

Corporate Governance and Financial Performance of Listed Non-financial Companies in Nigeria

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Abstract

This study examines the impact of corporate governance on financial performance of listed non-financial services companies in Nigeria. The study used ex-post factor research design and utilized secondary data collected from the annual report and accounts of twenty three (23) sampled listed non-financial companies for a period of 10 years (2008-2017). The sample of the companies was arrived at using purposive sampling technique. The data were analyzed using descriptive statistics, correlation and regression analysis (GLS Fixed Effect) with the aid of Stata 14.0. Robustness tests, namely multicollinearity, heteroscedasticity, normality of residuals, Hausman specification and F-Test were conducted to validate the results. The findings of the study revealed that CG has positive and insignificant impact on financial performance. The study concludes that financial performance of companies can be positively affected by CG, which means; better governed firms have higher financial performance than poor governed firms. The study therefore, recommends that in respect to the decisions on the size of the board and the proportion of NED, SEC should emphasized on the quality, effectiveness and efficiency of the members not the number of the members on the board and they should require additional disclosure of financial or personal ties between directors (or the organizations they work for) and the company or its Chief Executive Office (CEO).

Keywords

Corporate Governance, Board Size, Board Independence, Board Gender Diversity, Financial Performance, GLS Fixed Effect, Non-Financial Services, Nigeria

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1. Introduction

CG is undertaken by the board of directors and board committees and it balances individual, societal, and economic goals. CG arises as a result of the separation between ownership of the business and its control based on the system by which companies are directed and controlled [1]. CG structure specifies the distribution of rights and responsibilities among different participants in the organization (the board, management, shareholders and other stakeholders), and spells out the rules and procedures for making decisions on corporate affairs. In doing so, it also provides the structure through which the company's objectives are set and the means of attaining those objectives

and monitoring performance. Thus, CG is set to improve long-term shareholder value by enhancing corporate performance and accountability, while taking into account the interest of other stakeholders. CG is a set of structures, processes, cultures and systems through which objectives are set, and the means of attaining the objectives and monitoring performance are determined and companies are directed and controlled [2].

However, the fundamental objective of CG is to enhance shareholders' value and protect the interests of other stakeholders by improving corporate performance and accountability, hence it harmonizes the need for a company to strike a balance between the need to enhance shareholders' wealth and the need to balance the plularistic interests of all

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stakeholders. However, the fundamental objective of CG is to enhance shareholders' value and protect the interests of other stakeholders by improving corporate performance and accountability, hence it harmonizes the need for a company to strike a balance between the need to enhance shareholders' wealth and the need to balance the pluralistic interests of all stakeholders. The board of directors is an important vehicle of control and oversight of corporate activities. Thus, board size, board independence; board gender diversity, board remuneration and financial expertise of the board have featured prominently in the various codes of CG that have been issued both nationally and internationally as guides to what constitute "best practice" in oversight.

Financial performance has received significant attention from researchers especially in accounting and strategic management. The reason for this is not farfetched as financial performance has implications to organization's health and long-term survival. Financial performance is viewed as the efficient and effective use of resources by an organization for the accomplishment of its objectives resulting to increase in share price, sales, market share, profitability, earnings and cash flows and meeting the expectations of its various stakeholders [3].

Among the board structures, board size, board independence and board gender diversity were considered to play very important role in corporate governance. The two most important functions of the board of directors are those of advising and monitoring. Therefore, the board of directors has been considered a vital CG mechanism for aligning the interests between managers and all stakeholders in a firm [4]. Board size affects the quality of deliberation among members and ability of board to arrived at an optimal corporate decisions [5]. Therefore, identifying the appropriate board size is essential because size can be detrimental to CG effectiveness beyond optimal level. However, determining an ideal size of the board has being an ongoing and controversial debate in CG literature [5]. It was also observed that board size is crucial to achieving the board effectiveness and improved firm performance [6]. Also, it was posited that the inclusion of external directors fosters good governance and they contribute their skills, connections, and contacts to satisfy all stakeholders and thus ensure the corporation's improve financial performance and long-term survival [7]. An effective board of directors with an appropriate composition of directors is important in order to help the board accomplish its aim and ensure the success of the company [8].

Past research has demonstrates that board gender diversity brings about a better understanding of the market place. This is because gender diversity in the board matches the diversity of customers and employees in the market place, thereby

enhancing the competitive edge of the companies [9]. In addition, board diversity brings about creativity and innovation in decision making, which consequently, enhances financial performance of firms in the long run. Boards are concerned with having right composition to provide diverse perspectives. Greater female representation on boards provides some additional skills and perspectives that may not be possible with all-male boards and that female board members will bring diverse viewpoints to the boardroom and will provoke lively boardroom discussions [10].

Prior studies on the impact of CG on financial performance in Nigeria produced mixed results. Some studies found that CG positively and significantly affects firms' financial performance [11-14]. Other studies established that CG negatively and significantly affects firms' financial performance [15-18]. Also, some found some variables to exhibit positive impact and some negative impact within the same study [4, 19-24]. Similarly, most empirical studies that examine the impact of CG on financial performance in Nigeria were single industry based. For example, financial services, food and beverages, consumer goods and multinational companies [13, 14, 16, 17, 19, 21-24]. The studies that examine the impact of CG on financial performance of many companies used data for only up to 2010 [4, 11, 12, 15]. The two studies that use data spanning beyond 2010 are for only three (3) and five (5) years respectively and did not go beyond 2015 [18, 20].

Despite the importance and huge benefits that accrue to the Nigerian economy through the activities of companies as a result of good CG, there have been few studies conducted in the area. Consequently, there is need examine the impact of CG on financial performance in listed non-financial companies in Nigeria with a view to determine the extent to which CG can be used to enhanced firm's financial performance in Nigeria. The paper is thus organized into five sections. Section 1 which is this section is the introduction. Section 2 which is the next section, reviews related literature on the subject matter of the study. Section 3 discusses the methodological issues of the paper, while section 4 presents and discusses the results obtained from the data generated for the study and finally, section 5 gave the conclusion of the study.

2. Literature Review

2.1. The Concept of Corporate Governance

CG has been defined in many ways by different authors. CG is concerned with ways in which all stakeholders of a firm attempt to ensure that managers and other insiders adopt a system that safeguard the interests of the stakeholders [4]. A typical firm is characterized by numerous owners having no

management function, and managers with no or little equity interest in the firm. The free-rider problem associated with diffused ownership of equity tends to prevent any shareholder from taking unilateral action to bear the costs of monitoring the managers, who may pursue interests that conflict with those of the shareholders. CG is a system or an arrangement that comprises of a wide range of practices (accounting standards and rules concerning financial disclosure, executive compensation, size and composition of corporate boards) and institutions (legal, economic and social) that protect the interest of corporation's owners [12].

Also, CG is the system by which a company's board of directors established and works toward achieving objectives by providing effective and efficient separation of ownership and control [16]. It comprises putting in place and maintenance of independent validation mechanisms in the organization that ensures the reliability of a good system of internal controls used by the board of directors to monitor compliance with the adopted strategies with regard to risk tolerance. CG is concerned with various systems adopted in which all interested parties in the continued survival of firm attempt to ensure that managers and other insiders adopt strategies that safeguard the interest of the stakeholders with regards to accountability and transparency. Those measures are made mandatory by the separation between ownership of a business and the management which forms a vital characteristic of the modern firm. In the same vein, it was observed that CG goes beyond the internal control mechanisms, customs, policies, laws and institutions, regulations of an organization, but that corporate governance structure also includes corporate ethics, accountability, disclosure and reporting [25]. Furthermore, CG can be regarded as a set of mechanisms through which firms operate when ownership is separated from management and also deals with the mechanisms that provide investors in corporations with some protection with regard to their investments [26].

From the foregoing definitions of CG, it can be regarded as a system by which companies are directed and managed in the best interest of the owners and investors with a view to increasing shareholders value and meeting expectations of other stakeholders. Typically, CG deals with issues such as how boards and executives are chosen, what mandate and responsibilities boards and executives have, whether shareholders have any right to participate in certain types of corporate decisions through voting and, if so, what form these shareholder rights take.

2.2. The Concept of Financial Performance

Financial performance has been defined in many ways by different scholars. Financial performance is the overall

measure of a company's ability to maximize its cost of operations, efficiently use its assets and maximize shareholder value. High performance reflects management effectiveness and efficiency in making use of company's resources and this in turn contributes to the economy at large [27]. Financial performance was defined as an attempt of an organization to meet its goals or being effective in productivity [28]. In the same vein, financial performance is a measure of organization's earnings, profits and appreciation in its value which is reflected by the rise in share price [29]. Financial performance is measured at a given point in time or over a period of time. It can also be compared with similar firms across the same industry or be used to compare industries or sectors in aggregation.

From the foregoing, financial performance is a measure of an organization's earnings, profits and appreciation in its value which are reflected by the rise in share price and the degree to which financial objectives are being met or has been accomplished.

2.3. Empirical Studies on the Impact of CG on Financial Performance

Studies on the impact of CG on financial performance produced mixed results. Some studies found positive impact of CG on financial performance [11-14, 30-36]. Other studies found negative impact of CG on financial performance [15-18, 37-41]. While some found mixed results where some variables exhibit positive impact and some negative impact within the same study [4, 19-24, 42-52]. The effects of certain CG mechanisms on the performance of 93 firms listed on the Nigerian Stock Exchange for the period 1996-1999 was investigated [4]. Insider shareholding, outside directors, size of the board, ownership concentration, CEO duality and foreign CEOs were used as CG variables, P/E ratio, ROA, ROE and modified Tobin's Q were used as proxies for financial performance, while firm size, leverage were used as control variables. Regression technique was used for the analysis. The study results show that an optimal board size of ten, favour concentrated over diffused ownership, and support separation of posts of CEO and chair. Moreover, director shareholding is having an insignificant effect on firm performance, while expatriate CEOs are performing better than their local counterparts. Similarly, the impact of board size, the CEO (Chief Executive Officer) duality and corporate liquidity on the profitability of 75 Canadian service firms listed on Toronto Stock Exchange (TSX) for a period 2008-2010 was examined [42]. Board size, CEO duality, corporate liquidity were used as CG variables, profitability was used as measure of financial performance, while firm size and firm growth were used as control variables. Descriptive statistics, correlation and regression analysis

were used as techniques for data analysis. The study results indicate that larger board size (large number of directors) negatively impact on the profitability of Canadian service firms and that the CEO duality and corporate liquidity positively impact the profitability of Canadian services firms.

In another study, the relationship between CG and performance of 20 listed and 20 unlisted companies in Nigeria for the period 2006-2010 was examined [11]. CG is represented by five measurement variables: board size (BSIZE), board chair/chief executive status (CEOSTATUS), reliability of financial reporting (RFR), audit committee (AUDCOM) and code of CG (CODCORGOV), while financial performance is measured by ROA and NPM. Descriptive statistics, Pearson correlation and OLS regression analysis were employed as techniques for data analysis. The study result shows that all the five CG variables had positive association with financial performance. In the same vein, the relationship between CG and financial performance of 10 quoted companies in Nigeria for the period 2004-2008 was examined [12]. Institutional Investors Services (IIS) was used as CG variable, while ROE, NPM and Dividend Yield (DY) were used as financial performance measures. OLS regression and t-test were employed as techniques for data analysis and the study result shows a positive and significant relationship between CG and the three measures of financial performance.

On the other hand, the relationship between ownership structure and performance of 73 companies listed on the Nigerian Stock Exchange for the period 2001-2007 was examined [15]. Dominant shareholder (DOMSHR), concentrated ownership (CONOWN), insider ownership (INSOWN) and foreign ownership (FOROWN) were used as proxies for ownership structure, while Market Price Per Share (MPPS) and Earnings Per Share (EPS) were used as financial performance variables. Descriptive statistics, correlation and ordinary least squares (OLS) regression analysis were used as techniques for data analysis. The study result shows that ownership structure has no significant effect on financial performance. Similarly, the relationship between CG mechanisms and financial performance of 25 listed banks on the Dhaka Stock Exchange (DSE) in Bangladesh for the period 2003-2008 was investigated [37]. Board size, share of independent directors, share of non-independent non-executive director, ownership of directors, institutional ownership, general public ownership, CEO remuneration and the number of audit committee meetings were used as proxies for CG, ROA, ROE and Tobin's Q were used as financial performance measures, while leverage and company size served as control variables. Multiple regressions were used as technique for data analysis and the study reveals that there is an insignificant negative impact of

CG on the level of financial performance.

Furthermore, the impact of private equity funds' CG model on financial performance of S&P 500 large corporations in the U.S. for the period 2005-2009 was investigated [30]. CG mechanisms used in the study include board of directors, shareholders, committees, leverage, and executive compensation. Tobin's Q and ROE were used as measures of financial performance, while the Edward Altman Z score was used to measure financial distress. Multiple regression statistical analysis was employed as technique for data analysis and the result shows that there was a statistically significant positive relationship between the CG mechanisms and financial performance variables. Also, the relationship among CG, corporate strategy and financial performance of 33 financial institutions listed on the Nigerian Stock Exchange Fact Book 2010/2011 was investigated [13]. Four CG mechanisms namely: the board size, board composition, CEO duality and audit committee were employed for the study, while ROE and NPM were used to measure financial performance. Descriptive statistics, correlation and multiple regression analysis were employed as techniques for data analysis. The study result provides sufficient evidence of the positive and significant relationship between CG and financial performance.

In another study, the impact of CG on the financial performance of 15 banks quoted on the Amman Stock Exchange (ASE), Jordan for the period 2007-2009 was investigated [43]. Board size, board composition, chief executive officer (CEO) status and foreign ownership serve as indicators of CG, ROA, ROE, NPM and EPS were used as financial performance indicators, while bank size was used as control variable. Descriptive statistics and multiple regression analysis were used as techniques for data analysis. The results reveal a positive relationship between the number of outside board members and foreign ownership and banks' performance in Jordan, whereas, board size and the separation of the role of CEO and chairman have a negative relationship with performance. Similarly, the impact of CG mechanisms on financial performance of eight (8) Ethiopian commercial banks using panel data for the period 2007-2011 was investigated [44]. The CG mechanisms considered in the study include board size, board gender diversity, board members educational qualification, board members business management and industry specific experience, and audit committee size. Three financial performance indicators which include ROA, ROE and Net Interest Margin (NIM) were used. The study controls for the effect of size, leverage and growth of banks. Correlation and multiple regression analysis were used as techniques for data analysis. The study results show that large size board and audit committee negatively influences financial performance; whereas board

members educational qualification positively associated with financial performance. While the percentage of female directors and board members business management experience does not have a significant effect.

Furthermore, the relationship between ownership structure, board structure and financial performance of 311 listed companies in Tehran Stock Exchange, Iran using panel data for the period 2006-2011 was examined [45]. Ownership concentration, board independence, board size, institutional share ratio and CEO duality were used to represent ownership and board structure characteristics, while ROE was used as financial performance measures. Descriptive statistics, OLS, Fixed Effects and Random Effects regressions were employed as techniques for data analysis. The results indicate a positive relationship between board size, board independence but a negative relationship between institutional share ratio, CEO duality and firm performance and that there is no significant relationship between ownership concentration and firm performance. More so, the impact of board characteristics on financial performance of 30 banks in Pakistan using panel data for the period 2007-2011 was investigated [46]. Number of directors, inclusion of non-executive directors, CEO duality presence of women directors and number of board committees were used as proxies for board size and structure, while ROA was used as proxy for financial performance. Descriptive statistics and linear regression analysis were employed as techniques for data analysis. The results reveal positive relationship between number of directors, inclusion of non-executive directors, CEO duality, presence of women directors and financial performance, where as the number of board committees adversely affected financial performance.

In addition, the impact of CG on performance 8 banks listed on the Nigerian Stock Exchange for the period 1999-2009 was examined [19]. Age of the bank, number of board directors and number of board committee were used as proxies for CG, EPS serves as an indicator of financial performance. Correlation and regression model were used as techniques for data analysis and the results of the study show that board size has a statistically significant positive impact on financial performance, while bank age and board committee have negative effect on bank financial performance. Moreover, the effect of CG on financial performance of firms listed on the Karachi Stock Exchange, Pakistan for the period of 2007-2011 was investigated [47]. Board size, number of outside directors and CEO duality were used as proxies for CG, financial performance was measured by ROA, ROE, Market to Book Value (MBV) and Tobin's Q, while control variables used were age of the firm (FA) and size of firm (FS). Descriptive statistics, correlation and multiple regression models were employed as techniques

for data analysis. The findings reveal a positive association between board size and financial performance, while non-executive director's percentage and CEO duality have negative association with firm performance.

Similarly, the relationship between CG mechanisms and financial performance of 105 companies listed on the National Stock Exchange of India (NSE) using panel data for the periods 2002-2003 and 2008-2009 was examined [48]. Size of board, composition of board, board activity and CEO duality were used as proxies for CG, Economic Value Added (EVA), Tobin's Q, ROA and ROCE were used as financial performance measures, while firm size, leverage, type of company, industry, risk, ratio of R&D expenditure to sales, ratio of advertisement expenditure to sales and ratio of PBDITA to sales were used as control variables. Pooled and random effects regressions were used for the analysis and the results reveal that board size has a significantly positive association with financial performance, whereas, proportion of outside directors, number of board meetings and CEO duality all have negative relationship with financial performance.

In another study, the impact of CG on financial performance of 20 companies listed on S&P CNX Nifty 50 Index in Indian for the period 2010-2012 was investigated [31]. The governance ratings of companies have been used as proxy for CG, ROA, ROE, ROCE and Profit before Tax (PBT) were used as proxies for financial performance, while environmental, community-related and employee-related performance of companies, size of firm were used as control variables. Descriptive statistics, correlation, T-test, F-test and multiple regressions were used for data analysis. The study reveals that governance ratings have positive and significant impact on financial performance. Similarly, the relationship between CG and financial performance of twenty one (21) Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange following the 2005 bank consolidation in Nigeria for the period 2005-2008 was investigated [14]. Tenure of chief executives, intensity of board meetings and risk management were employed as measures of CG, while ROA, non-performing loans and market capitalization were used as measures of financial performance. Multiple regressions were employed for the analysis and the study reveals that CG has a positive and significant impact on the financial performance of DMBs in Nigeria. In contrast, the impact of CG on the financial performance of 3 Deposit Money Banks in Nigeria for the period 2002-2008 was assessed [16]. Board size, board composition and audit quality were used as proxies for CG, while gross earnings, profits after tax and net assets were employed as proxies for financial performance. T-test was used as the technique for data analysis and the finding reveals that there is no significant relationship

between CG and banks' financial performance.

In addition, the relationship between application level of CG principles and financial performance of the companies listed on the Istanbul Stock Exchange (ISE) National 100 Index, Turkey for 2008 financial year was investigated [32]. CG rating represents the application level of CG principles; ROA, ROE and stock return were used as proxies of financial performance, while firm size, firm age and leverage ratio were employed as control variables. Multiple hierarchical regressions analysis was used and the result reveals that there is a significant and positive relationship between CG and financial performance. In addition, the relationship between board characteristics and the financial performance of 50 companies listed on the Egyptian Stock Market for the period 2004-2012 was investigated [33]. Board independence, board meeting frequency, CEO duality and director ownership were used as proxies for board composition, ROA, ROE and Tobin's Q were used as measures of financial performance, while firm size, firm age and firm leverage were used as control variables. Descriptive statistics, Pearson correlation coefficient and GLS random effect regression were used for data analysis. The finding from the study provides evidence that there is a positive and significant relationship between CG and financial performance.

In another related study, the influence of board characteristics on financial performance of companies (constituents of FTSE100 which is comprised of the first 100 largest and most traded companies) listed on the London Stock Exchange for the period 2010-2011 was investigated [34]. Board size, board independence, percentage of foreign directors, average service, tenure, age, percentage of women directors were used as corporate board characteristics variables, chair remuneration, non-executive director remuneration, additional remuneration for board committee meetings, fees paid in shares were used as board compensation variables, ROA was used as proxy for financial performance, size and industry type were used as control variables. Ordinary least square (OLS) regression was employed as techniques for data analysis and the study result shows the existence of a significant association between considered board characteristics and financial performance. In contrast, whether board of director characteristics have an impact on financial performance of 435 UK firms listed on the London Stock Exchange for the period 1999-2009 was investigated [38]. Percentage of non-executive directors on the board (NED), duality (DUAL), board size (BSIZE), director ownership (MOWNER), presence of board sub-committees, audit committees (AC), remuneration committees (RC) and nomination committees (NC) were used as proxies for board characteristic, Tobin's Q was used as proxy for financial performance, while sales growth

(SALESG), capital expenditure (CAPITE), firm size (FSIZE), leverage (LEV), research and development (R&D), industry dummy and year dummy were employed as control variables. Generalized method of moment's regression model was used for the analysis and the result reveals that there is no significant relationship between CG and financial performance.

Furthermore, the relationship between board characteristics and company performance of 90 firms listed on the Nigerian Stock Exchange for the period 2010-2012 was examined [20]. Board size, board education, board equity, board independence, board age and board women were used as proxies for CG, while turnover was used as the measure of financial performance. Descriptive statistics, correlation and multiple regression analysis were employed as techniques for data analysis. The results show that board size and board education are positively and significantly related to company performance, there is no relationship between board equity, board independence and board age with company performance and there is a negative and significant relationship between board women and turnover. In the same vein, the relationship between CG and financial performance of 12 insurance companies listed on the Nigerian Stock Exchange using panel data for the period 2004-2009 was investigated [21]. Gender diversity, ethnic diversity, board size, board composition and foreign directorship were used as corporate governance variables, while ROA, ROE and Tobin's Q were used as measures of firm performance. Feasible Generalized Least Squares (FGLS) and random effects estimators were used as techniques for data analysis. The results reveal that gender diversity and foreign directors have a positive influence on insurance companies' performance and that there is a negative and significant relationship between board composition and performance of insurance companies in Nigeria.

Furthermore, the relationship between board characteristics and financial performance of 166 food and beverages firms quoted on the Nigerian Stock Exchange using time series data for the period 2005-2012 was investigated [22]. Board size, board independence, board expertise, board diligence and audit committee independence were employed as CG variables, while log of profit after tax was used as the measure of financial performance. Descriptive statistics, pooled OLS regression, fixed and random effects models were used as techniques for data analysis and the results show that there is a positive and significant relationship between independent directors on audit committee and financial performance in Nigeria and that there is a negative relationship between board diligence and financial performance. Similarly, the effects of board composition on financial performance of forty six (46) companies listed on

the Nairobi Securities Exchange using panel data for 2011 financial year was investigated [49]. Independent board members, gender diversity and board size were used as proxies for board composition, while ROA, ROE and DY were used as financial performance indicators. Multivariate regression analysis was used as technique for data analysis and the results show that independent board members had insignificant effect on financial performance, gender diversity have significant positive effect on financial performance, while board size had an inverse relationship with financial performance.

In another related study, the effect of board characteristics on financial performance of 40 Egyptian listed firms using panel data for the period 2008-2010 was investigated [39]. Board composition (BCO) and CEO duality (DUL) were used as CG variables; ROE and Tobin's Q were used as indicators of financial performance, while firm size, firm age, financial leverage and capital intensity were used as control variables. The generalized least squares method was used as technique for data analysis and the study result demonstrates that CG has a negative and significant impact on financial performance. In addition, the relationship between CG structure, perception of leadership style and financial performance of listed DMBs in Nigeria during 2008-2009 financial crises was examined [17]. Survey data were collected from eleven (11) participants employed by the DMBs located in Nigeria, using the multifaceted leadership questionnaire. CG and financial performance data were collected from annual reports and accounts of banks. Two-way ANOVA tests, Binomial test, one-sample chi-square test, and the Mann-Whitney U test and regression analysis were used as techniques for data analysis. The study result shows that there was no relationship between CG structure and financial performance of the banks. Similarly, the relationship between CG and financial performance of 27 non-financial services companies listed on the Palestinian Stock Exchange for the period 2010-2012 was explored [40]. CG was represented by the board of directors size, the frequency of the annual meetings of the board, existence or otherwise of an audit committee, institutional investors ownership and foreign ownership, ROA, ROE, Tobin's Q and market value of equity to the book value of equity (MBVR) were employed as measures of financial performance, while corporate size and leverage were used as control variables. Descriptive statistics, correlation and regression techniques were used for the analysis and the result reveals that CG is negatively associated with financial performance.

In another study, the effect of CG on financial performance of 67 companies listed on the Tehran Stock Exchange, Iran for the period 2006-2012 was investigated [50]. Ownership concentration, institutional ownership, board independence,

board size, CEO duality and CEO tenure were used as proxies for CG, ROA and stock returns were used as proxies for financial performance, while the Market Value of Equity (MVE) and the ratio of book value to market value of the equity were used as the control variables. Descriptive statistics and generalized least square method were used for the analysis. The results indicate that there is a significant positive relationship between ownership concentration, board independence, CEO duality and CEO tenure and both ROA and stock returns. On the other hand, there is a significant negative relationship between institutional ownership and board size and both return on assets and stock return. Similarly, the CG practice and its relationship with financial performance of 86 among Top 100 public listed companies in Bursa Malaysia for the period 2008-2012 was examined [51]. Board size and board independence were used as CG variables, while financial performance was measured by ROA and ROE. Descriptive and correlation analysis were used as techniques for data analysis and the results show that board size has significant weak negative relationship with ROA but it was insignificant with ROE and that there was positive and insignificant relationship between board independence and firm performance.

Furthermore, the relationship between CG mechanisms and financial performance of 116 non-financial services firms listed on the Nigerian Stock Exchange for the period 2011-2015 was examined [18]. Board independence, audit committee independence, board size, number of board meetings, and executive compensation were used as proxies for CG, ROA, ROCE and Tobin's Q were used as measures of financial performance, while firm age and firm size were used as mediator variables. Correlation analysis method and a multiple regression were used as techniques for data analysis and the result shows that there is no significant relationship between CG mechanisms and financial performance. In the same vein, the relationship between CG and financial performance of 137 listed Singaporean companies using a panel data for the period 2013-2016 was investigated [41]. The dual role of CEO, board size and board independence were used as proxies for CG, ROA, ROE and Tobin's Q were used as proxies for financial performance, while firm size and assets turnover were used as control variables. Descriptive statistics, Pairwise correlation, fixed and random effects regressions were employed as techniques for data analysis. The finding shows that there is no any significant association between CG and financial performance.

In contrast, the effect of board size, board composition and board Meetings on the financial performance of listed consumer goods in Nigeria for the period 2006-2015 was examined [23]. The data was analyzed by means of

descriptive statistics, correlation and regression analysis and the results show that board size and board meetings were found to have negative and significant effect on financial performance. However, board composition has positive and significant effect on financial performance. Similarly, the effect of CG on the financial performance of 11 manufacturing firms listed on Ghana Stock Exchange (GSE) for the period 2009-2013 using a balanced panel dataset was assessed [52]. Board gender diversity, board independence and board size were used as proxies for CG, while ROA and ROE were used to measure financial performance. Generalized least squares (GLS) panel regression model was used to analyze the data and the results show that board gender diversity and board independence have significant positive effect on financial performance. However, there is no statistically significant relationship between board size and firm performance.

In another related study, the relationship between CG and financial performance of 61 companies traded at Muscat Securities Market, Oman for the period 2013-2016 was investigated [35]. CG score was used as proxy for CG, Tobin's Q, return on asset, profit margin, EBIT margin and net profit margin were used to measure financial performance, while size gearing and firm growth were used as control variables. Descriptive statistics and multiple regressions were used as techniques for data analysis and the result shows that there is a positive and significant relationship between CG and financial performance of companies in Oman. In contrast, the effect of CG on performance of 4 selected multinational firms in Nigerian for the period 2012-2016 was examined [24]. Board size, activism and committee activism were used as proxies for CG, while ROA and firm growth rate were used as measures of firm performance. Static panel estimation techniques were used for data analysis and the results show that CG has significant negative impact on return on asset, but has insignificant influence on the growth rate of multinational firms in Nigerian.

Furthermore, the relationship between CG and performance of 207 non-financial services firms listed on Pakistan Stock Exchange for the period 2003-2014 was examined [36]. Net Profit Margin (NPM), ROE, Market Value of Equity (MVE), Market Value Added (MVA) and Tobin's Q were used as measures of performance, whereas board independence, board meetings, CEO duality, concentrated ownership, institutional ownership, managerial ownership, big 5 ownership, audit quality and audit committee composition were used as proxies for CG. GMM through Arellano-Bond Dynamic Panel-Data estimation technique was employed for the analysis. The results reveal that board size, board independence, board meetings, concentrated ownership, institutional ownership and audit committee significantly

affect firm performance.

From the foregoing, it can be seen that good governance means little expropriation of corporate resources by managers or controlling shareholders, which contributes to better allocation of resources and better performance. Investors and lenders will be more willing to put their money in firms with good CG because of lower costs of capital, which is another of firm performance. Good CG practices attract stakeholders such as employees because they will also want to be linked and work with such companies, as they see the company to be healthy, profitable and has a potential for continuity than firms with poor CG. Also providers of funds will be easily attracted and would also want to invest in companies with good management of resources, good performance with effective governance practices; it might likely lead to lower costs of capital, which can further improve the performance of the company. It was also observed from the review that some of the existing studies suggest positive and significant relationship between CG and financial performance; some suggest positive but insignificant relationship; while other studies suggest no significant association between CG and financial performance. Thus, existing literature provides mixed and inconclusive results and hence, further empirical examination is required to be done in this context.

2.4. Theoretical Framework

In examining the impact of CG on financial performance of listed non-financial companies in Nigeria, the agency theory is found relevant. Agency theory is simply the relationship between the principal and the agent such as shareholders and the company executives or managers. This theory assumes managers are self-interested and risk averse. In the situation when managers do not hold 100% of the firm's wealth, they may not act to maximize the wealth of shareholders but to maximize their own personal interests. Also, engaging in CSR is symptomatic of an agency problem or a conflict between the interest of managers and shareholders [53].

Agency theory has dominated the CG research and provides the rationale for how a board monitors management on behalf of the shareholders [54]. The separation of ownership and control leads to the misalignment of managers' interest to shareholders' interest. Agency theory states that one of the major functions of managers is to align companies' interest with shareholders' interest and identifies the agency relationship with one party, the principal who delegates work to another party, the agent. In the context of a corporation, the owners are the principal and the directors the agent [54]. In organizations and issues of corporate control, agency theory views CG mechanisms, especially the board of directors as being an essential monitoring device to try to

ensure that any problem that may be brought about by the principal-agent relationship are minimized. Moreover, agency theory contends that principals (shareholders) and agents (managers and other corporate insiders) have divergent interests, risk tolerance, capacities, and information. Opportunistic managers, motivated by self-interest and guile, will act at the expense of outside investors wherever there is an opportunity to do so [54].

To counter this assertion, shareholders may resort to various CG mechanisms such as contractual relations, board monitoring structures, and incentives [55]. These governance mechanisms are designed to ensure agent-principal interest alignment, protect shareholder interests and thus minimize agency costs [56]. Furthermore, boards play a controlling role by preventing managers from acting opportunistically to foster their personal interests. Therefore, in order to constrain the agency problem and achieve a desired level of performance and credible financial reporting, agency theory provides a basis for the governance of firms through various internal and external mechanisms [57].

On board size, agency theory states that larger board size equates to more effective monitoring of management by reducing the domination of the CEO on the board and therefore leads to greater firm performance [58]. According to agency theory, the board of directors oversees and monitors management to prevent them from engaging in actions that are likely to benefit them and not the shareholders. Larger boards can be more effective, as the workload of monitoring managers can be divided over a greater number of individuals. On the other hand, agency problems can become more severe with a larger board, and hence, it becomes easier for the CEO to influence and control the board [59]. This theory suggests that a larger board can cause coordination and communication issues, thus allowing short-term profit-oriented managers to take control [60].

With regard to board independence, agency theory advocates the usage of independent directors because of their ability to better monitor management. As opposed to inside directors, who may have a conflict of interests, independent directors can ensure that the firm's executives are acting in the best interests of the company. The agency theory suggests that the presence of non-executive directors on the board is a crucial element in ensuring that the managers will act in the best interests of shareholders. The general expectation is that non-executive directors, being independent and having the expertise to carry out their function, will be able to monitor executive directors and that the knowledge and experience in monitoring services of non-executive directors improves corporate performance [61].

With regard to board gender diversity, agency theory is

mainly concerned about monitoring role of directors. Representation from diverse groups will provide a balanced board so that no individual or group of individuals can dominate the decision-making of the board [62]. The management may be less able to manipulate a more heterogeneous board to achieve their personal interests. Gender diversity is associated with effectiveness in the oversight function of boards of directors. The oversight function may be more effective if there is gender diversity in board which allows for a broader range of opinions to be considered. Diversity of the board of directors and the subsequent conflict that is considered to commonly occur with diverse group dynamics is likely to have impact on the control function and is one of several ways used to minimize agency problem [62].

3. Methodology

The study uses *ex-post facto* research design. The study equally uses documentary data, covering the period 2008-2017 which was generated from the annual report and accounts of twenty three (23) sampled listed non-financial companies in Nigeria from a total population of one hundred and fourteen (114) non-financial companies listed on the Nigerian Stock Exchange (NSE) as at December, 2017. The sample size is arrived at by using a purposive sampling technique. There are two sets of variables covered by this study, namely, dependent and explanatory (independent and control) variables.

The dependent variable for this study was financial performance which is represented by ROA. The ROA was measured as the ratio of earnings after tax to total assets [63-64]. CG (board structure) was the independent variable and was proxied using board size, board independence and board gender diversity. Board size was measured as number of directors on the board [65-67]. Board independence was measured by dividing the number of outside or non-executive directors by the aggregate number of directors [65-67]. Board gender diversity was measured by dividing the number of female directors by the aggregate number of directors [66-67].

The control variables included in the model are size, leverage, sales growth and cash flow from operations. Size was considered as control variable because larger firms may have a stronger motive to engage in CSR activities. They may also be better able to handle complicated, fast CSR engagement strategies because they are more familiar with diversified operations [67]. Moreover, larger firms have more resources and may enjoy economies of scale or scope [68]. Size was measured by taking the logarithm of total assets [69-72]. Debt levels affect the behavior of managers by imposing discipline and motivating them to make decisions that are in

the best interest of the firm [67]. Leverage (LEV) was measured by dividing total debt by total assets [72, 73-75].

Sales growth reflects management proactive investment strategy in intangibles [76]. Sales Growth (SG) was measured as the change in sales divided by beginning of period sales [77-80]. Cash flow from operations reflects a firm’s liquidity and is an important control variable, because CSR activity involves cash outflows for innovative equipment [76]. Cash Flow from Operations (CFO) was measured as the net cash flow from operating activities divided by total assets [65].

Descriptive statistics, correlation and multiple regressions were employed for the analysis. Pearson correlation technique was used to establish the nature of the relationship between CG and financial performance variable. This shows the strength of the relationship between the independent

variables and the dependent variable [80-82]. In order to determine the impact of the explanatory variables (board size, board independence, board gender diversity, size, leverage, sales growth and cash flow from operations) on the dependent variable (ROA), multiple regressions using panel data methodology was employed for the study. The choice of multiple regressions technique was informed by its relevance in previous similar researches [64, 71, 73, 75, 83-85]. However, since panel data analysis was used in this study, the system of pooled OLS regression is subject to heterogeneity bias and therefore the fixed effect and random effect regressions were carried out as well. In addition, the Hausman specification test was carried out to decide between fixed and random effect models, while F-test was used to choose between fixed effect and pooled OLS regression. The model based on the variables of the study was stated thus:

$$ROA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BGD_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 SG_{it} + \beta_7 CFO_{it} + \epsilon_{it}$$

Where:

ROA=Return on assets

BS=Board size

BI=Board independence

BGD=Board gender diversity

SIZE=Size of the company

LEV=Leverage of the company

SG=Sales growth

CFO=Cash flow from operations

β_0 =Parameters to be estimated (is the average amount the dependent variable increases when the independent increases

by one unit, other independents variables held constant).

ϵ_{it} =Error term assumed to satisfy the standard OLS assumption.

β_1 - β_7 =Partial derivatives or the gradient of the independent variables.

4. Results and Discussion

4.1. Descriptive Statistics

The descriptive statistics is presented on Table 1 showing the measures of central tendency such as mean and measures of dispersion (the spread of the distribution) such as the standard deviation, minimum and maximum of the variables.

Table 1. Descriptive Statistics of the Variables.

Variables	Obs.	Mean	Std.	Dev.	Min	Max
ROA (%)	230	0.0759027		0.1188269	-0.3978	0.539594
BS (No.)	230	9.047826		2.655203	3.00	17.00
BI (%)	230	0.7616957		0.1103001	0.33	0.93
BGD (%)	230	0.1218826		0.1077174	0.00	0.40
SIZE	230	94524468597		161298007756	1219817000	1040175904000
LEV (%)	230	0.5943425		0.1944626	0.180238	1.64657
SG (%)	230	0.1406029		0.344093	-0.863211	2.95045
CFO (%)	230	0.125155		0.1221411	-0.337878	0.477313

Source: Descriptive Statistics Result using STATA 14.0.

From Table 1, the mean ROA for the sampled listed companies in Nigeria is 0.076, indicating that the average profit earned by the companies is 7.6% of their total assets with a maximum loss of 40% of their total assets and maximum profit of about 54% of their total assets. This indicates a high variation of performance among the companies as depicted by the value of standard deviation (12%) which is higher than the mean value. Board size

recorded a mean of about nine (9) board members, implying that, most of the companies have nine members on the board. It also recorded a minimum value of three (3) and maximum value of seventeen (17) board members implying that the lowest number of board members in the sampled listed non-financial companies within the study period is three (3) board members, while the maximum number of board members is seventeen (17). This indicates a low variation in the number

of board members among the companies as depicted by the value of standard deviation of three (3) board members which is lower than the mean value.

Board independence recorded an average percentage of non-executive directors to total number of directors of about 76%, implying that, most of the sampled listed companies have non-executive directors than executive directors on their board. It also recorded a minimum value of 0.33 and maximum value of 0.93, implying that the minimum percentage of non-executive directors on the board is 33% for the sampled listed non-financial companies, while the maximum percentage is 93%. This indicates a low variation in the percentage of board members among the sampled listed companies as depicted by the value of standard deviation of (11%) which is lower than the mean value. Board gender diversity recoded a mean value of 0.12, implying that, on average, the sampled listed non-financial companies have 12% of women on their board. It also recorded a minimum of 0 and a maximum value of 0.40, implying that within the sampled listed non-financial companies and the study period, there were companies that do not have any woman on their board, while there were companies that had 40% of women on their board and men occupying 60%. This indicates a low variation in the percentage of women on the board among the sampled listed non-financial companies as depicted by the value of standard deviation of (10%) which is lower than the mean value.

Size of the companies recorded a mean value of ninety four billion, five hundred and twenty four million, four hundred and sixty eight thousand, five hundred and ninety seven naira (94,524,468,597), implying that on average most of the sampled listed companies have total assets amounting to ninety four billion, five hundred and twenty four million, four hundred and sixty eight thousand, five hundred and ninety seven naira (94,524,468,597). It also indicates a minimum value of one billion, two hundred and nineteen million, eight hundred and seventeen thousand naira (1,219,817,000) and a maximum value of one trillion, forty billion, one hundred and seventy five thousand, nine hundred and four thousand naira (1,040,175,904,000) for all the sampled listed non-financial companies within the study period. This also indicates a high variation of total assets among the sampled listed companies as depicted by the value of standard deviation of one hundred and sixty one billion,

two hundred and ninety eight million, seventy thousand, seven hundred and fifty six naira (₦161,298,007,756) which is higher than the mean value. The mean value of leverage variable shows that debt constitutes 59% of total assets which is the total financing needs of the sampled listed non-financial companies in Nigeria for the period under study. It has a minimum of 18% of total assets and a maximum of 165% of total assets. This indicates a low variation in the percentage of leverage among the sampled listed companies as depicted by the value of standard deviation of (19%) which is lower than the mean value.

Table 1 also shows the mean value of sales growth variable as 0.141 implying that on average, the sampled listed companies had 14% sales growth during the study period. It has a minimum value of -0.863 and a maximum of 2.950, implying that the sampled listed non-financial companies had a maximum decline in sales growth of up to the tune of 86% and maximum sales growth of about 300%. This indicates a high variation in the percentage of leverage among the sampled listed non-financial companies as depicted by the value of standard deviation of (34%) which is higher than the mean value. Cash flow from operations scaled by total assets recorded a mean of 0.13, implying that on average, the sampled listed non-financial companies have about 13% of total assets as net cash inflow from operating activities. Cash flow from operations has a minimum of 34% of the total assets and a maximum of 48% of the total assets. This indicates that there is no variation of cash flow from operations among the sampled listed non-financial companies as depicted by the value of standard deviation of 12% which is almost equal to the mean value.

4.2. Correlation Analysis

Table 2 shows the correlation values between the dependent, moderating and independent variables and also the relation among the independent variables. The correlation coefficient has values that range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative) and the absolute value of the correlation coefficient indicates the strength, with larger values indicating stronger relationships. The correlation coefficients on the main diagonal are 1.0, because each variable has a perfect positive linear relationship with itself.

Table 2. Correlation Matrix of the Dependent and Explanatory Variables.

Variables	ROA	BS	BI	BGD	SIZE	LEV	SG	CFO	VIF
ROA	1.000								
BS	0.003	1.000							2.05
BI	-0.020	0.098	1.000						1.09
BGD	0.152	-0.078	-0.103	1.000					1.14
SIZE	0.155	0.663	-0.016	0.180	1.000				2.30

Variables	ROA	BS	BI	BGD	SIZE	LEV	SG	CFO	VIF
LEV	-0.298	0.055	-0.198	0.058	0.298	1.000			1.20
SG	0.216	0.053	-0.017	0.096	0.077	-0.024	1.000		1.06
CFO	0.469	-0.0002	-0.134	0.054	-0.113	-0.114	0.006	1.000	1.07

Source: Correlation Matrix Results using STATA Version 14.0.

As shown on Table 2, the relationship between board size, board gender diversity, size, sales growth and cash flow from operations with ROA are weak and positive with correlation coefficient values of 0.003, 0.152, 0.155, 0.216 and 0.469 respectively. In contrast, weak and negative relationship exist between ROA and board independence and leverage with the correlation coefficient values of -0.020 and -0.298 respectively.

4.3. Regression Analysis

Robustness tests were conducted in order to improve the validity of all statistical inferences for the study. The robustness test gives concrete evidence that the regression results were free of regression errors capable of invalidating the research's regression assumptions. The tests carried out include normality test, multicollinearity test, Breusch-pagan test for heteroscedasticity, Hausman specification test and F-test.

The Variance Inflation Factor (VIF) test was carried out to test for multicollinearity in the study model. The VIF were found to be consistently smaller than ten (10). The Breusch-pagan/Cook-weisberg test for heteroskedasticity was carried out and the result for the study model reveals that errors have constant variance (Non-heteroscedastic), which indicates that pooled OLS estimator has the minimum variance of all unbiased estimator and also the P-value was reliable which suggest that there is absence of heteroskedasticity. This is evidenced by the insignificant prob>chi2 value of 0.36. The result for Skewness and Kurtosis test for the study model shows a significant prob>chi2 value of 0.073, which suggest that error terms are not normally distributed and therefore, robust regression is performed as remedial action. Hausman specification test was conducted for the study model in order to choose between GLS fixed and random effects. The null hypothesis shows that fixed effect is preferable and the result shows prob>chi2 value of 0.00, which indicates that fixed effect regression is preferable. Thus, F-test was used in order to choose between pooled OLS and fixed effect regressions. The result of the F-test for fixed effect shows the prob>chi2 value of 0.00, which suggests that fixed effect is preferable over pooled OLS. Hence all the interpretations were done using fixed effect regression.

Table 3. GLS (Fixed Effect) Regression Result.

Variables	Model
Constant	1.17*** (3.75)
BS	0.003 (0.33)
BI	0.10 (1.27)

Variables	Model
BGD	0.07 (0.90)
SIZE	-0.11*** (-4.01)
LEV	-0.12*** (-3.17)
SG	0.06*** (3.48)
CFO	0.12** (2.22)
Obs	230
Hettest	0.36
F-Test	0.00
Hausman	0.00
R ² : Within	0.18
Between	0.13
Overall	0.12
0.12	6.08
Sig.	0.00
Skw&Kt	0.073

Source: Result Output from STATA 14.0.

NOTE: ***, ** and * indicate 1%, 5% and 10% significant levels respectively; the t-value is presented in parenthesis while the other figures represent the coefficient.

Table 3 shows the value of the overall R² as 0.12 which is the multiple coefficient of determination that gives the proportion or percentage of the total variation in the dependent variable explained by the explanatory variables jointly. Hence, it implies that approximately 12% of total variation in financial performance of the sampled listed non-financial companies in Nigeria is caused by board size, board independence, board gender diversity, size, leverage, sales growth and cash flow from operations. It also shows the F-statistics value of 6.08 with the corresponding P-value of 0.0000. This implies that the model is well fitted and as such the variables in the model were properly selected, combined and used. It further implies that the relationships between the dependent variable and the explanatory variables were not due to mere occurrence as the results and inferences made from the findings could be relied upon by 99.9% based on 1% level of significance.

Table 3 also shows that all the CG variables (board size, board independence and board gender diversity) have positive and insignificant impact on financial performance at 5% level of significance with the following coefficients and t-statistics (ceff=0.002, t=0.33), (ceff=0.10, t=1.27) and (ceff=0.07, t=0.90) for board size, board independence and board gender diversity respectively. The positive impact of board size on financial performance implies that for every increase in board size by one director beyond the optimal level, the financial performance of the sampled listed non-financial companies will increase by 0.2%. This implies that board size is crucial to achieving the board effectiveness and improved firm performance which is in line with the findings

of previous studies [6, 86-87]. In the same vein, the positive impact of board independence on financial performance implies that for every increase in the proportion of Non-Executive Directors (NEDs) beyond the optimal level by 1%, the financial performance of the sampled listed non-financial companies will increase by 10%. This implies that outside independent directors contribute their skills, connections, and contacts to satisfy all stakeholders and thus ensure the corporation's improved financial performance and long-term survival which is consistent with the result of previous studies [4, 88-89]. Moreover, the positive impact of board gender diversity on the financial performance implies that for every increase in the proportion of women directors on the board beyond the optimal level by 1%, financial performance of the sampled listed companies will increase by 7%. This also implies that higher proportion of female directors is associated with higher level of financial performance. Also, including women on boards bring more resources to the firm, such as improved decision-making and external linkages and the result is in agreement with previous studies [91-94].

Using the foregoing analysis in respect of all the three CG variables (board size, board independence and board gender diversity), the null hypothesis two (2) of the study which states that CG does not have a significant impact on financial performance of listed non-financial companies in Nigeria is tested. The GLS (FE) regression result presented in model II on Table 3 shows that all the three CG variables (board size, board independence and board gender diversity) have insignificant positive impact on financial performance at 5% level of significance. This is evidence by their coefficients and t-values (ceff=0.01, t=0.33), (ceff=0.10, t=1.27) and (ceff=0.07, t=0.90) for board size, board independence and board gender diversity respectively. This implies that CG has insignificant positive impact on financial performance as reported by previous studies [13, 16, 17, 18, 38, 41].

The results of the study showed that CG (board size, board independence and board gender diversity) have an impact on ROA, but none of the impacts was found to be statistically significant. The reasons for the unexpected results, as explained above, might be because CG codes in Nigeria prescribe strict rules for companies to follow and most corporations follow the letter of the rules superficially, without realizing that a strict adherence to the rules brings tremendous benefits and improvement to corporate financial performance. Furthermore, the Companies and Allied Matters Act (CAMA) stipulates a minimum of two board members and the SEC code of CG made provision for a minimum of four members. The insignificant positive impact of board size on financial performance may be because many boards in Nigeria are composed of friends and family members and appointment to the board are seen by many as a big favor to

reward loyalty; merit is rarely considered in many cases. This means that appointments to the boards of corporations in Nigeria are not without the old practice of using family connections where merit and skill take a second place [18]. As a result, knowledgeable and objective discussion of strategy and policy in meetings may be generally absent at the meetings, and could be more of re-echoing the position of a powerful chairperson. This may be more so if the directors have been hand-picked by the CEO or a powerful chair. Also, the boards expanded for political reasons often result in too many outsiders on the board, which does not help performance [31].

In addition, the absence of a significant impact of board independence on financial performance reported here may be a pointer to the need for rethinking the governance structures of non-financial firms listed on the Nigerian Stock Exchange. Both theory and empirical results alluded to earlier on suggest that outside directors are expected to contribute to significant performance improvement. That this is not the case in Nigeria may be an indicative of a tendency for CEO or management to gain significant control of the board, including the outside directors, making them unable to exercise the sort of control required of them [4]. Another reason could be that most of those directors identified as independent may not be without some remote ties with the company in actual practice. The directors may just be putting their cronies on the board just to satisfy the requirements of SEC's code of CG. Similarly, non-executive directors play a significant role in providing independent advice during corporate decision making process, while such advice may enhance overall CG, such advice may not be significant enough as to create any value to the overall corporate performance. This may, in part, be due to the fact that as outsiders, the non-executive directors may be constrained in term of information because they rely on the insiders for the information required for informed decision making. And there may be information asymmetry which makes it difficult to see how non-executive directors can provide effective differential judgmental contributions to firms [6].

More so, the positive impact of board gender diversity on financial performance as shown by the empirical evidence may have an acceptable explanation. This is for the fact that including women on boards bring more resources to the firm, such as improved decision-making and external linkages and female directors are found with spending more efforts to monitor the operation of the firm and they are discovered to have lesser tendency to absent the board meetings compared with their male counterpart and also looking at issues on the feminine perspective which result in improved firm financial performance [90].

Table 3 further shows that firm size and leverage have negative and significant impact on financial performance. This means that for firm to be large does not guarantee better financial performance because larger firms may have agency conflicts [96]. Also, the negative and significant impact of leverage on financial performance suggests that low financial risk can serve as a platform for predicting high financial performance and the result is line with previous studies [68, 78]. Table 3 also shows that sales growth has significant positive impact on financial performance. The positive impact of sales growth on financial performance reflects management proactive investment strategy in intangible assets which consequently bust financial performance [6]. In addition, Table 3 shows that cash flow from operations has positive and significant impact on financial performance. The positive impact of cash flow from operations on financial performance implies that firms' liquidity position positively impact on their financial performance.

5. Conclusion

Based on the results of the analyses, it was documented that CG has positive and insignificant impact on financial performance. The reasons for the unexpected results, as explained above, might be because CG codes in Nigeria prescribe strict rules for companies to follow and most corporations follow the letter of the rules superficially, without realizing that a strict adherence to the rules brings tremendous benefits and improvement to corporate financial performance. It was therefore, concluded that financial performance of companies can be positively affected by CG, which means; better governed firms have higher financial performance than poor governed firms. This finding has practical implications on various users of financial statements such as regulatory bodies, management of the companies, financial analysts, investors and researchers. The findings draw regulatory bodies' attention (such as Securities and Exchange Commission-SEC, NSE, Financial Reporting Council-FRC and Corporate Affairs Commission-CAC) towards coming up with better code of CG for public companies in Nigeria which consequently result in improved financial performance. Based on the finding of this study, it was recommended that in respect to the decisions on the size of the board and the proportion of NED, SEC should emphasized on the quality, effectiveness and efficiency of the members not the number of the members on the board and they should require additional disclosure of financial or personal ties between directors (or the organizations they work for) and the company or its Chief Executive Office (CEO).

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