

Corporate Governance and Performance of Listed Firms in Nigerian Exchange Group

ABSTRACT

The performance of listed firms in Nigeria is a topic of significant concern and interest among stakeholders, including investors, regulators, and policymakers. Despite the considerable growth and development of the Nigerian economy in recent years, some persistent challenges and issues affect the performance of listed firms, hindering their ability to achieve optimal results and contribute effectively to economic prosperity. There is a growing need to explore the relationship between corporate governance mechanisms and firm performance in Nigerian firms. The study adopted an *ex-post* facto research design, extracting secondary data from the annual reports of 153 companies listed on the Nigerian Exchange Group (NGX) that made up the study's population. Using a purposive sampling approach, 10 firms were chosen across different industries as the sample size. The scope spanned from 2013 to 2021, a period of nine years, and data underwent descriptive and inferential statistical analyses. The empirical investigations found that board size had a positive significant effect on return on assets, while the number of **non-executive** directors had a negative significant effect on return on assets. The overall results demonstrated that corporate governance had a significant effect on the firm performance. The findings suggest that companies adhering to robust corporate governance standards tend to excel across various performance metrics compared to those with weaker governance practices. This study recommends that Policymakers of Nigerian firms should consider optimizing board size to enhance performance, ensuring a balance between diversity and efficiency.

Keywords: Corporate governance, board size, non-executive directors, firm performance, returns on assets

INTRODUCTION

The performance of listed firms in Nigeria is a topic of significant concern and interest among stakeholders, including investors, regulators, and policymakers. Despite the considerable growth and development of the Nigerian economy in recent years, some persistent challenges and issues affect the performance of listed firms, hindering their ability to achieve optimal results and contribute effectively to economic prosperity. One key issue is the lack of transparency and accountability in corporate governance practices among listed firms. Weak corporate governance

mechanisms, such as inadequate board oversight, lack of independent directors, and insufficient disclosure of financial information, have been identified as factors that undermine investor confidence and erode shareholder value (Dada et al., 2023; Dagunduro et al., 2023).

Additionally, there are concerns about the effectiveness of regulatory oversight and enforcement mechanisms in ensuring compliance with corporate governance standards. Regulatory bodies such as the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) play a crucial role in setting and enforcing corporate governance rules, but questions remain about their capacity to monitor and sanction non-compliant firms effectively (Awotomilusi et al., 2023, Oluwagbade et al., 2023). Furthermore, the prevalence of insider trading, market manipulation, and other unethical practices poses a significant challenge to the integrity and stability of the capital markets in Nigeria. These practices not only erode investor trust but also undermine the efficiency and fairness of the market, ultimately impacting the performance of listed firms. Moreover, the macroeconomic environment in Nigeria, characterized by volatility in exchange rates, inflationary pressures, and political instability, presents additional challenges for listed firms. Fluctuations in macroeconomic indicators can adversely affect business operations, financial performance, and investor sentiment, making it difficult for firms to achieve sustainable growth and profitability (Boluwaji et al., 2024; Adewara et al., 2023; Kolawole et al., 2023; Dagunduro et al., 2022; Gatehi&Nasieku, 2022).

Addressing these challenges requires a comprehensive understanding of the root causes and proactive measures to promote transparency, accountability, and sustainable business practices among listed firms. With an increasing number of firms being listed on the Nigerian Stock Exchange (NSE) and heightened investor scrutiny, there is a growing need to explore the relationship between corporate governance mechanisms and firm performance in Nigerian firms. Through a comprehensive review of existing literature, empirical analysis, and case studies of listed firms in Nigeria, this study aims to contribute to the growing body of knowledge on corporate governance and performance in emerging markets. By identifying best practices, highlighting areas for improvement, and offering practical recommendations, this research seeks to inform policy discussions, guide corporate decision-making, and ultimately foster a culture of effective corporate governance that drives sustainable economic growth and development in Nigeria.

LITERATURE REVIEW

Corporate Governance

Corporate Governance refers to the system of rules, practices, processes, and structures by which corporations are directed, controlled, and managed (Ahmed et al., 2023). It encompasses the relationships among various stakeholders involved in the company, including shareholders, management, the board of directors, employees, customers, suppliers, and the broader community (Aluoch, 2023). The primary goal of corporate governance is to ensure transparency, accountability, fairness, and integrity in the decision-making processes and operations of a corporation. Effective corporate governance helps to safeguard the interests of shareholders, promote responsible corporate behavior, mitigate risks, enhance performance, and build trust with stakeholders (Balagobei & Keerthana, 2023). It involves establishing mechanisms for oversight, risk management, compliance with laws and regulations, ethical conduct, and strategic planning to achieve the organization's objectives while balancing the interests of different stakeholders (Jonah, 2023).

Board Size

Board size refers to the number of individuals who serve as members of a company's board of directors. It is a key aspect of corporate governance that determines the composition and structure of the board (Dada et al., 2023). Board size can vary widely depending on factors such as the size and complexity of the company, industry norms, regulatory requirements, and corporate governance best practices (Nguyen et al., 2023). Generally, smaller companies tend to have smaller boards, while larger corporations may have larger boards to accommodate the need for diverse expertise and perspectives. The optimal board size is often a subject of debate, with proponents arguing for smaller boards to enhance efficiency and decision-making agility, while others advocate for larger boards to ensure broader representation and oversight. The appropriate board size for a company depends on various factors, including its strategic objectives, organizational culture, and governance framework (Dagunduro et al., 2023; Odhiambo, 2021).

Non Executive Directors

The number of executive directors refers to the count of individuals who hold executive positions within a company's board of directors while concurrently serving in management roles within the organization. Executive directors typically include top-level executives such as the CEO (Chief Executive Officer), CFO (Chief Financial Officer), COO (Chief Operating Officer),

and other C-suite executives (Musa & Onipe, 2023). These individuals are responsible for the day-to-day operations of the company and play a central role in decision-making, strategy formulation, and implementation. Non-executive directors are selected and appointed on the basis of core competencies that strengthen the capacity of the Board including experience in marketing, corporate governance, law, strategy, finance, accounting, general operation etc and they are not responsible for the day-to-day operations of the company. The number of non-executive directors can vary depending on the size, structure, and needs of the organization, with larger companies often having multiple executive directors to oversee different functional areas and divisions (Appah & Tebepah, 2023). The presence of executive directors on the board ensures direct involvement of management in governance matters and facilitates effective communication between the board and operational management. However, the proportion of executive directors relative to non-executive directors is an important consideration in corporate governance to maintain board independence and effective oversight (Dagunduro et al., 2023).

Firm Performance

Firm performance refers to the assessment of how well a company or organization has achieved its objectives and goals over a specific period (Asubiojo et al., 2023). It encompasses various aspects of a firm's operations, financial health, market position, and overall effectiveness in delivering value to its stakeholders (Adewara et al., 2023; Aluko et al., 2022; Dagunduro et al., 2022). Key indicators of firm performance often include financial metrics such as revenue growth, profitability, return on investment (ROI), earnings per share (EPS), and cash flow. Additionally, non-financial measures such as market share, customer satisfaction, product quality, innovation, employee engagement, and sustainability practices may also be used to evaluate firm performance (Oluwagbade et al., 2023). Ultimately, firm performance reflects the ability of a company to generate value for its shareholders, customers, employees, and other stakeholders while effectively managing its resources and risks (Awotomilusi et al., 2023).

Return on Assets

Return on Assets (ROA) is a financial ratio that measures a company's profitability by evaluating its efficiency in generating profits from its assets. It is calculated by dividing the net income (or profit) of the company by its total assets. ROA indicates how well a company is utilizing its assets to generate earnings (Awotomilusi et al., 2023). A higher ROA suggests that

the company is more efficient in using its assets to generate profit, while a lower ROA indicates lower profitability relative to its asset base. ROA is often used by investors and analysts to assess a company's management efficiency and overall financial performance (Oluwagbade et al., 2023).

Corporate Governance and Firm Performance

Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It involves the relationships between various stakeholders, including shareholders, management, the board of directors, employees, customers, suppliers, and the community (Appah, 2022). Effective corporate governance ensures transparency, accountability, and fairness in the company's operations, with the ultimate goal of enhancing shareholder value and protecting the interests of all stakeholders. Firm performance, on the other hand, refers to the financial and operational results achieved by a company over a specific period. It encompasses various measures of success, including profitability, revenue growth, market share, operational efficiency, and shareholder returns (Bala et al., 2022).

The relationship between corporate governance and firm performance is complex and multifaceted. Numerous studies have investigated this relationship, seeking to understand how different aspects of corporate governance practices, such as board composition, executive compensation, and shareholder rights, impact a company's performance (Akinadewo et al., 2024; Boluwaji et al., 2024). While some research suggests that strong corporate governance practices can lead to improved firm performance by fostering transparency, accountability, and better decision-making, other studies have found mixed or inconclusive results. The link between corporate governance and firm performance remains a topic of ongoing research and debate, with the consensus being that effective governance structures can contribute positively to a company's long-term success and sustainability (Dada et al., 2023; Oluwagbade et al., 2023).

Theoretical Framework

Agency Theory, as the theoretical framework for this paper, originated in 1973 through the seminal work of Stephen Ross and Barry Mitnick and was popularized through the work of Michael Jensen, and William Meckling in 1976. At its core, Agency Theory explores the intricate dynamics between principals, typically shareholders who own a company, and agents, often managers who run the company on behalf of the shareholders. In an ideal scenario, managers are expected to make decisions that align with the best interests of shareholders, thereby maximizing

shareholder wealth. However, due to divergent objectives, information asymmetry, and differing risk preferences, conflicts of interest, known as agency problems, can arise. These conflicts can lead to managerial decisions that prioritize the interests of managers or other stakeholders over those of shareholders.

Agency Theory provides a structured framework for understanding these conflicts and their impact on organizational behavior and performance. It highlights the various mechanisms and strategies employed by principals to mitigate agency problems and align the interests of agents with their own. Key governance mechanisms such as the composition of the board of directors, executive compensation structures, and shareholder monitoring mechanisms are analyzed through the lens of Agency Theory to assess their effectiveness in ensuring managerial accountability and enhancing firm performance. By adopting Agency Theory as the theoretical framework, this paper aims to delve into the complexities of corporate governance and firm performance, shedding light on how governance mechanisms influence managerial behavior and ultimately impact the financial and operational outcomes of listed firms in Nigeria. Through this lens, the paper seeks to offer valuable insights and recommendations for improving corporate governance practices and enhancing firm performance.

Empirical Review

Akinadewo et al. (2024) undertook a study to assess how board characteristics influence the adoption of forensic accounting practices in Nigerian Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group. The research, spanning a longitudinal period, involved fifteen listed DMBs as of December 31, 2022. Analyzing financial data from 2013 to 2022, the study employed descriptive statistics and marginal logistic regression techniques. Results indicated a positive correlation between board composition, expertise, and the adoption of forensic accounting practices. Additionally, board independence showed a positive influence, albeit statistically insignificant, highlighting the importance of board competence in driving forensic accounting implementation.

Dada et al. (2023) conducted an inquiry into the impact of forensic accounting and corporate governance on the financial performance of listed deposit money banks in Nigeria. Using an ex-post facto research design, the study utilized data from annual audited reports of ten selected banks listed on the Nigerian Exchange Group (NGX). Over eleven years from 2012 to 2022, both descriptive statistics and panel regression analysis were employed. Results revealed

significant effects of forensic accounting practices and corporate governance on the financial performance of listed deposit money banks.

In another study, Dagunduro et al. (2023) investigated the influence of corporate governance and board attributes on the financial performance of listed insurance companies in Nigeria. Utilizing ex-post facto and panel research designs, data were collected from audited annual reports of ten selected insurance companies on the Nigerian Exchange Group over eleven years from 2012 to 2022. Findings from descriptive and inferential statistical analyses indicated that board size and independence positively influenced Tobin Q, while board diversity positively impacted returns on equity and Tobin Q.

Appah and Tebepah (2023) conducted a study examining the impact of corporate governance mechanisms on the financial performance of consumer goods manufacturing companies in Nigeria. Covering the period from 2011 to 2020, the research explored the relationships between board size, independence, compensation, diligence, and return on equity. The study revealed an insignificant negative association between board size and return on equity, a significant negative correlation with board independence, a significant positive relationship with board compensation, and a significant negative relationship with board diligence.

In a study conducted by Lasisi (2022), the focus was on the influence of corporate governance features on corporate risk reporting within publicly traded financial services firms in Nigeria. The research encompassed all 52 publicly listed financial services companies as of October 2021, with a subset of 39 firms selected through a judgmental sampling method. The findings revealed a positive correlation between board size and corporate risk reporting. However, independent directors and board gender were found to have no significant effect. Additionally, the study unveiled an inverse relationship between board activity and profitability with corporate risk reporting, while the size of the business exhibited a positive correlation with corporate risk reporting.

Another study by Appah (2022) delved into the impact of corporate governance characteristics on tax planning in pharmaceutical firms listed in Nigeria from 2015 to 2020. The study focused on 11 pharmaceutical companies, analyzing their financial statements to uncover insights. Results indicated that while board size and board financial expertise showed a positive correlation with tax savings, the impact was not statistically significant. Conversely, board compensation and board meetings displayed a negative relationship with tax savings, although

not significant. Similarly, gender diversity on the board exhibited a negative influence on tax savings, but it lacked statistical significance. Notably, board financial expertise significantly impacted the book-tax difference positively, whereas board size, gender diversity, board compensation, and board meetings showed a negative relationship with the book-tax difference, albeit not statistically significant.

In a research conducted by Bala et al. (2022), the focus was on how corporate governance attributes influenced the financial performance of consumer goods companies listed in Nigeria. The study revealed subpar financial performance among the sampled firms. While board independence had a noteworthy and positive impact, gender diversity exhibited a significant negative effect on return on assets (ROA). However, board size was found to have a negative yet inconsequential influence on ROA. Similarly, Gatehi and Nasieku (2022) investigated the impact of board characteristics on the financial performance of non-financial firms listed on the Nigerian Stock Exchange. Results indicated that board size and independence did not have statistically significant effects, whereas board diversity, particularly gender diversity, significantly influenced financial performance.

Peter et al. (2022) conducted a study to explore the influence of corporate governance mechanisms on the financial performance of consumer goods companies listed in Nigeria. The research revealed that top management team and CEO characteristics had a significant positive impact on return on equity, while audit committee independence and external auditors' independence had a significant negative effect. In another investigation, Yusuf et al. (2022) examined the effect of corporate governance on the financial performance of publicly traded Nigerian insurance companies. The findings indicated that several corporate governance elements, such as board size, board meetings, board independence, and audit committee size, had a significant impact on return on assets.

Olayinka (2021) researched corporate governance and economic sustainability reporting in Nigeria. Employing both descriptive and inferential statistics, the study identified board size, board ownership, and the presence of female directors as significant factors impacting sustainability reporting in Nigeria. These factors were found to be negatively correlated with sustainability reporting, highlighting the importance of independent directors in this context. In a separate study by Al-Homaidi et al. (2021) focusing on Indian-listed companies, the research explored the relationship between corporate governance mechanisms and profitability. The

sample comprised thirty-three firms, with the analysis considering the composition of the board of directors and the audit committee. Results revealed a positive correlation between the composition of these governance bodies and firm profitability, as measured by return on assets (ROA) and earnings per share (EPS). Additionally, Akinleye et al. (2019) investigated the impact of corporate governance attributes on listed non-financial firms in Nigeria. The findings revealed a negative association between board size, board meetings, and board independence with intellectual capital. Conversely, firm size demonstrated a positive and significant relationship with intellectual capital.

Given the information provided, prior literature (Appah et al., 2023; Dagunduro et al., 2023; Appah, 2022; Bala et al., 2022; Gatehi and Nasieku, 2022; Peter et al., 2022; Yusuf et al., 2022) has examined different facets of the correlation between board attributes, corporate governance methodologies, and financial performance. Nevertheless, there remain notable gaps in the current research landscape that warrant exploration in forthcoming studies. Specifically, there is a dearth of comprehensive investigations encompassing all types of firms within a single study. Consequently, this study seeks to fill these gaps by investigating the association between corporate governance practices and the performance of listed firms in Nigeria. In light of these objectives, the null hypotheses are articulated as follows:

H₀₁: There is no significant difference between the board size and firm performance of the listed firms in Nigeria.

H₀₂: There is no significant difference between the number of non-executive directors and the firm performance of the listed firms in Nigeria.

2.4 Conceptual Framework

A visual representation denoted as "Figure 1 Conceptual Framework" is designed to illustrate the interplay between corporate governance and the Firm Performance of listed firms in Nigeria.

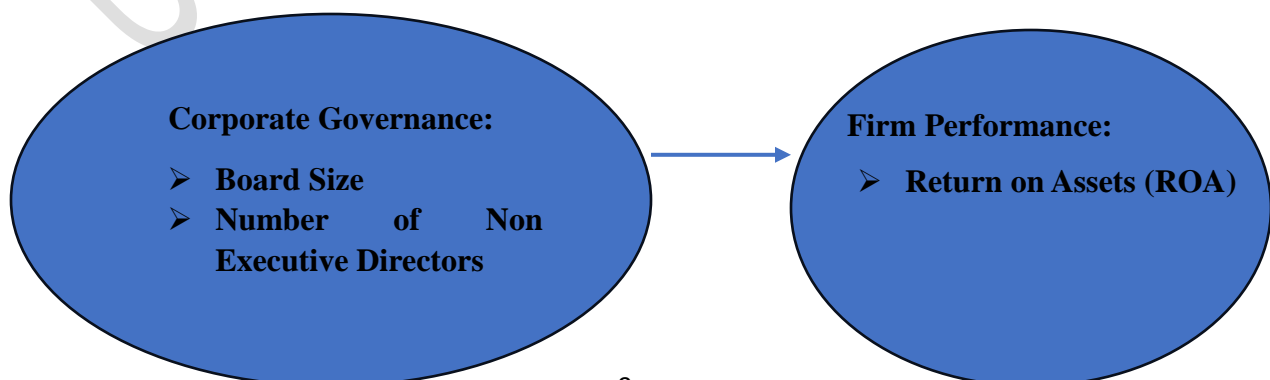


Figure 1: Conceptual Framework
Source: Authors' Concepts (2024)

3. Methodology

The study adopted an *ex-post* facto research design, extracting secondary data from the annual reports of 153 companies listed on the Nigerian Exchange Group (NGX) that made up the study's population. Using a purposive sampling approach, 10 firms were chosen across different industries as the sample size. The scope spanned from 2013 to 2021, a period of nine years, and data underwent descriptive and inferential statistical analyses, including measures like mean, median, mode, and standard deviation. Furthermore, panel regression analysis was used to evaluate how board characteristics influenced the financial performance of these listed multinational companies in Nigeria.

3.1 Model Specification

The econometric model for this study was specified in line with the previous study of Dada et al. (2023) and Dagunduro et al. (2023) to analyze the relationship that exists between corporate governance mechanisms and financial performance in listed deposit money banks and insurance companies respectively in Nigeria and board structure, and stated as follows:

$$FP = \beta_0 + \beta_1 BSIZE + \beta_2 NED + \epsilon_{it}$$

Where: FP = Firm Performance,

BFSIZE = Board Size

NED = Number of Non-Executive Directors

ϵ_{it} = Error term

β_0 = Intercept, β_1, β_2 = The Coefficients of the unknown variables.

The *a-priori* expectation = $\beta_1, \beta_2 > 0$, the implication of this is that a positive relationship is expected between the explanatory variables and the explained variable.

Table 1: Operationalization, Description, and Measurement of Variables

SN	Variable	Acronym	Role	Measurement	Source
1	Firm Performance	FP	Dependent		
1a	Return on Assets	ROA	Dependent	Measured as earnings after tax divided by the total asset (%).	Awotomilusi et al. (2023); Oluwagbade et al. (2023)
2	Board Characteristics	BDC	Independent		
2a	Board Size	BFSIZE	Independent	Measured as the total members of the	Dagunduro et al. (2023)

2b	Number of NED NonExecutive Directors	Independent	board of directors. Expressed as the number of non executive directors in the board size (%)	Dagunduro et al. (2023)
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Authors' Compilation (2024)

Results

4.1 Descriptive Statistics

Table 1 shows the descriptive features of the dataset used in the regression analysis. The independent variables include Board size (BSIZE) and Non-Executive directors' size (NED) respectively. The dependent variable comprises Return on asset (ROA). In terms of the efficient use of assets, the average efficient usage rate is 8.8126. This denotes that firms in Nigeria, on average, generate more than 8.8126 earnings from each unit of assets they control. This distribution ranges from -8.2501 to 27.824, indicating firms make a maximum of 27.824% gross revenue above their asset value. Although this is subjected to a low dispersion of 7.6199, the distribution is right-skewed (0.5476) with a kurtosis of 2.9224.

In terms of board size, the mean is 11.1. This reveals that, on average, a firm's board size in Nigeria consists of eleven members. The deviation from the mean is 2.7322, denoting a low dispersion from the mean. This minimum number of members in a firm is 6, while the maximum number is 17. Data for this distribution is positively skewed (0.0708) and with a kurtosis value of 2.1143. However, the average number of non-executive directors in a board is 8.02. This implies that the majority of members of the board of directors consist of non-executive directors, making up more than 80% of the board.

The standard deviation of 2.4658 indicates that there is a 2.4658% variation from the mean within the dataset. This means that the values in the dataset tend to deviate from the average by approximately 2.4658 units on average. A higher standard deviation suggests greater variability or dispersion of data points around the mean. Both the skewness and kurtosis are reported as 0.3710 and 2.7136, respectively. Skewness measures the asymmetry of the distribution of data points around the mean. A skewness value of 0.3710 suggests a slight positive skew, indicating that the distribution is slightly skewed to the right. Kurtosis, on the other hand, measures the peakedness or flatness of the distribution compared to a normal

distribution. A kurtosis value of 2.7136 indicates that the distribution is leptokurtic, meaning it has relatively heavier tails and is more peaked than a normal distribution. The minimum value in the dataset is 3, indicating the lowest observed value, while the maximum value is 14, indicating the highest observed value. This range between the minimum and maximum values provides insights into the spread or range of the dataset. In this case, the range of values spans from 3 to 14, showing the variability in the dataset.

Table 2: Descriptive Statistics

Variables	ROA	Bsize	NED
Obs	100	100	100
Mean	8.8126	11.1	8.02
Std. Dev	7.6199	2.7322	2.4658
Minimum	-8.2501	6	3
Maximum	27.824	17	14
Skewness	0.5476	0.0708	0.3710
Kurtosis	2.9224	2.1143	2.7136

Source: Authors' Computation (2024)

4.2 Corporate Governance and Firms' Performance

4.2.1 Regression Diagnostics

Parametric statistics were used in this investigation. This suggests that the analysis of this study makes certain fundamental assumptions, and Table 3 below illustrates conformity with these assumptions. Finding multicollinearity is crucial because, although it doesn't lessen the model's ability to explain phenomena, it does lessen the independent variables' statistical significance. Therefore, the variance inflation factor was used to test for multicollinearity. A variance inflation factor of more than 10 asserts the presence of multicollinearity, while below 10 denotes the absence of multicollinearity. Table 3 shows a VIF result of 2.42, denoting the absence of multicollinearity in the dataset.

Again, Modified Wald tests for groupwise heteroskedasticity show 274.42 with a p-value of 0.0000. This is less than the 0.05 threshold, indicating the presence of heteroskedasticity. The Wooldridge test for autocorrelation in panel data is 9.572 with a p-value of 0.0128. While it is less than the 0.05 threshold, this implies the presence of autocorrelation. Shapiro-Wilk test for normality for ROA, BSIZE, and NED, show t-statistics of 3.291, 0.601, and 0.051 respectively. The p-values of these variables show 0.00050, 0.27401, and 0.47969 respectively. This

indicatethat, **except for**ROA,BSIZE and NEDare normally distributed. ROA was, therefore, transformed to make it normally distributed.

Due to the presence of heteroskedasticity and serial correlation in the data distribution, both ordinary least square, fixed, and random effect model was not interpreted. Generalized least squares regression analysis was interpreted as the basisof the study's inference. The Wald Chi-squared Test is **135.93with** a p-value of 0.0000. This suggests that the two independent variables are significant and collectively contribute to the model's predictive power. Other elements not included in the model are represented by the remaining percentage.

However, a positive coefficient suggests that the dependent variable's mean tends to grow along with the independent variable's value. A negative coefficient indicates that the dependent variable tends to decrease as the independent variable rises. The coefficient of BSIZE, though highly significant at a p-value of 0.0000, is 0.2350. This indicates that the 23.50% increase in ROA is a result of one member addition to the board of directors(BSIZE). While being highly significant at a p-value of 0.000, the NED's coefficient is -0.1426. This denotes that a 14.26% decrease in ROA is a result of an addition to a non-executive member of the board.

Table 3: GLS Estimate of the effect of corporate governance on firms' performance

Variables	GLS		OLS		Fixed Effect		Random Effect	
	Coefficient	p-value	Coefficient	p-value	Coefficient	p-value	Coefficient	p-value
Bsize	0.2350	0.0000	-0.8503	0.0510	1.7865	0.0030	1.1010	0.0410
NED	-0.1426	0.0000	0.5413	0.2600	-2.4925	0.0010	-1.6003	0.0180
Constant	8.0409	0.0000	13.91	0.0000	8.9727	0.0080	9.4264	0.0110
R-squared			0.0418					
P-value of the model			0.1259		0.0058			
Adjusted R-squared			0.0221					
Root MSE			7.5353					
Wald Chi2(3) test statistic	135.9300	0.0000					5.6000	0.0609
Wald Chi2(3)(heteroskedasticity)(p-value)	274.42(0.000)							
Wooldridge test(autocorrelation)	9.572(0.0128)							
Hausman fixed random (p-value)	6.50 (0.0389)							
Lagrangian Multiplier (p-value)	87.46 (0.0000)							
Shapiro-Wilk test for normal data (ROA)	3.291(0.0005)							
Shapiro-Wilk test for normal data (Bsize)	0.601(0.2740)							
Shapiro-Wilk test for normal data (NED)	0.051(0.4797)							
VIF (mean)	2.4200							

Source: Authors' Computation (2024)

Discussion

The performance of publicly traded companies in Nigeria is a matter of significant concern and interest for various stakeholders, including investors, regulators, and policymakers. Despite the notable growth and development of the Nigerian economy in recent years, certain persistent challenges and issues impede the performance of these listed firms, hindering their ability to achieve optimal results and contribute effectively to economic prosperity. Addressing these challenges necessitates a thorough understanding of their underlying causes and the implementation of proactive measures to foster transparency, accountability, and sustainable business practices within these companies. As the number of firms listed on the Nigerian Stock Exchange (NSE) continues to rise and investor scrutiny intensifies, there is an increasing urgency to examine the relationship between corporate governance mechanisms and firm performance in Nigerian companies.

Empirical investigations have revealed that board size has a positive and significant impact on the performance of listed firms in Nigeria. This suggests that companies with larger boards of directors tend to outperform those with smaller boards across various performance metrics. Such findings imply that having a larger and potentially more diverse board of directors may positively contribute to the overall success and effectiveness of listed firms in Nigeria. These results align with the anticipated expectations, as the null hypothesis was rejected.

Conversely, the number of non-executive directors has shown a negative and significant impact on the performance of listed firms in Nigeria. This indicates that companies with a higher proportion of non-executive directors tend to underperform in terms of various performance indicators compared to those with fewer non-executive directors. Such findings suggest that an excessive concentration of non-executive directors within the leadership structure may impede the overall effectiveness and success of listed firms in Nigeria, potentially resulting in poorer performance outcomes. This result was contrary to the expected outcome, as the null hypothesis was rejected while the anticipated expectations were consistent with these findings.

Furthermore, corporate governance has exhibited a positive and significant effect on the performance of listed firms in Nigeria. This suggests that companies adhering to robust corporate governance standards tend to excel across various performance metrics compared to those with weaker governance practices. Such findings underscore the importance of maintaining transparency, accountability, and ethical behavior within organizations, as well as implementing

effective oversight mechanisms, to positively influence the overall success and financial performance of listed firms in Nigeria. Therefore, prioritizing and enhancing corporate governance practices may be crucial for improving the performance and sustainability of these firms in the Nigerian market. These findings are consistent with the conclusions drawn by various researchers, such as Dagunduro et al. (2023), Appah (2022), Lasisi (2022) Peter et al. (2022), and Yusuf et al. (2022), among others. However, they contradict the findings of Appah and Tebepah (2023), Bala et al. (2022) and Gatehi and Nasieku (2022), among others.

CONCLUSION AND RECOMMENDATIONS

The performance of publicly traded companies in Nigeria is of great concern to stakeholders, including investors, regulators, and policymakers. Despite the growth of the Nigerian economy, persistent challenges hinder the ability of listed firms to achieve optimal results and contribute to economic prosperity. Understanding the root causes of these challenges and implementing proactive measures to foster transparency, accountability, and sustainable business practices is essential. With an increasing number of firms listed on the Nigerian Stock Exchange (NSE) and heightened investor scrutiny, there is a growing need to examine the relationship between corporate governance mechanisms and firm performance in Nigerian companies.

Empirical investigations reveal that board size has a positive and significant impact on the performance of listed firms in Nigeria, indicating that companies with larger boards tend to outperform those with smaller boards. Conversely, a higher number of non-executive directors negatively affect firm performance, suggesting that an excessive concentration of executive directors may hinder success. Additionally, strong corporate governance practices positively influence firm performance, emphasizing the importance of transparency, accountability, and ethical behavior within organizations. The findings suggest that the size and composition of boards, as well as corporate governance practices, significantly affect the performance of listed firms in Nigeria. While a larger board size positively influences performance, an excessive number of non-executive directors have a detrimental effect. Robust corporate governance practices are crucial for enhancing firm performance and sustainability.

Based on these findings, it is recommended that listed firms in Nigeria:

- i. Policymakers of Nigerian firms should consider optimizing board size to enhance performance, ensuring a balance between diversity and efficiency.
- ii. Nigerian listed firms should evaluate the composition of non-executive directors to avoid an excessive concentration that may hinder performance.
- iii. Management should strengthen corporate governance practices, emphasizing transparency, accountability, and ethical behavior.
- iv. Nigerian listed firms should invest in effective oversight mechanisms to monitor and enforce adherence to corporate governance standards.
- v. Policymakers should conduct regular evaluations of board effectiveness and corporate governance practices to identify areas for improvement.

This study contributes to the understanding of how corporate governance influencing the performance of listed firms in Nigeria, particularly regarding board size, non-executive director composition, and corporate governance practices. The findings offer insights that can inform decision-making processes for stakeholders, including investors, regulators, policymakers, and corporate leaders, aiming to enhance firm performance and promote economic prosperity in Nigeria. Moreover, the study highlights the importance of ongoing research and evaluation in addressing the dynamic challenges facing the Nigerian business landscape.

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