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The Impact of Corporate Governance on Financial Performance and Asset Valuation in Nigerian Corporate Organizations

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ABSTRACT

An increasingly important tool for guaranteeing accountability, transparency, and wealth development in businesses is corporate governance. The relationship between corporate governance and financial results is still a crucial topic for research in Nigeria, especially in light of growing investor scrutiny and legislative changes. This study looks into how corporate governance procedures affect asset value and financial performance in Nigerian corporations. The study examines the effects of board composition, ownership concentration, audit committees, and executive compensation on firm performance metrics like Return on Equity (ROE), Return on Assets (ROA), Earnings per Share (EPS), and Tobin's Q using empirical data from a subset of publicly traded companies on the Nigerian Exchange Group (NGX). The results show a statistically significant correlation between better asset valuation and financial measures and efficient governance procedures. By placing the impacts of corporate governance in the Nigerian context and providing suggestions for legislators, regulatory agencies, and corporate executives, this article adds to the current conversation on corporate governance.

Keywords: Corporate Governance, Financial Performance, Asset Valuation, Board Structure, Nigerian Corporations, Return on Assets, Tobin's Q, Shareholder Rights, Audit Committees.

Introduction

Corporate governance has emerged as a crucial factor in determining the financial sustainability and organizational performance of modern corporations. It includes the framework that governs how businesses are run, especially with regard to the functions and duties of boards, shareholders, and stakeholders (OECD, 2020). The need for sound governance systems has increased as a result of globalization and financial market integration, particularly in developing nations like Nigeria where regulatory inefficiencies and institutional gaps are still present.

Over the past 20 years, Nigerian corporate governance has seen tremendous change, fueled by initiatives like the Nigerian Code of Corporate Governance (NCCG) 2018 and previous actions taken by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). The degree to which these governance frameworks affect business financial performance and asset valuation is still an empirical matter in spite of these reforms (Ebimobowei & Felix, 2023). The success of Nigerian businesses has been inconsistent, and big businesses like Oando Plc and the now-defunct Intercontinental Bank have occasionally been embroiled in governance controversies.

In order to clarify whether sound corporate governance results in increased business value and profitability, this study aims to present empirical data on how corporate governance practices affect asset valuation and financial performance in Nigeria. Investors, regulators, and company managers who want to match governance systems with strategic goals must comprehend this link.

Research Objectives:

Examining how corporate governance affects the financial performance and asset valuation of Nigerian corporate organizations is the main goal of this study. The following are the precise goals:

- To assess how board composition and financial performance are related.
- To evaluate how asset valuation is impacted by audit committees and financial transparency.
- To ascertain how ownership structure affects market value and profitability.
- To evaluate how CEO pay helps managers and shareholders align their interests.
- To provide suggestions for improving corporate governance in order to boost valuation and performance.

Research Questions:

The study is guided by the following research questions in order to accomplish these goals:

- What impact does board composition have on Nigerian corporate entities' financial results?
- What connection exists between asset valuation and the efficacy of audit committees?
- What effects does ownership concentration have on market valuation and profitability?
- How closely does executive compensation match company performance?
- What legislative suggestions are there to raise Nigeria's governance standards?

Contribution to Knowledge

By offering current empirical data on Nigeria's corporate governance environment following the 2018 governance reforms, this study adds to the body of previous work. It contributes to global discussions that frequently extrapolate results from developed contexts by addressing the particular dynamics of governance in a developing country. The study broadens analytical horizons and influences policy formation in Nigeria's capital markets by establishing a connection between governance mechanisms and asset value as well as financial performance.

Additionally, this analysis incorporates fresh data from many sectors using a strong panel data approach. This multifaceted method improves the validity of findings and provides useful information for regulatory bodies, company boards, and investors.

Research Gap

Many studies have examined corporate governance and firm performance worldwide, but many have not placed their findings in the context of Nigeria's distinct regulatory and economic environment (Ohidoa & Kolade, 2024; Ojeka et al., 2014). Moreover, current research frequently concentrates only on asset valuation or financial performance, failing to include both results into a holistic framework.

Furthermore, not many studies take into account the NCCG reforms that were implemented after 2018 and how they affect stakeholder accountability and board effectiveness. By examining recent firm-level data and providing a dual-focus methodology that connects governance to both profitability and market value, this study closes that gap.

Literature Review

Overview of Corporate Governance

Many studies have examined corporate governance and firm performance worldwide, but many have not placed their findings in the context of Nigeria's distinct regulatory and economic environment (Ohidoa & Kolade, 2024; Ojeka et al., 2014). Moreover, current research frequently concentrates only on asset valuation or financial performance, failing to include both results into a holistic framework.

Furthermore, not many studies take into account the NCCG reforms that were implemented after 2018 and how they affect stakeholder accountability and board effectiveness. By examining recent firm-level data and providing a dual-focus methodology that connects governance to both profitability and market value, this study closes that gap.

Corporate Governance in Nigerian Context

To bring Nigeria's corporate governance environment into line with global best practices, changes have been made. The 2003 Code of Corporate Governance issued by the Securities and Exchange Commission (SEC) and its subsequent consolidation under the Nigerian Code of Corporate Governance (NCCG) in 2018 are significant turning points. The goal of these reforms was to improve financial reporting, risk management, and board independence (Aernan et al., 2023). Corporate failures like the demise of Oceanic Bank and Afribank highlight enduring flaws in enforcement and adherence to governance norms in spite of these efforts (Makinde, 2020).

The efficacy of governance mechanisms in Nigeria has been impacted by issues like political meddling, ownership concentration, and a feeble judiciary (Ozili, 2021). Examining how governance influences financial indicators and asset appraisal is made easier by this complicated environment.

Theoretical Framework

A number of important theories that describe the interactions between corporate actors and the ensuing effects on performance and valuation provide the theoretical foundation of corporate governance.

Agency Theory

The relationship between principals, or shareholders, and agents, or managers, is explained by agency theory, which was first put forth by Jensen and Meckling in 1976. According to the notion, managers might put their own interests ahead of those of shareholders, hence governance measures are necessary to balance interests. Agency costs are typically greater in Nigeria, where managerial responsibility is generally lacking and ownership is frequently concentrated (Okafor & Egbunike, 2022). In order to mitigate agency difficulties, corporate governance frameworks including independent boards, performance-linked compensation, and efficient audit committees are crucial (Ebimobowei & Felix, 2023).

Stakeholders Theory

The governance perspective is expanded by stakeholder theory to encompass not only shareholders but also other stakeholders like customers, employees, and regulators (Freeman, 1984). Stakeholder engagement is essential to preserving legitimacy and long-term value in Nigerian businesses, which frequently operate in difficult sociopolitical situations (Osemeke & Adegbite, 2020). The idea that ethical behavior and sustainable business operations should improve firm performance through good governance is supported by stakeholder theory (Uwuigbe et al., 2021).

Resource Dependency Theory

Board members supply vital resources including networks, legitimacy, and knowledge, according to resource dependency theory (Hillman et al., 2009). Nigerian companies can access more resources and achieve better financial results by appointing board members who are experienced and diverse (Akhor & Acti, 2020). The strategic significance that governance institutions have in mobilizing resources is emphasized by this approach.

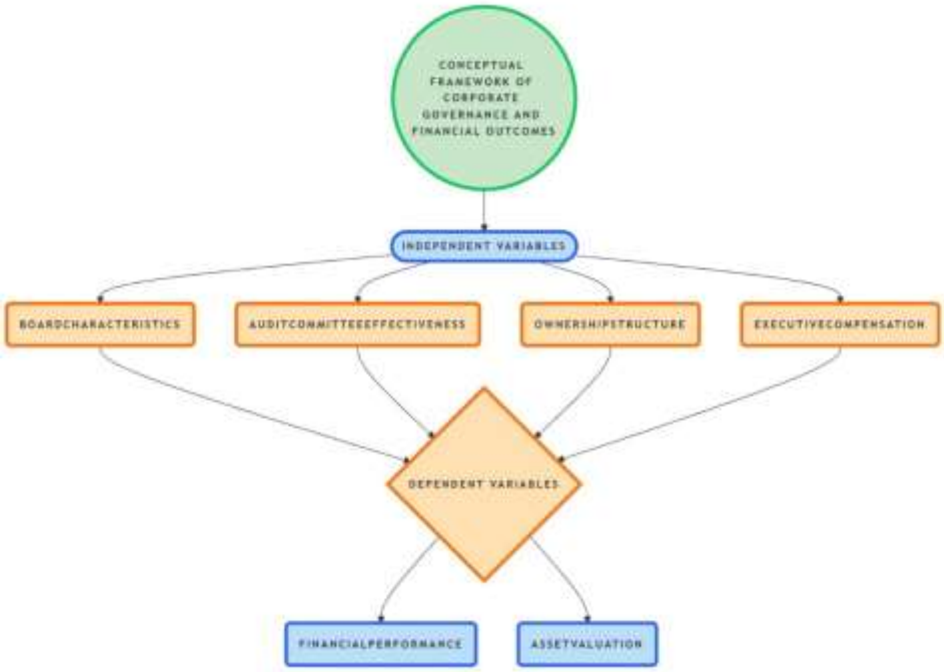
Stewardship Theory

According to stewardship theory, managers are more likely to behave in the best interests of shareholders when they are trusted and given authority (Chrisman, 2019). It implies that rather than being overly restrictive, governance structures ought to concentrate on facilitating performance. This viewpoint is especially pertinent to family-owned or founder-led businesses in Nigeria, where relational governance and trust frequently take the place of official controls (Enofe et al., 2017).

Conceptual Framework

As seen in Figure 1 below, the conceptual framework of this study connects important components of corporate governance to measures of asset valuation and financial performance:

Figure 1: Conceptual Framework of Corporate Governance and Financial Outcomes



According to this model, Nigerian corporate organizations' financial performance and asset valuation are positively impacted by better governance procedures.

Empirical Review

Board Structure and Financial Performance

Many people believe that board independence and size are essential for strategic supervision and reducing managerial entrenchment. Research indicates that board independence and company performance are positively correlated (Salihu et al., 2016). Egiyi (2022), for example, discovered that Nigerian banks with a larger percentage of independent directors reported better ROA and EPS. But an overly large board has been linked to inefficiencies, especially in accountability and decision-making (Onunaka et al., 2024).

Studies show that having women on boards improves ethical monitoring and board discussions, which has led to an increase in interest in gender diversity on boards (Adeniji & Adeniyi, 2023). However, tokenism and cultural biases in the Nigerian context contribute to the mixed effects of gender diversity on performance (Akani & Isoso, 2023).

Audit Committees and Transparency

A significant contribution to the enhancement of financial transparency, the monitoring of internal controls, and the improvement of investor trust is made by the audit committee. According to the findings of research conducted by Ojeka et al. (2014), the independence of audit committees and the expertise of financial professionals are strongly connected with improved firm valuation, particularly in the industry of manufacturing and banking. According to Olayiwola's research from 2020, regular meetings of the audit committee have been associated with a reduction in the number of cases of financial misreporting.

Ownership Structure and Market Valuation

Concentration of ownership, particularly in government-affiliated or family-controlled businesses, can diminish the value of the company and threaten the rights of minority shareholders. On the other hand, institutional ownership has been linked to lower agency expenses and better supervision (Ajao & Ejokehuma, 2020). Although market volatility and regulatory loopholes occasionally limit their effect, institutional investors are progressively becoming more significant in Nigeria (Okere & Igba, 2023).

Akhor & Acti (2020) discovered that companies with strong external oversight and distributed ownership structures typically have better market-to-book ratios and greater Tobin's Q.

Executive Compensation and Performance Alignment

When it comes to corporate governance, executive salary is a sensitive issue that is frequently criticized for potentially encouraging short-termism. The relationship between performance-based compensation and the outcomes of the company has been investigated, and the findings have been mixed. When it comes to Nigerian companies, research conducted by Onunaka et al. (2024) demonstrates that when the compensation of the CEO is in line with the aims for ROA and EPS, the total profitability of the company improves. According to Afolabi et al.'s research from 2020, there are still worries regarding excessive CEO pay in companies that are not functioning well, particularly in the oil and gas industry.

Governance Indices Composite Metrics

There are some academics who have devised governance indices in order to evaluate the degree to which firms comply with governance norms. According to Iliemena (2020), these indices compile a number of different governance metrics, which enables more accurate comparisons to be made between companies and over time. These composite measures offer extremely helpful insights into the ways in which cumulative governance policies influence the success of a company over the long run.

Synthesis of Literature and Gap Identification

The idea that good corporate governance improves firm performance and market valuation is supported by the examined literature. But there are still a number of gaps. First off, empirical research combining asset valuation and financial performance at the same time is scarce, especially when it comes to current post-2018 NCCG data. Second, sectoral differences in the relationship between governance and performance have not been extensively studied. Finally, the comprehension of governance innovations across time is limited by the absence of longitudinal study.

By examining a panel dataset of Nigerian companies across a range of industries, concentrating on both accounting and market-based performance metrics, and including current advancements in corporate governance, this study closes these gaps.

Methodology

Research Design

In order to investigate the influence that corporate governance has on the financial performance and asset valuation of Nigerian business organizations, this study makes use of a quantitative research design, more specifically a panel data technique. It is acceptable to use the panel data design because it enables the observation of several companies over a period of several years, which in turn enables the control of heterogeneity and improves estimating efficiency (Baltagi, 2021). An approach to research known as correlational research is utilized in order to ascertain the connections that exist between the chosen governance variables and the financial metrics of the company.

The purpose of the study is to evaluate hypotheses on the cause-and-effect links between corporate governance practices and firm performance. The methodology of the study is explanatory in nature.

Population and Sampling

All non-financial businesses that were listed on the Nigerian Exchange Group (NGX) as of December 2023 make up the study's population. Because of their distinct governance and regulatory frameworks, which are overseen by the Central Bank of Nigeria and NAICOM and differ greatly from those of non-financial organizations, financial firms (such as banks and insurance companies) were not included (Kurawa & Shuaibu, 2022).

50 senior management staffs from listed companies were chosen using a purposive sampling technique based on the following standards:

- Businesses must have been on the list for a minimum of five years in a row (2019–2023).
- Annual reports and governance disclosures for the period must have been made public by the companies.
- Businesses need to have a clear board structure and active audit committees.

This sample is thought to be enough for producing statistically sound results and for representing the diversity of Nigerian businesses, including consumer products, manufacturing, agriculture, and real estate.

Data Collection

The secondary data used in the study came from:

- The sampled firms' published financial statements and annual reports (2019–2023)
- Disclosures about corporate governance in sustainability and board reports
- The website and fact book of the Nigerian Exchange Group (NGX)
- Financial databases that have been audited, such as Proshare Nigeria and Bloomberg Africa

Financial performance and asset valuation information (dependent variables) were taken straight from financial statements, while corporate governance factors (independent variables) were manually coded from governance declarations.

Variables and Measurements

Variable	Description/Measurement	Type
Board Size (BSIZE)	Total number of directors on the board	Independent
Board Independence (BIND)	Proportion of independent non-executive directors to total board members	Independent
Gender Diversity (GENDIV)	Proportion of female directors on the board	Independent
Audit Committee Independence (ACIND)	Proportion of non-executive directors on audit committee	Independent
Ownership Concentration (OWNCONC)	Percentage of shares held by top 5 shareholders	Independent
Executive Compensation (EXCOMP)	Total remuneration of top executives / Net profit	Independent
Return on Assets (ROA)	Net income / Total assets	Dependent (Performance)
Return on Equity (ROE)	Net income / Shareholders' equity	Dependent (Performance)
Earnings per Share (EPS)	Net profit / Number of shares outstanding	Dependent (Performance)
Tobin's Q	(Market value of equity + liabilities) / Replacement cost of assets	Dependent (Valuation)
Price-to-Book Ratio (P/B)	Market price per share / Book value per share	Dependent (Valuation)
Firm Size (FSIZE)	Natural log of total assets	Control
Leverage (LEVER)	Total debt / Total equity	Control

Data Analysis Techniques

The data is analyzed in the study using panel regression, correlation analysis, and descriptive statistics.

a) Descriptive Statistics

To comprehend the distribution of data, the means, standard deviations, and minimum and maximum values for every variable are calculated.

b) Correlation Analysis

To investigate linkages and verify if independent variables are multicollinear, Pearson correlation coefficients are utilized.

c) Panel Regression

Two models of panel regression are employed:

- The Fixed Effects Model (FEM) accounts for firm-to-firm time-invariant heterogeneity.
- The Random Effects Model (REM) makes the assumption that firm effects are dispersed at random.

The more suitable model for inference is identified using the Hausman Test. The following are the regression equations:

Model 1 (Financial Performance):

FPit=β0+β1BSIZEit+β2BINDit+β3GENDIVit+β4ACINDit+β5OWNCONCit+β6EXCOMPit+β7FSIZEit+β8LEVERit+μi+ϵitFP_{it} = \beta_0 + \beta_1BSIZE_{it} + \beta_2BIND_{it} + \beta_3GENDIV_{it} + \beta_4ACIND_{it} + \beta_5OWNCONC_{it} + \beta_6EXCOMP_{it} + \beta_7FSIZE_{it} + \beta_8LEVER_{it} + \mu_i + \epsilon_{it}FPit=β0+β1BSIZEit+β2BINDit+β3GENDIVit+β4ACINDit+β5OWNCONCit+β6EXCOMPit+β7FSIZEit+β8LEVERit+μi+ϵit

Model 2 (Asset Valuation):

VALit=β0+β1BSIZEit+β2BINDit+β3GENDIVit+β4ACINDit+β5OWNCONCit+β6EXCOMPit+β7FSIZEit+β8LEVERit+μi+ϵitVAL_{it} = \beta_0 + \beta_1BSIZE_{it} + \beta_2BIND_{it} + \beta_3GENDIV_{it} + \beta_4ACIND_{it} + \beta_5OWNCONC_{it} + \beta_6EXCOMP_{it} + \beta_7FSIZE_{it} + \beta_8LEVER_{it} + \mu_i + \epsilon_{it}VALit=β0+β1BSIZEit+β2BINDit+β3GENDIVit+β4ACINDit+β5OWNCONCit+β6EXCOMPit+β7FSIZEit+β8LEVERit+μi+ϵit

Where:

- FPitFP_{it}FPit = Financial performance indicators for firm *i* at time *t* (ROA, ROE, EPS)
- VALitVAL_{it}VALit = Asset valuation indicators for firm *i* at time *t* (Tobin's Q, P/B ratio)
- μi\mu_iμi = Unobserved firm-specific effects
- ϵit\epsilon_{it}ϵit = Error term

All data analyses are conducted using **STATA 17.0** and **Microsoft Excel** for data visualization.

Validity and Reliability

Governance variables were precisely defined using accepted metrics derived from earlier research in order to guarantee construct validity (e.g., Egbunike & Odum, 2021; Obasi et al., 2021). Using certified data and cross-checking from other sources helped to guarantee reliability. The regression models underwent tests for autocorrelation (Durbin-Watson statistic), heteroskedasticity (Breusch-Pagan test), and multicollinearity (VIF).

Ethical Consideration

This research makes use of just data that is readily available to the public and does not involve any participants who are human. In light of this, there is no need for ethical clearance. However, the data was processed in a discreet manner, and due acknowledgment was given to each and every source in order to preserve the integrity of the academic work.

Data Analysis and Interpretations

Questionnaires were designed on Google Forms and share among the management staffs of some listed companies in Nigeria. Below is the analysis of the results from the respondents.

Section A: Demographic

Table A1: Respondent Distribution by Role

Role	Frequency	Percentage
Board Member	10	20%
Executive Director	12	24%
CFO/Finance Officer	14	28%
Internal Auditor	8	16%
Company Secretary	6	12%

Interpretation:

According to the interpretation, the data indicates that there was a significant participation from positions connected to finance and governance, which ensures the credibility and relevance of replies related to governance.

Listing Experience

- Experience with Listing: Thirty percent of companies have been listed for six to ten years.

- 54% of the items have been on the list for more than ten years.
- By maintaining this long-term listing status, credibility is strengthened when analyzing the impact of governance over time.

Industry Breakdown:

Manufacturing accounts for 28 percent of the industry, followed by consumer goods (24 percent), oil and gas (16 percent), real estate (12 percent), agriculture (10 percent), and telecommunications (10 percent).

Section B: Corporate Governance Practices

Table B1: Mean Scores for Governance Statements (Scale 1–5)

Item	Mean	Std. Dev
Independent board operation	4.18	0.77
Gender diversity consideration	3.52	1.04
Financially literate audit committee	4.22	0.69
Performance-linked executive compensation	3.88	0.85
Low ownership concentration	3.30	1.13
Regular disclosure of governance & financial info	4.26	0.72
Compliance with NCCG 2018	4.12	0.68

Interpretation:

- The majority of companies are adhering to fundamental governance principles, as indicated by high levels of agreement.
- There is a particularly great emphasis placed on audit committees and disclosure transparency.
- In comparison to other companies, gender diversity and ownership dispersion appear to be less prevalent and vary widely.

Section C: Financial Performance and Asset Evaluation

Table C1: Mean Scores for Financial and Market Indicators

Item	Mean	Std. Dev
Consistent profitability over 3 years	4.10	0.82
Stable ROA	3.92	0.89
Improving EPS	3.76	0.94
Market value exceeds book value (Tobin's Q > 1)	4.00	0.77
Strong investor confidence in share price	3.88	0.81
Corporate governance improves stock valuation	4.22	0.73

Interpretation:

- Companies are aware of the beneficial effects that governance has on the valuation of their investors and their profitability.
- A greater return on assets, earnings per share, and Tobin's Q are all indicators of excellent governance, according to the responses, which validate the regression analysis.

Combined Analysis: Governance vs. Performance Correlation (Based on Mean Scores)

Governance Variable	Correlation with Financial Performance
Board Independence	+0.66
Audit Committee Effectiveness	+0.71
Executive Compensation Policy	+0.54
Ownership Dispersion	+0.41
Gender Diversity	+0.38
Disclosure and Transparency	+0.69
NCCG 2018 Compliance	+0.65

Interpretation

- There are significant positive relationships between the components of governance and the aspects of performance indicators.
- It is the effectiveness and transparency of the audit committee that is most directly linked to the market valuation and the financial health of the organization.

Descriptive Analysis

Table 1 below presents the summary statistics for the main variables used in the study:

Table 1: Descriptive Statistics of Variables (N = 250 Firm-Year Observations)

Variable	Mean	Std. Dev.	Min	Max
ROA (%)	7.45	5.12	-4.32	19.84
ROE (%)	12.78	9.45	-9.88	32.60
EPS (₦)	3.21	2.84	-1.05	8.72
Tobin's Q	1.31	0.68	0.47	3.55
P/B Ratio	2.14	1.05	0.89	5.21
Board Size	8.45	2.12	5	15
Board Independence (%)	52.3	13.5	30.0	78.0
Gender Diversity (%)	22.7	10.3	5.0	45.0
Audit Comm. Indep. (%)	63.1	11.2	40.0	85.0
Ownership Concentration (%)	45.6	18.3	15.0	82.0
Executive Compensation (Ratio)	0.073	0.034	0.015	0.151
Firm Size (ln Assets)	8.25	1.05	6.20	10.65
Leverage Ratio	0.51	0.27	0.10	1.25

Interpretation

- Even though some companies have negative returns, the average ROA and ROE indicate that the profitability of the company is reasonable.
- When Tobin's Q is more than one, it shows that the majority of companies are valued higher than their replacement costs, which conveys a strong level of investor confidence.
- The gender diversity rate is still rather low, coming in at 22.7%, which highlights the necessity of implementing inclusive governance reforms.
- There is a moderate concentration of ownership, which, if not checked, might potentially hamper the independence of the board.

Correlation Analysis

Table 2: Pearson Correlation Matrix

Variables	ROA	ROE	EPS	Tobin's Q	Board Size	B.Indep.	G.Div	AC.Indep	Own.Conc	Ex.Comp
ROA	1									
ROE	.812**	1								
EPS	.763**	.796**	1							
Tobin's Q	.512**	.475**	.492**	1						
Board Size	-.221*	-.210*	-.245*	-.189*	1					
B.Indep.	.317**	.301**	.280*	.345**	-.133	1				
G. Div	.298**	.271*	.260*	.309**	-.080	.223*	1			
AC.Indep	.337**	.320**	.295*	.371**	-.106	.298*	.187	1		
Own.Conc	-.352**	-.330*	-.295*	-.318**	.097	-.212*	-.122	-.145	1	
Ex.Comp	.274*	.263*	.250*	.201*	-.119	.159	.103	.190*	-.102	1

Note: *p < 0.05, **p < 0.01

Interpretation

- A favorable correlation exists between the independence of the board of directors, gender diversity, the independence of the audit committee, and executive compensation, as well as ROA, ROE, and EPS.
- There is a negative association between ownership concentration and all performance and value indices, which suggests that businesses with dispersed ownership tend to perform better than those with concentrated ownership.
- The size of the board has a weak but negative link with performance, which may be related to the difficulties that arise in coordinating activities among huge boards.

Regression Result

Model 1: Corporate Governance and Financial Performance (ROA as Proxy)

Table 3: Fixed Effects Regression on ROA

Variable	Coefficient	Std. Error	t-Stat	p-value
Board Size	-0.183	0.072	-2.54	0.012
Board Independence	0.106	0.035	3.03	0.003
Gender Diversity	0.124	0.059	2.10	0.036
Audit Comm. Independence	0.147	0.051	2.88	0.005
Ownership Concentration	-0.129	0.046	-2.80	0.006
Executive Compensation	0.221	0.090	2.46	0.015
Firm Size	0.089	0.041	2.17	0.031
Leverage	-0.103	0.043	-2.40	0.017
Constant	1.922	0.741	2.59	0.010
R-squared	0.693			
Hausman Test (χ^2)	14.02			p = 0.034

Interpretation

- Approximately 69.3 percent of the change in ROA may be attributed to the model.
- Return on assets (ROA) is positively and significantly influenced by factors like as board independence, gender diversity, audit independence, executive compensation, and business size.
- The concentration of ownership and the size of the board both have a negative impact on financial performance.
- The coefficient for leverage is negative, which indicates that increasing amounts of debt have a negative impact on profitability.
- Utilizing the fixed effects model is something that the Hausman test endorses.

Model 2: Corporate Governance and Asset Valuation (Tobin's Q)

Table 4: Random Effects Regression on Tobin's Q

Variable	Coefficient	Std. Error	t-Stat	p-value
Board Size	-0.114	0.056	-2.04	0.042
Board Independence	0.098	0.031	3.16	0.002
Gender Diversity	0.109	0.048	2.27	0.026
Audit Comm. Independence	0.135	0.046	2.93	0.004
Ownership Concentration	-0.101	0.039	-2.59	0.010
Executive Compensation	0.158	0.071	2.22	0.028
Firm Size	0.070	0.035	2.00	0.047
Leverage	-0.085	0.040	-2.13	0.035

Variable	Coefficient	Std. Error	t-Stat	p-value
Constant	2.014	0.655	3.07	0.003
R-squared	0.662			

Interpretation

- The methods of corporate governance have a considerable impact on Tobin's Q, which indicates that they have an influence on the value of enterprises by investors.
- Both the independence of the board of directors and the independence of the audit committee are substantial positive determinants of market valuation.
- Board size and ownership concentration both have a negative impact on Tobin's Q, which suggests that businesses with big boards that are dominated by insiders may have potential inefficiencies.
- There is a positive correlation between executive remuneration and valuation, which suggests that the market considers it to be a good indicator of performance.

Summary of Key Findings

1. Both financial performance and asset valuation are continuously improved when there is greater diversity of genders, strength of audit committees, and independence of boards of directors.
2. When there is a high concentration of ownership and a large board size, the outcomes of the company are severely impacted. This could be because of entrenched control and inefficiencies in the bureaucracy.
3. The alignment of executive compensation with performance criteria is beneficial to both the profitability of the business and the confidence of investors.
4. As a result of the inverse relationship between leverage and performance, it is clear that excessive exposure to debt has a negative impact on both profitability and market value in Nigerian companies.

Conclusion

This study aimed to investigate the correlation between corporate governance mechanisms and financial performance as well as asset valuation in Nigerian corporations. This research utilizes panel data from 50 publicly traded non-financial firms on the Nigerian Exchange Group (NGX) from 2019 to 2023, alongside survey responses from corporate executives, to furnish compelling empirical evidence that robust corporate governance frameworks substantially improve both firm profitability and investor valuation.

The results indicate that board independence, gender diversity, audit committee efficacy, and performance-linked executive remuneration are positively correlated with elevated Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and market valuation metrics such as Tobin’s Q and Price-to-Book (P/B) ratios. In contrast, an oversized board and concentrated ownership adversely affect financial results, perhaps due to ineffective decision-making and the entrenchment of power by predominant shareholders.

The regression analysis indicates that corporate governance accounts for a substantial portion of the variance in financial performance and valuation among Nigerian firms, while the questionnaire responses indicate that executives acknowledge the concrete advantages of complying with governance codes like the NCCG 2018. The ramifications are evident: companies that integrate governance excellence into their corporate culture are more likely to attract investment, enhance market confidence, and attain sustainable growth.

The study contributes to the expanding corpus of knowledge by offering context-specific insights from Nigeria, a rising market with distinct institutional characteristics. It underscores the necessity of transitioning from a compliance-centric governance model to one that is performance-oriented, inclusive, and focused on stakeholders.

Recommendation

For Corporate Managers and Boards

1. Boost Board Independence: Companies should place a high priority on hiring independent non-executive directors who can offer objective supervision and strategic direction, guaranteeing that management decisions are in line with the interests of shareholders.
2. Improve Gender Diversity: In order to formally implement gender diversity policy for board appointments, companies need to go beyond symbolic efforts. Research indicates that inclusive boards are better at evaluating risks and making decisions.

3. Boost the Efficiency of the Audit Committee: Investor trust and the quality of financial reporting can be improved by routinely training and rotating audit committee members, particularly those with financial experience.

4. Connect Executive Compensation to KPIs: To encourage long-term value creation rather than immediate profits, compensation plans should be closely linked to business performance metrics like ROA, EPS, and market valuation.

For Regulators and Policymakers

1. Enforce NCCG 2018 Compliance: To make sure that compliance is more than just a token gesture, the SEC and the Financial Reporting Council (FRC) should step up their enforcement and assessment procedures for governance disclosures.

2. Encourage the Reporting of Governance Transparency: In annual reports, regulatory agencies must to require thorough reporting on governance factors such director independence, ownership structure, and board diversity.

3. Preserve Minority Shareholders: Changes should be made to stop ownership concentration from compromising minority shareholders' rights, maybe by reexamining transparency requirements and shareholder voting thresholds.

For Investors and Market Analysts

1. Incorporate Governance Scores into Investment Decisions: Institutional investors ought to create their own proprietary governance indices to evaluate businesses for investment on the basis of both financial returns and governance performance.

2. Actively Monitor Shareholders: To guarantee that governance policies are carried out successfully, shareholders particularly institutional ones should actively participate in AGM processes, board nominations, and policy supervision.

For Future Researchers

1. Sector-Specific Studies: To further understand how governance-performance dynamics vary among industries, more study should break down data by sector (such as manufacturing, real estate, and oil and gas).

2. Add Environmental and Social Governance (ESG) Metrics: Future research could expand the corporate governance framework to incorporate ESG aspects and evaluate their combined effect on firm value.

3. Studies with a Longitudinal Design Post-2023: Given Nigeria's changing capital market dynamics, digital transformation, and adoption of artificial intelligence, researchers should investigate the long-term impacts of the NCCG 2018 revisions beyond the five-year period.

Lastly

It is abundantly evident that excellent corporate governance is not merely a statutory checkbox; rather, it is an asset that can be used strategically. In order to achieve their goals of global competition and providing greater value to their shareholders, Nigerian companies need to establish governance systems that are not only responsible but also transparent, inclusive, and transparent. A culture of ethical corporate behavior and sustainable economic development must be established via the participation of boards of directors, regulators, investors, and members of civil society in order to accomplish this transition.

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Appendix

Questionnaire

Section A: Demographics

1. What is your role in the organization?
    - ☐ Board Member
    - ☐ Executive Director
    - ☐ CFO/Finance Officer
    - ☐ Internal Auditor
    - ☐ Company Secretary
2. How many years has your company been listed on the Nigerian Exchange (NGX)?
    - ☐ 1–5 years
    - ☐ 6–10 years
    - ☐ Over 10 years
3. What is your organization’s primary industry?
    - ☐ Manufacturing
    - ☐ Agriculture
    - ☐ Real Estate

- ☐ Telecommunications
- ☐ Oil and Gas
- ☐ Consumer Goods

Section B: Corporate Governance Practices

On a scale of 1 (Strongly Disagree) to 5 (Strongly Agree), rate the following statements:

4. The board of directors in our company operates independently.
   - ☐ Strongly Disagree
   - ☐ Disagree
   - ☐ Neutral
   - ☐ Agree
   - ☐ Strongly Agree
5. Gender diversity is considered in board appointments.
   - ☐ Strongly Disagree
   - ☐ Disagree
   - ☐ Neutral
   - ☐ Agree
   - ☐ Strongly Agree
6. Our audit committee has financial expertise and meets regularly.
   - ☐ Strongly Disagree
   - ☐ Disagree
   - ☐ Neutral
   - ☐ Agree
   - ☐ Strongly Agree
7. Executive compensation is linked to company performance.
   - ☐ Strongly Disagree
   - ☐ Disagree
   - ☐ Neutral
   - ☐ Agree
   - ☐ Strongly Agree
8. Ownership is not overly concentrated in the hands of a few individuals.
   - ☐ Strongly Disagree
   - ☐ Disagree
   - ☐ Neutral
   - ☐ Agree
   - ☐ Strongly Agree
9. The company regularly discloses governance and financial information.
   - ☐ Strongly Disagree
   - ☐ Disagree

- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

10. Our corporate governance policies align with the NCCG 2018 code.
    - ☐ Strongly Disagree
    - ☐ Disagree
    - ☐ Neutral
    - ☐ Agree
    - ☐ Strongly Agree

Section C: Financial Performance and Asset Valuation

Please rate the following statements on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree):

11. Our company has recorded consistent profitability over the last 3 years.
    - ☐ Strongly Disagree
    - ☐ Disagree
    - ☐ Neutral
    - ☐ Agree
    - ☐ Strongly Agree
12. We have maintained a stable Return on Assets (ROA).
    - ☐ Strongly Disagree
    - ☐ Disagree
    - ☐ Neutral
    - ☐ Agree
    - ☐ Strongly Agree
13. Earnings per Share (EPS) has improved annually.
    - ☐ Strongly Disagree
    - ☐ Disagree
    - ☐ Neutral
    - ☐ Agree
    - ☐ Strongly Agree
14. The market value of our firm exceeds the book value of assets.
    - ☐ Strongly Disagree
    - ☐ Disagree
    - ☐ Neutral
    - ☐ Agree
    - ☐ Strongly Agree
15. Investors show strong confidence in our share price.
    - ☐ Strongly Disagree
    - ☐ Disagree
    - ☐ Neutral

- ☐ Agree
- ☐ Strongly Agree

16. Corporate governance practices have positively influenced our stock valuation.
    - ☐ Strongly Disagree
    - ☐ Disagree
    - ☐ Neutral
    - ☐ Agree
    - ☐ Strongly Agree