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DOES CORPORATE GOVERNANCE AFFECT FINANCIAL EARNINGS PER SHARE OF LISTED FINANCIAL SERVICES FIRMS IN NIGERIA

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Abstract

Purpose

This study examines the relationship between corporate governance mechanisms and the financial performance of listed financial services firms in Nigeria.

Design/methodology/approach

The study uses a purposive sampling technique to select 34 companies out of 47 financial companies on NSE and employs panel regression method to obtain the numerical estimates of the coefficients in the model using STATA.

Findings

The findings of this study reveal a significant positive effect of board size (BS) on earnings per share (EPS) of listed financial services firms in Nigeria. Additionally, the study found a negative insignificant relationship between BC with EPS. In the same vain, the study also identifies an adverse effect of the audit committee size (ACS) on EPS of listed financial services firms in Nigeria. Therefore, the study recommends that policies and practices be aligned with global governance practices, as this will bolster investor confidence, strengthen market competitiveness, and facilitate sustainable development in the Nigerian financial sector.

Originality

This study contributes a unique perspective to the literature by examining the specific effect of BS, BC, and ACS on financial performance in the Nigerian financial services sector, using current data and robust panel regression analysis.

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1. Introduction

The issue of corporate governance has gained significant attention on a global scale since the Enron scandal in 2001. This scandal, which was unprecedented in its size and impact, led to the largest bankruptcy in American history and resulted in the enactment of the Sarbanes-Oxley Act and the emergence of the concept of corporate responsibility. This event has had a profound impact and is considered one of the most consequential developments in corporate governance history (Michael & Charles, 2021). The need for increased oversight on the management of organizations has been in the spotlight since then. Agyei-Mensah and Gyimah (2020) point out that, managers tend to exhibit self-opportunistic tendencies and act in their own self-interest rather than in the interest of shareholders, due to the separation of ownership from management in a business. Wahyu and Anggun (2022) opine that inadequate corporate governance practices in a company can lead to its bankruptcy.

Effective corporate governance, as described by Ayoola-Akinjobi (2017), is a system that directs and controls the affairs of companies by those responsible for doing so. This helps to improve performance, drive growth, manage risks, attract and retain investors, and weather financial crises. Good corporate governance practices include transparency, openness, accurate reporting, and compliance with statutory regulations. Historically, a lack of effective corporate governance in banks has resulted in financial crises, which can cause instability in the banking sector (Guney et al., 2019). Understanding the historical context and evolution of corporate governance practices in Nigeria is crucial to understanding the dynamics at play. The issue of corporate governance practices in the Nigerian insurance industry gained attention due to the growing trend of fraudulent activities (Uguru & Obosi, 2017).

Furthermore, it is undeniable that the present economy requires a sound, stable, and better organizational performance, as various factors, such as unethical and unprofessional practices and poor management quality, have contributed to low levels of organizational performance and sometimes led to the failure of different organizations (Victor, 2017).

Board of directors is a key determinant of a good corporate governance system of an enterprise, even though a good board structure may not necessarily result in a good performance because of the conflict of interest which occurs between principal and manager of a company (Wahyu and Anggun, 2022). There are always the potentials for some executives to pursue lucrative business practices with promising financial and operational results. That attitude combined with weak board oversight practices, can be detrimental for a company (Michael & Charles, 2021).

Board composition as an element of corporate governance could be traced to the agency theory. The theory suggests that corporate board need to be independent in order to achieve effective monitoring of entities management to ensure protection of shareholders' right (Ba'aba et al., 2017). The independent directors should be effective enough to ensure harmony between the management and the owners. (Arora & Singh, 2021).

The Audit Committee represents a vital component within a company's board of directors. Traditionally to an extent as part of the committee's responsibility is to ensure that the financial statements is fairly presented. To this effect should the size of an audit committee matter? And to what extent does it affect an entity's performance? In line with corporate governance practices, Audit committee size is an important factor to be considered when organizational performance is germane.

After Enron's collapse in 2001, corporate governance, creative accounting, and fraudulent financial reporting have become pressing issues in the nation's financial landscape. These accounting practices, including earning management, often circumvent or manipulate standard accounting rules or values, and involve dubious complexities and unconventional methods of presenting financial information (Ayoola-Akinjobi, 2017). Such practices have been associated with instances of price manipulation, profit overstatement, and falsification of financial records (Wison, 2016). Business failures in recent years have also been linked to corporate governance failures involving various parties, such as management boards, directors, auditors, and some investors (Guney et al, 2019).

Even with increased acceptance of corporate governance codes since 1978, the research findings of a good number of studies suggest that good corporate failed to mitigate global financial crises such as economic crisis in form of prolonged recession, a severe downturn incomparable to the Great Depression of 1930's, Russian financial/Currency Crises of 1978, Asian flu/Crisis of 1990's, and Mexican Crisis of 1994/1 995, respectively (Haruna et al., 2019). He further questioned as to whether good corporate governance benefits corporate entities or it further increase their cost of doing business. Furthermore, Haruna et al. (2019) are of the opinion that corporate governance varies significantly across different countries as a result of different regulatory framework.

However, in the context of the Nigerian financial sector, series of corporate scandals and corporate failures have occurred period of 2005 and 2022 amid the high amount of profits being reported by most of the companies in the sector (Sunusi et al., 2020). Such as the nationalization of Afri bank, Bank PHB, Key stone bank and spring bank. Also there were mergers/acquisition of Eco bank and Oceanic bank; Access and Diamond bank; Crusader insurance and custodian & allied insurance among others. Patel (2018) attributed these failures of some of the entities to lack of corporate oversight by boards of directors, by relinquishing significant control to managers and executive directors, who pursue their personal interest against the interest of the larger stakeholders.

More so, Patel (2018) opines that weak corporate governance has been identified as a major contributing factor in many cases of organizational distress in the country. This has manifested in weak internal control systems, excessive risk-taking, overriding of internal control measures, disregarding limits of authority, disregarding prudent lending practices, lack of risk management processes, and instances of insider abuse and fraudulent practices (Muda et al., 2018). These issues remain a significant concern in the financial sector.

On this regard, it is clear that the practice of window dressing financial statements in Nigeria has significantly breached all ethical standards of the accounting and auditing profession, as noted by Lo and Shekhar (2018). An increasing number of corporate bodies in Nigeria are facing investigations for engaging in creative accounting practices. The negative impact of these widespread unethical practices on the nation's economy is immeasurable. Considering this situation, the study aims to closely examine Corporate Governance and its relevance in the Nigerian financial sector. Therefore, effective governance structures are necessary to address challenges and encourage ethical behavior within the industry.

The study therefore was guided by the specific objectives and would study the trends in corporate governance in Nigeria financial sector thus:

i. To examine if there is any significant effect of board size on EPS of some Listed Financial sector companies in Nigeria.
ii. To determine whether there is any significant effect of board composition on EPS of selected listed financial sector companies in Nigeria.
iii. To determine whether there is any significant impact of Audit committee size on EPS of selected listed financial sector companies in Nigeria.

Good corporate governance is characterized by promoting credibility, ensuring transparency and accountability, and establishing effective communication channels to drive optimal corporate performance, as highlighted by Pillai and Al-Malkawi (2018). Mansour et al., 2022), emphasizes that corporate governance is centered on building trust and sustaining confidence among the various stakeholders within an organization. Furthermore, corporate governance encompasses a system that facilitates interaction between governing institutions and organizations with their communities and stakeholders to enhance their quality of life, as described by Ado et al. (2017). It is essential for good corporate governance to guarantee transparency, accountability, and fairness in reporting.

Corporate governance is not confined to corporate efficiency; rather, it encompasses a broader range of company strategies and developmental stages (Patel, 2018). Moreover, it involves the methods that stakeholders, including parties invested in the well-being of firms, use to ensure that managers and other insiders establish mechanisms to protect the interests of shareholders, as stated by Sanusi et al. (2020). Corporate governance depends on the level of corporate responsibility a company exhibits in terms of accountability, transparency, and ethical values.

To ensure proper observation and measurement of financial institutions' operations, it is crucial to have a dynamic and competitive environment. This is particularly important in developing countries like Nigeria, where the failure of a financial institution can have a significant impact on the economy. The consequences of such failure can lead to a loss of confidence in corporate establishments, which can negatively affect shareholders, employees, suppliers, consumers, and the nation as a whole. Therefore, it is essential to have a governance system in place that promotes ethical values, professionalism, and transparent best practices. A good corporate governance system can have a positive impact on a firm's reputation, leading to increased valuation, higher profitability, higher sales growth, and lower capital expenditures, as demonstrated by recent academic research. This is supported by studies such as those conducted by Arora (2021). Sound corporate governance enhances corporate performance, value, and provides meaningful and reliable financial reports on a firm's operations.

However, Mohammad and Nasir (2019) emphasized the need for revisions in bank supervision and corporate governance reforms to address deliberate transparency reductions and risk mispricing. Sanusi (2020), linked the banking crisis in Nigeria to governance malpractices within consolidated banks, which have become a widespread issue in many parts of the sector. In particular, corporate governance in many banks failed due to boards disregarding these practices for various reasons, such as being misled by executive management, participating in obtaining unsecured loans at the expense of depositors, and lacking the qualifications to enforce good governance on bank management. Ultimately, the boards of directors were blamed for the decline in shareholders' wealth and corporate failure.

The connection between bank distress and the absence or disregard of ethics and professionalism is often noted. The banking sector has experienced several challenges concerning corporate governance due to the recent banking distress. According to Rachmawati et al. (2018), ethics, corporate governance, transparency, and accountability are crucial elements that have been misused and abused. The failure of banks in Nigeria, as well as in other countries, has been largely blamed on a lack of professional ethics, as demonstrated by instances of creative accounting practices, insensitive internal controls, and compromised risk management positions. The recent financial scandals and the collapse of major corporate institutions have once again emphasized the significance of good corporate governance, which involves managing corporations to increase shareholder value and meet the expectations of other stakeholders. However, financial institutions can only maintain public confidence by implementing good corporate governance, as it is essential given the industry's role in fund mobilization, credit allocation to sectors of the economy in need, payment and settlement systems, and the implementation of monetary policy.

2.0 Literature review and hypotheses development

2.1 Corporate Governance

Corporate governance refers to procedures for managing and directing corporate bodies (Giriraj, 2019). Corporate governance is a system which integrates rules, guidelines and procedures for managing an organization. It outlines the manner in which rights and responsibilities are distributed among company's stakeholders (such as shareholders, directors and managers) and provides the rules and procedures for decision making within a corporate entity (Qin et al., 2019).

Good corporate governance is characterized by promoting credibility, ensuring transparency, accountability, and establishing effective communication channels to drive optimal corporate performance, as highlighted by Mohammad and Nasir (2019). They further emphasize that corporate governance is centered on building trust and sustaining confidence among the various stakeholders within an organization. Furthermore, corporate governance encompasses a system that facilitates interaction between governing institutions and organizations with their communities and stakeholders to enhance their quality of life, as described by Ado et al (2017). It is essential for good corporate governance to guarantee transparency, accountability, and fairness in reporting.

Therefore, it is essential to have a governance system in place that promotes ethical values, professionalism, and transparent best practices. A good corporate governance system can have a positive impact on a firm's reputation, leading to increased valuation, higher profitability, higher sales growth, and lower capital expenditures, as demonstrated by recent academic research. This is supported by studies such as those conducted by Sanusi (2020). Sound corporate governance enhances corporate performance, value, and provides meaningful and reliable financial reports on a firm's operations.

2.2 Board Size

The Corporate governance code in Nigeria (2011) is in tune with Global best practices with respect to corporate governance (CG). The Board of Directors is defined as a body which is saddled with the responsibility of ensuring accountability and good governance in a company. It is in charge for outlining the company's broad objectives and strategies for effective achievement of such objectives (The corporate governance code, 2011). The code has outline that board membership be five and above. Furthermore, the board composition should be mixed to include both executive and non-executive directors, and also a chairperson.

The Board of Directors have a significant role to play as regards the survival and stability of a corporate entity. Among the functions of the board are to develop the corporate strategic plan; implementation of plan to achieve desired objectives; conduct management evaluation exercise; establishment of management compensation; establishment of successive plan and ensuring having in place effective financial reporting and control among others. Alodat et al. (2022a), assert that a well governed firm is expected to have rational decisions taken by the board of directors, which will in turn impact on performance. Therefore, it is highly likely that board composition affects firm performance. Effectiveness of board structure is a vital element of CG. Board size varies from one jurisdiction to another, considering the cultural and political diversity. To that effect it is difficult to agree at a standard number in a board composition globally (Alodat et al., 2022). The Agency theory indicates that appointment of the corporate board members is paramount for effective corporate governance of companies (Wajdi & Anis, 2023). The duo further suggests that the board exercises oversight over management to ensure e that they operate in the most excellent interest of the entire stakeholders.

2.3 Board Composition

More so, Muhammad et al. (2021) opine that board composition is the presence and proportion of executive and independent directors on the entity's board. They further stressed that the independent directors are expected to reduce the level of disagreement between an entity's management and the shareholders.

The proportion of inside directors (Executive directors) compared to outside directors (Non-executive directors) has significant implications for corporate governance. Insider directors participate in decision-making processes and have access to inside information, which may make them susceptible to the CEO's influence. Boubakri et al. (2019) suggest that a balanced board is effective. Therefore, it is recommended that the board of directors of every listed company should reflect a balance between independent, non-executive directors and executive directors. To ensure that no individual or small group of individuals can dominate board decision-making, the independent and non-executive directors should form at least one-third of the membership of the board. However, an increase in the proportion of outside directors can lead to a more independent board of directors, as stated by Boubakri et al. (2019). This represent the proportion of non-executive directors and independent non-executive directors on the board relative to the total number on the board (Giriraj, 2019).

2.4 Audit Committee Size

Audit Committee size is the physical quantity of the members of the committee (Khan & Hanaf, 2021). Being an integral component of the corporate governance practices globally, audit committee has generally been seen by regulatory authorities, international bodies and the general public as a potential instrument which promotes the reliability and transparency of financial reports. The Audit Committee Charter Issued by Newport Corporation(2015) and Bhasin (2012) have both described the audit committee as appointed to assist the Board in carrying out a mandatory requirement of the Stock Exchange, that is monitoring and continuing "good" corporate governance practice aimed at fulfilling the responsibility to shareholders, potential investors and others relating to the Company' financial reporting. In the year 2002, the US enacted the Sar-Banes-Oxley Act of 2002 (SOX), the Act requires all publicly quoted companies to have an independent Audit committee in place. That generated public criticism and outcry with respect to certain provisions of the act. Despite that, there has been a tremendous increase in global application of the Act. In the year of signing the law only 10 out of the 40 largest stock exchanges of the world had a mandatory Audit committee requirement. About eight years down the line, a significant number of countries had amended their laws to ensuring it compulsory for entities whose instruments are traded on their stock exchanges to establish Audit committees (Jia, Luo, & Wang, 2021).

2.5 Financial performance

Profitability is widely considered as measure of financial performance of an entity. Financial performance is the narrative through which management renders account of its stewardship to the owners of a business and other interested stakeholders. Abdulsalam and Oyewo (2019) defined Profitability as firm's capacity to generate profit from its business operations. Profitability is the rate of profit with respect to the quantum of financial transaction of an entity. Profitability is the index of both performance and efficiency, even though; the level of profitability may not necessarily mean the efficiency of management(Musa et al., 2018). Profitability is the most important purpose in business. There are a lot of alternatives to increase the profitability, one of them is optimizing the capital Structure(Qin et al., 2019). Khan and Hanaf (2021), in his view Profitability signifies management's ability to effectively utilize resources at its disposal to generate earnings. Profitability reveals how efficient a firm is in resource management and it measures the firm's ability to use assets it control to generate revenue Abdulsalam amd Oyewo, 2019). For the purpose of this research, the definition of profitability by Abdulsalam, and Oyewo (2019) is adopted, and therefore, performance is measured by Earnings per share (EPS), considering the level of acceptance of (EPS) as measure of performance by other researchers.

2.3 Empirical Review

Several researchers have examined the connection between corporate governance and financial performance in the Nigerian context. Sarpong-danquah et al. (2018) conducted a study on corporate governance and firm performance in manufacturing companies listed on the Ghana Stock Exchange, and found no statistically significant relationship between board size and performance.

Guney et al. (2019) investigated the impact of corporate governance mechanisms on the financial performance of banks in Nigeria, and found that board audit committee and directors' equity interest have a positive and significant effect on banks' financial performance, while board composition has a negative but significant effect.

Agyei-Mensah and Gyimah (2020) conducted a study on the impact of corporate governance on firm performance of quoted companies in the Saudi Stock Exchange, and found an insignificant negative relationship between board size and operational performance.

Uguru and Obasi (2017) also conducted a study to examine the effect of corporate governance on the financial performance of the Nigerian Banking Industry. The study found that board gender, board size, and board committee negatively but significantly influence the liquidity risk of Deposit Money Banks (DMBs) in Nigeria, while board composition and frequency of board meetings have a positive and significant effect on liquidity risk of DMBs in Nigeria.

Abdulsalam, and Oyewo (2019) conducted a study examining the true relationship between corporate governance and financial performance, and found that a larger board size positively and significantly contributes to the financial performance of deposit money banks in Nigeria.

O'Sullivan and Carroll, (2021) conducted a study on Firm Age, Size, and Profitability Dynamics, and discovered that board size, used as a control variable to represent firm size, has a negative and insignificant relationship with profitability.

Naimah (2017) conducted a study on the role of corporate governance in firm performance in Indonesia for the period of 2005-2014 and found that board size does not significantly influence profitability. Muda (2018) carried out a study on the effect of corporate governance components on performance at the Tehran stock exchange for a period of seven years. The study revealed a negative and significant relationship between board size, institutional ownership, and performance (ROA).

Khan and Hanaf (2021) conducted a study examining corporate governance practices among 100 quoted companies on Bursa Malaysia, and discovered a weak negative and significant relationship between board size (BZ) and performance, and a negative insignificant relationship between BZ and return on equity (ROE).

Additionally, Rafiqul and Akhter (2017) investigated the effect of corporate CG mechanisms on performance of commercial banks in Bangladesh and found an inverse relationship between board size and performance.

Afrifa and Tauringana (2015) conducted a study on corporate governance and performance of UK listed small and medium enterprises and found that board composition is not significantly associated with performance.

Ba'aba et al. (2017) conducted a study titled "Analysis on the impact of board characteristics on firm financial performance," and they observed a positive and significant relationship between board characteristics (BC) and return on capital employed (ROCE) for model 1. Model 2 revealed a positive and strong significant relationship between BC and profit margin.

Ado et al. (2017) investigated the relationship between corporate governance mechanisms (board size and audit committee size) and financial performance and found that there is a negative and insignificant relationship between audit committee size and return on assets (ROA). These studies collectively contribute to the understanding of how corporate governance influences financial performance in Nigeria, providing insights for policymakers, industry practitioners, and researchers.

2.4 Theoretical Framework

The study is anchored on two theories; Agency theory and Resource Dependency theory.

Agency Theory

The idea for agency theory was first put forward by Alchian and Demsetz in 1972, and it was later expanded by Jensen and Meckling in 1976. This theory focuses on the relationship between principals (owners) and agents (managers) within an organization and how conflicts of interest may arise between these two parties. It explores how tools like contracts, incentives, and monitoring can be utilized to align their interests and addresses potential agency problems in the context of corporate governance. The theory is used to underpin this study because it best explains the relationship which subsists between shareholders on one hand and management proxy by board composition; board size and audit committee size on the other hand.

3. Methodology

The study is design as an Ex-post facto one. Ex-post facto research design means 'after-the fact' research. To enhance proper research on the subject matter, purposive sampling technique was employed to choose only 34 out of 47 quoted financial sector in Nigeria. The 13 firms not selected were those that didn't meet the criteria below.

The criteria used include:

Elimination of Financial Sector Company(s) that has not been registered as at 31st December, 2018.

Elimination of Financial Sector Companies that has been delisted between 2018 and 2022.

Elimination of Financial Sector Companies whose financial statements were not available for a year out of five years' period under study.

Ordinary Least Square (OLS) estimation method was employed in obtaining the numerical estimates of the coefficients in the model using Stata.

The hypothesis is tested using the *p-value*. The null hypothesis is rejected if the *p-value* is less than 0.05 but accepted if the *p-value* is greater than 0.05.

3.1 Variable measurement

The research worked focus on the measurement of variables contained in the topic of research which has to do with corporate governance and financial performance of Listed Financial Services Companies on the NSE. The variables involved in this study are the dependent and independent. The dependent variable is EPS, while the independent variables are Board size; Board composition and Audit Committee Size. The following table presents the variables used in the model above and their measurements.

Table 1: Variable measurement

S/N	VARIABLE		MEASUREMENT	SOURCE
1	Earnings per share	EPS	EPS= Profit after tax divided by total no. equity shares.	(Shivan & Fulbag, 2017)
2	Board Size	BS	Total number of board members	(Dogan, 2013)
3	Board Composition	BC	Number of non-executive directors divided by total number of directors on the board.	(Kalu, 2016)
4	Audit Committee size	ACMS	Total number of directors in the audit committee	(Naimah, 2017)

Source: Researchers Observation (2024)

Model Specification

This study model specification stated as:

Y= f(X1).

$EPS_{it} = \alpha_{it} + \beta_1 BS_{it} + \beta_2 BC_{it} + \beta_3 ACMS_{it} + \mu$

Where Y= dependent variables {Earnings per Share (EPS)}

X_1= Independent Variable (Corporate Governance) proxy by Board size (BS), Board composition (BC), and Audit committee size (AC))

a= the constant or intercept on Y axis.

μ= Error or disturbance term.

4. Findings and discussion

4.1 Descriptive Statistics

Descriptive statistics describe the nature of the data under study, that is, the minimum, maximum, the mean and standard deviation.

Table 4.1 describes the nature of the data under study; the Table gives a picture of the minimum values, maximum values, average mean values and deviation from the mean respectively, it describes the normality of the data under study.

Table 4.1 Descriptive statistics

	Variables	Mean	St Standard	Min	Max
i.	EPS	73.14047	143.6588	-62.65	747
ii.	BS	10	3	4	23
iii.	BC	0.615235	0.1158463	0.22	0.93
iv.	ACS	5.441176	0.8767603	3	8

Source: Stata output (2024)

In Table 4.1 the result of descriptive statistics revealed that the minimum value of EPS of listed financial sector in Nigeria is -62.65 while the maximum EPS of the listed financial sectors in Nigeria is 747 kobo. The average EPS of listed financial sectors in Nigeria stood at 73 kobo, while the deviation from the mean is doubled at 143.66.

Table 4.1 revealed that the minimum value of board size (BS) of listed financial sectors in Nigeria is 4 while the maximum value is 23; the average mean of BS of listed financial sectors in Nigeria is 10.9 while the deviation from the mean is not too far from the mean which is 3.6.

It further revealed that the minimum value of board composition (BC) for listed financial sectors in Nigeria is 0.22 while the maximum value stood at 0.93. The average mean of board composition of listed financial sectors in Nigeria is 0.62, meaning on average each of the listed financial sectors company in Nigeria have non-executive/ independent directors to total board size ratio of 62% while deviation from the mean is 0.12 which is far away from the mean.

In addition, the study revealed that the minimum number of audit committee size (ACMS) of listed financial sectors in Nigeria is 3 while the maximum is 8, the average stood at 5.4 while deviation from the mean is 0.87, this means that on average the number of audit committee size of listed financial sectors in Nigeria is 5.

Table 4.2 which is the correlation matrix describes the association between the dependent and independent variables of the study and the relationship that exist among the independent variables themselves.

Table 4.2 Correlation matrix

Variables	EPS	BS	BC	ACS
EPS	1			
BS	0.4338	1		
BC	-0.0354	-0.0160	1	
ACS	- 0.0678	0.0221	-0.0846	1

Source: Stata output 2024

Correlation coefficient in table 4.2 revealed that high correlation was not found among the variables of the study as a result multi-collinearity may not pose a threat to the model of the study. The correlation matrix in table 4.2 revealed a positive relationship between profitability (EPS) and board size at 0.43%. Which means that as board size increases profitability also increases.

On the other hand, the result indicates a negative relationship between board composition and profitability at -0.04, this is as board composition increases profitability reduces.

Furthermore, correlation between leverage (ACS) and EPS of listed financial sectors in Nigeria revealed a negative relationship of -0.068%, which means an inverse relationship exist between leverage (ACS) and EPS of listed financial sectors in Nigeria that is, as ACS increases profitability (EPS) reduces.

The correlation matrix also shows the relationship among the independent variables themselves, board size of listed financial sectors in Nigeria has a negative relationship with board composition of listed financial sectors in Nigeria at -0.016, board size (BS) has a positive relationship with audit committee size of listed financial sectors in Nigeria at 0.022.

On the other hand, the correlation matrix revealed that owners' equity (BC) of listed financial sectors in Nigeria has a negative relationship with audit committee size at -0.085.

The Table presents the results of multi-colinearity, heteroskesdasticity, Hausman in order to arrive at the method of estimation.

Table 4.3 data diagnoses

VARIABLE	VIF	TOLERANCE VALUE
BS	1.01	0.99
BC	1.01	0.99
ACS	1.00	0.99
Mean VIF	1.01	
Hetttest Chi square		26.57
Hettest Sig		0.0000
Hausman Chi Square		4.43

Hausman Sig	0.2187

SOURCE: Stata Output (2024)

4.2 Result and Discussion

This section presents the summary of regression result of independent variables and the dependent variables of the study.

Table 4.4 Summary of Regression Results Model EPS

Variables	Beta coefficient	T-values	Sig
BS	8.0648	3.15	0.002
BC	-22.3199	-1.31	0.757
ACS	-23.9238	-3.57	0.000
R2			0.1556
F. Statistics			20.64
F. Sig			0.000

Source: Stata output (2024)

Table 4.4 revealed that the cumulative correlation between dependent variable and independent variables is given by R^2 of 15%. This implies that R^2 which is the coefficient of determination states the percentage of total variation in the dependent variable explained by the independent variables jointly. Hence 15% of the total variation in profitability (EPS) of listed financial sector in Nigeria is determined by board size, board composition and AC size while the remaining 85% is determine by other factors not covered by this study.

4.3 Discussion

Board size and Financial Performance

The analysis indicates that board size has a positive coefficient of 8.06 with a P-value of 0.000, indicating a significant positive effect of board size on the financial performance of listed financial services firms in Nigeria. Consequently, the null hypothesis, which stated that board size has no significant positive effect on the financial performance of financial institutions quoted on the Nigeria Stock Exchange, is rejected. On the other hand, the alternative hypothesis, which posited that board size has a positive impact on financial performance, is accepted. The result signifies that board size have the power to influence profitability of listed financial sector companies in Nigeria. This is in line with the findings of Ado et al. (2017). This is contrary to the findings of Sarpong-danquah et al. (2018); Buallay (2017); Alodat et al. (2022); Giriraj

(2019) and Naimah (2017) all found that board size has no significant influence on financial performance.

Board composition and Financial Performance

The finding in table 4.4, further indicates that board composition has negative insignificant relationship with EPS with (coefficient= -22.32 and p value of 0.76). This signifies that the number of non-executive/independent directors on corporate board of financial sector company in Nigeria inversely affects performance. This result supports the findings of Victor (2017) who found no significant association between board composition and financial performance. This contrary to the findings of Wajdi (2023); Ba'aba et al. (2017) who reported positive association of board composition and financial performance.

Audit Committee Size and Financial Performance

Based on the results on table 4.4, the audit committee displays a coefficient of -23.92 and a P-value of 0.000, indicating a substantial adverse effect of the audit committee on the financial performance of the listed financial services firms in Nigeria, as measured by EPS. In light of this finding, the null hypothesis is deemed valid, while the alternative hypothesis is disregarded.

The outcome supports the findings of Nuhu et al. (2017) and Ado et al. (2017). The result negates the findings of Haruna (2019) and Pillai and Al-Malkawi (2018) whose findings reveled significant positive relationship between audit committee size and financial performance.

5. Conclusion

This study attempt to examine corporate governance and financial performance. The study have confirmed that corporate governance significantly affects performance, that is to say that the corporate governance attributes of board size, board composition and audit committee size together have effect on the financial performance of listed financial sector companies in Nigeria.

This study revealed that both board size and audit committee size significantly affects performance. While board composition will does not affect financial performance.

However, there is still room for further research in this direction considering that the period covered by this research is only 5 years (2018- 2022). Subsequent research can also look at other measures of performance such as Tobin's Q, ROA, ROE and profit margin. For the measurement of the corporate governance future research may consider others attributes such as gender diversion, CEO duality and foreign ownership. As far as Nigeria is concern empirical literature on corporate governance and financial performance in the financial services sector is limited, such providing an opportunity for further research in this area.

The study therefore recommends that policies and practices should be aligned with global governance best practices by the management of the listed financial organizations, as it will bolster investor confidence, strengthen market competitiveness, and facilitate sustainable development in the Nigerian insurance sector. More so, directors should be mandated through corporate standard code to own a reasonable amount of equity in the firm they oversee as this is one of the keys to enhance the earnings per share and overall performance of these firms.

Conflicts of Interest

The authors have disclosed no conflicts of interest.

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