International Journal of
Development Strategies in Humanities, Management and Social Sciences
p-ISSN: 2360-9036 | e-ISSN: 2360-9044
IJDSHMSS
July, 2025
Vol. 15, No. 1

Corporate Governance and Firm Value of Listed Companies in Nigeria

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Article DOI:
10.48028/iiprds/ijdshmss.v15.i1.02

Keywords:
Concepts of Firm Value, Corporate Governance, Agency Theory

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Abstract

Corporate governance is crucial for enhancing firm performance and accountability, particularly in Nigeria, where regulatory weaknesses and market inefficiencies are prevalent. This study investigates how governance variables such as board independence, board size, CEO ownership, and institutional ownership affect the firm value of companies listed on the Nigerian Exchange Group (NGX). By addressing the gap in understanding governance effectiveness within Nigeria's evolving regulatory landscape, the study employs a mixed-method approach, analysing 480 firm-year observations from 48 listed firms between 2012 and 2021. The findings reveal that board independence significantly influences firm value. This underlines the important role independent boards' play in reducing managerial misconduct and aligning management decisions with the interests of shareholders. The study recommends regulatory bodies to enforce stricter standards for board independence, particularly by separating board leadership from CEO roles, to enhance investor confidence and firm value in Nigeria's capital market.

Background to the Study

The primary objective of any firm is to enhance the wealth of its shareholders, which is generally indicated by increasing stock prices and consistent profitability. A company's capacity to produce and manage cash plays a crucial role in determining its value, with cash often referred to as the 'king' of financial stability (Basheer, 2014). However, when companies hoard excessive cash, managers may partake in self-serving behaviors, resulting in agency dilemmas. Effective corporate governance acts as a tool to align managerial actions with the interests of shareholders, thereby ensuring accountability and the efficient allocation of resources. In Nigeria, where governance frameworks are still developing, the significance of corporate governance in improving firm value is both vital and intricate. This research examines the influence of governance mechanisms—such as board independence, board size, CEO ownership, and institutional ownership—on firm value among publicly listed Nigerian companies, addressing a gap in the current literature with a particular emphasis on the Nigerian business context.

In recent times, there has been a growing global focus on corporate governance, with nations implementing governance codes to direct corporate practices. In Nigeria, the Securities and Exchange Commission (SEC) has updated its Corporate Governance Code to improve transparency and safeguard investors (SEC Nigeria, 2020). Despite these advancements, challenges such as inadequate enforcement, corruption, and concentrated ownership structures continue to exist (Adegbite, Amaeshi, & Nakajima 2022). These challenges highlight the necessity for strong governance frameworks to reduce managerial opportunism and enhance firm performance.

Corporate governance mechanisms, including board independence, board size, CEO ownership, and institutional ownership, along with other firm characteristics such as size and leverage, are considered as control variables. For example, Uwuigbe, Olowe, & Olusola, (2018) demonstrate that board independence has a positive effect on firm value, whereas Ehikioya (2009) indicates that CEO ownership has a negative effect on performance. In a similar vein, institutional ownership can act as a monitoring mechanism, ensuring that managerial decisions align with the interests of shareholders (Khanchel El Mehdi & Seboui, 2021). This research adds to the existing literature by examining these governance variables within the framework of Nigerian listed companies, considering the specific characteristics of the Nigerian business landscape. As investor emphasis on transparency and ethical management grows, it is crucial to comprehend the relationship between corporate governance and firm value. The distinctiveness of this study, in comparison to prior research, is its comprehensive analysis of both theoretical and empirical literature concerning the impact of corporate governance on firm value. Specifically, it focuses on elements such as board independence, board size, CEO ownership, and institutional ownership, in addition to other firm characteristics like firm size and leverage as control variables. The study is centered on firms listed on the Nigeria Exchange Group.

Concepts of Firm Value

The value of the firm is an organisation that controls all its resources to produce service or good for the viable profit of the firm. Newburry, Deephouse, and Gardberg (2019) stated that the firm that exists within the resources comprises human resources, natural resources, and technological resources. Camfield and Franco (2019) argue that firm value explains the equity securities of market value and outstanding debt of the company. An essential company's objective is to exploit the value of the firm that ascertains shareholders' level of its wealth. Ibrahim (2020) opined that the market value of the firm that can prosper the shareholder; therefore, this can be deduced that the share price of a firm increases the welfare of its shareholders. Consequently, exploiting firm value is significant because it likewise implied that maximizing the wealth of the shareholders which implied the core purpose of the company.

Firm value can be influenced by various factors; the first is leverage or debt. Debt is one of the sources of finance in the company. In prior study, leverage has an influence to firm value (Sutama & Lisa, 2018; Miswanto, Abdullah, & Suparti, 2017), but study by (Jiarni, 2019; Fauzi & Nurmatias 2015); the leverage is not affected by firm value. The firm value can also be the investors' perception to the rate success of the firms and normally related to the prices of the stock. The increase in prices of stock influence firm value to improve shareholders' prosperity when prices increase (Bala, Amran, & Shaari, 2020; Handriani & Robiyanto, 2018).

In the long run, the company's primary goal is to enhance its overall value. A higher firm value reflects the prosperity level of the owner. Consequently, firm value becomes a central focus for investors. The wealth levels of shareholders and investors are derived from the firm's value. Conversely, firm value serves as a performance metric for financial managers (Salvatore, 2005). The decision-making criterion for Tobin's q value is as follows: if the Tobin's q value falls between 0 and 1, it indicates that the value of the firm's assets exceeds the value of its stocks, suggesting that the stock price is undervalued. Conversely, if the value exceeds 1, it indicates that the value of the firm's assets is less than the value of its stocks, implying that the stock price is overvalued. Key elements of effective corporate governance contribute to the enhancement of firm value. Ficici and Aybar (2012) noted that there is a growing body of finance literature that provides evidence regarding the connections between legal infrastructure, corruption, corporate governance practices, firm value, and performance.

Literature Review

Concepts of Firm Value

The value of the firm is an organisation that controls all its resources to produce service or good for the viable profit of the firm. Newburry, Deephouse, and Gardberg (2019) stated that the firm that exists within the resources comprises human resources, natural resources, and technological resources. Camfield and Franco (2019) argue that firm value explains the equity securities of market value and outstanding debt of the company.

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The firm value can also be the investors' perception to the rate success of the firms and normally related to the prices of the stock. The increase in prices of stock influence firm value to improve shareholders' prosperity when prices increase (Bala, Amran, & Shaari, 2020; Handriani & Robiyanto, 2018). In the long term, the objective of the company is to maximize the firm value. The higher the firm value shows the prosperity level of the firm owner. The firm value becomes the key concern for the investors. The level of wealth of the shareholders and investors are replicated from the firm value. On the other hand, the firm value becomes the performance indicator for finance manager (Salvatore, 2005). The decision rule for the Tobin's q value is as follows; if the Tobin's q value is between 0 and 1, this means that the firm assets value is higher than the value of the firm stocks, this suggest that the firm stock price is underestimated and if the value is higher than 1, this means that the firm assets value is lower than the value of the firm stocks, this implies that the firm stock price is overvalued. The imperative factors of good corporate governance resulting in improving firm value. Ficici and Aybar (2012) opined that there is an emergent body of finance literature which provides evidence on the relationship between legal infrastructure, corruption, practices of corporate governance, firm value and performance.

Corporate Governance

The notion of corporate governance can be interpreted from two distinct perspectives: a narrow perspective, which regards it solely as the framework within which a corporate entity or organisation obtains its fundamental guidance and direction, and a broader perspective, which considers it to be central to both a democratic society and a market economy (Rwegasira, 2000). The Organisation for Economic Co-operation and Development (OECD) (2004) clarified that corporate governance encompasses the relationships that exist between a company's shareholders and its managers, as well as its creditors and employees, all of which play a role in fostering economic growth and financial stability, thereby supporting the integrity of financial markets, economic efficiency, and market confidence. Ogbechie and Koufopoulos, (2010) clarified that corporate governance implied the effective, transparent, and responsible governance of the affairs of an organisation by its management and board. It could be about the process of making decision that hold individual responsible. Corporate governance plays a crucial role in encouraging shareholder engagement and ensuring that information flows smoothly. It can also be understood as the extent to which companies operate in a transparent and ethical manner, providing relevant information to stakeholders while pursuing the best strategies for managing cash reserves, fostering growth, and enhancing profitability. According to Sansui (2002), the relationship between corporate governance and economic performance becomes clear when we recognise that growth is not just about the amount of investment but also about how efficiently and transparently those resources are allocated. A solid corporate governance framework allows directors and managers to fulfill their responsibilities with accountability and openness. To bolster the protection of minority shareholders and enhance transparency, many countries have introduced corporate governance codes. In Nigeria, several codes have been established to strengthen corporate practices, including the Corporate Governance Code of 2003. This code outlines best practices that public companies and registered entities in Nigeria must adhere to, empowering investors to influence company direction, ensure transparency, guide executive actions, and uphold accountability within a structured governance framework. This code is recognised as the benchmark for Nigeria corporate governance. The recommended practices detailed in the code require the Board of Directors to be responsible for overseeing the company's operations in a lawful and efficient manner, thereby guaranteeing ongoing value generation. It emphasises that the value generated should be shared among employees and investors while considering the interests of all stakeholders. The Board's responsibilities include, but are not limited to, strategic planning. The Code of Corporate Governance, introduced by the Securities and Exchange Commission in 2011, took effect on April 1st of that year. At the time, it represented the most comprehensive regulation of corporate governance in Nigeria. The Code aimed to tackle the shortcomings of previous regulations and enhance its enforceability, ensuring alignment with international best practices in corporate governance.

Theoretical Framework

Agency Theory

Agency theory is predominantly relevant to this study of corporate governance and firm value of listed companies in Nigeria. The theory, introduced by Jensen and Meckling (1976), addresses the separation of ownership and control in contemporary companies. In Nigeria, this separation frequently results in conflicts of interest between shareholders (principals) and managers (agents), especially in firms with dispersed ownership or weak regulatory enforcement. Such conflicts can lead to agency problems, where managers may act in their own interests rather than those of the shareholders. This theory underlines the justification for implementing governance mechanisms that align managerial behavior with the interests of shareholders. For example, independent boards, CEO ownership, and institutional ownership serve as internal monitoring tools to minimize agency costs and enhance firm value. Uwuigbe, Uwuigbe, and Okorie (2020) observed that Nigerian firms with a higher proportion of independent directors on their boards tend to perform better financially, thus supporting the theory's relevance in the local context. Furthermore, agency theory is instrumental in explaining the critical importance of ownership structure in governance outcomes. Aliyu and Bello (2021) noted that moderate levels of CEO ownership can align the interests of managers with those of shareholders, while excessive ownership may lead to managerial entrenchment and a decline in firm value. In the Nigerian market, where the enforcement of corporate governance codes is often inconsistent, agency theory provides a valuable framework for evaluating the effectiveness of governance practices. Okafor and Egbunike (2023) found that agency costs have a significant impact on firm performance, emphasizing the necessity for strong governance to protect the interests of investors. Therefore, agency theory offers both a conceptual foundation and practical significance for examining how governance variables—such as board independence, CEO ownership, and institutional shareholding—affect the value of listed firms in Nigeria.

Methodology

Research Design

The research design utilized in this study integrates both cross-sectional and longitudinal approaches, spanning a decade from 2012 to 2021 (ten financial years). This design was selected due to the characteristics of the study, which is fundamentally cross-sectional while also extending over an extended timeframe. Through this methodology, the researcher gathered pre-existing data, eliminating the need for further manipulation to analyse the impact of corporate governance on the value of firms in Nigeria

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Sample Size and Sample Method

A total of one hundred and fifty (150) firms listed on the Nigerian Exchange Group as at 2021, constitute the population of the study (Fact book, 2021). The data filtering technique was employed to arrive at our sample size, which forty-eight (48) companies listed in the Nigerian Exchange Group from 2012-2021, resulting in 480 firm year observations.

Data Collection Method

The research utilizes data gathered from secondary sources. The published annual financial reports were employed to acquire data, along with the accounts of companies listed on the Nigerian Exchange Group (NGX) for all necessary variables. Additionally, data pertaining to the dependent variable (firm value) was sourced from the annual reports and accounts of companies registered on the Nigerian Exchange Group (NGX).

Model Specification

In accordance with the empirical and theoretical analysis of the research, it is observed that a corporate governance variable is likely to affect the level of firm value. The study formulated a multiple regression econometric model aimed at elucidating the variations in the dependent variable (firm value) based on alterations in the independent variables (corporate governance). The model, as utilized in that research, is presented below in empirical form as adapted from Azira and Rahman (2013):

$FV1 = \beta 0 + \beta 1\,(BIND) + \varepsilon$ …………………………… (i)
$FV2 = \beta 0 + \beta 1\,(BS) + \varepsilon$ …………………………… (ii)
$FV3 = \beta 0 + \beta 1\,(CEO) + \varepsilon$ …………………………… (iii)

Where:
FV= Firm Value
BIND = Board independence
BIND = Board size

This study modified the above Azira and Rahman (2013) model by removing CEO duality and introducing CEO ownership, and institutional ownership, as well as two firm- specific characteristics as controls variables; firm size and leverage. The justification for the removal of CEO duality is that the CEO duality basically monitors them, which could lead to an abuse power and position while the introduction of CEO ownership and institutional ownership serves as a crucial indicator of corporate governance, functioning as a control mechanism for future investments. It facilitates decision-making processes that can enhance the firm's value and subsequently increase shareholder wealth.

In line with the research hypotheses, the final model for this study is specified below in its functional form using firm age and leverage as control variables:
FV=(BIND, BSZE, CEOWN, INSTOWN) ……………………………… equ (i)

Including the two control variables, we have:
FV=f (BIND, BSZE, CEOWN, INSTOWN, FSZ, LEV) …………………………equ (ii)

The whole model can be re-specified in econometric form as;
$FVit= \beta0 + \beta_1 + \beta_2 BINDE_{it} + \beta_3 BSZE+ \beta_4 CEOWN_{it} + \beta_5 INSTOWNit+\beta_6 FSZ_{it} + \beta_7 LEVit + Ut$ …………… equ (iii)

$FVit=\beta0+\beta_1 BINDit+\beta_2 BSZEit+\beta_3 CEOWNit+\beta_4 INSTOWNit+\beta_5 BINDit+\beta_6 BSZEit+\beta_7 CEOWN_{it}+ \beta_8 INSTOWNit+ \beta_9 FSZit+ \beta_{10} LEVit+ U$…………… equ (iv)

Where:
FV = Firm value of company i in year t as dependent variable.
BIND = Board independence for company i in year t as independent variable.
BSZE = Board Size for company i in year t as independent variable.
CEOWN=CEO Ownership for company i in year t as independent variable.
INSTOWN= Institutional Ownership for company i in year t as independent variable.
FSZ= Firm Size for company i in year t as control variable.
LEV = Firm leverage for company i in year t as control variable.
U_t= Stochastic Term/error term.

Data Analysis Method
This study employed descriptive analysis, correlation analysis, and pooled OLS multiple regression techniques as the foundational statistical tests. A descriptive analysis of the data was performed to ascertain the characteristics of the sample. The multiple regression analysis was conducted to examine the relationship between the independent variables and firm value. Additionally, several standard diagnostic tests, including normality,

multicollinearity, heteroskedasticity, autocorrelation, and model specification tests, were carried out to address fundamental assumptions associated with regression analysis.

Data Presentation and Analysis

Table 1: Descriptive Statistics

	FMV	BIND	BDSZ	CEOWN	INSTOWN	LEV	FSIZE
Mean	0.03	65.08	8.83	5.13	51.84	58.55	7.05
Median	0.03	66.67	9.00	0.00	60.00	57.07	6.98
Maximum	0.06	94.44	23.00	50.41	95.00	224.11	9.02
Minimum	0.01	22.22	4.00	0.00	0.00	4.71	5.38
Std. Dev.	0.01	15.60	2.86	11.15	27.61	22.97	0.74
Skewness	0.17	-0.27	1.34	2.22	-0.57	1.56	0.27
Kurtosis	2.03	2.51	6.36	6.73	2.16	11.65	2.56
Jarque-Bera	20.99	10.47	364.16	663.46	39.48	1675.14	9.73
Probability	0.00	0.01	0.00	0.00	0.00	0.00	0.01
Sum	16.02	30913.98	4167.00	2430.58	24676.00	27868.25	3365.05
Sum Sq. Dev.	0.06	115313.50	3863.10	58751.87	362113.90	250690.90	261.06
Observations	479.00	479.00	479.00	479.00	479.00	479.00	479.00

Source: Author's compilation 2022

From table 1, the dependent variable Firm Value, which is assessed through the logarithm of market capitalization at the end of the year, reveals that the mean and median values are both 0.03, with a maximum of 0.06 and a minimum of 0.01. The standard deviation is 0.01, indicating that the observations are closely clustered around the mean. This clustering is attributed to the conversion of raw market capitalization figures into logarithmic form to reduce the impact of outliers. This implies that firms exhibit a range of liquidity policies that reflect their unique characteristics. In terms of corporate governance variables, Board Independence, defined as the ratio of non-executive directors to the total number of directors, has a mean value of 65.08, a median of 66.67, and a standard deviation of 15.6, suggesting that observations are concentrated around the mean. The average board size for the sampled firms is 8.83, with a median board size of 9, which is only slightly different from the mean value. The standard deviation of 2.86 indicates that board sizes are closely aligned with the mean, suggesting minimal variation in board size among the sampled firms. Chief Executive Ownership (CEO), measured by the proportion of shares held by the CEO in relation to Board ownership, has a mean value of 5.13 and a standard deviation of 11.15. This indicates a significant dispersion of CEO ownership around the mean, suggesting considerable variability in the level of CEO ownership across the sampled firms. This variability is further illustrated by the maximum and minimum ownership values of 50.41 and 0.00, respectively. The control variables include Leverage and Firm Size. Leverage has a mean of 58.55 and a median of 57.07, with a standard deviation of 22.97, indicating minimal variation in the leverage levels of the sampled firms and the absence of extreme leverage values. The size of the firm, measured by the logarithm of Total Assets, has a mean value of 7.05 and a median of 6.98, with a standard deviation of 0.74. The use of logarithmic transformation helps to eliminate the occurrence of extreme values.

Table 2: Correlation Matrix

Correlation							
t-Statistic							
Probability	**FMV**	**BIND**	**BDSZ**	**CEOWN**	**INSTOWN**	**LEV**	**FSIZE**
FMV	1.00						
	-0.66						
	0.51						
BIND	0.05	1.00					
	1.15						
	0.25						
BDSZ	0.04	0.19	1.00				
	0.90	4.08					
	0.37	0.00					
CEOWN	0.04	-0.23	-0.21	1.00			
	0.90	-5.14	-4.62				
	0.37	0.00	0.00				
INSTOWN	0.02	0.14	0.12	-0.39	1.00		
	0.38	2.95	2.71	-9.03			
	0.71	0.00	0.01	0.00			
LEV	0.06	-0.06	0.01	-0.15	0.04	1.00	
	1.33	-1.25	0.25	-3.19	0.93		
	0.19	0.21	0.81	0.00	0.35		
FSIZE	-0.07	0.13	0.17	-0.05	-0.06	-0.04	1.00
	-1.62	2.73	3.84	-1.17	-1.24	-0.95	
	0.11	0.01	0.00	0.24	0.22	0.34	

Source: Authors Compilation 2022

Table 2 presents the Pearson correlation coefficients alongside their corresponding t-statistics and p-values, demonstrating the trend, strength, and statistical significance of the relationships between firm value (FMV) and specific corporate governance factors: board independence (BIND), board size (BDSZ), CEO ownership (CEOWN), institutional ownership (INSTOWN), leverage (LEV), and firm size (FSIZE). The correlation coefficient for board independence and firm value is 0.05, indicating a rather weak positive relationship. However, the p-value is 0.25, which exceeds the conventional threshold of 0.05, suggesting that this relationship lacks statistical significance. This indicates that the degree of board independence has minimal influence on firm value among Nigerian firms listed on the Nigerian Exchange Group. The correlation between board size and firm value is 0.04, which also reflects a rather weak positive relationship. With a p-value of 0.37, the result is statistically insignificant, indicating that changes in the number of directors on the board do not significantly affect the value of companies in the Nigerian context. CEO ownership shows a correlation coefficient of 0.04, again indicating a rather weak positive relationship. The associated p-value is 0.37, which does not satisfy the criteria for statistical significance. This suggests that the CEO's equity stake, as a form of managerial ownership, does not influence firm value within the firms analysed. Institutional ownership exhibits a correlation of nearly zero with firm value (0.02), and a p-value of 0.71, which is significantly above the level of significance. This indicates that the presence or absence of institutional investors does not substantially affect firm performance or valuation in the Nigerian context. The correlation between leverage and firm value is 0.06, indicating a slight positive relationship. The p-value is 0.19, suggesting that this relationship is not statistically significant. This signifies that choices about debt usage or capital structure do not have an obvious linear impact on firm value among the Nigerian listed companies examined.

Table 3: Panel Regression

Variables	Panel Least Square 2012-2021 (1)	Convergence 2013-2021 (2)
	Coefficient t-Statistics (P-Value)	Coefficient t-Statistics (P-Value)
C	0.0344 6.0117 **(0.0000)*** **	0.0376 4.5541 **(0.0000)*** **
BIND	5.19E 1.518 (0.1295)	6.36E 1.7465 **(0.0815)***
BDSZ	0.0067 1.554 (0.2458)	-4.89E -0.2026 (0.8396)
CEOWN	8.14E 1.5759 0.1157	3.21E 0.4216 (0.6736)
INSTOWN	1.18E 0.5811 (0.5614)	2.47E 0.7858 (0.4325)
LEV	3.30E 1.4641 (0.1438)	1.71E 0.7018 (0.4832)
FSIZE	-0.0013 -1.4642 (0.1438)	-0.0014 -1.3875 (0.1661)
R-Square	0.021541	0.471932
Adjusted R-Square	0.006715	0.461553
S.E. of regression	0.010939	0.026683
F-Statistic (PV)	1.452973(0.1822)	45.46683(0.0000)
Durbin-Watson	0.6451	1.3794

Source: Researcher's Computation (2022) (E-views 8.1). Symbols of *, **and *** mean 10%, 5% and 1% as significance level respectively (See appendix section for detailed results)

Table 3 presents the outcomes of both the panel linear regression and the Convergence Panel Least Square regression. The dependent variable in this analysis is firm value (FMV), while the independent variables include board independence (BIND), board size (BDSZ), Chief Executive Officer Ownership (CEOWN), and institutional ownership (INSTOWN). Additionally, leverage (LEV) and firm size (FSIZE) are considered as control variables. Each variable is interpreted individually. Panel Linear Regression (2012-2021): The examination of the Panel Linear Regression spanning from 2012 to 2021 uncovers several noteworthy findings. Initially, board independence (BIND) exhibits a positive coefficient of 5.19E, indicating that a one-unit increase in board independence could result in an approximate 5% rise in firm value (FMV). Next, board size (BDSZ) presents a positive coefficient of 0.0002 in relation to firm value, suggesting that a unit increase in board size may enhance firm value by about 0.0002%. Regarding chief executive officer ownership (CEOWN), it reveals a positive coefficient of 8.14E with firm value (FMV), signifying that an increase in CEO ownership could potentially elevate firm value by around 8%. Institutional ownership (INSTOWN) also shows a positive coefficient of 1.18E with firm value (FMV), implying that a unit increase in institutional ownership could improve firm value by approximately 1.2%. Conversely, leverage (LEV) has a positive coefficient of 3.30E with firm value, indicating that a unit increase in leverage could lead to a roughly 3.3% increase in firm value. Finally, firm size (FSIZE) displays a negative coefficient of -0.000128 with firm value, suggesting that a unit increase in firm size might actually result in a decrease in firm value by about 0.0001%. The determination coefficient, known as R-square (R2), was found to be 0.0215 in relation to the value of the firm (VFM). This suggests that approximately 2% of the systematic variations in the dependent variable, which is firm value, can be explained by the independent variables, including Board independence (BIND), Board size (BDSZ), Chief Executive Officer ownership (CEOWN), and Institutional ownership (INSTOWN). Conversely, 98% of the variations remain unexplained and are captured by the error term. Furthermore, upon adjusting for the degree of freedom, the adjusted determination coefficient (adjusted R-square) (R2) was recorded at 0.006715 units concerning the firm's value. This indicates that roughly 0.07% of the changes in the dependent variable (firm value) are accounted for by the independent variables, while a significant 99.93% remains unexplained. The F-statistic was calculated at 1.4530 with a probability value of 0.0000, which, when compared to the minimal standard error of regression at 0.0084, suggests that the overall results are statistically significant. This implies a linear relationship exists between firm value and board attributes. Additionally, the Durbin–Watson statistic, which yielded a value of 0.6451, indicates the presence of serial correlation within the results. It is important to note that all independent variables were found to be statistically insignificant in relation to firm value. However, the results of the explanatory variables indicate either a positive or negative relationship with firm value.

Discussion of Findings

This study investigates the relationship between Corporate Governance and Firm Value for companies listed on the Nigeria Exchange Group. In this analysis, firm value is quantified using Tobin's Q. The study utilized 480 firm-year observations spanning a decade from 2012 to 2021. This chapter focuses on the presentation and analysis of the data utilized in the research and tests the hypotheses formulated in the study. It was found that board independence has a significant positive correlation with firm value. This suggests that as board independence increases, so does firm value. This can be attributed to the board's primary focus on the objective of enhancing the firm's wealth. Furthermore, board independence demonstrates a positive correlation between the presence of independent directors and market value. Conversely, board size does not exhibit a significant relationship with firm value. This indicates that regardless of the board's size, it does not impact the firm's ability to generate value. The question of an optimal board size that maximizes firm value remains elusive; beyond board size, there are more critical factors that influence firm value. Consequently, we accept the null hypothesis that board size is not significantly correlated with firm value. Additionally, CEO Ownership does not show a significant relationship with firm value. The implication here is that variations in CEO ownership do not lead to changes in Firm Value. Therefore, we accept the null hypothesis that the relationship between cash holdings and firm value is not significantly affected by CEO ownership. Lastly, the connection between institutional ownership and firm value is also found to be insignificant. This suggests that regardless of the level of institutional ownership, it does not affect the firm's ability to create value. To determine the impact of corporate governance on firm value concerning cash holdings, we interact firm value with the corporate governance mechanism. Based on these findings, we accept the null hypothesis, indicating that Institutional Ownership does not have a significant relationship with the firm's value.

Summary of Findings

The main focus of this study is to examine the impact of corporate governance on firm value. The analysis spans a decade, specifically from 2012 to 2021. Consistent with earlier studies, the influence of corporate governance on firm value is determined by the significance of the coefficient estimates related to firm value and the corporate governance mechanisms utilized in this research. The straightforward model employed in this study is a linear one, where firm value is represented by Tobin's Q, and corporate governance is indicated by factors such as board independence, board size, institutional ownership, and CEO ownership. This research further explores how corporate governance affects firm value by interacting firm value with the corporate governance mechanisms examined. The variable of board independence demonstrates a significant and positive effect on firm value, successfully passing the significance test at the 5 percent level. This suggests that an increase in board independence correlates with an increase in firm value. This assertion is supported by the notion that board independence helps to mitigate managerial excesses in asset utilization, steering them towards the primary goal of enhancing the wealth of business owners. This finding aligns with the conclusions of Salem et al. (2019), which indicated that independent directors positively influence firm value through both resource dependency theory and agency theory. According to agency theory, management oversees and controls independent directors, thereby reducing agency costs. Consequently, the substantial impact on firm value through monitoring services may stem from having a significant number of external directors on the board. In contrast, board size as an explanatory variable shows a positive yet insignificant effect on firm value, failing to meet the significance threshold even at a lenient 10 percent. The implication presented here is that the size of the board does not influence the firm's capacity to create value. The question of an ideal board size that maximizes the firm's value is a mere illusion; beyond the board's size, there are more critical elements that contribute to firm value. Weterings and Swagerman (2012) argue that board size is positively significant and is linked to firm value within the financial sector.

The ownership of the CEO, considered as an independent variable, demonstrates a positive yet statistically insignificant correlation with the firm's value, as it does not meet the significance threshold of 5 percent. This suggests that variations in CEO ownership do not lead to alterations in Firm Value. This conclusion aligns with the research conducted by Kumar (2004); Kusuma and Nuswantara (2021); Sulong and Nor (2008); and Sugosha and Artin (2020), which established that CEO ownership is not associated with firm value. Similarly, institutional ownership, when analyzed as an explanatory variable, shows a positive but statistically insignificant influence on firm value, as the significance test does not hold even at a more lenient 10 percent level. This implies that regardless of the extent of institutional ownership, it does not affect the firm's ability to create value. This observation is supported by the findings of Navissi and Naiker (2006), which assessed the relationship between institutional shareholdings and firm value across 123 companies and found no significant impact of institutional shareholdings on firm value.

Conclusion

The study investigated the connection between corporate governance and the value of firms listed on the Nigerian Exchange Group (NGX). It specifically analysed how corporate governance influences firm value. The corporate governance mechanisms that were the focus of this study included board independence, board size, CEO ownership, and institutional ownership. To achieve this aim, the study utilised a sample of 48 firms over the period from 2012 to 2021. The analytical methods employed in this research were the Panel Least Square Estimation, Fixed Effect Model, and Random Effect Model. The findings from the Panel Least Square regression indicate that 47% of the variations in firm value can be attributed to corporate governance variables. According to the Random Effect Model, corporate governance accounts for 49.6% of the changes in firm value. This is further supported by the F-statistics, which demonstrated the model's effectiveness in explaining variations in firm value. The study concludes that only board independence has a significant relationship with firm value. Based on these results, it can be inferred that corporate governance does not have a significant impact on firm value

Recommendation

The primary objective of the firm is to maximize the wealth of shareholders this is achieved by generating value from the resources of the firm. From the results of the study only the board independence has a strong effect on firm value; other corporate governance variables are not potent in determining firm value. We recommend that regulatory agencies must seek to consolidate board independence. Board must be increasingly scrutinized to ensure that the board act as independently as possible from the actions of Chief Executive Officer.

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