compete effectively in the market (Nahar et al., 2022). At a larger scale, if a substantial number of service firms operate without adequate independent oversight, the cumulative effect could undermine the performance and stability of the sector, reducing its contribution to economic development and employment generation in Nigeria. In line with the above, this study examined the effect of board independence on the profitability of listed service firms in Nigeria.

A review of prior studies such as those by Yahaya (2025), Dannana (2025), Korolo (2025), Yunusa and Musa (2024), Aidoo et al. (2024), Inah et al. (2024), Adekunle et al. (2024), Udoh et al. (2023), Nahar et al. (2022) and Fuzi et al. (2016) showed that most of the existing work focused on manufacturing firms, insurance firms, food and beverage companies, oil and gas companies, and firms outside Nigeria, with performance measured mainly through return on assets or return on equity. Although these studies consistently acknowledged the relevance of board independence, they rarely investigated its relationship with profitability using net profit after tax, especially within the service sector which operates with different risk structures, regulatory demands, and managerial processes compared to other industries. More importantly, there is limited evidence on how board independence behaves when service firms are observed over a long period such as eleven years, despite the sector's growing contribution to Nigeria's economy. None of the reviewed studies concentrated specifically on listed service firms in Nigeria, and none aligned board independence with profitability measured strictly through net profit after tax within this sector. This created a clear gap, which the present study addressed by examining how the proportion of non-executive directors influenced profitability among listed service firms in Nigeria over the period from 2014 to 2024.

1.1 Objective of the Study

The main objective of the study is to examine the effect of board independence on the profitability of listed service firms in Nigeria. However, the study specifically ascertained the effect of board independence on profitability of listed service firms in Nigeria.

1.2 Hypothesis

H_{01}: Board independence does not significantly affect the profitability of listed service firms in Nigeria.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Board Independence

Board independence refers to the presence of directors on a company's board who do not have any significant relationships with the firm that could compromise their ability to make impartial judgments (Nahar et al., 2022). These directors are not involved in the daily operations of the company, and their role is to provide objective oversight over management decisions. Independent members are expected to evaluate strategies, monitor performance, and ensure that the actions of executives align with the interests of shareholders (Yahaya, 2025). Their lack of personal or financial ties to management allows them to exercise judgment without bias, creating a system of checks and balances within the organization. The independence of board members is often associated with transparency, accountability, and fairness in corporate governance (Nwafor & Nworie, 2025). Independent directors can question managerial decisions, provide alternative perspectives, and hold executives accountable when necessary. They act as a safeguard against conflicts of interest and help prevent decisions that may favor managers at the expense of shareholders. Their presence can strengthen corporate governance by ensuring that policies and strategies are scrutinized carefully before implementation. This allows firms to pursue long-term growth while minimizing risks arising from mismanagement or unethical practices.

Independent boards are crucial in complex business environments where management might face pressure to prioritize short-term gains over sustainable performance (Yunusa & Musa, 2024). By offering unbiased judgment, independent members help guide strategic decisions and monitor how resources are allocated. They contribute to building investor confidence, as stakeholders perceive companies with independent boards as more transparent and reliable. Their role is particularly significant in publicly listed firms, where shareholder interests are diverse, and the potential for conflicts between executives and owners is high. The effectiveness of independent directors is not determined solely by their presence but by their ability to actively participate in discussions, question proposals, and ensure that corporate decisions reflect the broader interests of the company (Aidoo et al., 2024). Firms with strong independent oversight are generally more disciplined in financial reporting, risk management, and adherence to regulations. Independent directors are instrumental in creating an environment where managerial accountability is maintained and shareholder value is preserved, making them central to the governance framework of modern corporations.

2.1.2 Firm Profitability

Firm profitability refers to a company's capacity to generate financial gains over a specific period (Paul, 2025). It reflects the ability of a business to earn returns from its operations, investments, and strategic decisions relative to its costs and expenditures. Profitability is a key measure of a firm's financial health, indicating how efficiently it can convert resources into revenue while covering its obligations (Nworie & Nwoye, 2023). High profitability suggests that the firm is performing well, generating value for its shareholders, and maintaining the ability to reinvest in growth initiatives. Profitability is a critical indicator for both internal and external stakeholders. For management, it demonstrates the effectiveness of business strategies, operational efficiency, and resource utilization (Siddique et al., 2025). For investors, profitability signals the potential for returns on investment and informs decisions about buying, holding, or selling shares. It also influences the company's capacity to attract financing, negotiate favorable terms with lenders, and sustain operations during challenging economic conditions. A profitable firm can invest in innovation, expand into new markets, and enhance its competitive position, which in turn supports long-term success.

In addition to measuring current performance, profitability reflects the strategic choices made by a company over time (Paul, 2025). It captures the results of pricing strategies, cost management, revenue generation, and overall business operations. Firms that consistently achieve strong financial results are better positioned to withstand market fluctuations, meet stakeholder expectations, and maintain sustainable operations. Profitability is therefore closely linked to the perception of stability and reliability, influencing stakeholder confidence and the firm's reputation (Ofulue et al., 2025). The assessment of profitability provides hints on a company's ability to sustain growth and create value over time. It highlights how well management balances revenue generation with cost control, investment decisions, and operational efficiency (Siddique et al., 2025). Profitability is central to evaluating organizational performance, determining shareholder returns, and guiding strategic planning. It is a fundamental measure by which firms are judged in financial markets, reflecting their overall effectiveness and resilience in delivering economic gains.

2.2 Theoretical Framework

Stewardship Theory emerged in the early 1990s as an alternative perspective to traditional views of corporate governance, particularly contrasting with agency theory. It was notably propounded by Davis, Schoorman, and Donaldson in 1997, who sought to explain the behavior of managers not merely as self-interested agents but as stewards of the organizations they lead (Mills et al., 2021). The theory arose from observations that in many cases, managers act in ways that prioritize the welfare of the company and its stakeholders, rather than pursuing personal gains at the expense of shareholders. It challenged the prevailing notion that managers require strict oversight and control to ensure alignment with shareholder interests, suggesting instead that with the right organizational culture and governance structures, managers could inherently act in the best interests of the firm. This perspective marked a shift in understanding managerial motivation, emphasizing trust, commitment, and intrinsic responsibility over external monitoring and control mechanisms (Ramadhan, 2022).

The central postulations of Stewardship Theory assert that managers are motivated by a desire to achieve organizational success and long-term sustainability (Koolma, 2024). Managers are considered capable of making decisions that enhance corporate performance because their interests align with those of shareholders. The theory emphasizes that trust and empowerment, rather than control and monitoring, lead to better decision-making and organizational outcomes (Seun et al., 2024). Managers as stewards are assumed to value achievement, reputation, and the success of the organization above personal financial gain. It also highlights the importance of shared goals, collaboration, and moral responsibility in guiding managerial behavior, suggesting that when managers are trusted to act responsibly, they will prioritize the growth, profitability, and stability of the firm. This framework therefore contrasts with theories that view oversight as primarily a means to curb opportunistic behavior.

The relevance of Stewardship Theory to the study of board independence and profitability in Nigerian listed service firms lies in its emphasis on the alignment of managerial and organizational goals. Independent directors play a role in supporting and empowering managers while ensuring accountability, fostering a governance environment where managers act in the firm's best interest. By encouraging a collaborative relationship rather than a strictly supervisory one, independent boards can enable managers to implement strategies that improve efficiency, enhance financial performance, and maintain stakeholder confidence. In the context of service firms, where operational agility and innovation are crucial, Stewardship Theory supports the notion that managers who feel trusted and guided by an effective independent board are more likely to make decisions that sustain profitability, reinforce governance standards, and create long-term value for shareholders. This theoretical lens provides a foundation for examining how board independence influences financial outcomes while maintaining a balance between oversight and managerial autonomy.

2.3 Empirical Review

Yahaya (2025) explored how board independence relates to the financial performance of publicly quoted companies, while also taking audit quality, leverage, and firm size into account. The study relied on panel data covering 153 listed firms between 2014 and 2023, and a random effects model was applied to assess how independent directors influence return on assets. Information was sourced from annual reports and cross-checked with reputable financial databases to maintain accuracy. The study showed that firms with a greater proportion of independent directors tended to report stronger return on assets. Audit quality and firm size were also found to improve financial outcomes, whereas leverage showed a negative link with performance.

Dannana (2025) investigated how certain board characteristics affect the financial results of listed manufacturing companies in Nigeria from 2012 to 2021. The study adopted a correlational research design and used data obtained from the annual reports of manufacturing firms. It was grounded on agency theory and resource dependence theory. Out of 28 manufacturing firms, 24 were retained for the study. Using a GLS multiple regression approach, the study found that board size has a meaningful influence on corporate financial performance.

Korolo (2025) examined corporate governance practices and performance among food and beverage companies listed in Nigeria. The study focused on board size, gender diversity, and independence, with return on equity as the performance measure. Data from 12 companies covering 2012 to 2023 were analyzed using a GLS model. The findings showed that board size did not significantly affect return on equity, while both gender diversity and board independence produced significant and positive effects.

Yunusa and Musa (2024) assessed the influence of board independence, board size, and gender diversity on the performance of listed insurance companies in Nigeria. The researchers used a filtering technique to arrive at a sample of twenty-three firms. After conducting diagnostic tests, a robust random effects regression model was applied. The results indicated that board size, gender diversity, and the presence of independent directors all have significant positive associations with return on equity.

Aidoo et al. (2024) examined how board independence relates to the financial performance of manufacturing firms listed on the Ghana Stock Exchange, while also considering the moderating role of board commitment. The study used a quantitative causal design and relied on secondary panel data drawn from seven manufacturing companies between 2010 and 2022. The findings showed that board size had no meaningful effect on return on assets or return on equity. However, board independence and expertise had significant positive effects. Board commitment also strengthened the relationship between board independence and both return on assets and return on equity.

Inah et al. (2024) explored various corporate governance characteristics and their influence on the performance of manufacturing companies in Nigeria. The study focused on board size, board composition, audit committee size, and director ownership. Using an ex-post facto design and panel data from 2011 to 2021, the study found that board size did not significantly affect firm performance. Board composition and audit committee size did, however, show significant effects, while director ownership did not.

Adekunle et al. (2024) investigated how board size, independence, gender diversity, and board meetings influence performance in the Nigerian oil and gas sector. Data from seven firms over a ten-year period were analyzed using descriptive statistics and a panel data model. The results showed that board size, independence, and gender diversity each had significant positive relationships with performance. Board meetings, although positively correlated, did not show a significant effect. The study concluded that firms in this sector benefit when close attention is paid to board characteristics.

Udoh et al. (2023) studied the relationship between the independence of board committees and the financial outcomes of listed non-finance firms in Nigeria. The study concentrated on three committees: audit, risk management, and remuneration. Ten firms were selected based on data availability over a ten-year period. The results indicated that independence within the audit and risk committees significantly enhanced financial performance. However, the independence of the remuneration committee showed a negative but insignificant relationship with firm performance.

Nahar et al. (2022) focused on whether board independence, the gender composition of boards, and board size influence the financial performance of companies in Malaysia. With a sample of 70 listed companies from 2016 to 2020 and a multiple regression approach, the study found that all three variables were positively and significantly related to financial performance. The study suggests that firms perform better when they appoint more independent directors, increase gender diversity, and expand board size.

Fuzi et al. (2016) examined the relationship between independent directors and firm performance. The study reported mixed outcomes. Although some companies had a large number of independent directors, this alone did not guarantee stronger performance. The study emphasized that the contributions of independent directors should be carefully monitored to ensure positive value for shareholders.

3.0 Material and Method

This study used an ex post facto research design to examine the effect of board independence on the profitability of listed service firms in Nigeria. The design is suitable because it relies on already published financial data and does not involve manipulating any variable (Ikwor et al., 2025; Ukoh et al., 2025; Muomaife et al., 2025). Using historical records makes it possible to identify how changes in board independence relate to changes in profitability over time. The population consists of twenty two listed service firms in Nigeria.

Table 1 Population

1.	Academy Press Plc.
2.	Afromedia Plc
3.	Associated Bus Company Plc
4.	C & I Leasing Plc.
5.	Caverton Offshore Support Grp Plc
6.	Daar Communications Plc
7.	Eunisell Interlinked Plc
8.	Ikeja Hotel Plc
9.	Juli Plc.
10.	Learn Africa Plc
11.	Medview Airline Plc
12.	Nigerian Aviation Handling Company Plc
13.	R T Briscoe Plc.
14.	Red Star Express Plc
15.	Secure Electronic Technology Plc
16.	Skyway Aviation Handling Company Plc
17.	Tantalizers Plc
18.	The Initiates Plc
19.	Tourist Company Of Nigeria Plc.
20.	Transcorp Hotels Plc
21.	Trans-Nationwide Express Plc.
22.	University Press Plc.

Source: Nigerian Exchange Group (2024)

Firms that were listed after 2014 were removed because they do not provide full data for the study period. Firms that had not released their 2024 annual reports at the time of data collection were also excluded to avoid missing values. After applying these conditions, sixteen firms remained and were selected through purposive sampling. Only firms with complete annual reports from 2014 to 2024 were included in order to ensure consistency across the dataset.

Table 2 Sample Size

1.	Academy Press Plc.
2.	Associated Bus Company Plc
3.	C & I Leasing Plc.
4.	Caverton Offshore Support Grp Plc
5.	Daar Communications Plc
6.	Eunisell Interlinked Plc
7.	Ikeja Hotel Plc
8.	Learn Africa Plc
9.	Nigerian Aviation Handling Company Plc
10.	R T Briscoe Plc.
11.	Red Star Express Plc
12.	Secure Electronic Technology Plc
13.	Tantalizers Plc
14.	Trans-Nationwide Express Plc.
15.	Transcorp Hotels
16.	University Press Plc.

Source: Nigerian Exchange Group (2025)

Secondary data were obtained from the annual reports of the selected firms for an eleven year period covering 2014 to 2024. The reports provided information on board independence, measured as the number of non executive directors divided by the total number of directors, and profitability, measured by net profit after tax. Since the data were sourced from audited reports, they offer reliable and comparable information for the analysis. Descriptive statistics were used to summarize the behaviour of the variables over the period. The study employed panel data regression to test the hypothesis. This method is appropriate because it combines both time series and cross sectional observations, allowing the analysis to account for differences among firms as well as changes over time.

The operational measurement of the variable is shown in Table 3 below.

Table 3 Measurement of Variables

Variable	Type	Measurement
Profitability	Dependent	Net profit after tax
Board independence	Independent	Non executive directors divided by total directors

Source: Researcher's Compilation (2024)

To evaluate the effect of board independence on profitability, the following model was used:

$PROF_{it} = \alpha 0 + \beta 1BIN_{it} + \varepsilon_{it}$ ____________________________eqi

Where:
PROFit = Profitability of firm i at time t (net profit after tax)
BINit = Board independence of firm i at time t
α0 = Constant term
β1 = Coefficient of board independence
εit = Error term

The decision rule follows a five percent significance level. If the p value is greater than 0.05, the null hypothesis is accepted. If the p value is below 0.05, the null hypothesis is rejected.

4.0 RESULT AND DISCUSSION

4.1 Descriptive Analysis

Table 2 Descriptive Statistics of Study Variables

	Earnings After Tax (₦'000)	BIN
Mean	397005.9	0.765978
Median	70728.00	0.750000
Maximum	16008302	0.923077
Minimum	-6131459.	0.285714

Std. Dev.	2329399.	0.104137
Skewness	3.959679	-0.562780
Kurtosis	25.19013	3.912293
Jarque-Bera	4070.866	15.39385
Probability	0.000000	0.000454
Sum	69873043	134.8121
Sum Sq. Dev.	9.50E+14	1.897798
Observations	176	176

Source: E-Views 10.0 Descriptive Output, 2024

Table 4 showed that Earnings After Tax had a mean value of ₦397,005,900, which indicated that on average, the listed service firms recorded positive profit levels over the study period. The maximum value of ₦16,008,302,000 suggested that some firms achieved very high profit outcomes compared to others, while the minimum value of ₦–6,131,459,000 revealed that some firms experienced substantial losses in certain years. The standard deviation of ₦2,329,399,000 showed that the data were widely spread around the mean, meaning that profitability varied sharply among the firms and across the eleven year period. The skewness value of 3.959679 indicated that Earnings After Tax was heavily skewed to the right, implying that a few firms with extremely high profits pulled the distribution upward. The kurtosis value of 25.19013 showed that the distribution was highly peaked with heavy tails, confirming the presence of extreme observations far from the mean. The Jarque-Bera probability of 0.000000 indicated that the variable was not normally distributed; however, the Central Limit Theorem supported the continued use of regression techniques because the sample size of 176 observations was sufficiently large to provide reliable estimates despite the non normal distribution.

Table 4 showed that Board Independence had a mean value of 0.765978, meaning that on average, about seventy six percent of board members across the sampled firms were non executive directors during the study period. The maximum value of 0.923077 suggested that some firms had boards dominated almost entirely by non executive members, while the minimum value of 0.285714 indicated that a few firms still maintained relatively low proportions of independent directors. The standard deviation of 0.104137 showed moderate variation among the firms, meaning that although board independence differed across companies, the differences were not excessively wide. The skewness value of –0.562780 showed that the distribution was moderately skewed to the left, indicating that more firms operated above the average independence level while fewer firms had very low proportions of independent directors. The kurtosis value of 3.912293 suggested a slightly more peaked distribution than the normal curve, pointing to the presence of a few observations with unusually high independence levels. The Jarque-Bera probability of 0.000454 signalled that the variable was not normally distributed; however, with 176 observations, the Central Limit Theorem ensured that the panel regression results remained valid because large samples tend to produce stable parameter estimates even when normality conditions are violated.

4.2 Test of Hypothesis

Ho1: Board independence does not significantly affect the profitability of listed service firms in Nigeria.

Table 5: Test of Hypothesis I

Dependent Variable: EARNINGS_AFTER_TAX
Method: Panel EGLS (Cross-section weights)
Date: 12/9/25 Time: 13:48
Sample: 2014 2024
Periods included: 11
Cross-sections included: 175
Total panel (unbalanced) observations: 176
Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BIN	2899897.	50217.93	57.74625	0.0000
C	-1831686.	32436.33	-56.47018	0.0000

Weighted Statistics

R-squared	0.950408	Mean dependent var	2938279.
Adjusted R-squared	0.950123	S.D. dependent var	10426581
S.E. of regression	2293802.	Sum squared resid	9.16E+14
F-statistic	3334.630	Durbin-Watson stat	0.000000

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Prob(F-statistic)	0.000000

Source: E-Views 10.0 Regression Output, 2024

Table 5 presents the panel regression results used to evaluate whether board independence shaped the profitability of listed service firms in Nigeria during the period covered by the study. The model validity indicators show that the estimation performed strongly. The probability of the F-statistic is 0.000000, which is below the 5 percent threshold, meaning the overall model was statistically meaningful and the explanatory variable jointly influenced profitability. The R-squared value of 0.950408 means that board independence explained about ninety-five percent of the variations in earnings after tax across the firms and years examined. This level of explanatory power indicates that the model captured the behaviour of profitability reasonably well and that the estimation did not rely heavily on unexplained fluctuations. These validity outcomes confirm that the model was suitable for analysing the effect of board independence.

The constant term in **Table 5** has a coefficient of −1831686 with a probability value of 0.0000. The negative sign shows that if board independence remained unchanged at zero, listed service firms would have recorded a negative level of earnings after tax. In practical terms, this suggests that without any independent representation on the board, the profitability of a typical listed service firm would tend to fall below zero. Since the p-value is lower than 0.05, the constant term was statistically significant, meaning it contributed meaningfully to the predictive strength of the model.

In **Table 5**, the coefficient of board independence (BIN) is 2899897 with a probability value of 0.0000. The coefficient shows that a one-unit increase in board independence led to an increase of 2,899,897 naira in earnings after tax. This is the marginal effect, meaning that higher proportions of non-executive directors were associated with noticeably stronger profitability. The positive coefficient indicates that firms with more independent boards generally achieved higher earnings after tax during the study period. Because the p-value is below the five percent significance level, the effect is statistically significant. This confirms that the influence of board independence on profitability was not due to chance.

The hypothesis for this study stated that board independence does not significantly affect the profitability of listed service firms in Nigeria. Based on **Table 5**, the p-value associated with board independence is 0.0000, which is lower than 0.05. Therefore, the study rejects the null hypothesis. The findings show that board independence exerted a meaningful and positive effect on profitability over the years assessed. This means firms with stronger independent representation on the board tended to report higher earnings after tax. The evidence supports the position that the presence of independent directors contributed positively to financial outcomes.

4.3 Discussion of Finding

The finding that board independence had a significant positive effect on the profitability of listed service firms in Nigeria suggests that firms with a higher proportion of non-executive directors experienced greater net profits after tax during the study period. This result can be explained by the role independent directors play in enhancing oversight and ensuring that management decisions align with shareholders' interests. Independent directors are typically less influenced by internal management and are more capable of providing objective judgment on strategic decisions, risk management, and financial policies, which can lead to improved operational efficiency and financial outcomes. The positive effect observed in this study aligns with the findings of Yahaya et al. (2025), who reported that firms with a greater proportion of independent directors had stronger return on assets, and with Korolo et al. (2025), who observed that board independence significantly enhanced return on equity in food and beverage companies. Similarly, Yunusa and Musa et al. (2024) found that independent directors positively influenced performance metrics in listed insurance companies, supporting the notion that independence contributes to firm profitability. Aidoo et al. (2024) also documented that board independence positively affected both return on assets and return on equity among Ghanaian manufacturing firms, suggesting that the effect is not confined to a single industry or country context.

The positive effect of board independence on profitability in this study may also reflect the ability of independent directors to reduce agency conflicts between managers and shareholders, consistent with the predictions of agency theory. By monitoring executive actions and providing strategic guidance, independent directors can help firms allocate resources more efficiently, avoid unnecessary expenses, and make decisions that support long-term profitability. This finding is further supported by Adekunle et al. (2024), who demonstrated that board independence significantly improved performance in the Nigerian oil and gas sector, and by Udoh et al. (2023), who observed that independence within audit and risk committees positively affected financial outcomes for non-finance firms. The convergence of these empirical results suggests a broader pattern whereby the presence of independent directors serves as a mechanism for accountability, financial discipline, and enhanced decision-making, ultimately contributing to higher profitability. However, it is noteworthy that Fuzi et al. (2016) found mixed results, indicating that merely increasing the number of independent directors does not automatically guarantee better performance; the effectiveness of these directors in exercising their oversight responsibilities remains a crucial factor.

5.0 CONCLUSION AND RECOMMENDATION

The evidence from the study shows that profitability rose when firms increased the share of non executive directors on their boards, and this outcome carries several important meanings for how service companies function and perform in Nigeria. The direction and strength of the result signal that boards with a stronger presence of directors who are not involved in daily management tended to create conditions that supported healthier financial outcomes. This pattern suggests that when monitoring and oversight become more detached from management influence, firms appear better positioned to control operational excesses, maintain discipline in strategic execution, and strengthen financial accountability. Such boards are more likely to question managerial decisions, insist on clearer justification for resource allocation, and maintain more stable control systems, all of which contribute to the improved earnings reflected in the analysis. The effect also reflects the possibility that independent directors bring broader business exposure and more balanced judgment, which may help firms steer through periods of uncertainty with better financial discipline. Since the study covered several years, the consistency in the statistical result reveals that the advantage of having more independent directors was not tied to a particular period but persisted across different economic conditions. In addition, the strength of the coefficient suggests that the financial value attached to strengthening independence was meaningful, pointing to the broader role that governance structures play in shaping organisational outcomes in the service sector. The result therefore strengthens the view that the structure of the board is not merely a formal requirement but a factor that influences the financial direction of firms, especially in environments where transparency, regulatory compliance, and managerial accountability vary significantly across companies.

Based on the findings that board independence exerted a positive effect on profitability ($\beta = 2{,}899{,}897$; $p = 0.0000$), it is recommended that the boards of listed service firms in Nigeria strengthen the role and presence of non-executive directors. The corporate governance committees and shareholders should ensure that a higher proportion of independent directors are appointed and actively involved in oversight and strategic decision-making. This approach will help enhance financial performance by leveraging the objectivity, oversight capacity, and expertise that independent directors bring to board deliberations, which can support sustainable profitability and protect the interests of both investors and stakeholders.

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