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ARTICLE

The Moderating Roles of The Internal and External Corporate Governance Mechanisms on The Performance of Non-Financial Listed Firms in Nigeria

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Abstract
This study extends the growing body of research that explores the relationship between corporate governance compliance and the performance of the firm by examining the Nigerian context with respect to the listed non-financial firms from 2012 to 2019. This study developed the first unique NCGCI of listed non-financial firms from 2012 to 2019, using 32 internal and external corporate governance mechanisms which were based on the combined corporate governance provisions of the Nigerian Code of 2011, the Companies and Allied Matters Act (CAMA) of 1990, and extant literature. In contrast to existing Nigerian findings, and using both the compliance index and the equilibrium variable models with the fixed effects panel estimation method, we argue that compliance with corporate governance codes does not necessarily lead to better performance by listed non-financial firms. Specifically, there was a negative but insignificant relationship between the NCGCI and the independent variables. Further, the CEO non-duality and female board membership indicated a significant but negative relationship with NAT, Tobin's Q and ROE. However, the market share indicated a significant positive relationship with ROE. The frequency of board meetings indicated a negative and significant relationship with NAT only. The gender diversity was significant but negatively associated with Tobin's Q and NAT and not with ROE. The study motivates the need to base corporate governance frameworks on the peculiarities of the firm, industrial sector and country.

Keywords: agency theory; corporate governance; Nigeria; Tobin's Q; ROE; NAT; non-financial; firms; fixed-effect; multivariate-regression; quantitative research, compliance index, equilibrium variable model.

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1. Introduction

Corporate governance, as a modern organisational construct, has attracted continued research interest since its emergence over three decades, specifically from the 1970s through to the 1990s, following the publication of the Cadbury Report in the United Kingdom (Tricker, 2020). Modern corporate governance was motivated by several accounting and financial scandals in the United Kingdom (UK), the United States of America (USA) and other developed and developing economies (Mohamad, 2018), which led to the introduction of corporate governance codes. The earlier forms of formal corporate governance codes include the UK Code of 1992, the South African Code of 1994, the Sarbanes-Oxley Act, 2002, of the USA, and the code of corporate governance for the European Union, which was introduced in 2004. The focus on corporate governance research is necessary because of the positive nexus between effective corporate governance and the financial performance of the firm that research on the subject, especially in the context of advanced economies, tends to argue (OECD, 2015; Rose, 2016; Dennis Ogoun, 2018; Khan *et al.*, 2018). However, in the context of developing economies, and Nigeria in particular, the abundance of mixed empirical evidence on the relationship between compliance with corporate governance codes and firm financial performance justifies continued research on the subject and has motivated this study in particular to assess the relationship between corporate governance compliance and the financial performance of listed non-financial firms in Nigeria from 2012 to 2019. The focus of the study on the non-financial sectors provided an opportunity to understand the extent to which compliance with the Nigerian corporate governance code of 2011 improved the performance of the non-financial listed firms in Nigeria during the period. This has become necessary in view of the mixed evidence in the existing international literature on the subject which argues that compliance with national corporate governance codes improves the financial performance of firms.

Nigeria has an open economy that is marked by a high level of underdevelopment, dominated by international transactions, and characterised by a high level of corruption (Uwakaeme, 2015; Transparency International, 2020). In 2003, Nigeria introduced its first code of corporate governance for listed firms in response to the universal demand for better firm management and the growing yearning by investors for improved return on investment, as well as the imperatives of Nigerian listed firms to participate effectively in the global economic space. The 2003 Code was revised and replaced in 2011 by the Code of Corporate Governance for Public Companies in Nigeria. The SEC-N 2011 Code was subsequently replaced in 2018 by the Nigerian Code of Corporate Governance 2018, which was issued by the Financial Reporting Council of Nigeria (FRC-N) (issued by the Security and Exchange Commission of Nigeria(SEC-N) (SEC-N, 2011) and made effective from 1 July 2020. The provisions of SEC-N (2011) and CAMA 1990 (CAC, 1990), however, form the basis of the construction of the NCGCI used in this study. Thus, corporate governance is a much more recent development in Nigeria, compared with the South African experience in Sub-Saharan Africa, which began with the release of the King I Report of 1994 (Institute of Directors in Southern Africa (IoDSA), 2016) and the UK with the release of the UK's Code of 1992.

The study achieved two main objectives. The first objective of the study was to establish the extent to which compliance with the 2011 corporate governance codes and the related provisions in the CAMA 1990 improved the financial performance of listed non-financial firms in Nigeria from 2012 to 2019, using the compliance index model. The second objective was to determine the relationship between certain aspects of corporate governance (internal and external governance mechanisms) and company performance with respect to the listed non-financial sector of Nigeria from 2012 to 2019 using the equilibrium variable model.

This study makes four contributions. First, a unique NCGCI was constructed for the first time, using a sample of 63 listed non-financial companies from 2012 to 2019 (504 firm-year observations). Second, it considered both the internal and external governance mechanisms alongside the NCGCI, as opposed to existing studies (Adejare & Aliu, 2020; Ndum & Oranefo, 2021) that concentrated mainly on the internal board mechanisms. Third, evidence is provided for the first time on the association between the corporate governance compliance index and the performance of the Nigerian-listed non-financial firms based on the corporate governance provisions of the 2011 SEC-N Code and the CAMA 1990, which suggests that compliance with corporate governance codes, does not necessarily lead to the improved financial performance of the non-financial listed firms in Nigeria. Therefore, compared to previous studies (Ibrahim & Abdullahi, 2019; Enilolobo *et al.*, 2019; Akinleye *et al.*, 2019; Osemwengie *et al*., 2019), this study addresses the knowledge gap introduced by the corporate governance provisions of SEC-N 2011 and how they impact on the performance of listed Nigerian non-financial firms from 2012 to 2019. Further, it argues in support of the development of corporate governance codes and enforcement mechanisms that consider the industrial or national exigencies of the firms, as there is no one-size-fits-all approach to corporate governance.

The remainder of the study is divided into four sections. The literature review considers the Nigerian context, the concept of corporate governance, and empirical literature. The research design and method section discusses the method of data collection, analysis, and interpretation. The NCGCI, regression results, and the resolution of the hypotheses are presented under empirical results. The conclusion summarises the findings and identifies areas for future research.

2. Review of Literature

2.1 Corporate Governance

2.1.1 Definition of Corporate Governance

There is not a universally accepted definition of corporate governance (Alabdulla *et al*., 2014), but rather a plethora of definitions have emerged from the corporate governance literature. The various definitions have been classified into "narrow" and "broad" (Ntim, 2017). When the definition emphasises the interests of the investors or shareholders, it is said to be "narrow," while if it addresses the interests of all stakeholders, including the investors, employees, government, society, and the environment in general, it is "broad" (Ntim, 2017). However, the most well-known definition of corporate governance was given in the Report of the Committee on the Financial Aspects of Corporate Governance (Cadbury, 1992: Section 2.5) as "the system by which companies are directed and controlled." The corporate governance literature classifies the controls into internal and external controls (mechanisms) (Uwuigbea *et al*., 2014; Puni & Anlesinya, 2020; Raithatha & Arunima, 2021). Internal governance mechanisms refer to the interactions among the insiders of the firm, such as between the management and the board of directors(Dharmastuti & Wahyudi, 2013), audit committee, and external auditor (Uwuigbea *et al*., 2014). External governance, on the other hand, revolves around actors that would make possible an external takeover in the event of poor performance by the firm. External governance mechanisms include specific laws and regulations of the Federal and State governments and markets. Markets include capital markets, the market for corporate control, the labour market, and product markets (Almutairi & Quttainah, 2019). Both the internal and external control mechanisms are said to be complementary. Thus, when the internal mechanisms are weak, the eternal mechanisms will discipline managers effectively (Sharma, 2017).

2.2 Corporate governance models

Corporate governance models vary across the world, explained by differences in the legal systems, social and cultural values, and the structure of capital markets (Larcker & Tayan, 2008). There are two major corporate governance models: the shareholder-centric model and the stakeholder-centric model (Ntim, 2017).

a. Shareholder-centric model

   The shareholder-centric, Anglo-Saxon model, which focuses on the needs of shareholders, is most common in the US and UK (Lund & Pollman, 2022). The main assumption of the shareholder-centric model is that the major objective of the firm is to maximise shareholder wealth by maximising profits (Pillay, 2013). Therefore directors are seen as the shareholders' representatives and must work mainly in the shareholders' best interests (Kaufman & Englander, 2005).

   The main criticisms against the shareholder-centric model include: 1) the model promotes short-termism as directors are made to think only in the interests of the shareholders and not in the interests of the larger society; 2) it may promote creative accounting by CEOs in their attempt to satisfy the shareholders; and 3) the model promotes disunity and distrust between the shareholders and CEOs (Kaufman & Englander, 2005). The fourth criticism is that the model does not consider the importance of the social, ethical, and moral responsibilities of the firm to other stakeholders (Ntim, 2017). The provisions of the SEC-N 2011 Code, and the extant FRC-N Code of 2018, lean more in favour of the shareholder-centric model. Both codes do not require the consideration of the interests of stakeholders, such as employees, labour unions, creditors, and others while constituting the boards of non-financial listed firms.

b. The stakeholder-centric model
The stakeholder model, on the other hand, sees the firm as a conglomerate of vested legitimate interests such as shareholders, trustees, creditors, distributors, trade unions, employees, customers, depositors, immediate environment, government, regulatory authorities, host community, and society in general with which the organisation interacts for energy and legitimacy (SEC-N, 2011; Ntim, 2017; Lund & Pollman, 2022). One of the major challenges of the stakeholder–centric model is the problem of representation of the various interests on the board, which may lead to a large board size with the associated maintenance cost (Dennehy, 2012). Another issue is the difficulty of harmonising the various stakeholders' preferences to determine how those preferences relate to corporate reputation and performance, including the challenge of catering to stakeholders' aspirations (Cennamo *et al*. 2009). The stakeholder model isn't used in Nigeria because the general and industry-specific codes don't push for the inclusion of interest groups, like employees, debtors, creditors, and local communities, on the boards of listed firms, other than shareholders and their representatives.

2.3 Corporate Governance Theories

Abdullah and Valentine (2009) indicate that corporate governance theories began with the agency theory and progressed to the stewardship, stakeholder, resource dependence, and institutional theories. Others include managerial signalling, legitimacy, political costs, and transaction cost economics theories (Ntim, 2009). We talk briefly about the agency, resource dependence, and stakeholder theories because some parts of these theories can be seen in Nigeria.

Agency theory argues that when the owner (principal) hires someone else (agent) to perform work, there is a separation between ownership and control of the firm and the interests of the principal and the agent diverge, leading to agency conflict, which is accentuated by information asymmetry (Ntim, 2017; Vargas-Hernández & Cruz, 2018). Agency theory focuses on the interests of the owner (shareholder) and supports small board size and the separation between the positions of the chairman and the CEO for effective board control. The theory applies to Nigeria because listed companies have a system of dispersed shareholding and the SEC-N 2011 and FRC-N Codes say that the positions of CEO and chairman of the board of directors should be held by different people.

Resource dependence theory contends that the survival of an organisation depends on its access to critical resources and relationships. Therefore, the engagement of managers is necessary for the success of the firm since employees would act in the interest of the firm (Nienhüser, 2008). Resource dependence theory supports large board size and CEO duality. The resource dependence theory also applies to Nigeria because the SEC-N 2011 and FRC-N 2018 Codes require boards of listed companies to be made up of people with different skills and experiences.

Stakeholder theory argues that firms should be managed in the interests of the stakeholders rather than the shareholders since the activities of the firm affect not only the owners (shareholders) but also other interest groups (stakeholders), including customers, suppliers, workers' unions, the host community, government, and political actors, and the organisational stakeholders (employees-managers and non-managers) (Brandt & Georgiou, 2016; Gao *et al*., 2017). One fundamental assumption of stakeholder theory is that hired managers are sincere, ethical, and have high integrity to protect the interests of shareholders and other stakeholders (Carrillo, 2007). This assumption is contrary to agency theory, which argues that hired managers tend to defraud and misappropriate the resources of their firms to satisfy their inordinate interests (Mustapha & Ahmad, 2011; Yusof, 2016).

The provisions in the SEC-N Code of 2011 (SEC-N, 2011), FRC-N Code of 2018 (FRC-N, 2018), and CAMA 2020 (CAC, 2020) that require directors of firms to control and govern their firms in the interests of not only the investors or shareholders but also the various stakeholders and the environment, make the stakeholder theory relevant to corporate governance in Nigeria as well.

Although the SEC-N Code of 2011, FRC-N Code of 2018 and CAMA 2020 contain elements of the three theories in the Nigerian context, agency theory underpins this study because Nigerian listed non-financial firms are characterised by dispersed shareholding (Adenikinju, 2012) and the separation of ownership from control, which are some of the building blocks of the agency theory.

2.4 Empirical literature

The relationship between corporate governance and firm performance has been established by the corporate governance literature (Chineme, 2019; Al-ahdala *et al*., 2020) using the compliance index and the equilibrium variable models.

a. Use of The Corporate Governance Compliance Index Model
   The compliance index model uses a unique compliance index developed from a combination of several independent variables to assess the relationship between corporate governance and firm performance (Sarkar *et al*., 2012). Several studies have adopted this approach. Azeem *et al*. (2013) discovered a significant positive relationship between Tobin's Q and the corporate governance compliance index of firms listed on the Karachi Stock Exchange. In South Africa, Mans-Kemp (2014) found a similar association for firms listed on the Johannesburg Stock Exchange from 2002-2010 using the Corporate Governance Score. Further, Ntim (2009, 2013), using the South African Corporate Governance Index ("SACGI"), found a positive relationship between Tobin's Q and the return on assets (ROA). However, in the recent study of listed firms in the Columbus Stock Exchange, Fernando (2022) discovered no significant relationship between the overall governance scores and return on assets (ROA), return on equity (ROE) and Tobin's Q. A similar result was found by Aluchna & Kuszewski, (2020) in their study of firms listed on the Warsaw Stock Exchange from 2006–2015, where a negative and statistically significant relationship between corporate governance compliance and company value was found. The first hypothesis is, therefore, to test whether compliance with the corporate governance codes of 2011 and CAMA 1990 had a significant and positive relationship with the performance of the Nigerian non-financial listed firms from 2012 to 2019 when the codes operated as follows:

   H1: There is a statistically significant and positive relationship between the corporate governance compliance index (NCGCI) and firms' financial performance as measured by Tobin's Q, ROE, and NAT.

b. Equilibrium Variable Model
   This model assesses the relationship between some corporate governance internal and external mechanisms and the performance of the non-financial listed firms from 2012 to 2019.

   Chairman/CEO Duality
   CEO duality is the situation whereby the CEO of the firm also functions as the chairman of the board of directors (BOD). The SEC-N (2011) and FRC-N (2018) disallow CEO duality by listed firms, arguing that it would lead to undue influence on the board and reduce the board's effectiveness. However, empirical evidence on the relationship between board duality and the

performance of the firm is mixed. Chineme (2019) finds that CEO duality had a significant negative effect on the financial performance of the firm. Conversely, Onwuka *et al*. (2019) and Yang and Chen (2021) identified a positive relationship between CEO duality and firm financial performance.

Gender Diversity

The SEC-N Code of 2011 does not mandate the inclusion of female directors on the boards of listed firms in Nigeria. However, the FRC-N Code of 2018 indicates in Principle 2 that corporate boards should reflect gender diversity. Some studies show a positive relationship between female directorship and firm performance (Falk & Lidemar, 2012; Kılıc & Kuzey, 2016), while others indicate a negative relationship (Yasser, 2012; Agyapong & Appiah, 2015).

Board Size

SEC-N (2011) provides for a minimum board size of five with no maximum. The FRC-N (2018:2) does not fix a minimum board size, but requires that boards be of "a sufficient size to effectively undertake and fulfill its business objectives." Agency theory supports the small board size structure (Guest, 2009). There is mixed evidence on the impact of board size on a firm's performance. While studies (Pantame & Ya'u, 2018; Yameen *et al*., 2019) indicate that large boards negatively affect firm performance, Johl *et al*. (2015) revealed a positive relationship.

Foreign Nationalities

SEC-N 2011 does require the inclusion of foreign nationals on the boards of listed firms in Nigeria. Sener *et al*. (2011) argue that the inclusion of foreign nationals on corporate boards reduces the negative effect of strategic information asymmetry on modern production methods and promotes innovation in developing economies. However, several studies have shown mixed results. While (Aghadike, 2021) and Machado and Sonza (2021)argue that having foreign directors does not enhance firm performance in Nigerian and Brazil respectively, the Indonesia experience indicates otherwise (Joenoes & Rokhim, 2019).

Board Independence

To ensure the independence of the board, SEC-N (2011) and FRC-N (2018) provide for the inclusion of more non-executive and independent directors on the boards of listed firms. Altuwaijri and Kalyanaraman (2016) argue that the inclusion of a substantial majority of independent directors on the boards of listed firms improves firm performance. In contrast, Qadorah and Bt Fadzil (2018), Kweh *et al*. (2019) and Sobhan (2021) found a negative or no relationship between firm performance and board independence.

Board Meetings

A listed firm in Nigeria is required to hold board meetings at least four times every year (CAC, 1990, SEC-N, 2011; FRC-N, 2018). While Usman (2018), Agarwal and Singh (2020), and Yakob and Hasan (2021) found that frequent board meetings positively affect the performance of listed firms, Akpan (2015), and Ebun and Emmanuel (2019) identified a negative relationship.

Committee Structure

The CAMA (1990) provides for only the statutory audit committee (SAC) of the board. However, the SEC-N (2011) requires boards to have at least two additional committees: the governance/remuneration committee, comprising only non-executive directors; and the risk management committee. Ammari *et al*. (2016), and Abu, *et al*. (2020) argue that the number of board committees has a positive relationship with the performance of the firm in Nigeria. In

Ghana, Puni (2015) found no significant association between the number of committees and firm performance.

Audit Committee and Internal Control

The boards of listed companies are required by section 359 of CAMA 1990 to establish an audit committee (AC). The committee ensures that listed firms produce reliable financial statements. Thus, an AC is an integral part of the corporate governance framework of listed firms in Nigeria (Eyenubo *et al*., 2017). Studies have shown that audit committees improve the integrity of financial reports and maximise firm value (Eyenubo *et al*., 2017). Conversely, Olayinka (2019) found no significant relationship between the audit committee's effectiveness and the financial performance of the firms in India and Nigeria. The second hypothesis is thus stated as follows:

H2: There is a statistically significant positive relationship between internal corporate governance mechanisms and firms' financial performance as measured by Tobin's Q, ROE, and NAT with respect to:

2.1 CEO duality
2.2 Female board membership
2.3 Board size
2.4 Proportion of foreign nationals on the boards of Nigerian listed firms
2.5 Board independence
2.6 Proportion of board meetings
2.7 Board committees
2.8 Independence of the external and audit committee

3. External Mechanisms

3.1 Non-Promoter Institutional Shareholders

Non-promoter institutional shareholders are shareholders that are not individuals but corporate bodies, fund managers, pension fund firms, banks, insurance firms, investment firms, and trust funds other than the promoters (Dharmastuti & Wahyudi, 2013). They also include entities "that accept funds from third parties for investment, usually in their name, but on such parties' behalf" (OECD, 2015:9). Corporate governance encourages block or institutional ownership of firms to discipline the management and alleviate agency conflict associated with dispersed ownership (Dhillon & Rossetto, 2009). Gul *et al*. (2012) found that institutional ownership reduces the level of agency costs. On the contrary, Gabriel and Osazuwa (2020) and Sani and Alifiah (2021) found no significant positive relationship between institutional shareholding and firm performance.

3.2 Market Share (Product Market Competition)

Corporate governance research says that firms that are well-run would get a bigger share of the market for their products (Gempesaw, 2020). Wang *et al*. (2014) indicated a relatively significant positive relationship between industry competition and firm performance in the US, UK, Germany, and France. On the other hand, Magoro (2009) suggested that market competition can result in a reduction in the value and performance of a firm.

The consideration of the external mechanisms is relevant to this study since institutional shareholders and the product mark*et al*so complement the internal governance mechanisms. The third hypothesis is thus stated as follows:

H3: There is a statistically significant positive relationship between external corporate governance mechanisms and firms' financial performance as measured by Tobin's Q, ROE, and NAT with respect to:

3.1 Institutional shareholding
3.2 Market share.

4. Research Design and Methods

This quantitative research adopts the positivist research philosophy since data is available in the public domain and is independent of the researcher (Carlo & Gelo, 2012). The dependent variables were Tobin's Q, ROE, and NAT. The sample of 63 non-financial listed firms was selected from an adjusted population of 100 listed nonfinancial firms, whose shares were actively traded from 2012 to 2019, using the purposive sampling technique (Akinkoye & Olasanmi, 2014). The independent variables include board independence (BODIND), CEO duality (BODLTY), board meetings (BODMTG), board size (BODSIZ), gender diversity (GENDIV), foreign board members (FORMEM), board committees (BODCOM), independence of the audit committee and the external auditor (EXACOM), institutional shareholders (NPISHR) and market share (MKTSHR). The control variables were capital structure (CAPSTR); firm size using market capitalisation as a proxy (FIRMSI) and the age of the firm (FIRAGE). The control variables help to mitigate the biases inherent with omitted variables and improve the validity of research results (Steyn, *et al*., 2020; Ndum & Oranefo, 2021).

Data was obtained from the annual reports of listed firms, through content analysis. The study uses the fixed-effect estimation model and the multivariate regression equation of the form:

$$Y_i = \alpha + \beta_1 X_{1i} + \beta_2 X_{2i} + \ldots + \beta_n X_{ni} + \sum_{i=1}^{n} \beta_1 Controls + e_t$$

Thus, the different values of the firm have the following relationships:
Model 1: The Nigerian corporate governance compliance index (NCGCI)

$$FIRMVAL(TQN, ROE, NAT) = \alpha + \beta\mathrm{NCGCI} + \beta CONTROLS + e_t \ldots Equation1$$

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Model 2

$$FIRMVAL - TNQ, ROE, NAT = \alpha + \beta_1 BODIND + \beta_2 BODLTY + \beta_3 BODMTG + \beta_4 BODSIZ$$
$$+ \beta_5 GENDIV + \beta_6 FORMEM + \beta_7 \mathrm{BODCOM} + \beta_8 \mathrm{EXACOM} + \beta_9 \mathrm{NPISHR} + \beta_{10} \mathrm{MKTSHR}$$
$$+ \beta_{11\Sigma}{}^{n}\ \mathrm{CONTROLS}_n + \mathrm{e}_t \ldots\ldots\ldots\ldots\ldots Equation2$$

Nathans *et al*. (2012) argue that the multivariate regression analysis model is most commonly deployed in social science research. The data was winsorized at the 5% and 95% levels. Winsorization is a recommended method of data cleansing, especially when the distribution of the data sets is substantially non-normal (Jamaluddin *et al*. 2015).

5. Empirical Results

5.1 Nigerian CGCI (NCGCI)

The study considered a total of 32 independent (explanatory) variables and three control variables. The summary of the constructed NCGCI, including the yearly changes, is presented in Table 1.

Table 1 shows that the NGCI increased marginally from 70.38% in 2012 to 71.74% in 2019. This suggests that the listed firms might not have been under any compulsion to improve their yearly compliance levels. However, the decrease in the external governance compliance score from 11.99% in 2012 to 7.06% in 2019 implies that there was no substantial attempt to improve the proportion of institutional shareholding and market share by firms due to declining turnover caused by the economic recession, political instability, and insecurity that characterised the period. Therefore, it can be said that the external governance variables did not effectively discipline the board and management of firms to motivate better performance.

Table 1. Nigerian NCGCI 2012-2019

Year	Average NCGCI-Internal Governance Index	Average NCGCI-External Governance Index	Average NCGCI	Control Variables
2012	74.27%	11.99%	70.38%	42.77%
2013	74.47%	10.86%	70.50%	40.25%
2014	74.49%	10.15%	70.47%	37.84%
2015	75.16%	9.42%	71.05%	36.67%
2016	74.94%	9.02%	70.82%	35.75%
2017	75.73%	8.36%	71.52%	34.80%
2018	75.13%	8.05%	70.94%	33.16%
2019	76.05%	7.06%	71.74%	31.23%

Source: Author

5.2 Summary Statistics of Governance Mechanisms

Table 2 presents the summary statistics of the board governance variables. The mean of the board duality is 0.96, suggesting that 96% of listed sample firms separate the positions of the chairman of the board and the CEOs. The mean board size is approximately nine, which is within the Wall Street average of 9.6 (Price, 2018). The mean number of foreign nationals on the boards of the sample firms is two. The mean score for board independence is 3.57 (89%).

Table 2. Descriptive statistics of the Internal Governance Mechanisms Index 2012-2019

	BODIND	BODLTY	BODSIZ	GENDIV	FORMEM	BODMTG	BODCOM	EXACOM
Mean	3.5737	0.9758	8.6091	0.1252	1.6925	5.890873	3.228175	13.181580
Median	3.7273	1.0000	8.0000	0.1111	1.0000	6.000000	3.000000	13.183330
Maximum	3.9333	1.0000	17.0000	0.6667	7.0000	14.000000	4.000000	20.166670
Minimum	1.5000	0.0000	4.0000	0.0000	0.0000	2.000000	1.000000	7.500000
Standard Deviation	0.4543	0.1954	2.3711	0.1333	1.9877	1.417722	0.708876	1.809013
Skewness	-2.0579	-4.7161	0.5803	0.9417	0.9171	1.073151	- 0.592229	- 0.785383
Kurtosis	6.6541	23.2413	3.2840	3.2704	2.6971	5.719619	2.993262	4.325701
Jarque-Bera	634.0258	10472.200	29.9786	76.0236	72.5796	252.06180	29.462690	88.720620
Probability	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Source: Author

The summary statistics of the external governance mechanisms: the market share (MKTSHR) and the institutional non-promoter shareholding (NPISHR), are presented in Table 3.

As Table 3 shows, the standard deviation of the market share (MKTSHR) is low but not zero, suggesting that the data set for the variable is normally distributed. The standard deviation of institutional shareholding (NPISHR) is greater than zero. Therefore, the data of NPISHR is not normally distributed. The kurtosis values of both variables are above three, meaning they are leptokurtic and have a peaked curve with higher values than the sample means.

6. Multivariate Regression Analysis (Compliance Index Model)

The regression results are presented in Table 4 using the fixed effect (FE) estimation method.

The results of Table 4 indicate that there is a negative but insignificant relationship between NCGCI and the financial performance of non-financial firms from 2012 to 2019. Thus, this study argues that compliance with the corporate governance codes had no significant positive relationship with the financial performance of the listed non-financial performance from 2012 to 2019. This finding is consistent with the findings of El-Faitouri (2014) that identified no significant relationship between corporate governance and firm performance. The study rejects the argument that compliance with corporate governance principles will significantly improve the financial performance of

Table 3. Descriptive Statistics of External Governance Mechanisms Index 2012-2019

	NPISHR	MKTSHR
Mean	0.238452	0.150374
Median	0.000000	0.065579
Maximum	13.810000	0.703137
Minimum	0.000000	0.002077
Standard Deviation	1.658662	0.195100
Skewness	7.837230	1.683658
Kurtosis	62.984390	4.853158
Jarque-Bera	80,720.130000	310.233100
Probability	0.000000	0.000000

Source: Author

the firm, as argued by Larcker & Tayan (2016). Therefore, hypothesis 1 is rejected in favour of the null hypothesis.

Table 4. Summary of FE Regression

Measures	Tobin's Q	ROE	NAT
Constant coefficient	-0.62	-0.59	0.31
	0.23*	0.00**	0.14*
	(-1.20)	(-3.26)	(1.47)
Coefficient of NCGCI	-0.01	-0.01	-0.01
	0.53*	0.06*	0.09*
	(-0.62)	(-1.92)	(-1.71)
Coefficient of Control variables	2.32	0.97	0.81
	0.00**	0.00**	0.00**
	(13.11)	(15.82)	(11.33)
R-Squared	0.84	0.57	0.85
Adjusted R-Squared	0.82	0.51	0.83
F-Statistics	36.11	9.19	38.99
Prob. (F-Statistics)	0.00	0.00	0.00

Notes: The figures in parenthesis are the t – statistics values. ** p-values less than the critical value of 05.
Source: Author

In Table 5, you can see the results of the regression based on the equilibrium-variable model and the FE estimation method.

Using the FE estimation model, the results indicate that not all the independent variables are positively related to the three dependent variables as presented in Table 5. Board committees, board independence, CEO non-duality, gender diversity, board meetings, the board size, and firm age have varying degrees of negative but insignificant relationship with Tobin's Q. Of the variables with negative coefficients, only gender diversity and firm age are statistically significant with regard to Tobin's Q value.

The ROE indicates mixed results as well. While board committees, board independence, CEO non-duality, board meetings, gender diversity, and external audit committees had negative relationships, others indicated positive relationships. Specifically, the CEO non-duality negatively affected the performance of the listed non-financial firms significantly. However, there was a significant positive relationship between ROE and market share.

Further, NAT was discovered to have a negative relationship with board committees, board independence, CEO non-duality, board meetings, board size, and gender diversity. But the independence of the external auditors and audit committee, foreign directorship, market share, and non-promoter institutional shareholding exhibited a positive association with NAT. CEO non-duality, board meetings, and gender diversity all had a significant negative relationship with NAT, whereas market share had a significant positive relationship with it.

The findings on CEO duality are consistent with the findings by Chineme (2019) and Yang & Chen (2021). Therefore, this study rejects the separation of the offices of the CEO and chairman of listed non-financial firms in Nigeria. This finding agrees with Agyapong and Appiah (2015), who found that the number of women on a board hurts the firm's financial performance. However, it goes against the findings of Green and Homroy (2017) and Tatiana and Muravyev (2020), who found a positive relationship between the number of women on a board and the firm's financial performance.

On board size, the findings indicate no statistically significant positive relationship between the proportion of board size and firm financial performance. This finding is consistent with the findings of EL-Maude *et al.* (2018) and Yameen *et al.* (2019), but contradicts the findings by Orozco *et al.* (2018), Sobhan (2021), and Agyemang and Nyarko (2021). The proportion of foreign nationals on boards was found to have no statistically significant positive relationship with firm financial performance. This finding is consistent with those of Khidmat *et al.* (2020) and Aghadike (2021) and rejects the positive relationship identified by Okere *et al.* (2019).

The findings on board independence and firm financial performance are consistent with those by Kweh *et al.* (2019) and Sobhan (2021) that identified a negative relationship between board independence and the performance of the firm. The findings, however, conflict with the findings by Altuwaijri & Kalyanaraman (2016) and Qadorah and Bt Fadzil (2018) that board independence is positively associated with the financial performance of the firm. The evidence on board meetings is consistent with the findings by Qadorah and Bt Fadzil (2018) and Ebun and Emmanuel (2019) that a negative association exists between the frequency of board meetings and a firm financial performance. Al-Daoud *et al.* (2016) and Usman (2018), on the other hand, have found a positive relationship between the two.

Table 5. Summary of regression results using the equilibrium-variable model

S/N	Variable	Tobin's Q		ROE		NAT	
		Coeff	p-values	Coeff	p-values	Coeff	p-values
1	Constant (C)	7.034	0.000**	2.367	0.000**	4.753	0.000**
2	BODCOM	-0.082	0.428	-0.046	0.191	-0.066	0.069
3	BODIND	-0.016	0.906	-0.034	0.464	-0.07	0.145
4	BODLTY	-0.42	0.119	-0.326	0.000**	-0.381	0.000**
5	BODMTG	-0.019	0.442	-0.006	0.418	-0.018	0.030**
6	BODSIZ	-0.02	0.365	0.004	0.622	-0.003	0.694
7	EXACOM	0.016	0.615	-0.014	0.182	0.003	0.805
8	FORMEM	0.038	0.35	0.01	0.479	0.019	0.176
9	GENDIV	-1.084	0.002**	-0.167	0.163	-0.364	0.003**
10	MKTSHR	0.386	0.47	0.496	0.006**	1.113	0.000**
11	NPISHR	0.117	0.367	0.016	0.722	0.029	0.518
12	FIRMSI	105.781	0.036**	5.052	0.767	25.172	0.154
13	CAPSTR	1.498	0.000**	0.685	0.000**	0.277	0.000**
14	FIRAGE	-6.889	0.000**	-2.227	0.000**	-4.223	0.000**

The results also indicate that there is no statistically significant relationship between the number of board committees and the firm's financial performance. This evidence contradicts the findings by Abu *et al.* (2020), which suggest that large board committees positively affect the financial performance of the firm. The study rejects that there was a significant positive relationship between the independence of the external auditor and the audit committee and the firm financial performance. This finding contradicts those of Eyenubo *et al.* (2017) and Mohammed *et al.* (2019) which indicate a positive and significant association between the independence of the audit committee and external auditors and the financial performance of the firm. However, it supports prior studies by Olayinka (2019) and Awa and Obinaob (2020), who found a significant and positive relationship between the independence of the external auditor and the audit committee and the performance of the firm.

Further, there was no significant relationship between the proportion of institutional shareholding and firm financial performance. This finding supports the prior findings by Gabriel and Osazuwa (2020) and Sani and Alifiah (2021) but rejects the results of Kapil and Mishra (2019) and Sakawa and Watanabel (2020), which showed otherwise.

The market share results indicate that, for REO and NAT, the alternate hypothesis is accepted that there is a significant and positive relationship between market share and the financial performance of REO and NAT. However, for Tobin's Q, the alternate hypothesis is rejected in favour of the null that there is no statistically significant relationship between market share and Tobin's Q. The evidence for ROE and NAT confirms the findings by Omidfar *et al.* (2017) and Le Thi and Le Thanh (2021), which identified a positive relationship between market share and firm performance. The rejection of the alternative hypothesis for the Q ratio supports the findings by Magoro (2009) and Fazlzadeh and Sabbaghi (2010), that there is no positive relationship between market share and the Q ratio of the firm.

7. Control Variables

The results show that the size of the firm is significantly and positively associated with the value of the Q ratio. In the case of the capital structure, a significant and positive association is established with the three firm value proxies of Tobin's Q, ROE, and NAT. The age of the company, on the other hand, has negative coefficients that are statistically significant for the three financial performance proxies.

8. Conclusion

Underpinned by the agency theory, this study contributes towards the enhancement of the international literature on corporate governance in emerging economies by constructing a unique NCGI for the non-financial sector from 2012 to 2019, based on the SEC-N 2011 Code and CAMA, 1990. Prior studies did not cover this period, nor did they consider the SEC-N 2011 Code and CAMA, 1990. Second, the use of both internal and external governance mechanisms alongside the corporate governance compliance index (NCGCI) to assess the relationship between corporate governance and the performance of non-listed firms in Nigeria provided a much more comprehensive assessment of the corporate governance-firm performance relationship. This method is different from the Nigerian studies that have already been done (Adejare & Aliu, 2020; Ndum & Oranefo, 2021), which mostly used the internal board mechanisms to find such a connection.

Third, the study provided, for the first time, evidence on the association between NCGI and the performance of Nigerian-listed non-financial firms from 2012 to 2019, thereby extending both international and Nigerian evidence. Lastly, and unlike previous studies (Ibrahim & Abdullahi, 2019; Enilolobo *et al.*, 2019; Akinleye *et al.*, 2019; Osemwengie *et al.*, 2019), this study focuses on the knowledge gap created by the corporate governance provisions of SEC-N 2011 and CAMA 1990 and how they affect the performance of listed Nigerian non-financial firms from 2012 to 2019.

More importantly, in contrast to Nigerian findings; we argue that compliance with corporate governance codes does not necessarily lead to better performance of listed non-financial firms in Nigeria. Further, the study established that the relationship between the internal corporate governance mechanisms and the firm performance of non-financial listed firms in Nigeria is not one-directional, but rather mixed. This study improves upon existing studies by focusing mainly on non-financial listed firms and avoids sample selection endogeneity, which characterised prior Nigerian studies that considered both regulated and non-regulated listed firms in a single study.

The results of this study have motivated some recommendations. One recommendation is to adopt a compliance approach that is based on business imperatives rather than enforce a box-ticking compliance approach. The most critical implication of this study is that it explains why policymakers and agencies in Nigeria that are in charge of overseeing listed companies need to understand that companies need to use corporate governance frameworks that create value and take into account their unique environments and structures.

Limitations of The Research

The major limitation of the study is the lack of complete annual reports of the listed firms, during the period. This limitation restricted the sample size to 63 firms out of a potential population of 100 firms. Secondly, the task of manual data extraction was labour-intensive and exposed the data to some unintentional data extraction errors. Finally, the difficulty of self-constructing the NCGCI without official weights attached to variables led to the use of both binary and proportional coefficients with their attendant limitations.

Recommendations for Further Study

The mixed results indicated in this study suggest the need to consider a much larger sample and the use of a mixed research method. This would provide a better explanation of the impact of other qualitative factors on the performance of the firm. Secondly, investigating the relationship between corporate governance and product and service quality would make an interesting enquiry. Another suggestion for further research consideration is to investigate the reasons for the negative relation between CEO duality and firm performance, vis a vis the restrictions on CEO duality contained by the SEC-N 2011 and FRC-N 2018 Codes.

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Ethics Statement

Ethical clearance was obtained from the University of KwaZulu-Natal, exempting the study from ethical review since it did not involve human participants and the data was obtained from annual reports that were already in the public domain.

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