**IMPACT OF CORPORATE GOVERNANCE MECHANISM ON RETURN ON ASSET OF NON-FINANCIAL FIRMS LISTED ON NIGERIAN EXCHANGE GROUP (NXG)**

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**Abstract**

Corporate Governance (CG) has assumed a generalized concept relating to companies well-being. Scandals occasioned by Corporate Governance (CG) failure continued to raise concerns about the effectiveness of CG designs and implementation as it affects Financial Performance (FP) of selected Non-Financial Firms (NFFs) in Nigeria. This study therefore examined the impact of corporate governance mechanisms on selected financial performance indicators of listed NFFs in Nigeria from 2013-2022.

*Ex-post facto* research design wherein secondary data sourced from published annual report and accounts of listed NFFs, over a ten (10) year period of 2013-2022, were employed to relate CG with FP of listed NFFs. Population of the study comprised all the 111 listed NFFs in Nigeria as at 31st December, 2022 from where a sample size of 37 firms was selected using purposive sampling technique. The relationship between Board Accountability Mechanism (BAM), Disclosure Mechanism (DM), Transparency Mechanism (TM), and Audit Committee Mechanism (ACM) with Return on Asset (ROA) was analyzed using Generalized Method of Moment (GMM) at 5% level of significance.

Result revealed that ACM (β = 1.021945; ρ = 0.0000), DM (β = 3.834934; ρ = 0.0000), had positive significant relationship on ROA while BAM (β = -0.801284; ρ = 0.0000) and TM (β -1.889264; ρ = 0.0000) had negative but significant impact on ROA.

The result concludes that factors other than full implementation of corporate governance mechanisms impact financial performance of listed Non-Financial Firms in Nigeria.

**Keywords**: Corporate Governance Mechanism; Financial Performance; Board Accountability Mechanism; Disclosure Mechanism; Audit Committee Mechanism; Transparency Mechanism.

* 1. **Background to the study**

Corporate Governance (CG) has assumed a generalized concept relating to companies well-being. The impact of corporate governance on a company’s performance has been the main focus of several research studies in accounting, finance, and management (Akbar *et al.,* 2016). The rationale for establishing a relationship between corporate governance compliance and firms’ performance arises because improved governance should naturally enhance efficiency in the monitoring of managerial activities, which in turn encourages managers to pursue value-maximizing projects and avoid expropriation of firms’ resources for perquisite consumption (Akbar *et al.,* 2016). .

As asserted in previous literature (Oyewo, 2021), corporate governance reforms emerged as a critical business issue, propelled by a number of high-profile corporate failures and scandals around the globe, and this has undoubtedly re-echoed the need to revisit the entire process of corporate governance design, implementation, and monitoring so as to serve the purpose of protecting stakeholders’ interests that it was originally designed for. The prominent corporate accounting scandals of Enron Corporation, WorldCom, Tyco, Parmalat, Cadbury Plc and Diamond Bank have led to contemporary discussion on the best mechanisms for protecting the stakeholder’s interest and ensuring shareholder wealth maximization measured in terms of performance (Mertzanis *et al*., 2018).

Several cases of performance inefficiencies, deterioration in performance, or total liquidation of various organizations around the world have been ascribed to a lack of managerial leadership quality and corporate governance (CG) deficiencies. Specifically for the NFFs, poor managerial performance and poor CG have been identified as the major culprits in virtually all known cases of institutional distress in Nigeria. To the extent that corporations still experience distress and collapse, the major causes that are traceable to corporate scandals—a product of corporate governance anomalies—placed a big question mark on the efficacy of the design. It is becoming unclear whether the design is faulty or perhaps outright uncalled for.

**1.2 Statement of the problem**

Majority of the work done to relate corporate governance with performance by previous scholars were centered on identifying certain corporate governance items and relating them to performance indicators. This is because performance measurement systems play a significant role as they concern the source of financial information shown in the financial statements by internal operations. Away from the usual identification of certain corporate governance items and relating them to selected performance indicators, recent studies have moved a step ahead by trying to capture all possible and known corporate governance mechanisms through indexing and relating them to performance indicators.

In this case, variables such as board accountability, disclosure, transparency, and audit committee have been identified in the existing literature to form the mechanism with which performance indicators need to be related. Provisions of the Nigerian Code of Corporate Governance (NCCG) issued by the Financial Reporting Council in 2018, while towing the line of OECD principles of corporate governance, identified certain principles that the board of directors in their dealings must observe in the quest to deliver on their mandate and be accountable to the shareholders. It further specifies certain information that must be disclosed, for public consumption, in the financial statement in addition to the establishment of statutory audit committee saddled with certain responsibilities. In all, the financial and other dealings of the firm are to be conducted in a transparent manner to lay credence to its operations. The contents of the principle used in designing the Corporate Governance Index (CGI) in previous literature and that of the OECD guidelines, when adopted, are supposed to enhance corporate performance in light of return on asset (ROA). Regrettably, most non-financial firms (NFFs) listed on the floor of the Nigerian Exchange Group (NGX) have not been doing well as far as their ROA is concerned, despite claims of observing the corporate governance guidelines as they relate to these corporate governance mechanisms.

**1.3 Research Questions.**

Drawing from the above-stated problems, this study further examines the following research questions:

1. What is the relationship between Board Accountability Mechanisms (BAM) and Return on Asset (ROA) of selected Non-Financial Firms (NFFs) listed on the Nigerian Exchange Group (NGX)?
2. What relationship exists between the Disclosure Mechanism (DM) and Return on Asset (ROA) of selected NFFs listed on NGX?
3. What types of influence will the Transparency Mechanism (TM) have on the Return on Assets (ROA) of selected NFFs listed on the NGX?
4. To what extent has the Audit Committee Mechanism (ACM) impacted the Return on Asset (ROA) of selected NFFs listed on NGX?

**1.4 Objectives of the Study**

The study aims to achieve two categories of objectives. The general objective is to determine the impact of corporate governance on the financial performance of listed non-financial firms in Nigeria, while the specific objectives of this study are:

1. To determine the relationship between the Board Accountability Mechanism (BAM) and ROA of selected NFFs listed on NGX
2. To examine the relationship between the Disclosure Mechanism (DM) and ROA of selected NFFs listed on NGX?
3. To evaluate the degree of influence that the Transparency Mechanism (TM) has on the ROA of selected NFFs listed on NGX?
4. To determine the extent to which the Audit Committee Mechanism (ACM) impacts the ROA of selected NFFs listed on NGX?

**1.5 Hypotheses of the Study**

In view of the above-itemized research questions and objectives, the following hypotheses are stated in their null form:

**H01:** No significant relationship exists between the BAM and ROA of selected NFFs listed on NGX.

**H02:** There is no significant relationship between the DM and ROA of selected NFFs listed on NGX.

**H03**: TM has no significant influence on the ROA of selected NFFs listed on NGX.

**H04:** ACM has no significant impact on the ROA of selected NFFs listed on NGX.

**2.1 Literature Review**

Corporate governance has been identified as meaning different things to different people. Broadly, it is a multifaceted concept that centers on notions of organizational accountability and responsibility (Olaniyi, 2021). The concept is *corpus,* derived from the Latin words and “*gubernare,*” which mean body, aggregate, or mass, and to steer or govern, respectively (Cadbury, 2015). It involves a number of interrelated and mutually supportive components, which, according to Osemeke and Anyanwu (2022), center on creating transparency and accountability through appropriate governance mechanisms.

Corporate governance is described as having legitimacy, accountability, and competence in the realm of policy and delivery of services while simultaneously respecting the law and human rights (Okoli and Abam, 2020). The concept can be easily understood by the Cadbury report, in which it is mentioned how corporate governance manages and controls companies working activities (Cadbury, 2015). However, it is said that governance can be good or bad, effective or ineffective, depending on what is incorporated during the governing practices and also based on the characteristics or quality of values associated with it.

Organizational performance is an important concept that relates to the way and manner in which financial, material and human resources available to an organization are judiciously used to achieve the overall corporate objective of the organization (Aliyu *et al.,* 2014).

Performance is reflected through financial and non-financial measures which are indicators usually used in the monitoring strategy implementation throughout the organization and whether strategic goals are being achieved or not (Nwobu and Nwosu, 2018). Also, according to Adegbite *et al.* (2018), the provision of broad-based, strategically-aligned performance indicators are expected to improve organizational outcomes by enhancing the decision-relevant information available to managers thereby facilitating strategy- consistent decision making. Most particularly, performance, which is either financial (ROA, ROE, TQ, ROI, MV etc.) or non-financial (customer satisfaction, customer retention and churn, innovation and market share) form a major yardstick upon which the efficiency of management policies, operations and activities are determined. Today, the easiest way to measure performance has been identified to be the financial due to its quantifiable element that makes numerical attachment for proper measurement possible. This is not unconnected with the fact that performance measured monetarily can easily point to areas of weaknesses and strength in policy implementation and attainment. Since organizations are established for wealth/profit maximization, investors become motivated only when they get high returns on investment. This however, can only be better measured through financial performance indicators.

According to Atta (2021), corporate governance involves a set of institutional and market mechanisms that induce self-interested managers to increase the value of the residual cash flows of the company to optimal levels on behalf of the owners of the entity. To have the necessary impact, a governance mechanism should bridge the gap between the interests of management and shareholders and have a substantial and positive impact on corporate performance and value. Various mechanisms are therefore set in place with the view that they will ultimately enhance the firm’s performance and maximize shareholder wealth.

According to Atta (2021), international bodies which have released Codes of Corporate Governance include the Organization for Economic Co-operation and Development (OECD), the International Corporate Governance Network (ICGN) and the United Nations. The OECD Principles of Corporate Governance was initially released in 1999, after it received an endorsement from the OECD Ministers. The OECD code has subsequently turned into a global standard for decision makers, shareholders, enterprises and other stakeholders around the world. They have propelled the corporate governance agenda and have given customized direction for regulatory activities in countries both within and outside OECD jurisdiction. The OECD code was reviewed and the revised principles published in 2004 to factor new happenings in OECD member and non-member countries at the time (Atta, 2021).

The International Corporate Governance Network (ICGN) is a governance organization led by investors which was formed in 1995 and is established in over 50 countries. Its aim is to promote effective corporate governance standards to assist in further developing efficient markets and economies globally. The ICGN Global Governance Principles (“the Principles”) describe the responsibilities of boards and shareholders respectively and aim to promote a deeper level of discussion between the two parties. The current edition, which is the fourth, was published in 2014. The United Nations Conference on Trade and Development (UNCTAD) published the Guidance on Good Practices in Corporate Governance Disclosure in 2006. This guidance was meant to serve as an optional technical aid for policy makers and firms in developing economies and emerging markets (Atta, 2021).

The emphasis of the document was to generally put on relevant disclosure issues that should apply to most organizations in order to enhance the benefits expected from the document. The guidance draws heavily from some of the major codes like the UK Combined Code, the OECD Principles of Corporate Governance, the International Corporate Governance Network Corporate Governance Principles, and also the Sarbanes Oxley Act, and draws some insights from the contents of these documents, with an emphasis on an array of disclosures including finance-related information, information relating to general meetings, information regarding the level of adherence to rules pertaining to their respective jurisdictions and how timeously and the manner in which information is disclosed (Atta, 2021).

**2.2 Theoretical Framework**

Stakeholder theory is a view of capitalism that stresses the inter-connected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization. It was propounded in 1984 by Freeman where the study argued that a firm should create value for all stakeholders, not just shareholders. Stakeholder is a broad term that generally refers to ‘any group or individual who can affect or is affected by the accomplishment of that organization’s goals’ (Davis *et al.,* 1997). However, stakeholders must be parties that have direct/indirect interests in the activities and performance of an organization e.g. employees, communities in which the Organization operates and shareholders (Donaldson and Preston 1995).

As Donaldson and Preston (1995) contended, the ‘stake’ denoted by the term ‘stakeholder’ is understood to impose normative obligations and hence a stake is identified as ‘an interest’ for which a valid normative claim can be advanced (Donaldson and Preston, 1995). In other words, stakeholders have an obligation from, and on, the organization that may be identifiable, justified and reasonably measured. It can be seen that stakeholder theory is an extension of the agency perspective, where responsibility of the governing body is increased from shareholders to other stakeholders’ interests (Ibiwoye *et al.,* 2022). The theory represents recognition by management and scholars that “current approaches to understanding the business environment fail to take account of a wide range of groups who can affect or are affected by the corporation, its stakeholders” (Freeman, 1984). The significance of stakeholder theory is that it recognizes that organizations are not controlled or affected purely by those that exercise ownership rights in the organization.



**Figure: 2.2 Stakeholders Model.**

**Source: Donaldson and Preston, 1995.**

# 2.3 Empirical Review

Iqbal *et al.* (2018) analyzed the relationship between corporate governance and financial performance of Micro-finance Institutions (MFIs) in Asia. Panel dataset involving 173 MFIs in 18 Asian countries for the period 2007-2011 were employed for the study. Furthermore, corporate governance index based on seven measures pertaining to board size and composition, CEO characteristics, and ownership type was constructed. After which an estimated two-way relationship between the index and each of five different financial performance indicators was done. To address the likely simultaneity between corporate governance and financial performance, a two-stage least squares estimation approach was adopted with instrumental variables. Results from the study confirmed the endogenous nature of the relationship between corporate governance and financial performance. Findings revealed that the profitability and sustainability of MFIs improved with good governance practices hence profitable and sustainable MFIs are products of better governance systems.

Al-ahdal, *et al.* (2020) investigated the impact of corporate governance on financial performance of Indian and GCC listed firms. The study examined the associations between corporate governance mechanisms (board accountability index, transparency and disclosure index, audit committee index), and the firm performance as measured by ROE and Tobin Q in addition to control variables (government effectiveness and firm leverage) arrived at using market capitalization.

The study employed a multi-stage sampling technique, first and foremost, to select the countries. Purposively, fifty-three (53) non-financial listed companies from India and 53 non-financial listed companies from GCC countries were sampled for the period 2009–2016. The data obtained were analyzed using descriptive statistics, correlation, multiple regression analysis and OLS in addition to Generalized Method of Moment (GMM).

Results revealed that board accountability (BA) and audit committee (AC) have an insignificant impact on firms' performance as measured by ROE and Tobin’s Q. Similarly, transparency and disclosure (TD) have an insignificant negative impact on firms' performance as measured by Tobin’s Q. Moreover, the results from the country dummy show that Indian firms are performing better than Gulf countries in terms of corporate governance practices and financial performance.

The study is considered a basis for further research and studies, especially in the context of corporate governance and financial performance for India and GCC listed firms.

Zabri *et al.* (2016) examined Corporate Governance Practices and Firm Performance among top hundred (100) Public Listed Companies in Malaysia. Two corporate governance’s indicators (Board size and Board Independence) were chosen in testing the hypothesized relationship between corporate governance practices with firm performance, which was measured by return on asset (ROA) and return on equity (ROE). Descriptive and correlation analysis were used to examine the hypotheses in the study.

The result showed that board size has significantly weak negative relationship with ROA but it was found to be insignificant to ROE. The other finding indicated that there was no relationship between board independence and firm performance. The study provided useful information for policy makers or regulators in improving the corporate governance policies in the future and also helps in increasing understanding on the relationship between corporate governance practices and firm’s performance.

Bhagat and Bolton (2019) carried out a study on the relationship between corporate governance and performance in the US. Corporate governance index comprising extensive set of governance measures used in the finance, accounting, and law literature, as well as governance indices sold by commercial vendors from other studies was adopted. Return volatility, growth opportunity and firm size were all employed as control variables.

Data collected were analyzed using descriptive statistics, ordinary least squares and two-stage least squares (2SLS) estimation techniques. This was in addition to Multi-stage regression and correlation analysis employed. Findings showed that director stock ownership is most consistently and positively related to future corporate performance.

**3.0 Methodology**

The study employed *ex-post facto* research design wherein secondary data sourced from published annual report and accounts of listed NFFs, over a ten (10) year period of 2013-2022, were employed to relate CG with FP of listed NFFs. The population of the study comprised all the one – hundred and eleven (111) Non-Financial Firms listed by the Nigerian Exchange Group (NGX) as at the end of year 2022. The non-financial firms employed were categorized according to NGX as Natural Resources Sector that has four (4) firms, Health Care Sector, ten (10) firms, ICT, ten (10) firm, Conglomerate, five (5) and Consumer Goods sector has twenty (20) firms. Others are Industrial Good Sector with thirteen (13) firms, Agriculture with five (5) firms, Oil and Gas Sector, eleven (11) firms, Construction and Real Estate has eight (8) firms and finally, Services Sector with twenty-five (25) firms. Purposive sampling technique was used for this study. This is a non-probability sampling method which enables elements selected for the sample to be chosen by the judgment of the researcher. The technique ensured that listed NFFs who have been in existence and whose published financial statements are available and accessible for the last ten (10) years, are purposively selected. Year of incorporation criteria which ensured that the financial records of each company are available and accessible was also used. In the light of this, thirty-seven (37) companies formed the sample size.

Corporate Governance (BAM, DM, TM and ACM), and financial performance (ROA) data for this study were collected strictly from secondary sources on from published annual reports and accounts of listed NFFs using the twenty-eight principles/ items of corporate governance issued by the Financial Reporting Council of Nigeria (FRCN) in 2018. Descriptive statistics and Generalized Method of Moment (GMM) were adopted to examine the relationship between ROA and CGM proxies. All the analyses were conducted at 5% level of significance.

Basically, this study adapted the models in the work of Al-ahdal *et al.* (2020) wherein the relationship between Corporate Governance and Financial performance were established. Hence, to;

ROAit = α + β1BAMit + β2ACMit + β3TMit + β4DMit + β5LEVit + β6FSit + εit.. …Eq.3.1

Where;

BAM – Board Accountability Mechanism

ACM – Audit Committee Mechanism

TM – Transparency Mechanism

DM – Disclosure Mechanism

LEV – Leverage

FS – Firm Size

εit -  Error Term

α - Intercept

β – Coefficient

*apriori –* β1, β2……………… βn > 0

**4.0 Results and Discussion**

Table 4.1 presents information on the descriptive analysis where information on mean, median, maximum, minimum, standard deviation, skewness and so on in relation to the relationship between Corporate Governance Mechanism (CGM) and Financial Performance of selected Non-Financial Firms in Nigeria are shown. From the table, FS reveals the highest mean, median and maximum values respectively while minimum and standard deviation have their highest values against LEV.

The table demonstrates descriptive statistics for the whole sample that consists of 37 selected Non-Financial Firms in Nigeria. Results show a ROA’s mean, median, maximum and minimum values of 31.57%, 13.43%, 12.35 and -1.99. The standard deviation for ROA revealed a value of 1.04, indicating some variability while the skewness showed a positive value of 6.20, indicating a right-skewed distribution. ROA also showed a high kurtosis value of 61.71, indicating heavy-tailedness. The mean, median, minimum and maximum values for BAI are 82.15%, 84.62%, 53.85% and 92.31% respectively. It also revealed a standard deviation of 10.36% with negative skewness value of -0.70 while revealing a relatively low kurtosis of 2.33.

For Audit Committee Mechanism (ACM), values for mean, median, minimum and maximum reveal 87.36%, 90%., 61.54% and 100% respectively. However, ACM shows a positive standard deviation, negative skewness and high kurtosis values of 9.67, -1.24 and 4.13 respectively. On the part of TI, the values for mean, median, minimum and maximum values are 90.64%, 92.86%, 61.54% and 100% respectively. The standard deviation value for ACM is 10.04 while the skewness and kurtosis shows negative / relatively high positive values of -1.52 and 4.69 respectively. The table further reveals that DM (Disclosure Mechanism) has a mean value of 89.69%, median of 92.31%, minimum and maximum values of 61.54% and 100% maximum. The standard deviation is 9.82 with a negative skewness value of -1.01, while kurtosis reveals a relatively low value of 2.93. The descriptive statistics table also shows that LEV has mean and median values of 1.94E+08 and 13.54E+06 respectively. According to the results, the leverage ranges from 49472 to 1.02E+10 with a quite large standard deviation value of 9.95E+08 while revealing a skewness and kurtosis values of 7.81 and 65.17 respectively. For FS, the mean value is 4.84E+ 08. The median is 24.49E+06, with minimum and maximum values ranging from 29250 to 2.46E+10. The standard deviation is very large (2.54E+09) while the skewness and kurtosis show positive values of 7.35 and 57.83.

Finally, these statistical measures provide insights into the performance and governance characteristics of selected NFFs in Nigeria. The result implies variability and disparities in financial performance indicators measured by ROA in addition to corporate governance mechanism (BAM, ACM, TM, DM), with other control variables i.e. leverage and firm size.

**TABLE 4.1 Descriptive Statistics on the relationship between Corporate Governance Mechanism and Financial Performance of selected Non-Financial Firms in Nigeria**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | ROA | BAM | ACM | TM | DM | LEV | FS |
| Mean | 0.315729 | 0.821477 | 0.873581 | 0.906415 | 0.896862 | 1.94E+08 | 4.84E+08 |
| Median | 0.134300 | 0.846200 | 0.900000 | 0.928600 | 0.923100 | 13534957 | 24486904 |
| Maximum | 12.34860 | 0.923100 | 1.000000 | 1.000000 | 1.000000 | 1.02E+10 | 2.46E+10 |
| Minimum | -1.986500 | 0.538500 | 0.615400 | 0.615400 | 0.615400 | 49472.00 | 29250.00 |
| Std. Dev. | 1.041687 | 0.103582 | 0.096688 | 0.100390 | 0.116215 | 9.95E+08 | 2.54E+09 |
| Skewness | 6.204978 | -0.696454 | -1.242654 | -1.517160 | -1.006567 | 7.813108 | 7.353643 |
| Kurtosis | 61.70855 | 2.331809 | 4.128920 | 4.686270 | 2.928084 | 65.17206 | 57.83185 |
| Jarque-Bera | 55510.80 | 36.79451 | 114.8729 | 185.7801 | 62.55903 | 63355.46 | 49685.38 |
| Probability | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Sum | 116.8199 | 303.9465 | 323.2249 | 335.3737 | 331.8391 | 7.16E+10 | 1.79E+11 |
| Sum Sq. Dev. | 400.4061 | 3.959078 | 3.449657 | 3.718807 | 4.983669 | 3.65E+20 | 2.37E+21 |
| Observations | 370 | 370 | 370 | 370 | 370 | 370 | 370 |
|  | |

**Source: Researcher’s Computation, 2023**

Table 4.2 presents information in respect to the analysis conducted to establish the relationship between CGM and ROA using Generalized Method of Moment (GMM). Other information shown in the table include; proxies for CGM and Control variables i.e. BAM, ACM, TM, DM, LEV and FS respectively. The table also show figures of mean dependent var, S.E. of regression, J-statistic, Prob (J-statistic),  S.D. dependent var,  Sum squared resid and Instrument rank.

From table 4.2, the additional variable generated by GMM, namely, lag of return on asset is positively and statistically significant for determining financial performance of selected Non-Financial Firms in Nigeria. A percentage increase in the lag of TM leads to a 2.5% decrease in the performance (ROA) of NFFs in Nigeria. In Contrast, Audit Committee Mechanism is positively significant in determining financial performance of NFFs in Nigeria as the ρ-value > 0.05. Board Accountability Mechanism is found to negatively but significantly affect return on asset as a measure of performance, meaning that a percentage increase in the quality of Board Accountability Mechanism amounts to decrease in the ROA of selected NFFs in Nigeria. Relationship between Disclosure Mechanism and ROA is also significant, as the ρ-values for both variables are less than 0.05. The results further revealed a positive and significant relationship between DM and ROA meaning that a unit increase in disclosure index results in increase in return on asset, a measure for performance of selected NFFs in Nigeria. In the same manner, leverage, as a control variable, shows a positive and statistically significant relationship with ROA. This is an indication that a percentage increase in the leverage only results to an increase in the ROA of selected NFFs in Nigeria. Furthermore, a percentage increase in FS as the second control variable brings about a 71% increase in the ROA of selected NFFs. Generally, there is every tendency that all indicators of Corporate Governance Mechanism proxied by BAM, ACM, TM and DM impact Financial Performance (ROA) of selected NFFs in Nigeria but inherent and unfavourable practices that could be impeding positive increase in the performance of selected companies should be addressed by the management and regulatory authorities issuing the codes of corporate governance. The finding regarding the relationship between Transparency Mechanism contradicts the null hypothesis, which states that 'TM has no significant relationship with ROA. Therefore, the null hypothesis is hereby rejected. Furthermore, the result contradicts the *apriori* expectation of the study, which anticipated a positive relationship. Nonetheless, result is in tandem with findings from previous works of Abdallah and Ismail, 2017 in GCC Countries and Al-ahdal *et al.,* 2020 in India and GCC Countries.

**TABLE 4.2 Generalized Moment of Method establishing the relationship between Corporate Governance Mechanism and Return on Asset**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| ROA(-1) | -0.252432 | 0.000672 | -375.8036 | 0.0000 |
| BAM | -0.801284 | 0.070023 | -11.44312 | 0.0000 |
| ACM | 1.021945 | 0.052055 | 19.63186 | 0.0000 |
| TM | -1.889264 | 0.122602 | -15.40978 | 0.0000 |
| DM | 3.834934 | 0.024742 | 154.9954 | 0.0000 |
| LEV | 2.13E-10 | 1.31E-11 | 16.32891 | 0.0000 |
| FS | 7.08E-12 | 4.90E-12 | 1.445650 | 0.1494 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | Effects Specification | |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Cross-section fixed (first differences) | | | |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Mean dependent var | -0.017767 | S.D. dependent var | | 1.443969 |
| S.E. of regression | 1.321392 | Sum squared resid | | 504.6162 |
| J-statistic | 32.00737 | Instrument rank | | 38 |
| Prob(J-statistic) | 0.416387 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Source: Researcher’s Computation, 2023**

**5.0 Conclusion**

The study revealed that all Corporate Governance Mechanism variables have significant impact on return on asset of listed NFFs in Nigeria. It is also shown that moderating variables LEV and FS exhibited significant impact on ROA. It is therefore concluded that NFFs in Nigeria should improve their compliance with the contents of the BAM and be more transparent in their dealings so that the negative trajectory could change.

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