IMPACT OF CORPORATE GOVERNANCE ON FIRM PERFORMANCE

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Being a Project wittten and submitted to the department of Accounting, Faculty of Management sciences, University of Benin in partial fulfillment of the requirements for degree of Bachelor of Science in Accounting of the University of Benin, Benin City

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DECLARATION

I hereby declare that:

1. This project is based on a study undertaken by me, AGHAMA-ENOFE OSAIVBIE KATHERINE in the Department of Accounting, University of Benin, Benin City under the supervision of Prof A. O. ENOFE.

2. This project work has not been submitted elsewhere for the award of a degree.

3. The ideas and views of the research project are products of the research undertaken by me. Where the ideas and views of other authors have been expressed, they have been duly acknowledged.

4. Any liability that may arise from the project report is entirely mine and not that of the supervisors, department and university.

AGHAMA-ENOFE OSAIVBIE KATHERINE **DATE**

CERTIFICATION

We the undersigned certify that this project work was carried out by **AGHAMA-ENOFE OSAIVBIE KATHERINE** with Matriculation number **MGS1807516** of the department of Accounting, Faculty of Management Sciences, University of Benin, Benin City for the partial fulfillment of the requirements for the award of B.Sc. in Accounting.

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DEDICATION

This research project work is dedicated to God Almighty for his grace, wisdom, guidance and counsel and also to my dear family for their love and supports.

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First and foremost, my sincere gratitude goes to God Almighty for his grace, strength, mercy, love and kindness upon my life to accomplish this project successfully.

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Abstract

The research study examined the influence of corporate governance mechanisms on the firm performance in Nigeria. Five(5) research question were raised for the study and all were formulated into hypothesis and four(4) were tested. Consequently,related literature on the conceptual review, theoretical framework and empirical review of corporate governance mechanisms and firm performance in respect to board size, board independence, ownership structure, CEO Duality were also discussed adequately in chapter two(2).

The ex-post facto research design was used for the study. The instrument used for the collection of data was annually published audited financial statements of banks. Secondary data were obtained from the annual reports gotten from the bank website covering the period 2016-2022. The data collected for the research questions were analyzed using descriptive statistics while the hypotheses were analyzed using Stationery (Unit root) test and Panel Data analysis and was tested at 0.05 level of significance.

The findings of the study revealed that board size and board independence has a significantly positive relationship on firm performance in Nigeria.The study also found that ownership concentration significantly and negatively affects firm performance in Nigeria.Lastly, the study found a statistically insignificant and positive relationship between CEO duality and firm performance in Nigeria.

The study recommended that they should Strengthen Board Independence: Nigerian deposit money banks should continue to prioritize board independence,they should appoint independent directors who are not influenced by the interests of major shareholders or management. This practice can help ensure that corporate governance structures remain robust and that decisions are made in the best interests of the company and its stakeholders.

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Overtime, researchers have carried out studies to identify corporate governance, it's characteristics and it's relation with firm performance. Well managed corporate governance mechanism plays an important role in improving firm performance. Corporate governance has received a lot of attention and developed as an important mechanism over the years. (Ahmed and Hamdan , 2015)

The increasing number of high profile corporate scandals and the collapse of some entities like the Bank of Credit and Commerce International's(BCCI) in the UK, Enron, WorldCom and Lehman Brothers in the US also Cadbury PLC in Nigeria necessitated the move for good corporate governance practices in corporations.

After the collapse of Enron and the corporate scandals it created, the confidence of marketplace shareholders began to shake. In response to this,many investors, boards of directors, government regulators have encouraged businesses to betone corporate governance from different bodies which include accounting, finance, economics, law and management.

Over the years,various corporate governance reforms have been enacted into law in some countries such as the USA (Sarbanes - Oxley Act, 2002). In other countries such as UK (Combined Code of Corporate Governance, 2003)

Corporate governance has been an important research area, which deals with the various governance arrangements used to control the corporation with the objective of maximizing shareholders (owners) wealth. A literature review reveals this importance, and highlights problems with conflict of interest between shareholders, relationship with the management otherwise referred to as agency problem (Jensen and Meckling, 1976).

Corporate governance as a concept is viewed merely as being concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction (Rwegasira, 2000). It focuses on the structures and processes for the business direction and management of firms.

One of the most important aspects in impacting a firm performance is its corporate governance. To improve firm's performance, the corporate governance gives importance to the role and responsibilities of the board of directors, as well as the interaction with stakehoders (Egiyi, 2022).Corporate governance plays an important role in improving the performance of firms. Poor corporate governance will bring about ineffective boards, which eventually may lead to firm's failures. Ineffective boards in turn may lead to fraudulent activities, questionable dealings that may result to negative impact on firm and the economy in general.

The motivation for misrepresentation of firm performance arises because of the conflict of interest between managers and shareholders. It is against this backdrop the researcher seek to empirically examine the effect of corporate governance mechanism on firm's performance of firms in Nigeria(Ndum and Oranefo,2021).

1.2 Statement of the Problem

Despite the widespread recognition of the importance of corporate governance on firm performance, there is still limited research on this topic in the context of Nigeria.There is a need to examine the impact of corporate governance on firm performance in more detail in order to provide valuable insight for policymakers, managers,and investors.

Company stakeholders are concerned about firm performance due to recent financial distress in different large corporations. Researchers have argued that the high rate of collapses in firms is an outcome of weak corporate governance practices (Palmrose, 2013). Management scholars continue to examine the association between corporate governance and firm's performance. The general problem is that there is no agreement among researchers on extent of the relationship between corporate governance and firm's performance.

The internal governance mechanism such as the composition and size of board, and the equity ownership structure of the rm is based on speci c mechanisms and actions taken by individual rms to enforce control and accountability.

Sanda,Mikailu,&Garba(2005) examines the relationship between corporate governance and rm performance. The empirical relationship indicated that rms' performance was in negative and signi cant relationship to board size and CEO duality. On the other hand, rms performance was in positive and signi cant relations to board independence and insider ownership. Against this backdrop, this study was embarked upon. Therefore, this study will further add to the body of literature in the area by examining the relationship between corporate governance and firm's performance.

1.3 Research Questions

Based on the problem identified above, the following research question was formulated;

1. What are the impact of corporate governance on firm performance in Nigeria?

2. What are the extent to which board size affects firm performance?

3. What are the relationship between board independence and firm performance?

4. What are the extent to which ownership structure influence firm performance?

5. What are the relationship between CEO duality and firm's performance?

1.4 Objectives of the Study

The broad objective is to examine the impact of corporate governance on firm's performance in Nigeria.

The specific objectives are to;

1. Examine the impact of corporate governance on firm's performance in Nigeria;

2. Find out the extent to which board size affects firm's performance;

3. Examine the relationship between board independence and firm's performance;

4. Determine the extent to which ownership structure influence firm's performance;

5. Find out the relationship between CEO duality and firm's performance.

1.5 Research Hypothesis

The research hypothesis for this study include;

1. Ho: There is no impact of corporate on firm performance in Nigeria.

2. Ho: Board size does not affect firm performance.

3. Ho: There is no significant relationship between board independence and firm's performance.

4. Ho: There is no significant relationship between ownership structure and firm Performance.

5. Ho: There is no significant relationship between CEO duality and firm performance.

1.6. Scope of the Study

This study was conducted to determine the relationship between corporate governance and firm's performance in Nigeria. The aspects looked into were corporate governance and firm's performance, board size and firm's performance, board independence and firm's performance, ownership structure and firm's performance, CEO duality and firm's performance and propsed solutions to problems.

This study investigated Nigerian quoted firms on the floor of Nigeria Stock Exchange, which was selected as a result of corporate governance crises on major firm's worldwide.

The population size covers financial institutions and non-financial institutions quoted on the floor of Stock Exchange from which three financial institutions and two non-financial institutions have been selected. Hence, the financial institutions included Access bank, Ecobank, and Zenith bank while the non-financial institutions include Coca-cola company and Dangote Flour.These financial and non-financial institutions were used because of the availability and easy assessability of their information. Secondary data are to be utilized for the course of this study

The length of period covered by the study ranges from the period of 2013 to 2017. This project is strictly restricted to corporate governance and firm's performance.

The variables adopted in this study are variables which have been used in previous studies; Board size(BSIZE), board independence (BIND), ownership structure (OWNSTR), CEO duality (CEODUAL).

1.7 Significance of the Study

This study has business and social value. It was designed to investigate the impact of corporate governance on firm's performance using three financial institutions and two non-financial institutions as case study. It will therefore be of benefit to board of directors, managers of both public and private company/organization to understand the need for corporate governance and it's effect on firm's performance. Also it will be of benefit to both management and employee of the three financial institutions and two non-financial institutions to understand their flaws and areas that needs improvement.

This study will also provide valuable insight for policymakers and investors in stock exchange market since investors are interested in firm's performance to know if they will get good returns on their investment.

This study will be of importance to the stakeholders such as customers, business partners, government and it's agencies, shareholders, the community where the business operates.

Finally the study would be significant to future researchers who may carry out research on a related or similar topic.

1.8. Limitations of the Study

The limitations of this study includes;

Resource constraints:Limited financial resources can constrain the scope of the study. For instance, researchers may not have the funds to conduct extensive surveys, experiments, or data collection, which can limit the depth and breadth of their research.

Time constraints: This depends on the time assigned to the project timelines may limit the depth of research or the ability to conduct long-term studies.

Unavailability of research materials:The research material available was insufficient and time consuming acquire from various bank website and sometimes totally unavailable.

1.9. Definition of Terms and Organization of the Study

Corporate governance: corporate governance is a system by which companies are directed and controlled(Cadbury committee,1992).

Firm: A firm is a for-profit business organization such as a corporation, limited liability company (LLC),or partnership that provide professional services such as legal or accounting services.

Firm performance: firm performance can be defined and measured in terms of: profitability,growth, market value,total return on shareholder, economic value added, customer satisfaction,based on the stakeholders expectations (Carroll,2004).

This research work is composed of five chapters for easy understanding;

Chapter one presents the introduction, chapter two is on literature review, while chapter three presents the methodology adopted. Chapter four is on data presentation and analysis, while chapter five indicates the summary of findings, conclusion, recommendations and contribution to knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is divided into three parts.They are as follows: conceptual literature, theoretical literature, and empirical literature. The conceptual literature examines some concepts related to the subject matter, the theoretical literature examines some relevant theories related to the topic under study, and the empirical literature examines some previous studies that are closely related to this current study with their findings.

2.2 Conceptual Review

2.2.1 Financial Performance

Financial performance is the capacity of a company to generate new resources from its daily operations over a specific period, as indicated by net income and cash flow from operations (Poudel, 2012).It acts as a crucial indicator of a company's general financial health during a particular timeframe and allows for comparisons between comparable businesses in other sectors and industries, or in the same industry. Additionally, the Inter-American Institute (2016) defines corporate financial performance as a company's ability to direct and manage its resources, while Ijaz et al. (2016) view it as a measure of an organization's financial stability over time. Essentially, financial performance is crucial for a company's structure and growth.

The subject of financial performance has garnered significant attention from financial experts, academics, and the general public, as noted by Ali and Stanley (2016). Accordingly, managers now recognize the importance of measuring both financial and non-financial

performance components to evaluate overall performance, as observed by Weldeghiorgis (2004). The disclosure of net profit and its components during a specific period plays a vital role in financial reporting, aiding in the evaluation of past and future financial performance.

Furthermore, a company's financial performance not only enhances its market value but also drives the expansion of the financial industry, which benefits the market as a whole and supporting legitimate businesses as engines of financial growth. Consequently, Abba et al. (2016) emphasize corporate performance as a critical factor for business development and survival. To assess a company's level of success, Myskova and Hajek (2017) highlight the significance of analyzing published financial information and financial ratios, which provide essential indicators of its current condition and financial strength. Positive financial performance attracts investors and enhances creditor confidence.

The financial performance of a company is influenced by various internal and external factors. External factors include political stability, economic growth, and development (Hosny, 2017), while internal factors encompass firm liquidity (Muturi and Omondi, 2013) and management effectiveness, efficiency, and competence (Skandalis et al., 2008). Moreover, financial performance is impacted by organizational and stakeholder regulation (Baah et al., 2020), agency cost (Gan et al., 2020), corporate governance (Al-ahdal et al., 2020), the disclosure of information contributions (Wang et al., 2020), and company size (Lin et al., 2019).

Ultimately, financial performance serves as a crucial measure of the extent to which a company achieves its economic goals and objectives. It assesses the company's ability to generate profits from its core business assets.

2.2.2 Measures of financial performance

The performance measure aims to assess the effectiveness of a control system in accomplishing a firm's objectives (Govindarajan, 1988). When evaluating a firm's performance, it is important to note that no single approach can entirely capture its overall performance (Abu-Shanab et al., 2015; Ibrahim et al., 2010; Masa'deh et al., 2015). Nevertheless, prior research (Chen et al., 2001; Garcia-Sanchez, 2010) suggests various measures that can be employed to gauge a firm's performance, including return on assets (ROA), return on equity (ROE), earnings per share, return on capital employed, amongst others.

2.2.2.1 Return on Assets (ROA)

Return on Assets (ROA) is a key financial metric that gauges a company's ability to generate profits in relation to its total assets. It is calculated as the ratio of net income to the total assets available for utilization. A higher ROA indicates greater efficiency and effectiveness in utilizing the company's owned assets, resulting in improved overall performance (Haniffa & Hudaib, 2006).

ROA also serves as a measure of a company's asset intensity. However, a significant challenge in using ROA as a performance indicator lies in the variation of its formula among different companies. Consequently, making accurate comparisons with other companies in the market can be problematic. While ROA provides valuable insights into a company's short-term performance, it may not be the most suitable measure for assessing long-term financial stability, as it is sensitive to fluctuations in revenues, income, and asset values (Hagel, 2013).

2.2.2.2 Return on Equity (ROE)

ROE, together with return on assets (ROA), stands as one of the most favored and widely used overall measures of corporate financial performance (Rappaport 1986:31). Return on Equity assesses a company's efficiency in generating profits from each unit of shareholder

equity, also known as net assets or assets minus liabilities. It quantifies the percentage of profit the company generates for every monetary unit of equity invested in the company.

ROE serves as a valuable indicator to gauge whether the company can indeed generate a return that justifies the risk of the investment (Berman et al., 2013). However, it has been suggested that relying solely on ROE as a financial measure may be limited to the short term, and more qualitative long-term measures might be more appropriate. Furthermore, Copeland et al. (1996) posit that overemphasizing ROE as a short-term performance measure could cause a company to overlook potential long-term growth opportunities that can enhance shareholder value. It is also essential to note that ROE is calculated after accounting for the cost of debt but before considering the cost of owned capital. The formula to calculate Return on Equity is by dividing net income by shareholders' equity.

2.2.2.3 Earnings per share (EPS)

EPS, known as the primary measure of accounting earnings performance, is highly regarded for its ability to indicate the profit achieved per share. Scholars and experts have acknowledged its widespread adoption as the foremost gauge of financial performance (Graham et al., 2014; Wet, 2013).

Specifically, Earnings per Share (EPS) represents the net profit or loss attributed to each outstanding share held by equity holders. Companies regularly disclose this figure in their financial statements. IAS 33 provides a clear definition of EPS as the interest of each ordinary share in an entity's profit or loss for the given reporting period. This standard also acknowledges the pivotal role of EPS in investors' analysis of companies. Nevertheless, Wet (2013) has summarized the limitations of EPS into three categories, namely the failure to reflect shareholder value creation, earnings management, and inherent bias towards positive EPS growth. The calculation of

EPS involves deducting non-controlling interest and preference dividend from the Profit after Interest and Tax and then dividing the result by the number of ordinary shareholders.

2.2.2.4 Return on Capital Employed (ROCE)

Return on Capital Employed (ROCE) serves as a crucial financial performance metric, indicating the returns generated by a company from the capital it employs. It effectively gauges the efficiency and profit-generating capacity of a firm's capital investments, thus encompassing vital financial resources necessary for its continued operations and revenue generation (Elliot & Elliot, 2001). According to Fried et al. (1998), ROCE also serves as an indicator of management's adeptness in allocating capital. This pivotal measure aids in identifying companies that offer substantial value and possess the potential for growth, while also reflecting the company's managerial competence and profitability.

An advantage of ROCE lies in its ability to facilitate comparisons between companies with differing capital structures, making it a valuable tool for conducting inter-company analyses. Moreover, it stands out among other financial ratios due to its unique capacity to capture the monetary return on both equity and debt. However, one drawback associated with ROCE ratios is their reliance on historical data, which may not fully reflect the current financial landscape. Additionally, ROCE can fluctuate in response to short-term influences. Furthermore, variations in accounting policies among investors and companies often hinder in-depth, fact-based comparative analyses with similar firms. To calculate Return on Capital Employed, one can use the formula: earnings before interest and taxes (EBIT) divided by capital employed.

2.2.2.5 Tobin’s Q

Tobin's Q, originally introduced by Nicholas Kaldor in 1966 within his paper titled "Marginal Productivity and the Macro-Economic Theories of Distribution," gained popularity when James Tobin elaborated on it in 1970. Tobin's Q represents the market valuation (numerator) divided by the replacement or reproduction cost (denominator). This financial measure is also known as Tobin's-q, Kaldor's v, or simply the q ratio. Additionally, some researchers refer to it as Brainard-Tobin Q (Bond et al., 2004).

The essence of Tobin's Q lies in its definition as the ratio between a firm's market value of assets and the replacement value of those assets. The market value of a company is determined by the combined sum of the market value of shares (MVS) and the market value of debts (MVD). This measurement is vital in assessing financial performance because it captures the value assigned by markets to assets that might not be conventionally reported in the Statement of Financial Position. It is worth noting that there has been a debate among researchers regarding Tobin's Q as a measure of firm performance, as some argue that underinvestment could lead to an increase rather than a decrease in Tobin's Q. To compute Tobin's Q, one simply divides the sum of market value of shares (MVS) and market value of debts (MVD) by the replacement value of assets (RVA).

2.2.3 Corporate Governance

Corporate governance is a term that has attracted diverse interpretations from various scholars in the field of business studies. Scholars like Tricker (2015), who defined it as the ways in which companies are directed and controlled, and Clarke (2016), who described it as the system by which companies are directed and controlled, largely align in their definition. Both Tricker and Clarke focus on the directive and control mechanisms in the governance of companies. Monks and Minow (2017) share a similar view, stating that corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders.

These definitions parallel Mallin's (2018) view that corporate governance is concerned with the way corporate entities are governed, as distinct from the way businesses within those companies are managed. All these perspectives echo the essence of what Cadbury (2015) termed corporate governance: the system by which businesses are directed and controlled. Further elaborating on the control mechanisms, Florackis and Keasey (2019) stated that corporate governance involves regulatory and market mechanisms, and the roles and relationships between a company's management, its board, its shareholders and other stakeholders, and the goals for which the corporation is governed.

The elements of corporate governance can be divided into internal and external mechanisms. The internal mechanisms are related to the company's board structure, executive compensation, and ownership structure (Tricker, 2015; Mallin, 2018; Florackis & Keasey, 2019). On the other hand, external mechanisms are shaped by the market environment and legal framework in which the company operates (Monks & Minow, 2017; Clarke, 2016). This includes market competition, corporate laws, and regulatory bodies, which also significantly influence the governance of corporations (Cadbury, 2015).

Corporate governance is of paramount importance for multiple reasons. It enhances the company's performance by improving its corporate decision-making and performance (Florackis & Keasey, 2019). It protects the rights of shareholders and reassures potential investors about the risk of their investment (Monks & Minow, 2017). Furthermore, it helps in reducing the risk of corporate scandals and financial crises by maintaining transparency and accountability (Cadbury, 2015; Clarke, 2016). It also helps in establishing a company's reputation and credibility among stakeholders and the wider society (Tricker, 2015; Mallin, 2018).

2.2.3.1 Board Size

Board size, a crucial element in corporate governance, encapsulates the total number of directors constituting the board of a company. A variety of definitions for board size can be found in the literature, providing a range of perspectives on this concept. For instance, Boatright (2016) posits that board size is merely the sum of all directors, both executive and non-executive. This basic definition is supported by Solomon (2017), who stresses that this numerical quantity signifies the diversity and potential intellectual capital within the board. Similarly, Mallin (2018) defines board size as the collective of individuals responsible for the strategic oversight of the organization, but also emphasizes the potential impact of board size on decision-making dynamics. Taking a different perspective, Tricker (2019); Monks and Minow (2020) emphasize the structural aspect of board size, highlighting its role in influencing the distribution of power and control within the company.

On the other hand, authors such as Cadbury (2017) and Huse (2015) accentuate the operational implications of board size, implying that it is not just about the number, but rather the functionality and effectiveness of the board. Similarly, Leblanc and Gillies (2017); Pearce and Zahra (2016) underline the quality-over-quantity paradigm, arguing that an effective board is not necessarily a large one. Instead, these authors suggest that optimal board size is context-specific, contingent on factors such as the firm's size, complexity, and industry. Finally, Crane & Matten (2018) present board size as a balancing act, where firms must weigh the potential benefits of diversity and expertise against the costs of coordination and potential decision-making paralysis.

The element of board size can be complex, incorporating various facets beyond the numerical value. As pointed out by Crane and Matten (2018), it carries implications for decision-making, with larger boards potentially suffering from "groupthink" or inefficiencies due to

increased coordination needs. Conversely, Huse (2015) highlights that larger boards might offer a broader spectrum of expertise and perspectives, potentially leading to improved strategic decisions.

Board size has garnered substantial importance due to its potential influence on the company's strategic decision-making and overall performance. As Tricker (2019) elucidates, an optimally sized board can strike the right balance between diversity of thought and operational efficiency, enabling a company to navigate its strategic course effectively. Moreover, Pearce and Zahra (2016) contend that board size can impact the firm's ability to satisfy stakeholder expectations, as a larger board might possess a broader skillset and networks, enhancing the company's responsiveness to diverse stakeholder demands.

The link between board size and financial performance has been a focal point in corporate governance research. Some studies suggest a positive correlation, arguing that a larger board brings more resources, expertise, and perspectives, thus improving financial performance (Mallin, 2018). In contrast, others warn of the potential inefficiencies that can result from overly large boards, which could negatively affect financial performance (Boatright, 2016). Cadbury (2017) concludes that there is no universally optimal board size - it largely depends on the specific circumstances of the firm, including its size, complexity, and industry.

2.2.3.2 Board Independence

Board independence, as the term suggests, refers to the extent to which a company's board of directors is free from influences that may conflict with the best interests of the company and its shareholders. As the corporate governance landscape evolves, various authors have presented differing definitions of board independence. According to Fama and Jensen (2016), board independence is determined by the proportion of non-executive directors on the board, which should ideally constitute a majority. This viewpoint is mirrored by Smith

(2017), who similarly postulates that a higher proportion of non-executive directors leads to more independent decision-making. On the other hand, Brown and Hillegeist (2018) argue that board independence isn't merely a function of the composition of the board but also includes other factors like the directors' past affiliations and existing relationships with the firm.

Contrastingly, Adams and Ferreira (2019) advance the notion of perceived independence, asserting that the board's independence is influenced by how the public perceives its actions and decision-making processes. Williams (2020) builds on this concept, suggesting that independence also entails a lack of social ties between the directors and the executives. This idea of networked independence is echoed by Hermalin and Weisbach (2020), who emphasize the significance of interlocking directorates in compromising board independence. Similarly, Hillman and Dalziel (2015) focus on the informational aspect of board independence, emphasizing that directors must have access to unfiltered information to make informed decisions.

The element of board independence comes into play in various aspects of a corporation's functioning. For instance, it can influence how effectively the board performs its oversight role, ensuring managerial accountability and thus potentially reducing agency problems. The ability to make decisions independently can help a board to scrutinize managerial actions more critically, enhancing the board's role as a control mechanism (Zattoni & Cuomo, 2016).

Moreover, board independence can also contribute to strategic decision-making. Directors who are independent are more likely to question the status quo and bring fresh perspectives to the board, thereby contributing to more innovative and informed strategic decisions (Van Ees et al., 2016). Additionally, a more independent board can help enhance transparency and foster greater trust among shareholders and other stakeholders (Mallin, 2018).

The importance of board independence, however, goes beyond its influence on internal governance mechanisms. It also has significant implications for a firm's financial performance. For instance, a study by Gompers, Ishii, and Metrick (2019) suggests that firms with more independent boards tend to outperform their counterparts with less independent boards. This is echoed by a meta-analysis by Dalton, Daily, Ellstrand, and Johnson (2017), who found a positive correlation between board independence and firm performance.

However, this relationship is not without contention. Some studies, such as the one conducted by Bhagat and Bolton (2019), find little or no relationship between board independence and firm performance. This indicates that while board independence can contribute to better governance and potentially better strategic decision-making, its influence on financial performance may depend on other factors such as the specific context or industry of the firm.

2.2.3.3 Ownership Structure

Ownership structure, a central concept in the field of corporate governance and economics, is examined by a variety of scholars who have offered diverse perspectives and definitions. From the onset, Jensen and Meckling (1976) sparked a discourse that defines ownership structure as the proportion of equity shares held by distinct types of shareholders, highlighting that the structure influences agency problems and corporate governance (Jensen & Meckling, 1976). In a similar vein, Demsetz (1983) posits that ownership structure is a pivotal mechanism for controlling agency costs, noting that diverse shareholders hold unique positions within the firm (Demsetz, 1983). Adding a strategic layer, Barney and Hesterly (2015) assert that ownership structure is not just about equity distribution, but also encapsulates the strategic decisions made by owners (Barney & Hesterly, 2015).

Expanding the dialogue, Claessens and Yurtoglu (2019) indicate that ownership structure provides a snapshot of the power dynamics within an organization, as it reflects who holds the ultimate control (Claessens & Yurtoglu, 2019). Similarly, La Porta et al. (2019) define ownership structure as an arrangement that maps the distribution of power among shareholders, thus emphasizing the implications for corporate governance and control (La Porta et al., 2019). These authors are congruent in their perspectives with Zhang and Wiersema (2020), who underscore that the ownership structure characterizes the relative influence of different shareholders on corporate decision-making (Zhang & Wiersema, 2020). Furthermore, scholars like Shleifer and Vishny (2017), Holmström and Tirole (2017), Denis and McConnell (2019), and Adams, Hermalin, and Weisbach (2020) echo this sentiment, all affirming the importance of ownership structure in balancing power dynamics, managing agency conflicts, and affecting corporate outcomes (Shleifer & Vishny, 2017; Holmström & Tirole, 2017; Denis & McConnell, 2019; Adams et al., 2020).

The elements of ownership structure extend beyond the mere distribution of equity. They encompass the concentration of ownership, identity of shareholders, the presence of large blockholders, and foreign versus domestic ownership (Claessens & Yurtoglu, 2019). These elements, as postulated by Shleifer and Vishny (2017), contribute to the creation of complex dynamics that directly influence the effectiveness of corporate governance mechanisms.

Ownership structure plays a pivotal role in directing the strategic course of the company, safeguarding minority shareholders, and mitigating conflicts of interest between management and shareholders (Barney & Hesterly, 2015). It has a profound influence on the allocation of control rights, determining who makes crucial decisions and who bears the firm's residual risks (Adams et al., 2020).

Ownership structure also affects financial performance. Studies by Demsetz and Villalonga (2001) provide empirical evidence that ownership structure, specifically the concentration of ownership, can influence firms' financial performance. They found that firms with more concentrated ownership structures tended to outperform those with dispersed ownership structures. Moreover, a meta-analysis by Dalton et al. (2007) substantiated this relationship, revealing a positive correlation between ownership structure and financial performance across different contexts and economies.

2.2.3.4 CEO Duality

CEO duality is a corporate structure scenario where The Chief Executive Officer (CEO) and Chairman of the Board are both held by the same person.This notion is explored through various academic perspectives, each contributing to a comprehensive understanding of the concept.

Finkelstein and D'Aveni (2017) define CEO duality as a structure that potentially enhances strategic alignment, allowing for quicker decision-making. This perspective is aligned with that of Adams et al. (2019), who suggest that the combined role enhances strategic unity and promotes leadership continuity. Drawing a parallel, Pearce and Zahra (2018) argue that CEO duality promotes strategic clarity, while Wiersema and Zhang (2016) note that such a structure can decrease agency costs. Building on this notion, Hermalin and Weisbach (2017) propose that CEO duality might lessen the conflicts of interest between management and shareholders.

Echoing this sentiment, Hillman and Dalziel (2020) view CEO duality as a mechanism that may reduce agency problems and facilitate the decision-making process. Similarly, Dalton, Daily, Johnson, and Ellstrand (2015) propose that CEO duality might provide more consistent leadership direction. Brickley et al. (2016) add that it can help maintain corporate continuity and strategic stability. Certo

(2018) maintains that CEO duality may lead to more robust strategic decision-making and faster responsiveness to environmental changes.

The essence of CEO duality revolves around three primary elements: strategic alignment, leadership continuity, and agency cost reduction. The integration of these elements creates an environment where the CEO, doubling as the Chairman, is directly accountable for strategy implementation, and it becomes easier to harmonize the company's objectives with its strategic actions (Dalton et al., 2015). Furthermore, the unified role provides an unbroken chain of command, mitigating leadership disputes and ensuring smoother operational workflow (Pearce & Zahra, 2018). Lastly, by combining the roles, the potential for agency cost reduction occurs due to fewer conflicts of interest and improved decision-making efficiency (Hermalin & Weisbach, 2017).

CEO duality's significance lies in its potential to expedite strategic decision-making, provide consistent leadership direction, and decrease agency costs. In essence, it provides an operational structure that can potentially offer a more focused leadership and strategic alignment, making it a vital tool in certain business scenarios (Certo, 2018). Moreover, CEO duality can also enhance organizational responsiveness to environmental changes, as decision-making is centralized to one individual, thereby reducing decision lag (Finkelstein & D'Aveni, 2017). However, it is crucial to acknowledge the potential risks associated with CEO duality, such as excessive concentration of power and lack of oversight, which could lead to managerial opportunism (Adams et al., 2019).

2.2.4 The Nigerian Corporate Governance Codes (2018 and 2020)

The 2018 Nigerian Corporate Governance Code was a substantial transformation from its predecessors, aiming to foster a culture of transparency, accountability, and good corporate governance in the corporate world (Amaeshi & Ogbechie, 2018). It was designed with

the intention of harmonising the different sector-specific codes into one universal code, and it covered a wide range of areas, including board composition and responsibilities, internal control systems, shareholders' rights, and business ethics (Iyoha & Oyerinde, 2019).

Prior to the 2018 code, there were various sector-specific corporate governance codes, which created regulatory confusion. Furthermore, these previous codes had issues around compliance, such as non-compliance penalties not being deterrent enough, weak enforcement mechanisms, and insufficient disclosure requirements (Obadan & Uadiale, 2015). The 2018 code sought to address these shortcomings, by strengthening enforcement mechanisms, clarifying roles and responsibilities, and introducing provisions that enhance transparency and accountability.

One key element of the 2018 code is its focus on the board's function in corporate governance. The code stipulates the board's composition, duties, and succession planning. It suggests that the board should comprise a mix of executive, non-executive, and independent directors to ensure a balance of power (Nwobodo & Kamalu, 2019). Another crucial component is the focus on risk management and internal control systems. This section of the code requires companies to establish a robust risk management framework that identifies, assesses, and mitigates potential business risks (Obi & Okafor, 2020).

Fast forwarding to the 2020 Corporate Governance Code, the principles of the 2018 code were largely maintained but with some notable changes. The emphasis was more on addressing the perceived shortcomings of the 2018 code, particularly in terms of implementation and enforcement (Uche, 2021). The 2020 code retained many aspects of the 2018 code but made changes to areas like board diversity, sustainability, whistleblowing, and enforcement mechanisms. For instance, it introduced stronger measures for promoting gender diversity on boards and enhancing whistleblower protection mechanisms (Okike & Adegbite, 2021).

One notable feature of the 2020 code is the stronger emphasis on board diversity. It includes provisions for promoting diversity in terms of gender, age, and professional experience (Osemeke & Adegbite, 2021). This is a response to global best practices and research findings that suggest that board diversity contributes to better company performance. Another key element is the enhanced focus on sustainability and corporate social responsibility (CSR). The code obligates companies to align their strategies with societal needs and to consider the impact of their activities on the environment and the communities in which they operate (Abubakar & Adebisi, 2021).

2.2.5 Global Corporate Governance Codes

Corporate governance, a multifaceted concept, has evolved over time to create standardized norms and procedures for businesses worldwide. Various codes of corporate governance have been established globally, each with its unique components, principles, and critiques. This review will focus on four prominent corporate governance codes: The UK Corporate Governance Code (UKCGC), The OECD Principles of Corporate Governance, The Sarbanes-Oxley Act (SOX) in the USA, and The Japanese Corporate Governance Code.

The UK Corporate Governance Code (UKCGC) was initially established in 1992 following the Cadbury Report, triggered by corporate scandals such as the collapse of Polly Peck and the BCCI. This code was designed to enhance transparency, accountability, and integrity within UK-based businesses (Cadbury, 1992). The code has undergone multiple updates, with the most recent one in 2018, highlighting five main principles: leadership, effectiveness, accountability, remuneration, and relations with shareholders (Financial Reporting Council, 2018). However, the UKCGC has faced criticism for its 'comply or explain' approach, which has been argued as leading to a box-ticking culture rather than meaningful adherence to principles (MacNeil & Li, 2018).

The Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance were first published in 1999 and last revised in 2015. They were developed in response to financial crises in Asia and Russia during the late 1990s, which highlighted the importance of robust corporate governance practices (OECD, 2015). The OECD principles cover six major areas: ensuring the foundation for an efficient corporate governance structure, shareholder rights, equity in shareholder treatment, stakeholders' roles, disclosure and openness, and board responsibilities.Critics argue that the principles may not fit well with all countries, particularly emerging economies where the socio-economic context differs from that of OECD member countries (Aguilera & Cuervo-Cazurra, 2019).

The Sarbanes-Oxley Act (SOX) of the United States, passed in 2002, was a response to a series of corporate scandals including Enron and WorldCom, which led to significant losses for investors and decreased trust in the financial market (Ribstein, 2002). SOX focuses on improving corporate disclosure, increasing penalties for corporate wrongdoing, and enhancing the function of the board and audit committee. Nevertheless, SOX has been criticized for its high cost of compliance, which can disproportionately impact smaller firms (Zhang, 2007), and for its potential to discourage risk-taking, a crucial component of innovation and growth (Ahmed, McAnally, Rasmussen, & Weaver, 2010).

The Japanese Corporate Governance Code, implemented in 2015, aimed to increase the competitiveness and corporate value of Japanese companies by enhancing their governance structures (Financial Services Agency Japan, 2015). It emphasizes shareholder rights, appropriate cooperation with stakeholders, transparency, responsibilities of the board, and dialogue with shareholders. However, the code

has been criticized for its lack of emphasis on the role of non-executive directors, potentially limiting the effectiveness of checks and balances (Aoki, 2020).

2.3 Review of Previous Studies

2.3.1 Board Size and Firm Performance

Danoshana and Ravivathani (2019) considered the effect of corporate governance on the performance of publicly traded financial institutions in Sri Lanka as the primary goal and provide appropriate corporate governance strategies for enhancing the performance of publicly traded financial institutions. Return on equity and Return on assets were the two main criteria that the researcher used to characterize the firm's performance in order to meet these goals. On the other side, variables such as the size of the board, the frequency of meetings, and the company's audit committee are employed.

A sample size of 25 listed financial institutions was chosen for the 2008–2012 sample period. The data shows that board size has a beneficial effect on a company's performance.

Alqatan et al. (2019) examined whether or not the structure of the board of directors and, in particular, board size, independence and remuneration have an impact on firm performance. Using information from 2012 to 2015, the sample studied consists of non-financial UK FTSE 100 enterprises. Regression analysis was employed to get the conclusion that there is a substantial positive link between board compensation and firm performance, namely Return on Assets and Tobin's Q. The research also came to the conclusion that board independence and Tobin's Q had a positive link with board size and ROA.

Al-Homaidi et al. (2021) experimentally investigated the relationship between corporate governance characteristics and the profitability of Indian listed companies. Out of India's top 100 corporations, 33 are public enterprises. Board of directors (size, structure, diligence) and audit committee (size, structure, diligence) are the two components that make up corporate governance. In contrast, return on assets (ROA) and earnings per share (EPS) are the two metrics used to determine the profitability of Indian listed companies. The findings regarding ROA show that there is a significant correlation between ROA and board diligence, audit committee size, composition, and diligence, as well as firm size. Board composition and size, however, have a negligible correlation with ROA.

Khatib and Nour (2021) evaluated the effect of COVID-19 on corporate governance attributes and firm performance association. For the years 2019–2020, 188 non–financial businesses from the Malaysian market were selected as a sample in this study. They discovered that despite the COVID-19 having an impact on all business characteristics, including company performance, governance structure, dividend, liquidity, and debt level, there is no discernible difference between the two periods before and after the pandemic. Additionally, the analysis showed that board size had a

considerable enhancement in business performance. However, when dividing the data into years, they discovered that board size is irrelevant during the current crises' uncertain period.

Puni and Anlesinya (2020) examined the influence of corporate governance mechanisms recommended by the Securities and Exchange Commission (SEC) of Ghana on firm performance as measured by accounting-based ratios (return on assets, return on equity and earning per share) as well as market-based measure (Tobin’s Q) among listed Ghanaian companies from 2006 to 2018. These techniques include: board composition (board size, inside directors, and outside directors), board committees (audit, remuneration, and nominating), chief

executive officer (CEO) duality/separation, board meetings, and shareholder concentration. The study tested the impact of each corporate governance component introduced by the SEC of Ghana on business performance using panel regression analysis on data from 38 listed firms in Ghana from 2006 to 2018. Data were taken from the annual reports of publicly traded corporations. The study discovered that board size has a favorable effect on financial success.

The impact of corporate governance on the financial performance of chosen enterprises in Bangalore city was identified by Sekhar et al. in 2022. Primary information gathered from a few IT businesses in Bangalore city (Tech Mahindra, TCS, Infosys, Cap Gemini, Caterpillar, and Wipro) using a standardized questionnaire. The study's findings suggest that in order to improve their corporate financial performance, organizations should select a sizable board that is effective and knowledgeable about matters of corporate governance. They should also have a board composition that is excellent, comprising members with a variety of skills and knowledge.

2.3.2 Board Independence and Firm Performance

Bajaher (2019) looked into how corporate governance affected the financial performance of cement companies listed on the Saudi stock exchange between 2012 and 2016. Numerous research have looked at the relationship between corporate governance methods, ownership structure, and firm performance. The majority of these studies were undertaken in industrialized nations, and their results were varied, depending on the nature of the local dominant governance system. The findings of the current study showed that management ownership and business size have a positive and substantial impact on firm performance when analyzed using the Least Ordinary Square (OLS). However, the financial performance is unaffected by the board's independence, size, meetings, or style of audit.

Müller (2014) investigated using econometric regression models the impact of 9 corporate governance characteristics regarding board composition on the contemporaneous and next year's performance (measured as ROA) using a sample comprised of the constituents of FTSE100 between 2010 and 2011. Through this research they intend to contribute to the academic literature on the unsettled issue concerning the relationship between corporate governance and corporate performance. As hypothesized and in accordance with some Previous researches they found that board independence and the proportion of foreign directors in the total number of directors (as characteristics of corporate board composition) have a significant strong positive impact on firm performance (both contemporaneous and subsequent).

Qadorah and Fadzil (2018) examined the relationship between the internal corporate governance mechanism related to the board of directors' characteristics namely (board independence and frequency of board meetings) and firm performance in Jordanian listed firms. The study used Cross-sectional data for the year 2013, with a sample of 64 industrial firms listed in the Amman Stock Exchange. Firm Performance was measured by return on assets (ROA) as an accounting-based performance measure. The current study utilized multiple linear regression analysis to test the hypotheses and examine the relationship between the board of directors' characteristics namely (board independence and frequency of board meetings) and firm performance. The findings showed that board independence is significantly and positively related to ROA.

Al-Gamrh et al. (2020) examined the effects of two alternative forms of foreign ownership—by Arab and non-Arab investors—on businesses' financial and social performance. After that, it looked into how the level of board independence affected the aforementioned impact of these two different categories of foreign investors on business performance. The study's sample comprised a panel of all

publicly traded companies from 2008 to 2012 on the Dubai Financial Market (DFM) and the Abu Dhabi Securities Exchange (ADX). The findings showed that board independence lessens the negative association between a company's financial and social performance and foreign Arab ownership, and deteriorates the relationship between a company's financial and social performance and non-Arab foreign ownership.

Naseem et al. (2017) explored the impact of board characteristics on financial performance of the listed companies in Pakistan Stock Exchange, Pakistan. This study addresses board characteristics such board size, meeting frequency, board independence, audit committee independence, gender diversity on the board, and executive director salary. The listed companies on the Pakistan Stock Exchange (PSX), which represent six major economic sectors, provided the data for this study. The annual data of a few companies, gathered between 2009 and 2015. There have been 1074 definite observations over the entire year. Data on board composition and financial performance was gathered from the audited annual reports and balance sheets of the chosen companies as well as from the writings of the State Bank of Pakistan. The board features are taken as explanatory variables, whilst accounting and market measurements are taken as indicators of financial success and considered as outcome variables in this study. Using panel data regression analysis and after accounting for firm size, it was discovered,board independence was negatively associated with firms financial performance.

2.3.3 Ownership Structure and Firm Performance

Alodat et al. (2022) evaluated how ownership structure, the audit committee, and the board of directors affected the firm's performance. The current study used an empirical methodology that involved building broad CG metrics and treated 81 non-financial enterprises that were listed on the Amman Stock Exchange between 2014 and 2018. The return on equity (ROE) and Tobin's Q, which were the

evaluated business performance indicators, were found to have a positive and significant relationship with the board of directors and audit committee features in the current study. Both institutional and foreign ownerships produced a significant and favorable link with ROE in terms of ownership structure. Tobin's Q, however, produced a negligible and adverse association between the two types of ownership and the business performance metrics.

Farooq et al. (2022) look into the governance–performance relationship in the context of critical firm characteristics, such as firm size. The size of the sample companies was determined by their total assets. The governance index gauges the level of governance among sample organizations and is based on 29 governance requirements that address the audit committee, board committee, ownership, and remuneration structure of the particular firm. A higher governance index corresponds to better governance, and vice versa. Measures of market value and accounting are used to calculate corporate profitability. To get rid of the simultaneous equation bias, the authors estimated the model using the two-stage least square (2SLS) method.

Corporate governance (CG) appears to have a positive impact on accounting return and market indices (Tobin’s Q), but it has little impact on return on equity.

Kao et al. (2019) empirically assessed the effects of ownership structure and board of directors on firm value. This study uses a panel estimation to take use of the cross-section and time-series structure of the data using a sample of Taiwanese listed companies from 1997 to 2015. Additionally, the endogeneity problem is reduced by using the two stage least squares (2SLS) regression model as a robustness test. The major findings demonstrated that a company's performance was stronger when it had a larger percentage of independent

directors, a smaller board size, a two-tiered board structure, and no chief executive officer duality. Blockholder ownership, institutional ownership, foreign ownership, and family ownership are all positively correlated with business value in terms of ownership structure.

Eelderink (2014) examined the relation between ownership structure and firm performance. The sample consists of 80 Dutch listed firms. Ownership structure is divided into inside ownership and outside ownership. Inside ownership is divided in family ownership and managerial ownership. The results showed a significant positive relation for family ownership and firm performance, this indicates that family ownership does improve firm performance. Outside ownership is divided in corporate ownership, institutional ownership and governmental ownership. The results showed a significant relation between governmental ownership and firm performance, this indicated that governmental ownership does improve firm performance.

2.3.4 CEO Duality and Firm Performance

Neralla (2022) investigated effect of the Indian-listed firms' corporate governance structures on the firm's performance. The analysis was based on financial data for Indian companies listed on the Bombay Stock Exchange (BSE) for a period of six years, from FY 2014–2015 to FY 2019–2020. For the purpose of evaluating the study's hypothesis, panel data statics models including pooled OLS, fixed effect and random effect models, Hausman test, and Sys-GMM models were used. According to the study's findings, a larger board size strengthens the decision-making process and has a positive significant impact on the ROA and Tobin's Q of the firm's performance. The study's findings also revealed a statistically negligible relationship between the board independence and the ROA, EPS, and NPM. The findings also showed a favorable relationship between board meetings and Tobin's Q performance indicators, and these scenarios contributed to

the improvement of corporate governance standards. In addition, the data showed a negative association between the CEO duality metrics of ROE, NPM, and corporate governance. According to the study's findings, businesses should adopt sound corporate governance procedures in order to maximize performance and decrease agency costs.

Assenga et al. (2018) investigated the impact of board characteristics on the financial performance of listed firms in Tanzania.The application of two corporate governance theories, namely, agency theory and resource dependency theory, addresses board features in the Tanzanian context, including outside directors, board size, CEO/Chair duality, gender diversity, board skill, and international directors. Eighty firm-year observations (2006–2013) from annual reports were included in the article, which also included semi-structured interviews with 12 significant stakeholders. The study used also a mixed methods approach and applies a convergent parallel design (Creswell and Plano Clark, 2011) to integrate quantitative and qualitative data.According to agency theory, it was discovered that while the findings support the separation of the CEO and chairman responsibilities, they do not support the association between outside directors' financial performance and their actions.

Blibech and Berraies (2018) highlighted the impact of some characteristics of board of directors and CEO' duality on firms' innovation and performance. A series of hypotheses testing the links between the variables was formulated in the basis of a theoretical review. A quantitative research was performed via a questionnaire on a sample of 60 Tunisian listed companies. Moreover, we used a database published by the Stock Exchange of Tunisian Market and the Financial Market Council. Results of the empirical analysis showed that the relationship between CEO dualism and innovation is unfavorable.

Pham and Pham (2020) examined the impact of CEO duality on firm performance using the life-cycle theory approach. The data is balanced and covers over the period 2012–2018 for 442 publicly listed firms in Vietnam. The findings from system generalized method of moments (GMM) method indicated that CEO duality had a positive impact on the performance of the firm throughout its growth stage and a detrimental impact at its mature stage of development. These results were supported by stewardship theory which argues that CEO duality may be good for firm performance in the growth stage due to the unity of presented command. In contrast, agency theory showed CEO duality is bad for firm performance in the maturing stage since The monitoring is compromised, and controls the behavior of the CEO.

Wijethilake and Ekanayake (2020) drew on the resource dependence theory to synthesize the conflicting arguments as well as commonalities of the agency and stewardship perspectives on the relationship between CEO duality and firm performance. The data gathered from a sample of 212 big publicly traded companies representing 20 industries on the Colombo Stock Exchange in Sri Lanka is analyzed using multiple regression analysis. According to the research findings based on all 212 publicly traded companies in Sri Lanka, CEO duality has a detrimental impact on firm performance when the CEO has additional informal power. This finding supports the agency theory. Contrarily, when board involvement is high, CEO duality shows a beneficial impact on firm performance, supporting the similarities between the agency and stewardship theoretical approaches.

2.4 Theoretical Review

This section evaluates the concept and practice of corporate governance within the framework of certain theories. These theories include are discussed below:

2.4.1 Stakeholder Theory

Freeman (1984) was among the first supporters of the stakeholder theory. The theory states that stakeholder groups are significant components in an organization. It was further suggested that a theoretical standpoint that go outside the default owner; manager and employee position should be taken into consideration among the numerous stakeholder groups. Stakeholders according to Freeman (1984) individuals or groups of persons who have interest in the organization's operations. For establishments to be more efficient, they need to focus more thoughtfulness to those investors interest that can bring about a positive change in achieving organization's goals. This is to say that the management of stakeholder interest is a fundamental and pragmatic concept to corporate governance and financial performance. Irrespective of the objective of the firm, an effective and efficient firm will ensure they protect any relationship vital to its growth and development.

Emanating from a modified agency theory, the stakeholder theory helps to prevent information asymmetry between the agent of a company and its owners. That is, it prevents the directors and managers of a company to engage in activities that is of their interest as against that of their principal (the shareholders and other stakeholders) (Jensen & Meckling, 1976). Thus, having a sound corporate governance structure ensures that regulations, laws and other institutional frameworks are articulated into maintaining status quo within the organization (Fama & Jensen, 1983). According to Babatunde and Olaniran (2009) the problem associated with corporate agencies can be classify into that of stockholders (principals) and management (agent) consisting the managerial agency; Stockholders (principal) and bond holders (principal) comprising the debt agency; private sector (principal) private sector (agent), consisting the regulations agent;

the society and the taxpayers known as political agent. Assessment of corporate governance has become wider in coverage moving from shareholder approach to incorporate other non-shareholding stakeholders (Brennan & Soloman, 2008).

2.4.2 Stewardship Theory

Developed by Donaldson and Davis (1989), this theory aims to explain the correlation between the owners of a company and the employed stewards who manage the affairs of the company. It is stated that the manager (Steward) would behave in a manner that is of best interest to the principal and other group of stakeholders (Hiebl, 2015).

It is expected that stewards of companies should maximize the firm's performance which can be measured quantitatively by increase in sales, profitability and a reduction in expenses (Waters, 2013). The correlation between the steward and the owners (principal) of the company relies on a choice (Burghausen & Balmer, 2015).

This theory assumes that the owners of a company have a fiduciary obligation to act as administrators of the company's assets. It is also assumed that executives are likely to act in the interest of the owners to ensure that corporate resources are used to maximize shareholders' wealth (Al-Tawil, 2016). This further states the fact that the -interest of stewards would always be secondary to the corporate financial performance of the firm (L'Huillier, 2014).

2.4.3 Resource Dependence Theory

This theory further explainsthe duties of the board of directors in reference to external business settings. . According to Pfefer and Salancik (1978) the actions of an organization are geared towards responding to contingencies in the external business environment. An organization survival is partly dependent on how it can utilize and sustain the resources at its disposable from its external environment. Therefore, the competency of a board can be evaluated from the resource at their disposal. Therefore, according to the idea of resources dependence, an organization's behavior shows how it controls its reliance on outside resources for existence and follows the demands of the resources' source.Therefore, according to Hillman and Dalziel (2003) board of directors' functions is not only based on effective monitoring but on board capital. Ho (2014) observes that the central principle of this mutual interdependence of firms implies that no firm on its own may survive without interacting with one and other or with external bodies. It implies that resource dependence theory is a web of interdependence between corporate entities. In light of resource dependence theory, the board serves a dual purpose by providing personal human capital through their duties and by forging the necessary connections between his organization and the outside world. With this specialized knowledge, they should be able to create effective administrative guidance and strategic direction, close the information gap between the company and other stakeholders, lower transaction costs, and secure resources by establishing connections between the company and high net worth individuals and organizations. The applicability of this theory therefore lies on its central core of explaining how organization could cope with constraints from environmental dependence and uncertainty; through board of director mechanism, executive succession, political action and other inter organizational actions (Hillman, Michael, & Borianj, 2009)

The theory describes organizations as an open system depending on outward environmental contingencies (Pfefer & Salancik, 1978). Firms are resource dependent and reliant on outside stakeholders who control these resources, the firmer demand for these resources the

more influence the provider of the resource has. Thus, managers should act to reduce environmental uncertainty and develop mechanisms to acquire vital resources and reduce others' power over them (Verbruggen, John, Anne, & Tom, 2014). However, Pearce & Zahra (1992) posit that board composition is not dependent on external environment only but on the firm's prior financial performance and current operation strategy.It is crucial to remember that the setting and the size of the board can pose obstacles.Though, directors' holdings tend to be of value, thus resources rich directors should be the focus of board composition (Boyd, 1995).

2.4.4 Agency Theory

This theory has been used in most studies on corporate governance and can be denoted as the foundational theory on corporate governance discussions (Jensen & Meckling, 1976). Several researches on corporate governance often suggest recommendations to help limit the negative effects of the agency theory that often tend to be due to disparity between the wants and needs of the agent and the principal.

The agency theory directs corporate governance literature has its roots are deeply embedded in economic theory (Uwuigbe, 2011). Daily, Dalton, and Canella (2003) pointed out various elements that highly influences the application and implementation of the agency theory. First is, it tentatively regulates how managers and shareholders corporate and communicate with each other and the other factor is the idea of a widely accepted notion of shareholders being viewed as self-interested. (Isaac, 2014).

Agency theory has the positivist and principal-agent point of view. The positivist view identifies possible conflict areas between the owners and agents of the company. The conflict areas are identified and possible solutions to these conflicts are developed. The

principal-agent view, on the other hand, deals with problems that occur where the principal's general concern and that of the agent are contradictory and the principal lacks adequate information about the agent's activities (Jensen & Meckling, 1976).

The major problem implementing a structured corporate governance framework is assurance that agents (Management team) will not pursue their welfare above that of the owners of the company (Brandas, 2011). Often times, moral hazard and adverse selection are part of the main problems plaguing the agency relationship which might lead managers to put their self-interest above that of shareholders (Fayezi, O'Loughlin, & Zutshi, 2012). The issue with adverse selection arises when the owners cannot comprehend whether or not agents have carried out business activities in their interest. These problems can also arise when shareholders have difficulties monitoring how managers make use of resources available to them (Pande & Ansari, 2014). Legal binding contracts play a role to solve the agency problem that arises due to owners wish to maximize wealth and the self-interest of agents (managers). In reality, contracts between owners and agents do not really cover all eventualities (Brandas, 2013). In situations like this, the owners of the company would rely on the internal and external corporate governance regulations to control the responsibilities of the agent. Note that it is an attempt to develop and enforce contracts like this that brings about agency costs (Mulili & Wong, 2011).

The board of directors has the power to implement corporate governance mechanism within the organization. Zahra and Pearce (2011) stated four key characteristics of the board of directors. They involve decision process, characteristics, composition and structure. Their study noted that the agency theory emphases on the decision making process of the board of directors and how to monitor their functions

in an attempt to reduce agency costs. However, minimum emphasis is placed on the board's involvement in the strategic actions and contributions.

To obtain maximum performance, board of directors should as much as possible be independent from the influence of management. The level of independence a board has could positively impact a company's' financial performance.

Board independence and director compensation are they two proxies to measure board incentives. Boards that are made up of mainly inside employees tend to be dependent on the influence of management this is because they have less incentive to oversee the activities of management. These directors may not consider the interest of shareholders when there are issues of agent-principal conflict (Hillman and Dalziel, 2003).

2.5 Theoretical Framework

Agency theory is a compelling and relevant theoretical framework for the current study on "the effect of corporate governance on firm performance" due to its ability to shed light on the intricate relationships between various stakeholders within a company and how their actions impact overall organizational outcomes. Corporate governance plays a crucial role in mitigating conflicts of interest between owners (principals) and management (agents), as well as how their interests are aligned towards maximizing firm performance. Through the lens of agency theory, the study can explore how the structure of corporate governance mechanisms, such as board composition, executive compensation, and ownership concentration, influences managerial behavior, decision-making processes, and ultimately, the firm's financial and operational performance. Additionally, agency theory allows the examination of

potential agency costs, such as managerial opportunism or shirking, which may arise when management and stockholders have unequal access to information. By applying agency theory, this study can offer valuable insights into the dynamics of corporate governance and their impact on firm performance, thereby contributing to a deeper understanding of effective governance practices that can enhance overall organizational success and value creation.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter specifies the analytical techniques that the researcher intends to employ in examining the type of relationship the key variables of the study. More specifically, this section states the research design, the study's population, sources of data, a brief theoretical framework, the model specification, operationalization of variables and the method of data analysis to be employed.

3.2 Research Design

The study will adopt expost-facto research design. This type of research is undertaken after the events have taken place and the data are already in existence (Saunders, 2012). The choice of the design was based on the fact that the variables under consideration are historical in nature and therefore the researcher lacks the ability to manipulate the input and output variables due to the fact that they have already occurred.

3.3 Population of the Study

The population for the purpose of this study is the total number of 24 deposit money banks (Jaiz Bank inclusive) licensed by the Central Bank of Nigeria to carry out banking operations.

3.4 Sample of the Study

The sample of this study is restricted to the fourteen (14) deposit money banks listed on the floor of the Nigerian Exchange Limited. The choice of this sample size (listed banks) is to ensure uniformity of data as listed firms are compelled to publish their statements within certain duration, and failure to do so attracts penalties. Therefore, this study adopts the census sampling technique by taking the total sum (14) of listed deposit money banks as its sample size.

3.5 Sources of Data

To comply with the stated research objectives, the study will employ panel data mainly from secondary sources which are quantitative in nature. The data will be obtained from the annual reports of individual insurance firms submitted to the Nigerian Exchange Group. Therefore, the data needed was extracted from the audited financial reports of the selected firms within the period of the study (2016-2022).

3.6 Model Specification

The goal of the study is to ascertain how corporate governance affects financial performance.The econometric model of Coleman and Nicholas-Biekpe (2006) was adopted for this study. The model is therefore given below:

$$Y_{it} = \beta_0 + \beta_1 G_{it} + \beta_2 C_{it} + e$$

Where:

Y_{it} represents financial performance variables; Tobin's Q (TOB) and Return on Assets (ROA) for firm i in time t.

e represents the error term which account for other possible factors that could influence Y_{it} that are not captured in the model

The above model is therefore modified by introducing total deposits as a control variable in the determination of the relationship between corporate governance and financial performance of deposit money banks in Nigeria. To achieve this, the following functional and econometric were adopted;

$ROE_{it} = f\ (BSIZ,\ BIND, CEOD, OWNC)$ ……..……..(1)

$ROE_{it} = \beta_0 + \beta_1 BSIZ_{it} + \beta_2 BIND_{it} + \beta_3 CEOD_{it} + \beta_4 OWNC_{it} + \varepsilon$ …… (2)

Where:

ε = Error term

i = Sampled population

t = Year/timeframe

β_0 – β3 = Variable Coefficient

Dependent Variable

ROE = Return on Equity

Independent Variables

BSIZ = Board Size

BIND = Board Independence

CEOD = CEO duality

OWNC = Ownership concentration

3.6.1 Apriori Expectation

The models above capture corporate governance (measured by board size, board independence, CEO duality and ownership concentration) and financial performance (measured by return on equity). Board Size is estimated to have a significant and positive relationship with financial performance as it has been established in empirical literature (Anthony and Nicholas-Biekpe, 2008; Emeka and Alem, 2016; Kajola and Sunday, 2008). Prior empirical literature has also established a positive relationship between these variables and financial performance, hence this study expects a positive relationship (Adesanmi et al., 2018; Emeka and Alem, 2016; Azutoru, Obinne, and Chinelo, 2017). This can be mathematically re-written as;

3.7 Measurement and Operationalization of Variables

Table 3.1 Variable Measurement & Operationalization

Variables	Abbreviations	Estimations	References
Dependent			
Return on Equity	ROE		Nguyen and Nguyen (2016)
Independent			
Board Size	BSIZ	Total number of board members	Gideon, Odunayo and Bamikole (2019)
Board Independence	BCOM	Proportion of independent members over total members	Ogege and Boloupremo (2014)
CEO duality	CEOD	Dichotomous variable "1" if CEO is also the chairman of the board of directors and "0"	Gideon, Odunayo and Bamikole (2019)

		if not	
Ownership concentration	OWNC	Percentage of block shareholders	Ogege and Boloupremo (2014)

Source: Authors Compilation (2023)

3.8 Method of Data Analysis

The need to estimate the effect of corporate governance on financial performance form the specific objectives of this study. Consequently, the following estimation techniques are adopted with tests carried out to ensure that the key objectives are achieved. Preliminary tests and descriptive statistics, Stationery (Unit root) test, Panel Data analysis.

Preliminary Tests and Descriptive Statistics: The analysis begins with a preliminary test to ascertain the normality of the data understudy. This is of essence in order to determine whether the data follows a normal distribution curve. Attention would be given to the Jacque Berra and Standard deviation as they can give a quick overview of the normality of the variables.

Correlation Analysis: The Pearson correlation was used to measure the linear relationship between dependent and independent variables under study.

Hausman's Test: This is a statistical test used to select a suitable model between the fixed and random effect model. The fixed effect model has the underlying assumptions that there are exclusive qualities of characters that do not differ over time. These characteristics may or may not be associated with the individual dependent variables. On the contrary the random effect model is based on the norms that there are exclusive, time relentless characteristics of individuals that are not related with the individual regressors. To run the Hausman's test, the random effect model is first used to run the model, and the decision criteria would be to accept the null hypothesis that the random effect model is appropriate if the p-value is greater 5 percent level of significance otherwise the null hypotheses would be rejected and the fixed effect model would be obtainable.

Panel Data Analysis: Panel data analysis is employed by the study in order to estimate the relationships of the variables understudy. This method has been chosen as it has the ability to avoid multicollinearity problems, its use of a high degree of freedom results in least biased estimates. It allows for heterogeneity of the variables understudy. The analysis was conducted using the Eviews 10 econometrics software.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSES

4.1 Introduction

This chapter-data presentation and analyses contains the results obtained from the analyses of the data acquired from the yearly reports of the tested banks.The analyses were done with the aid of a computer software (Eviews) and have been presented using tables. Explanations were provided for each table presented in this chapter. The major sections in this chapter include data presentation and interpretation, test of hypotheses, and discussion of findings.

4.2 Data Presentation and Interpretation

4.2.1 Preliminary Analyses

Table 4.1 Descriptive statistics

	ROE	CEOD	OWNC	BIND	BSZ
Mean	0.101288	0.326531	0.676859	0.218258	10.80303
Maximum	4.226066	1.000000	5.534353	0.570000	19.00000
Minimum	-1.799162	0.000000	1.770764	0.000000	6.000000
Std. Dev.	0.428824	0.007385	3.605052	0.114762	3.327974
Skewness	6.310065	0.179085	15.80205	0.091937	0.320227
Kurtosis	69.20513	1.777384	9.287945	2.934949	3.181700
Jarque-Bera	24983.12	0.326531	1052.406	0.209228	2.437587
Probability	0.000000	0.93453	0.000000	0.900672	0.295587

ROE= Return on equity; CEOD = CEO duality; OWNC = Ownership concentration; BIND = Board independence; BSZ = Board Size

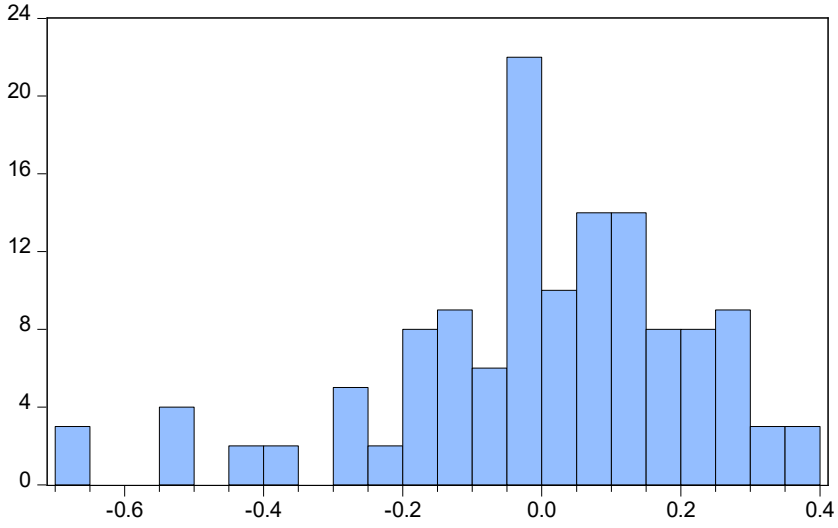
Source: Researcher's compilation (2023)

In conducting the preliminary analyses, Correlation analysis and descriptive statistics were used. The correlation analysis shows the strength of association between the variables while the descriptive statistics describes the features of the data. Table 4.1 is the descriptive statistics. From this table, it was observed that the average return on equity stood at 0.10 revealing that on average the banks were

generating a low return on equity. The maximum value of 4.226 indicates the bank with the highest return on equity within the study period, and -1.799 indicating the bank with the lowest return on equity within the study period. In the period under consideration, CEO duality (M= 0.33, SD= 0.007) was the highest with the least dispersion while ownership concentration (M= 0.68, SD= 3.61) was the lowest with the widest variation. Furthermore, the maximum value of ownership concentration showed the bank with the highest ownership concentration of 5.53 while the minimum value show that the minimum ownership concentration of a bank within the period of the study was 1.77. The statistics for board independence (Max= 0.570000, Min=0.000000) showed that the bank with the largest board independence had a proportion of 0.57, while the bank with the least board independence had a value of 0.00. The average board independence of the sampled banks was about 0.22. Furthermore, the statistics for board size (Min= 6, Max=19) show that the bank with the largest board size had 19 board members, while the bank with the smallest board size had 6 board members. The other variable (CEO duality) had a minimum value of 0, and maximum value of 1.

The value of skewness indicated that all variables were positively skewed indicating a frequent increase in their values within the period of investigation. Furthermore, the value of the kurtosis indicated that: return on equity and ownership were Lepsokurtic (peaked) with excess outliers; CEO duality is Platykurtic (flat) distributed with few outliers; while board independence and board size were mesokurtic, that is, they were within the approximately (3) benchmark for moderate kurtosis value.

Furthermore, the Jarque-bera test for normality indicated that three variables (CEO duality, board independence and board size) passed the text whereas the other variables (return on equity and ownership concentration) failed the test. However, the overall normality test was conducted as shown in Figure 4.1 below.



Series: Standardized Residuals	
Sample 2016 2022	
Observations 98	
Mean	-7.21e-17
Median	0.008020
Maximum	0.359522
Minimum	-0.677011
Std. Dev.	0.220665
Skewness	-0.926744
Kurtosis	3.985298
Jarque-Bera	0.256105
Probability	0.879807

Source: EViews 10 (2023)

The normality and other mean statistics of the regression variables are shown in the Histogram Normality Test above (Fig 4.1). As shown in the result, the JargueBera statistic stood low at 0.2561 with a corresponding probability value of 0.8798 (87.98%). Since the p-value is greater than the 5% (0.05) benchmark, we cannot reject the null hypothesis of 'normal distribution'. This implies that the population residuals (u) are jointly observed to be normal in its distribution, and which is desirable.

Table 4.2 Correlation Matrix and Test for Multicolinearity (VIF)

	ROE	CEOD	OWNC	BIND	BSZ	VIF
ROE	1.000000					

CEOD	0.337311**	1.000000				1.236381
OWNC	-0.185368*	-0.456363**	1.000000			1.306908
BIND	0.074195	0.110152	-0.033709	1.000000		1.664275
BSZ	0.286083**	0.782434**	-0.306051**	-0.038082	1.000000	1.566326
* Sig @ 1%; ** Sig @ 5%						

Source: Researcher's compilation (2023)

Table 4.2 shows that CEOD (r= 0.3373) and BSZ (r= 0.2861) has a weak association with return on equity while the association between explanatory variables (OWNC and BIND) and corporate sustainability reporting were very weak. Furthermore, all variables except ownership concentration has a positive correlation with return on equity indicating that as banks' ownership becomes concentrated, their return on equity reduces. Lastly, the strongest inter-correlations among the explanatory variables was between OWNC and CEOD (r = -0.456) and is not a cause for concern as none of the VIFs were above the benchmark of 10. Therefore, the study concludes that the variables are free from multicollinearity.

4.2.2 Diagnostic Tests

Table 4.3 Serial, Heteroskedasticity, and Specification Tests

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	7.974128	Prob. F(2,96)	0.0006
Obs*R-squared	15.00191	Prob. Chi-Square(2)	0.0006

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	6.879878	Prob. F(5,93)	0.0000
Obs*R-squared	28.07215	Prob. Chi-Square(5)	0.0000
Ramsey RESET Test: Specification: ROE CEOD OWNC BIND BSZ C			
t-statistic	1.128673	97	0.2617
F-statistic	1.273903	(1, 97)	0.2617
Likelihood ratio	1.273903	1	0.2590

Source: Researcher's compilation (2023)

To ensure the robustness and reliability of the estimator, the Breusch-Godfrey Serial Correlation LM test to check for serial correlation, the Breusch-Pagan-Godfrey Heteroskedasticity test to check for the absence of heteroskedasticity, and the Ramsey reset test for model specification were conducted. The rule is to accept the null hypotheses of each test when the p-value is greater than 0.05, indicating that the tests have been passed. However, if the test(s) are not passed, then, the results have to be corrected or an estimator that takes care of the issue has to be employed.

The Breusch-Godfrey Serial Correlation LM Test statistics (F= 7.974128, p = 0.00) revealed the presence of higher order autocorrelation. The Breusch-Pagan-Godfrey Heteroskedasticity Test statistics (F= 6.879878, p = 0.00) revealed the absence of homoscedasticity. The Ramsey Reset Test statistics (F= 1.1287, p = 0. 2617) revealed that the model is well specified. Furthermore, in relation to the adoption of the panel lease squares, the result of the Hausman test and the corresponding random effect panel least squares is presented in the

appendix section of this research work. The Durbin Watson value of the random effect least squares further stressed the results from the test for serial correlation, thereby rendering the results from a non-adjusted panel least square ineffective for policy formulation.

However, based on the aforementioned heteroscedasticity and autocorrelation problem as revealed by the diagnostic tests as presented in Table 4.3, a non-adjusted ordinary least squares technique and panel least squares techniques will not be appropriate except robust standard errors are used. Therefore, the model is adjusted incorporating standard errors & covariance (d.f. corrected) by adopting white cross-section panel least squares. Consequently, the adjusted panel least square with the incorporation of robust standard errors (using white cross section) is presented below.

4.2.3 Multivariate Analysis

Table 4.4: Multivariate Analysis

Dependent Variable: ROE				
Generalized Linear Model				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BIND	0.052284	0.004636	11.27814	0.0000
BSZ	0.000358	0.000118	3.042318	0.0029
CEOD	0.104134	0.129754	0.802552	0.4237
OWNC	-0.006193	0.002875	-2.153913	0.0332
C	0.074362	0.048147	1.544474	0.1250
F statistic: 3.475825 Prob (F statistic): 0.005620 R-squared: 0.621211				
DW Statistics 2.23				

Source: Researcher's compilation (2023)

The result of the PLS estimation is presented in Table 4.4. The F-statistic of 3.476 (p = 0.006), reveals that the joint predictive power of the model is significant and sound since the p-value is less than 0.05. This also reveals that the results can be relied on for policy decision. The individual predictive powers of the independent variables are captured by the t-statistics and associated p-values. BIND has statistics (Coef. = .052, p = 0.0000) that indicate a significant positive relationship with ROE at the 1% significance level. BSZ has statistics (Coef. = 0.0004, p = 0.0029) that reveals a significant positive relationship with ROE. CEOD has statistics (Coef. = 0.104, p = 0.4237) that reveals an insignificant positive relationship with ROE. OWNC has statistics (Coef. = -0.006, p = 0.0332) that reveals a significant negative relationship with ROE.

4.3 Hypotheses Testing

The hypotheses for this study are tested at the 5% significance level. The decision rule was to accept the null hypothesis if the p-value is greater than 0.05, otherwise, the alternative hypothesis was accepted and vice versa. The results presented in Table 4.4 were used testing the hypotheses.

Hypothesis One- Board size has no significant impact on firm performance in Nigeria.

BSZ has a coefficient of .0523 and p-value of 0.000. The p-value is less than 0.05 thus; the study fails to accept the null hypothesis. Therefore, the study concludes that at 5% significance level, board size significantly affects firm performance in Nigeria.

Hypothesis Two- Board independence has no significant impact on firm performance in Nigeria.

BIND has a coefficient of 0.0004 and p-value of 0.0029. The p-value is less than 0.05 thus; the study fails to accept the null hypothesis. Therefore, the study concludes that at 5% significance level, board independence significantly affects firm performance in Nigeria.

Hypothesis Three- There is no significant relationship between ownership structure and firm performance.

OWNC has a coefficient of -0.006193 and p-value of 0.0332. The p-value is less than 0.05 thus; the study fails to accept the null hypothesis. Therefore, the study concludes that at 5% significance level, ownership concentration significantly and negatively affects firm performance in Nigeria.

Hypothesis Four- There is no significant relationship between CEO duality and firm performance.

CEOD has a coefficient of 0.104 and p-value of 0.4237. The p-value is also greater than 0.05 thus; the study accepts the null hypothesis. Therefore, the study concludes that at 5% significance level, CEO duality does not significantly affect firm performance in Nigeria.

4.4 Discussion of Findings

This study found that board size significantly affects firm performance in Nigeria. Similarly, Adebayo and Oluseye (2017) similarly posited that larger board sizes correlate with improved firm performance, attributing this to a diversity of expertise. In contrast, Chukwudi et al. (2019) reported an inverse relationship, arguing that larger boards could lead to inefficiencies and slower decision-making. Interestingly, Osinachi and Ifeanyi (2018) found a non-linear relationship, suggesting that there's an optimal board size for performance.

The study discovered that board independence significantly affects firm performance in Nigeria. In line with this study's findings, Ujunwa (2012) found that a higher proportion of independent directors on the board enhances firm value in Nigeria, suggesting a positive relationship between board independence and performance. This result mirrors that of Sanda, Mikailu, and Garba (2005), who concluded that firms with more independent boards in Nigeria enjoyed better financial performance. However, a study by Fosu (2013) reported mixed findings where certain measures of performance were positively influenced by board independence, while others were not. In

contrast, Ogbechie and Koufopoulos (2010) noted that despite the theoretical benefits of board independence, empirical evidence in Nigeria does not consistently support its impact on corporate performance. Additionally, Oba and Fodio (2013) found no significant relationship between board independence and firm performance for listed Nigerian banks, hinting at sector-specific implications.

The study also found that ownership concentration significantly and negatively affects firm performance in Nigeria. This stands in contrast or alignment with several previous studies. For instance, Amaeshi et al. (2006) found that ownership concentration was positively associated with firm performance in Nigeria, suggesting a different dynamic. Conversely, Uadiale (2010) observed a negative relationship between ownership concentration and firm performance, aligning with the aforementioned study. Similarly, Osemeke and Osemeke (2016) confirmed that high ownership concentration could impair firm value due to issues like lack of oversight and potential expropriation. On the other hand, Ogbechie et al. (2012) argued that ownership concentration might facilitate better monitoring and control, thus potentially enhancing firm performance. In a more neutral vein, Akinyomi and Olutoye (2018) posited that the impact of ownership concentration on firm performance could be contingent on various factors like the specific industry or corporate governance mechanisms in place.

Finally, the study discovered that CEO duality does not significantly affect firm performance in Nigeria. This contrasts with some previous findings. For instance, Ujunwa (2012) posits that CEO duality negatively impacts firm performance in Nigeria, suggesting a conflict of interest. Similarly, Sanda et al. (2005) observe a detrimental effect of this duality on firm value. Further, Olokoyo and Osabuohien (2013) find no significant relationship between CEO duality and firm performance in Nigeria, consistent with this study.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The study examined the effect of corporate governance on firm performance in Nigeria using listed deposit money banks as a case study. Four hypotheses were raised and evaluated using the adjusted (white cross section) panel least squares estimator. In concluding the research, this final chapter documents the summary of findings, conclusion and recommendations of the study.

5.2 Summary of Findings

Based on the analysis conducted, the following findings were made:

This study found that board size significantly and positively affects firm performance in Nigeria.

The study discovered a significant positive relationship between board independence and firm performance in Nigeria.

The study also found a significant negative relationship between ownership concentration and firm performance in Nigeria.

Lastly, the study found a statistically insignificant and positive relationship between CEO duality and firm performanceNigeria.

5.3 Conclusion

This study has shown the crucial part played by corporate governance in affecting the performance of listed deposit money banks in Nigeria.The findings have revealed that a larger board size and greater board independence are associated with improved firm performance, underscoring the importance of diverse perspectives and effective oversight. Moreover, a lower ownership concentration has been found to positively impact firm performance, emphasizing the need for a more dispersed ownership structure to mitigate agency problems. However, the presence of CEO duality, while statistically insignificant, suggests that further examination of this relationship may be warranted. These insights offer valuable guidance for policymakers, regulators, and bank executives seeking to enhance corporate governance practices and ultimately bolster the performance and sustainability of the banking sector in Nigeria.

5.5 Recommendations

5.5.1 Policy Recommendations

Enhance Board Size: It is recommended that Nigerian deposit money banks consider expanding their board sizes where feasible. This should be done with careful consideration of the qualifications and expertise of potential board members. A larger board size can bring diverse perspectives and skills to the decision-making process, which can positively impact firm performance.

Strengthen Board Independence: Nigerian deposit money banks should continue to prioritize board independence. They should appoint independent directors who are not influenced by the interests of major shareholders or management. This practice can help ensure that corporate governance structures remain robust and that decisions are made in the best interests of the company and its stakeholders.

Mitigate Ownership Concentration: To improve firm performance, banks should implement strategies to reduce ownership concentration. This could involve diluting ownership through public offerings or encouraging more diversified ownership structures. Lower ownership concentration can reduce conflicts of interest and enhance transparency in decision-making processes, ultimately benefiting the firm's performance.

Monitor CEO Duality: Although the study found a statistically insignificant relationship between CEO duality and firm performance, it is advisable for Nigerian deposit money banks to carefully monitor and evaluate this aspect of corporate governance. While the relationship may not be significant at present, the potential impact of CEO duality on long-term performance should not be overlooked. Periodic assessments of CEO roles and responsibilities can help ensure effective leadership and governance.

5.5.2 Suggestions for Further Studies

Building upon the findings of this study, further research could delve deeper into the mechanisms through which corporate governance practices impact firm performance in Nigeria's banking sector. Specifically, an in-depth exploration of the moderating factors that might influence the observed relationships, such as the regulatory environment, cultural dimensions, and organizational structures, could provide valuable insights. Additionally, a longitudinal study tracking the evolution of corporate governance practices and their effects on

firm performance over time would contribute to a more comprehensive understanding of the dynamics at play. Moreover, investigating the perspectives of various stakeholders, including shareholders, regulators, and executives, through qualitative research methods could offer a more holistic view of the corporate governance-firm performance nexus in the Nigerian context, ultimately guiding policymakers and industry practitioners in optimizing corporate governance frameworks for enhanced business outcomes.

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APPENDICES

Appendix One: Data for Analysis

ACCESS BANK PLC					

Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	15	8	1	0.333333		3,483,865,564,000.00	69,090,335,000.00
2017	15	8	1	0.333333		4,102,242,823,000.00	60,087,491,000.00
2018	16	7	1	0.3125		4,954,156,938,000.00	94,981,086,000.00
2019	17	10	1	0.6		7,143,157,088,000.00	94,056,603,000.00
2020	18	9	1	0.333333		8,679,747,714,000.00	106,009,695,000.00
2021	17	9	1	0.357143		11,731,964,926,000.00	160,215,536,000.00
2022	17	9	1	0.357143		11,731,964,926,000.00	160,215,536,000.00
UBA PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	19	10	1	0.214286		3,504,470,000,000.00	72,264,000,000.00
2017	19	10	1	0.25		4,069,474,000,000.00	78,590,000,000.00
2018	19	10	1	0.307692		4,869,738,000,000.00	78,607,000,000.00
2019	19	10	1	0.307692		5,604,052,000,000.00	89,089,000,000.00
2020	16	9	1	0.266667			

						7,697,980,000,000.00	113,765,000,000.00
2021	16	8	1	0.266667		8,541,318,000,000.00	118,678,000,000.00
2022	16	8	1	0.266667		8,541,318,000,000.00	118,678,000,000.00
ZENITH PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	11	5	0	0.266667		4,739,825,000,000.00	129,652,000,000.00
2017	13	6	0	0.266667		5,595,253,000,000.00	203,461,000,000.00
2018	12	5	0	0.266667		5,955,710,000,000.00	193,424,000,000.00
2019	13	6	1	0.266667		6,346,879,000,000.00	208,843,000,000.00
2020	13	6	1	0.235294		8,481,272,000,000.00	230,565,000,000.00
2021	13	7	1	0.235294		9,447,843,000,000.00	244,558,000,000.00
2022	13	7	1	0.235294		9,447,843,000,000.00	244,558,000,000.00
FIRST BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	10	9	1	0.235294		4,736,805,000,000.00	12,243,000,000.00

2017	10	9	1	0.25		5,236,537,000,000.00	40,011,000,000.00
2018	10	9	1	0.266667		5,568,316,000,000.00	59,667,000,000.00
2019	10	9	1	0.315789		6,203,526,000,000.00	73,665,000,000.00
2020	12	11	1	0.235294		7,689,028,000,000.00	89,730,000,000.00
2021	10	7	1	0.210526		8,932,373,000,000.00	151,079,000,000.00
2022	10	7	1	0.210526		8,932,373,000,000.00	151,079,000,000.00
GT BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	14	7	1	0.333333		3,116,393,439,000.00	132,280,655,000.00
2017	14	8	1	0.363636		3,351,096,659,000.00	170,469,633,000.00
2018	14	8	1	0.363636		3,287,342,641,000.00	184,639,594,000.00
2019	14	8	1	0.25		3,758,918,770,000.00	196,849,281,000.00
2020	14	8	1	0.333333		4,944,653,293,000.00	201,439,940,000.00
2021	6	4	0	0.307692		5,436,034,997,000.00	174,839,487,000.00
2022	6	4	0	0.307692		5,436,034,997,000.00	174,839,487,000.00
FCMB PLC							

Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Assets (N)**	**Profit After Tax (N)**
2016	10	9	1	0.25		1,172,778,078,000.00	18,461,978,000.00
2017	12	10	1	0.2		1,186,179,155,000.00	9,410,204,000.00
2018	10	8	1	0.210526		1,431,298,022,000.00	16,859,262,000.00
2019	10	7	1	0.210526		1,668,505,795,000.00	17,337,274,000.00
2020	9	6	1	0.157895		2,058,393,492,000.00	19,610,454,000.00
2021	10	7	1	0.25		2,493,197,630,000.00	20,916,725,000.00
2022	10	7	1	0.25		2,493,197,630,000.00	20,916,725,000.00
STERLING BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	14	8	1	0.076923		834,189,950,000.00	5,162,365,000.00
2017	14	9	1	0.071429		1,072,201,000,000.00	8,521,000,000.00
2018	12	9	1	0.083333		1,102,921,000,000.00	9,218,000,000.00
2019	14	8	1	0.142857		1,182,685,000,000.00	10,602,000,000.00
2020	12	7	1	0.076923			

						1,299,075,000,000.00	11,242,000,000.00
2021	14	7	1	0.166667		1,629,129,000,000.00	13,515,000,000.00
2022	14	7	1	0.166667		1,629,129,000,000.00	13,515,000,000.00
FIDELITY BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Board expertise**	**Total Equity (N)**	**Profit After Tax (N)**
2016	14	8	1	0.214286		1,298,141,000,000.00	9,734,000,000.00
2017	16	9	0	0.214286	1	1,379,214,000,000.00	18,857,000,000.00
2018	12	7	0	0.294118	1	1,719,883,000,000.00	22,926,000,000.00
2019	14	7	0	0.266667		2,114,037,000,000.00	28,425,000,000.00
2020	15	8	0	0.266667		2,758,148,000,000.00	26,650,000,000.00
2021	13	9	1	0.294118		3,289,479,000,000.00	35,579,000,000.00
2022	13	9	1	0.294118		3,289,479,000,000.00	35,579,000,000.00
STANBIC IBTC BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	10	9	1	0.333333		1,053,523,000,000.00	

							28,520,000,000.00
2017	10	9	1	0.333333		1,386,416,000,000.00	48,381,000,000.00
2018	8	7	1	0.333333		1,663,661,000,000.00	74,440,000,000.00
2019	10	8	1	0.571429		1,876,456,000,000.00	75,035,000,000.00
2020	11	9	1	0.333333		2,486,306,000,000.00	83,211,000,000.00
2021	11	9	1	0.333333		2,742,764,000,000.00	56,966,000,000.00
2022	11	9	1	0.333333		3,289,479,000,000.00	35,579,000,000.00
UNION BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	17	11	1	0.454545		1,252,682,000,000.00	15,391,000,000.00
2017	15	9	1	0.454545		1,455,540,000,000.00	14,608,000,000.00
2018	15	9	1	0.6		1,463,858,000,000.00	18,093,000,000.00
2019	15	11	1	0.3		1,872,231,000,000.00	19,875,000,000.00
2020	15	11	1	0.3		2,191,026,000,000.00	25,974,000,000.00
2021	13	10	1	0.3		2,595,769,000,000.00	18,238,000,000.00
2022	13	10	1	0.3			

						3,289,479,000,000.00	35,579,000,000.00
UNITY BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	15	10	0	0.285714		492,681,647,000.00	2,183,798,000.00
2017	7	4	0	0.272727		156,506,504,000.00	-14,917,938,000.00
2018	9	5	0	0.272727		235,976,190,000.00	1,269,435,000.00
2019	9	5	1	0.272727		293,052,070,000.00	3,383,189,000.00
2020	9	5	1	0.25		492,020,329,000.00	2,086,393,000.00
2021	9	5	1	0.076923		538,868,755,000.00	3,173,254,000.00
2022	9	5	1	0.076923		3,289,479,000,000.00	35,579,000,000.00
WEMA BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	12	7	0	0.285714		424,043,581,000.00	2,560,580,000.00
2017	10	7	1	0.285714		388,153,526,000.00	2,255,488,000.00
2018	11	7	1	0.142857			3,326,420,000.00

						488,804,317,000.00	
2019	11	7	1	0.142857		715,869,814,000.00	5,199,940,000.00
2020	12	7	1	0.153846		979,518,151,000.00	4,577,381,000.00
2021	12	7	1	0.083333		1,175,490,124,000.00	8,926,555,000.00
2022	12	7	1	0.083333		3,289,479,000,000.00	35,579,000,000.00
ECO BANK PLC							
Years	**Board size**	**Non-executive Directors**	**CEO Duality**	**Ownership Concentration**	**Column1**	**Total Equity (N)**	**Profit After Tax (N)**
2016	12	8	0	0.227273		1,808,503,000,000.00	5,780,000,000.00
2017	11	7	0	0.1		1,829,761,000,000.00	20,204,000,000.00
2018	13	8	1	0.1		1,956,830,000,000.00	27,155,000,000.00
2019	13	9	1	0.083333		1,991,040,000,000.00	1,256,000,000.00
2020	10	6	1	0		2,186,712,000,000.00	8,087,000,000.00
2021	12	8	1	0		2,475,079,000,000.00	9,766,000,000.00
2022	12	8	1	0		3,289,479,000,000.00	35,579,000,000.00

Appendix Two: Output from Analysis

	CSR	CEOD	OWNC	BIND	BSZ
Mean	0.728535	0.326531	0.676859	0.218258	10.80303
Median	0.750000	0.534393	9.287945	0.215000	10.00000
Maximum	1.000000	1.000000	5.534353	0.570000	19.00000
Minimum	0.000000	0.000000	1.770764	0.000000	6.000000
Std. Dev.	0.235392	0.007385	3.605052	0.114762	3.327974
Skewness	-1.435442	0.179085	15.80205	0.091937	0.320227
Kurtosis	4.824516	1.777384	9.287945	2.934949	3.181700
Jarque-Bera	63.63956	0.326531	1052.406	0.209228	2.437587
Probability	0.000000	1.000000	0.000000	0.900672	0.295587
Sum	96.16667	0.326531	6264.000	28.81000	1426.000
Sum Sq. Dev.	7.258628	0.93453u	94422.73	1.725299	1450.879
Observations	98	98	98	98	98

Covariance Analysis: Ordinary					
Date: 09/26/23 Time: 13:34					
Sample: 2016 2022					
Included observations: 98					
Covariance					
Correlation					
t-Statistic					
Probability	ROE	CEOD	OWNC	BIND	BSZ
ROE	0.054990				
	1.000000				

CEOD	0.087418	1.221407			
	0.337311	1.000000			
	4.085370	-----			
	0.0001	-----			

OWNC	-1.162592	-13.48938	715.3237		
	-0.185368	-0.456363	1.000000		
	-2.150800	-5.847806	-----		
	0.0333	0.0000	-----		
BIND	0.001989	0.013918	-0.103072	0.013070	
	0.074195	0.110152	-0.033709	1.000000	
	0.848291	1.263615	-0.384557	-----	
	0.3978	0.2086	0.7012	-----	
BSZ	0.222414	2.866860	-27.13774	-0.014434	10.99151
	0.286083	0.782434	-0.306051	-0.038082	1.000000
	3.404126	14.32574	-3.665402	-0.434513	-----
	0.0009	0.0000	0.0004	0.6646	-----

Dependent Variable: ROE				
Method: Panel EGLS (Cross-section random effects)				
Date: 09/26/23 Time: 13:36				
Sample: 2016 2022				
Periods included: 7				
Cross-sections included: 14				
Total panel (balanced) observations: 98				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BIND	0.085830	0.045009	1.906962	0.0588
BSZ	0.000784	0.001808	0.433853	0.6651
CEOD	-0.008731	0.149896	-0.058250	0.9536
OWNC	-0.000103	0.008567	-0.012067	0.9904
C	-0.256177	0.476250	-0.537904	0.5916
	Effects Specification			
			S.D.	Rho
Cross-section random			0.218952	0.7772
Idiosyncratic random			0.117244	0.2228

	Weighted Statistics		
R-squared	0.045242	Mean dependent var	0.155589
Adjusted R-squared	0.007355	S.D. dependent var	0.117010
S.E. of regression	0.116579	Sum squared resid	1.712432
F-statistic	1.194128	Durbin-Watson stat	0.842758
Prob(F-statistic)	0.315836		
	Unweighted Statistics		
R-squared	0.101690	Mean dependent var	0.728535
Sum squared resid	6.520501	Durbin-Watson stat	0.221327

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.575474	5	0.6120

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BIND	0.068410	0.085830	0.002839	0.7437
BSZ	0.011816	0.000784	0.000040	0.0819
CEOD	-0.095176	-0.008731	0.003731	0.1570
OWNC	-0.000705	-0.000103	0.000011	0.8555

Cross-section random effects test equation:			
Dependent Variable: ROE			
Method: Panel Least Squares			
Date: 09/26/23 Time: 13:37			
Sample: 2016 2022			
Periods included: 7			

Cross-sections included: 14				
Total panel (balanced) observations: 98				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.561111	0.686036	-0.817904	0.4153
BIND	0.068410	0.069749	0.980802	0.3289
BSZ	0.011816	0.006594	1.791842	0.0760
CEOD	-0.095176	0.161864	-0.588002	0.5578
OWNC	-0.000705	0.009181	-0.076739	0.9390
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.801155	Mean dependent var		0.728535
Adjusted R-squared	0.751917	S.D. dependent var		0.235392
S.E. of regression	0.117244	Akaike info criterion		-1.268871
Sum squared resid	1.443345	Schwarz criterion		-0.679206
Log likelihood	110.7455	Hannan-Quinn criter.		-1.029258
F-statistic	16.27109	Durbin-Watson stat		0.989016
Prob(F-statistic)	0.000000			

Dependent Variable: ROE				
Method: Panel Least Squares				
Date: 09/29/23 Time: 00:49				
Sample: 2016 2022				
Periods included: 7				
Cross-sections included: 14				
Total panel (balanced) observations: 98				
White cross-section standard errors & covariance (d.f. corrected)				
WARNING: estimated coefficient covariance matrix is of reduced rank				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BIND	0.052284	0.004636	11.27814	0.0000
BSZ	0.000358	0.000118	3.042318	0.0029
CEOD	0.104134	0.129754	0.802552	0.4237
OWNC	-0.006193	0.002875	-2.153913	0.0332
C	0.074362	0.048147	1.544474	0.1250
R-squared	0.621211	Mean dependent var		0.728535
Adjusted R-squared	0.086338	S.D. dependent var		0.235392
S.E. of regression	0.225001	Akaike info criterion		-0.101035
Sum squared resid	6.378802	Schwarz criterion		0.030001
Log likelihood	12.66834	Hannan-Quinn criter.		-0.047788
F-statistic	3.475825	Durbin-Watson stat		2.229426
Prob(F-statistic)	0.005620			

Variance Inflation Factors			
Date: 09/26/23 Time: 13:53			
Sample: 2016 2022			
Included observations: 98			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
BIND	0.003049	44.69501	1.236381
BSZ	0.005032	211.9852	1.306908
CEOD	0.000194	1.981362	1.664275
OWNC	0.003375	1.581216	1.566326
C	1.361325	201.1334	NA

..