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Corporate Governance and Performance of Manufacturing Companies in Nigeria

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Abstract

Poor corporate governance entrenches poor mishandling of earnings, resulting in bad corporate image and financial capital its importance. Based on this factor this study examines into the effect of corporate governance on performance of manufacturing companies in Nigeria. The study used the panel data that was sourced within 2017 to 2022. The simple and convenience sampling technique was employed in selecting seven manufacturing companies. The panel regression analysis reveals that board Independence and Board Gender Diversity has positive significant effect on Return on Risk-Weighted Asset, while board Size has positive insignificant effect on Return on Risk-Weighted Asset. It is therefore recommended that Organizations should prioritize enhancing board independence by including more non-executive directors with relevant expertise to strengthen accountability and decision-making. Efforts should also be made to improve board gender diversity by promoting equal opportunities and inclusive policies that attract skilled female professionals to board positions. While board size showed an insignificant effect, firms should maintain an optimal board size tailored to their operational complexity to avoid inefficiencies.

Keywords: Board Size, Board Gender Diversity, Board Independence and Return on Risk-Weighted

Word Count: 184

1. Introduction

Corporate governance has become more relevant in contemporary times as companies grow and expand both in developed and emerging economies (Freeman, 1983, 2010). As companies expand, they use local raw materials, employ local workforce, and sell to the community, pay taxes, and so forth that supposedly benefit the community. In addition, recent corporation scandals have been blamed mainly on "bad" corporate governance. (It is almost a daily occurrence to hear news upon scandals ruining corporations.) Consequences of firms' failure are huge; they can be felt in every aspect of society. For instance, investors' capital can be wiped out overnight, job losses can occur, and so forth (Abiola et al, 2021).

There is another side to the story: interest groups known as stakeholders' activities can also affect the corporation. For instance, if some society is discontent with the operations of the corporation, it may react negatively towards the firm. Thus, one can boycott its products. As a result, companies may modify their "usual governance," now focusing on social friendly issues

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departing from idea of shareholders primacy, when activities are mainly geared towards maximizing shareholders aims

(Rodriguez-Fernandez, 2016). In addition, there is some evidence to suggest that investors are willing to pay high premium for shares of firms perceived to have a good corporate governance structure (Adedeji, et al., 2020). This affirms why corporate governance mechanisms can be considered related to the financial performance of firms.

Sound corporate governance is a great concern of every stakeholder (Claessens and Yurtoglu 2013; ; Phan and Hegde 2012) Good corporate governance practices contribute to corporate success, maximize shareholder wealth, promote a positive corporate image, and maintain investors' confidence. Akomea-Frimpong, et al. (2022) indicated that the primary role of good corporate governance is its focus on the supervision and accountability of managers of a firm. In addition, good corporate governance serves as a tool to mitigate corrupt practices and encourage adherence to ethical codes (Arjoon 2017; Darko et al. 2016; Kowalewski 2016; Sami et al. 2011). Additionally, Adams and Mehran (2012) found that effective corporate governance mechanisms in a company reduce operational costs and increase a firm's profitability. Furthermore, studies on corporate governance have shown that board composition (i.e., age, experience, gender), Chief Executive Officer (CEO) or chairman split, non-executive directors, and audit committees are critical indicators to boost a firm's performance.

On the other hand, poor corporate governance entrenches poor mishandling of earnings, resulting in bad corporate image and financial capital its importance, Škare and Hasi´c (2016) assert that corporate governance ensures a better relationship among of all stakeholders. Empirical evidence reveal that corporate governance and firm performance are inconclusive, and these studies have shown mixed results (Alabdullah 2018; Buallay et al. 2017). From a positive perspective, studies found corporate governance characteristics to significantly impact the performance of firms (Ahmed and Hamdan 2015; Gupta and Sharma 2022). A research study by Buallay et al. (2017) in Saudi Arabia using 171 listed firms demonstrated that more robust corporate governance systems of a firm significantly improve its performance. However, other studies found little or no impact of corporate governance on the performance of firms.

In the recent past, corporate finance and management scandals were in the news concerning Megan Media Holdings Berhad in Malaysia and Enron and WorldCom in the USA (Tan et al., 2016; Peters and Bagshaw, 2014). In the same manner, Cadbury Plc had its share in Nigeria for overstating the value of the stock (Olaoye et al., 2016). Therefore, all of the issues above have been responsible for the corporate governance (CG) attraction of great attention globally in recent times. Consequently, Olaoye et al. (2016) and Peters and Bagshaw (2014) opined that the securities and exchange commissions (SECs) in many nations such as Nigeria, USA and Malaysia had developed CG codes to safeguard business concern owners, managers and third parties and propel them to function correctly. In specific terms, the SEC in Nigeria evolved an initial code of CG in 2003 (SEC, 2003), that has since been modified in 2009, 2011 and currently in 2016. Despite the development of Corporate Governance arrangements based on both firm and country-levels, the differentials in the business and countrywide configurations never created enough latitude required for attaining the best practices desired with respect to reliability, limpidity and responsibility in the many aspects of administration (Teh et al., 2016). In this regard, the examination of the impact of tools of governance on the performance of firms are paramount to allow for a design of good practices through institutions and their

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executives in the world-wide corporate scene. Based on the premises above this study examined into the effect of corporate governance and firm performance of manufacturing firms in Nigeria.

2. Literature Review

The agency theory details the relationship between the managers (agents) and the shareholders (principals) (Donaldson & Davis, 1991). It seeks to resolve divergent interests between management of the organization and the owners, prescribing ways of resolving such conflicts, like delegating a decision-making authority to the agents who manage a project. Along the agency theory, corporations stand a chance to increase financial performance if cost is minimized. The agency cost can be seen as a value loss by shareholders because of divergence in interests of managers and owners (Jensen & Meckling, 1976). In addition, agency costs are captured in the stock market that affects the company's share prices. Therefore, if agency cost is properly managed, it can help for improving shares value, that is, it improves the overall financial performance of the firm. According to Jensen and Meckling (1976), agency costs are measured as the sum of monitoring costs, bonding costs and residual costs.

Therefore, in order to reduce the agency, cost the corporate governance mechanism should unravel causes of these conflicts, whence the need for grasping the "agency theory." The effective corporate governance mechanisms control should encourage managers to act in the best

interest of the principal (Allen & Gale, 2001). There is an assumption in the agency theory that, where there is a well-developed market, corporate controls are absent. The consequences lead to market failures, nonexistence of the markets, moral hazards, asymmetric information, incomplete contract and moral selection. Various studies, however, have suggested that proper monitoring, healthy market competitions, control of executive pay, prudent debt sourcing, efficient board of directors, markets for corporate control and concentrated holdings can help resolving the agency problem (Bonazzi & Islam, 2007). The supporters of agency theory argue that, the role of CEO and chairperson should be assigned to separate individuals. This will ensure proper check and balances between CEO and the chairperson (Gillan, 2006).

The stewardship was postulated by Donaldson and Davis 1991. Unlike the agency theory that suggests that the role of CEO and chairperson should be separated, the stewardship theory argues that both roles should be combined. The stewardship theory suggests that directors are able to achieve organizational objective of shareholders by maximizing their utility rather than self-serving. Some available empirical evidence supports the side of this argument of stewardship theory (Donaldson & Davis, 1991).

Moreover, stewardship theory predicts that allowing managers to work with discretion can encourage them to work better. Scholars on this side of the debate concur that managerial behavior is not only driven by financial reward but also requires discretion to enable them to maximize the shareholders' value. In addition, stewardship theory stresses that the concern of managers for their reputation and their career intended progression compel them to act in the interest of shareholders; therefore, agency cost will be minimized (Donaldson & Davis, 1991). There is a psychological side of the argument that managers are able to give up their best when they have job satisfy. Clarke (2004) points that allowing managers to take decisions on their

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own without having to go through bureaucratic processes improve job satisfaction that contributes towards the overall financial performance of the firm.

Besides, Fama and Jensen (1983) argued that managers have greater access to specific insider information, about the going concern of the organization, than independent directors. Therefore, managers are expected to have acute knowledge of the operations of the company that will help them make well-informed decisions. In that line of thought, the stewardship theory suggests that a low number of independent directors are ideal for companies (Christensen et al., 2010; Donaldson & Davis, 1991). In addition, the stewardship theory affirms that insider-dominated board of directors is more effective in achieving the organizational objective because of finer accessibility to information and technology.

Empirical Review

Amin, Ali, Naseem, and Ahmad (2022) investigated the connections between the participation of women on corporate boards, business financial performance, and the degree to which this influence is influenced by family ownership. The study's sample comprises 2087 firm-year observations and is derived from the listed firms on the Pakistan Stock Exchange (PSX) throughout the period from 2008 to 2019. The sample specifically reflects the nonfinancial sector. Fixed-effect regression analysis was utilised to investigate the offered hypothesis. The study's results suggest that having women in corporate governance is linked to improved financial success of the organisation. Conversely, the association indicated is less noticeable when family ownership acts as a moderator. The study's empirical findings confirm that having women on corporate boards is linked to improved financial performance. This supports the reforms implemented by corporate governance codes that require the inclusion of female directors on corporate boards. Furthermore, the study results largely validate the notion that a greater representation of women on corporate boards leads to improved firm performance. This study provides valuable information for policymakers to enact legislation promoting gender diversity in board of directors and harness the potential advantages of having a gender-balanced board, which often enhances business performance.

Dewri (2022) examined the relationship between firm value (FV) and return on stock (RoS) by taking into account corporate governance (CG), financial performance (FP), and refined economic value added (REVA) collectively. Additionally, they aimed to detect any convergence among these three parameters. The dataset of Dhaka Stock Exchange listed enterprises from 2013 to 2018 was analyzed using the GMM estimator's method. The sample comprises 310 enterprises, with a total of 1860 firm years. The study demonstrates a substantial correlation between the properties of CG, FP, and REVA with FV and RoS. Regardless of their size, age, or nature, firms that implement effective corporate governance practices in their company management can greatly boost their financial performance and consistently provide positive economic value for both the firms themselves and their shareholders. This, in turn, leads to an improvement in the firm's financial value and return on sales. Furthermore, companies that demonstrate consistent increase of fair value are capable of delivering favorable return on sales to their shareholders. This study provides essential instructions for both managers and investors of organisations. Managers will be motivated to apply effective corporate governance practices within the firms, which will in turn contribute to maintaining a strong financial performance and sustained development in return on equity for the firm. Prior

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to making any investment choice, investors have the ability to evaluate the performance of a company and identify potential chances for future growth.

Almashhadani and Almashhadani (2022) conducted a study on the influence of corporate governance on corporate profitability. This study compiled research conducted on companies listed on various Stock Exchanges (TSE) from 2012 to 2022. The objective was to examine the influence of the corporate governance framework on company performance. In the literature review, we considered various internal corporate mechanisms that have been examined in previous studies. These include the size of the board of directors, the independence of the board of directors, and the leadership of the board of directors as corporate governance characteristics. We also analysed the firm's financial performance using indicators such as return on assets (ROA) and return on equity (ROE). Our recommendations indicate that the size of the board is occasionally negatively correlated with business financial performance, while at other times it is positively correlated. Furthermore, the presence of external magnets enhances the profitability of the companies. Furthermore, our findings indicate that there is no correlation between leadership characteristics and the financial performance of the company.

Gwala and Mashau (2022) conduct a thorough evaluation of existing studies on corporate governance and its impact on organisational performance in the context of the fourth industrial revolution. The authors provide theories, research methodologies, subjects, and variables that arise from this review. The review is derived from 42 peer-reviewed journal publications on the subject authored by esteemed academics in the science direct database. The articles mostly concentrate on corporate governance, board qualities, and ownership structure. The study's conceptual framework is founded on agency theory, which is the predominant approach for analyzing corporate governance. Most studies indicate a favorable relationship between corporate governance and organizational success, with agency theory being the most commonly used theoretical framework. This paper conducts a comprehensive and rigorous systematic evaluation of the literature on corporate governance, business performance, and the fourth industrial revolution. It is advisable to broaden the geographical reach to all continents in order to encompass the field of corporate governance and enhance its influence on corporate governance.

Akomea-Frimpong, Tenakwah, Tenakwah, and Amponsah (2022) conducted a study to investigate the correlation between corporate governance practices and the performance of pension funds in Ghana, a growing market. The data for this study was obtained from two sources: surveys conducted with pension fund managers and the yearly financial reports of pension funds. Common data analysis approaches encompass mean score ranking and panel regression. The findings indicated that the performance of pension funds is influenced by corporate governance practices, including the protection of shareholders' rights to access information about the capital structure of the funds, fair treatment of all shareholders, efficient internal controls, and timely oversight by audit committees. Furthermore, the success of pension funds in the country is influenced by both the appropriate makeup of the board and the diversity of board members in terms of ethnicity and gender. The analysis suggests that the primary difficulties confronting pension funds in the nation encompass suboptimal investment choices and market instabilities within the investing market. This report offers valuable insights into the governance strategies employed by pension funds. Strengthening policies and corporate practices is crucial for improving firm performance.

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Kyere and Ausloos (2021) empirically investigate the influence of effective corporate governance on the financial performance of non-financial listed enterprises in the United Kingdom. The conceptual paradigm is founded on agency theory and stewardship theory. The study analyses five corporate governance systems using cross-sectional regression methodology to assess their impact on two financial performance indicators: return on assets and Tobin's Q. The empirical test conducted on 252 firms listed on the London Stock Exchange in 2014 reveals that corporate governance procedures can have either a positive or negative influence on financial performance, or sometimes no effect at all. The ramifications are being considered. Thus, by differentiating the outcomes resulting from certain factors, we provide evidence that selecting appropriate corporate governance mechanisms can enhance a firm's financial performance. The findings of this study are expected to have significant implications for the academic community and policymakers.

Nugroho (2021) conducts a comprehensive investigation into the research, which explores and evaluates various aspects including scientific analysis, macroeconomic factors, financial risk management, audit perspectives, stock returns, investment decisions, funding decisions, and the role of strong corporate governance as a moderator. The Indonesia Stock Exchange has a total of 147 samples of industrial businesses. The findings of this study suggest that there are four hypotheses that do not have a substantial impact. The findings suggest: Macroeconomics has minimal influence on Financial Risk Management, and Good Corporate Governance (GCG) does not have a significant impact on Going Concern Audit Opinion. The relationship between Stock Return and Going Concern Audit Opinion is not statistically significant. The impact of Stock Return on Going Concern Audit Opinion is not influenced by the level of significance, which is set at five percent.

Abiola Kafidipe, Uwuigbe Uwalomwa, Olajide Dahunsi, and Faith Ojone Okeme (2021) investigated the extent to which information about operational problems within commercial banks in Nigeria has been withheld. They specifically focused on corporate governance and risk control in deposit money institutions. The outcome demonstrates a detrimental yet noteworthy influence on the financial performance of the bank. Nevertheless, a robust corporate-governance framework enhances the profitability of loans and ensures the stability of banks. In addition, the study reveals that factors such as board size, board independence, directors' shareholdings, and board meetings have a negative impact on Tobin Q. Conversely, the coefficient number of board committee has a favourable effect on Tobin Q. Consequently, there is a substantial correlation between corporate governance and financial performance. The presence of shareholders, board meetings, and board members has a detrimental impact on performance. Conversely, the coefficient for the variables representing the number of board sizes, board independence, and board committees exhibit a positive relationship with ROE (Return on Equity). This demonstrates that any augmentation in the ownership of shares by directors, the members of the board of directors, and the board of directors itself will lead to a reduction in the return on equity (ROE) of deposit money banks (DMBs) in the Nigerian economy. This study suggests that financial institutions should promote appropriate corporate risk management strategies and conduct regular quality control inspections to assure compliance.

Khatib and Nour (2021) investigate the impact of COVID-19 on the relationship between corporate governance qualities and business performance. This study utilized a sample of 188 non-financial companies from the Malaysian market for the period of 2019-2020. Our research

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indicates that the COVID-19 pandemic has had an impact on various aspects of firms, such as their performance, governance structure, dividend policy, liquidity, and debt level. However, the difference between the pre-pandemic and post-pandemic periods is not statistically significant. Additionally, the analysis uncovered that the size of the board has a substantial and beneficial influence on the success of the organisation. Upon dividing the sample by year, we discovered that the size of the board is not relevant during the uncertain period of the current crisis. However, we observed that board diversity significantly improves firm performance during the crisis, in contrast to the previous year where it had a negative impact on firm performance in both indicators. Both board meetings and audit committee meetings had a notable adverse impact on business performance before and after the COVID-19 pandemic. This study addresses the lack of existing research by presenting the initial empirical findings on how the Coronavirus affects both business performance and the relationship between corporate governance and performance.

Olaoye and Adeyemi (2021) conducted a study on the relationship between corporate governance and the performance of Deposit Money Banks in Nigeria. The data utilized in this study consisted of secondary data obtained from the audited financial statements of 10 Deposit Money Banks that are listed on the Nigerian Stock Exchange (NSE). The data covers a period of ten years, specifically from 2008 to 2017. The study comprises descriptive analysis, which involves analyzing the mean, standard deviation, minimum, and maximum values. Subsequently, the analysis included correlation analysis and panel estimations using various methods such as Pooled Ordinary Least Square (OLS), fixed effect, and random effect estimation. Additionally, post estimation tests were conducted, including restricted F-test, Hausman test, Wald test of heterogeneity, Wooldridge autocorrelation test, and Pesaran test of cross-sectional dependence. The results indicate that the size of the board has a significant negative impact (-0.8462, $p=0.009<0.05$) on the performance of Deposit Money Banks in Nigeria. However, the presence of a Chief Executive Officer (CEO) in dual roles has a positive but insignificant effect (2.4951, $p=0.227>0.05$) on the return on assets of these banks. Additionally, gender diversity has a positive but insignificant effect (5.1647, $p=0.685>0.05$) on the performance of Deposit Money Banks in Nigeria. Hence, it is firmly established that corporate governance has a substantial impact on the performance of Deposit Money Banks in Nigeria.

Gbadebo (2021) examined the correlation between corporate governance and the performance of specific commercial banks in Nigeria. The study aims to determine the causal relationship between two factors, namely corporate governance and financial performance. The study utilized a cross-sectional survey research design, examining 12 commercial banks over a span of 5 years (2015-2020). The corporate governance matrices utilized include board size, board accountability, and board diversity. The financial success indicator is commonly measured by the return on investment (ROI). Information was gathered for both the independent and dependent variables. The study examined the impact of board responsibility, board size, and board diversity on the financial performance of the chosen institutions. The purpose of this is to emphasize the cause-and-effect link between these variables and Return on Investment (ROI). ROI serves as our metric for assessing financial performance. The study includes a sample size of 15 financial organisations, specifically commercial banks, which were selected using purposive sampling procedures. The study employed secondary sources of data, including the financial reports and corporate governance internal records of these banks. The

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acquired data was analyzed using multivariate linear regression techniques for data analysis. The study population was obtained from the Nigerian stock exchange, which consists of 22 entities. The study employed census sampling to pick all 22 banks. However, data was only gathered for 12 participants due to insufficient data for the remaining 10. The study indicated that there is no statistically significant correlation between the size of the board and return on investment (ROI). Additionally, there is no statistically significant correlation between board diversity and ROI. Lastly, there is also no statistically significant correlation between board accountability and ROI. The study examines the intricate correlation between the size of the board, the diversity of the board, the accountability of the board, and the return on investment (ROI) of commercial banks.

Puni and Anlesinya (2020) examines the influence of corporate governance mechanisms recommended by the Securities and Exchange Commission (SEC) of Ghana on firm performance as measured by accounting-based ratios (return on assets, return on equity and earning per share) as well as market-based measure (Tobin's Q) among listed Ghanaian companies from 2006 to 2018. These mechanisms are: board composition (board size, inside directors and outside directors), board committees (audit, remuneration and nomination), chief executive officer (CEO) duality/separation, board meetings and shareholder concentration. The study used panel regression analysis of data from 38 listed firms in Ghana from 2006 to 2018 to test how each corporate governance variable initiated by the SEC of Ghana contributed to firm performance. Data were extracted from the annual reports of listed companies. The study found that the presence of both insiders and outsiders on the corporate board improved financial performance. Similarly, board size, frequency of board meetings and shareholder concentration/ownership structure generally had a positive impact on financial performance. However, the presence of board committees generally had a negative impact on financial performance while CEO duality had no impact on financial performance.

Hermuningsih Kusuma and Cahyarifida (2020) examined the correlation between corporate governance and the performance of a company. This study encompassed all manufacturing companies that were listed on the Indonesia Stock Exchange (IDX) between 2014 and 2016. The companies were selected via purposive sampling, which involved certain criteria. Out of the 144 eligible organisations, only 110 companies were able to be included in the analysis due to the availability of complete financial data from their financial statements during the research period. The statistics were acquired from the official websites of IDX. This study employs a novel metric to assess corporate governance, specifically focussing on the efficiency of the GCG (Good Corporate Governance). The corporate governance is quantified by correlating the inputs of various components of the corporate governance with the outputs of sales, assets, and firm equity capital. This study demonstrates that the firm's performance was greatly enhanced as a result of improved corporate governance, utilising financial data from companies listed on the Indonesian Capital Market. Furthermore, the study validates and endorses the recently introduced unified metric for the GCG. This outcome is crucial in order to circumvent the need to handle various metrics of corporate governance.

Adedeji, Ong, Uzir, and Abdul Hamid (2020) conducted a study to establish the impact of corporate governance (CG) practices on firms' performance in Nigeria. They also examined whether sustainability initiatives (SI) mediate the relationship between CG and firms' performances. A total of 300 enterprises were chosen by convenience sampling from South Western Nigeria utilizing a standardized questionnaire. The authors employed the Statistical

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Package for Social Sciences to conduct exploratory data analysis, and hypotheses were examined through covariance-based structural equation modelling. The findings indicate that corporate governance (CG) has a notable and favorable impact on both financial performance (FNP) and non-financial performance (NFP), as well as on social impact (SI). Social influence (SI) has a varied effect on performance, such as a notable positive effect on non-financial performance (NFP) but a negligible negative effect on financial performance (FNP). Similarly, social intelligence (SI) plays a role in mediating the association between cognitive ability (CG) and performance. Specifically, SI fully mediates the relationship between CG and performance in non-profit organizations (NFP), while it does not mediate the relationship in for-profit organizations (FNP). Companies are expected to make significant investments in social and environmental activities. CG codes will serve as a supplement to the International Financial Reporting Standards for MSFs.

Aslam and Haron (2020) investigated into the impact corporate mechanism and performance of Islamic banks. Stepwise, two-step system generalize method of moment estimation technique is used in the analysis in which control variables are added into the model sequentially. This study used data on 129 IBs from 29 Islamic countries (Middle East, South Asia and Southeast Asia) during the period of 2008 to 2017. The findings suggest that the audit committee (AUDC) and Shariah board (SB) have positive impact on the performance of IBs (return on assets and return on equity). However, board size and risk management committee have negative and significant effect on the performance of IBs. CEO duality and non-executive directors have mixed relationship with the performance of IBs. These results support the argument that IBs need to improve their financial performance through appropriate governance mechanism.

3. Methodology

The study employs the descriptive research design. The study used panel data (time series and cross sectional) covering the period of six (6) years from 2017 to 2022, was gathered from the financial statement of quoted manufacturing firms in Nigeria. The simple and convenience sampling technique was employed in selecting (7) manufacturing companies in Nigeria. The companies selected included Nestle, Guinness, PZ, May & Baker, FIDSON, Dangote and Honey well.

Model Specification

This section presents the model for testing the research hypothesis formulated. Given the nature of the study, a mathematical model was constructed to achieve the objective of examining into the impact of corporate governance and performance of quoted manufacturing in Nigeria. These models were adapted and adjusted to suit the present study from the study of Nugroho, 2021, Abiola et al (2021), Gbadebo (2021).

The linear equation is given below;

$PF_{t(ROROA)} = f(CG_t)$……………………………………………………………1

$CG_{i,t} = f(BI_{i,t,}BS_{i,t,}BGD_{i,t,})$………………………2

The models below are for the objectives raised in section one;

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Model One

$ROROA_{i,t} = f(\, BI, BS, BGD,)$……………………………………..1

$ROROA_{i,t} = \left(\alpha_0 + \beta_1 BI_{i,t} + \beta_2 BS_{i,t} + \beta_3 BGD_{i,t} + \mu_t\right)$……………...2

CG= Corporate Governance at time t

PF= Performance at time t
Financial Performance Measures
RAROA= Return on Risk- Weighted on Asset at time t
Corporate Governance Measures
BM= Board Independence at time t
BS= Board Size at time t
BGD= Board Gender Diversity at time t
U= Disturbance term/White noise at time t
i= nth term
α = Intercept
α1– α6 = Coefficient of the Independent Variables.

Description of Variables

Variables	Acronyms	Description	Measurement
		Dependent Variable	
Return on Risk-Weighted on Asset	RAROA	is a financial metric used to assess a bank's or financial institution's profitability relative to the risk-weighted assets it holds	It is measured by the ratio of asset to standard deviation of asset
Independent Variable			
Board Size	BS	It refers to the number of directors serving on a company's board of directors. This board is responsible for overseeing the management and strategic direction of the company, making key decisions, and protecting the interests of shareholders	It will be measured by the number people in the board.
Board Independence	BI	It refers to the proportion of independent directors on a company's board of directors. Independent directors are those who do not have any significant relationship with the company that could influence their judgment.	It will be measured by the number of independent directors on the board.
Board Gender Diversity	BGD	It refers to the inclusion and representation of different genders within a company's board of directors. It emphasizes having a balanced composition of men and women (and possibly non-binary individuals) on the board to promote a variety of perspectives, experiences, and decision-making styles	It measured by the number of female gender on the board.

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4. Results and Discussion

Descriptive Analysis

	RAROA	BS	BI	BGD
Mean	1.070087	13.71429	0.676083	0.218854
Median	0.595830	14.00000	0.594118	0.242647
Maximum	7.600682	19.00000	0.941176	0.400000
Minimum	0.157197	6.000000	0.500000	0.000000
Std. Dev.	1.485312	3.270606	0.154736	0.117313
Skewness	3.275464	-0.242096	0.533435	-0.672239
Kurtosis	13.15467	2.065401	1.616221	2.378612
Jarque-Bera	255.5561	1.938855	5.342847	3.839049
Probability	0.000000	0.379300	0.069154	0.146677
Sum	44.94367	576.0000	28.39549	9.191854
Sum Sq. Dev.	90.45217	438.5714	0.981666	0.564257
Observations	42	42	42	42

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Note: RAROA (Return on Risk-Weighted Asset), BS (Board Size), BI (Board Independence) and BGD (Board Gender Diversity).

RAROA (Return on Risk-Weighted Asset) has a mean value of 1.07%, median value of 0.59% and standard deviation has a variation value of 1.48. BS (Board size) has a mean value of 13.71%, median value of 14.0% and standard deviation has a variation value of 3.27. BI (Board Independence) has a mean value of 0.67%, median value of 0.59% and standard deviation has a variation value of 0.15. BGD (Board Gender Diversity) has a mean value of 0.21%, median value of 0.24% and standard deviation has a variation value of 0.11.

The minimum value and maximum value of the variables includes; RAROA (Return on Risk-Weighted Asset) has a minimum value of 0.15 and maximum value of 7.60. BS (Board Size) has a minimum value of 6.00 and maximum value of 19.0. BI (Board Independence) has a minimum value of 0.50 and maximum value of 0.94. BGD (Board Gender Diversity) has a minimum value of 0.00 and maximum value of 0.40.

The skewness in the variables includes; RAROA (Return on Risk-Weighted Asset) is positively skewed at 3.27, BS (Board Size) is negatively skewed at -0.24, BI (Board Independence) is positively skewed at 0.53, BGD (Board Gender Diversity) is positively skewed at -0.67.

The Kurtosis in the variables include: RAROA (Return on Risk-Weighted Asset) is platykurtic at 13.15, BS (Board Size) is leptokurtic at 2.06, BI (Board Independence) is platykurtic at 1.61, BGD (Board Gender Diversity) is platykurtic at 2.06.

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Correlation Matrix

	RAROA	BS	BI	BGD
RAROA	**1**			
BS	**-0.1474**	**1**		
BI	**0.4151**	**-0.6469**	**1**	
BGD	**0.2012**	**0.1869**	**-0.4448**	**1**

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The correlation matrix is a pre-estimation test that helps to shows the level of multicollearnity among the dependent variables and independent variable. RAROA (Return on Risk-Weighted Asset) has positive relationship with BI (Board Independence) and BGD (Board Gender Diversity) and negative relationship with BS (Board Size)

Panel Regression Analysis

Dependent Variable: Return on Risk-Weighted Asset (RAROA)

Variables	Pooled	Fixed	Random
C	-7.6682	-1.9025	-7.6179
	(0.0011)	(0.5576)	(0.0008)
	0.13544	0.0709	0.1346
BS	(0.0793)***	(0.0072)***	(0.0684)***
	8.0517	2.3046	8.0050
BI	(0.0000)*	(0.0398)**	(0.0000)*
	6.5667	2.0153	6.5296
BGD	(0.0007)*	(0.4790)	(0.0005)*
R^2	0.5085	0.5468	0.5015
Adjusted R-square	0.5618	0.5894	0.5542
Durbin-Watson	1.6782	1.6304	1.6799
F-statistics	8.7504	4.2915	8.4981
Prob (F-statistics)	0.0001	0.0010	0.0001
Hausman Test	0.0858		

Author's Compilation, 2024

The Pooled regression model revealed that BS (Board Size) has a positive insignificant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BS (Board Size) leads to 0.13 increase in RAROA (Return on Risk-Weighted Asset). BI (Board Independence) has a positive significant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BI (Board Independence) leads to 8.05 increase in RAROA (Return on Risk-Weighted Asset). BGD (Board gender diversity) has a positive significant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BGD (Board gender diversity) leads to 6.56 increase in RAROA (Return on Risk-Weighted Asset). The coefficient of determination using r-squared shows that the independent variables BS (Board Size), BM (Board Independence) and BGD (Board Gender Diversity) explained 50.85% variation in the selected manufacturing companies in Nigeria. Adjusted R-squared is 56.18% of other variables that were not included in the model.

The Fixed Effect model revealed that BS (Board Size) has a positive significant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BS (Board Size) leads to 0.07 increase in RAROA (Return on Risk-Weighted Asset). BI (Board

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Independence) has a positive significant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BM (Board Membership) leads to 2.30 increase in RAROA (Return on Risk-Weighted Asset). BGD (Board gender diversity) has a positive insignificant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BGD (Board gender diversity) leads to 2.01 increase in RAROA (Return on Risk-Weighted Asset). The coefficient of determination using r-squared shows that the independent variables BS (Board Size), BI (Board Independence) and BGD (Board Gender Diversity) explained 54.68% variation in the selected deposit money banks in Nigeria. Adjusted R-squared is 58.94% of other variables that was not included in the model.

The Random Effect model revealed that BS (Board Size) has a positive insignificant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BS (Board Size) leads to 0.13 increase in RAROA (Return on Risk-Weighted Asset). BI (Board Independence) has a positive significant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BI (Board Independence) leads to 8.00 increase in RAROA (Return on Risk-Weighted Asset). BGD (Board gender diversity) has a positive significant effect on RAROA (Return on Risk-Weighted Asset) which implies that a percentage increase in BGD (Board gender diversity) leads to 6.52 increase in RAROA (Return on Risk-Weighted Asset). The coefficient of determination using r-squared shows that the independent variables BS (Board Size), BM (Board Membership) and BGD (Board Gender Diversity) explained 50.15% variation in the selected deposit money banks in Nigeria. Adjusted R-squared is 55.42% of other variables that was not included in the model.

Based on the test results, it can be inferred that the fixed effects in the model are correlated with the independent variables. This means that the fixed effect model is preferred over the random effect model ($p < 0.05$). Therefore, the random effect model is used for drawing inferences for the objectives. The findings from the random effect model agree with the works of Almashhadani and Almashhadani (2022), Olaoye and Adeyemi (2021) and Gbadebo (2021) that board size and board membership enhances financial performance of an organization, but disagrees with the works of Abiola et al., (2021). The study disagrees with the works of Amin, Ali, Naseem, and Ahmad (2022) that approved the board gender diversity improves financial performance.

5. Conclusion and Recommendation

The study revealed mixed outcomes regarding corporate governance attributes and their influence on the financial performance of organizations, measured by RAROA. Board size demonstrated a positive but insignificant effect, suggesting its limited direct impact on financial performance, even with slight improvements in efficiency. Board independence and gender diversity were significant contributors to RAROA, indicating that diverse and independent board structures foster better decision-making and oversight, thereby enhancing organizational performance. The results align with previous studies such as Almashhadani and Almashhadani (2022), and Olaoye and Adeyemi (2021), confirming the critical role of board independence and diversity in driving financial performance. However, the findings diverge from Abiola et al. (2021) on board size's relevance and Amin et al. (2022) on the influence of gender diversity, highlighting the contextual variations in corporate governance dynamics. It is therefore recommended that Organizations should prioritize enhancing board independence by including more non-executive directors with relevant expertise to strengthen accountability and decision-

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making. Efforts should also be made to improve board gender diversity by promoting equal opportunities and inclusive policies that attract skilled female professionals to board positions. While board size showed an insignificant effect, firms should maintain an optimal board size tailored to their operational complexity to avoid inefficiencies. Policymakers and stakeholders should develop frameworks that encourage board diversity and independence while recognizing contextual variations in governance structures. Future research could explore the dynamics of these attributes in different industries or regions to validate the findings and provide broader insights.

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