International Journal of Social Sciences & Humanities
ISSN: 2360-9877, Volume 11, Issue 5, (April, 2023) pages 14 - 34
DOI: 27265774111162
https://arcnjournals.org | arcnjournals@gmail.com

ARCN Journals
Africa Research Corps Network
Publication & Research

Mediating Effect of Financial Leverage on Corporate Governance and Performance of Listed Financial Service Firms in Nigeria. A Conceptual Review

Hafsat Bukar Adamu; Mohammed Bukar Kauji; and Ali Usman Mamuda
Department of Accountancy, Ramat Polytechnic, Maiduguri

Abstract: *Corporate governance ensures that all stakeholders receive reliable information on the value of the firm and motivates managers to maximize firm value instead of pursuing personal objectives. The common tenet in all governance systems is the mechanism to facilitate the control of management and the maximization of firm's value. It is against this background, and considering the multifaceted nature of Corporate Governance that this study conceptualizes and adapt board characteristics, ownership structure, and audit committee as key elements of the study reviewed the mediating effect of financial leverage on corporate governance and financial performance. The focus of this study however will be restricted to the activities of listed financial service firms in Nigeria.*

Keywords: *corporate governance, capital structure, financial performance.*

1.0 INTRODUCTION

Financial performance is of vital importance to corporations as well as scholars because it varies overtime and among companies; as a consequence, variation in performance forms the core focus of all profit making entities. It is pertinent to note that, profit-seeking corporations are primarily established to maximize shareholders' wealth; this primary objective was found to be a function of their performance. Generally, corporations that keep churning out bad performances after a while are bound to fail the survival threshold for all newly established corporations; consequently, they also fail to meet the target for growth and development that warrants corporate perpetuity.

Corporate governance mechanism has been largely criticized for the decline in the shareholder's wealth and unpredicted corporate failure in Nigeria and beyond. Board and audit committees' characteristics have been in the front line for the fraud cases that had resulted in the failure of major companies in Nigeria and beyond. In Nigeria, several factors have been identified as responsible for bad corporate governance or corporate failure among Nigeria companies. The factors among others include: an incompetent board of director, directors and management relationship, lack of monitoring mechanism put in place by ownership structure, relationship between management and staff, inadequate management capacity, frequent occurrence of financial malpractice and lack of internal control (Appah & Tebepah, 2023; and Abdullahi, 2011).In response to challenges in their respective sectors, Financial Reporting Council of Nigeria developed and issued the Nigerian Code of Corporate 2018 (NCCG, 2018) for private and public companies operating in Nigeria. This replaces the codes used previously by various institutions. To mitigate such situations, an efficient corporate governance mechanism was put in place by policy makers through regular monitoring and auditing of the executive management for their stewardship intermittently as enforced by virtue of section 73 of the Financial Reporting Council of Nigeria Act of 2011, as amended in 2018 and signed into law in 2019. Hence, sections 11c and 51c of the Financial Reporting Council of Nigeria Act confer upon the Council, the powers to ensure good corporate governance practices in the

public and private sectors of the Nigerian economy and to issue the code of corporate governance and guidelines. This process of holding corporate managers to account for their stewardship by stakeholders and policy makers in order to checkmate corporate excesses is known as corporate governance.

However, the central issue in corporate governance from the perspective of the agency theory is whether managers can be trusted to carry out the function of the firm in the best interest of shareholders. According to Tirole (2001), considering the presence and consequences of asymmetric information, imperfect contractual relations, variations in econmic fortune due to cyclical changes in the Nigerian and global economy among others; managers tend to have incentives to prioritise their own goals over the interests of the shareholders. These variations in economic fortune due to economic cyclical changes associated with business cycle thriving ups and down draw much attention to the economic situation of corporation and their perforemances all over the world.

To ensure effective monitoring and controlling of management by the board, as well as, increaseing shareholder's weath by alinging the interest of management and owners, the board should be of an optimum size, indepenent hold regular meetings. A competent board also requires power seperation and gender balance. To further improve and increase the shareholder's wealth audit committee also has a roles and reponsibility which is a standing committee of the board of directors that is charge with the responsibility of overseeing financial reponting processes, internal and external audit functions (SEC, 2011). The code also requires the committee to be up of independent members with requisite skils and knowledge of accounting anf finance who meet frequently to review the reporting processes most especially the quality of audit with a view to improve the shareholders confidence.

The financial services industries all over the world, Nigeria inclusive, are vital industries largely because of their role in the nation's economic growth and development. The Nigeria financial firms occupy strategic position in the Nigerian economy and been contributing significantly towards the development of the country, there is need for adequate focus on such industry. Also, the justification for choosing financial service firms is premised on the fact that, it is still an area with paucity of studies on the topic particularly in terms of investigating the financial service firms based on high and low levered categories. It is against this that this study seeks to examine the mediating effect of financial leverage on the relationship between corporate governance and financial performance of the listed financial service firms in Nigeria.

2.0 LITERATURE REVIEW

2.1 concept of Corporate Governance

The OECD (2004), defines corporate governance as a system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedure for making decisions on corporate affairs. The OECD Principles represent the first initiative by an inter-governmental organization to develop the core elements of a good corporate governance regime. It can be used as a benchmark by governments when they evaluate and improve their laws and regulations; meanwhile, it can be referred to by corporations when they develop their corporate governance systems and best practices (OECD, 2004). It is a system of internal controls and procedures by which individual companies are managed. It provides a framework that defines the rights, roles and responsibilities of different groups - management, board, controlling shareowners, and minority or non-controlling shareowners within an organization. The purpose of corporate governance is to prevent one group from expropriating the cash flows and assets of one or more other groups (Anonymous, 2018).

Other scholars and institutions define corporate governance in different ways such as, Jensen and Meckling (1976), Shleifer and Vishny (1997), John and Senbet (1998), Tirole (2001),

Imhoff (2003), OECD (2004), Keasey et al. (2005), and CBN Codes (2003, 2006) among others; however, the common features of their definition were that corporate governance encompasses the controls and procedures that exist to ensure that management acts in the best interest of all the stakeholders, in order to maximize the value of the firm. It also consists of the whole set of legal, cultural, and institutional arrangements that determine what publicly traded corporations can do, who controls them, how that control is exercised, and how the risks and returns from the activities they undertake are allocated.

Mueller (2006) distinguishes between two types of corporate governance institutions: institutions that are common to all companies in a country, such as law and legal institutions, and institutions that differ from company to company within a country, such as the number of members on the board of directors and the percentage of outsiders on the board. Tricker (1984) suggests that corporate governance can be classified into four groups of power: ownership power, corporate director's power, management power, and institutional power. Luo (2005), indicates that corporate governance works through three mechanisms: market based mechanisms (board composition, board size, market discipline, board chairmanship, executive compensation, and interlocking directorate); culture-based mechanisms (governance culture and corporate integrity); and discipline-based mechanisms (executive penalty, internal auditing, conduct codes, and ethics programs).

However, Garko (2014), is of the opinion that deep insight into the above definitions brings out the idea that corporate governance is a mechanism adopted by the company to ensure integrity and ability of the board and management in taking strategic decisions, as well as, managing the affairs of the corporation. Certainly, corporate governance can be regarded as a set of mechanisms through which firms operate when ownership is separated from management. It deals with the mechanisms that provide investors in corporations with some protection with regard to their investments. It can be seen from the above discussion that corporate governance can be defined in many different ways. Corporate governance provides a framework for internal control that reduces agency problems. The structure of corporate governance identifies rights and responsibilities among different corporate participants and specifies the rules and procedures for making decisions on corporate affairs. In addition, corporate governance ensures that all stakeholders receive reliable information on the value of the firm and motivates managers to maximize firm value instead of pursuing personal objectives. The common tenet in all governance systems is the mechanism to facilitate the control of management and the maximization of firm's value. It is against this background, and considering the multifaceted nature of CG that this study conceptualizes and adapt board characteristics, ownership structure, and audit committee as key elements of CG.

2.1.2. Board Characteristics

Board can be sees as the heart of every corporate organization. It comprises of whom the owners of an entity delegate power and authority to monitor, oversea the affairs of the entity and align the overall goals and objectives of all stakeholders. The most important component of any corporate governance system is the board of directors' composition (Farhat, 2014). Therefore, the board plays a key role in controlling of the company and in monitoring of top management (Jenses & Meckling, 1976). Thus, the board of directors in an essential element of corporate governance and is considered the main internal mechanisms in reducing agency conflicts, either between managers and shareholders or between majority and minority shareholders (De-Andrade et al., 2009). The key features of corporate board characteristics constitute board size, board gender diversity, board meetings and board independent as they relate to financial leverage and financial performance are examined in the other sub-section of this work.

2.1.3 Board Size

Board of directors is one of the most important elements of corporate governance mechanism in overseeing the conduct of the company's business. Board size is defined as the number of directors in the

company's board of directors. There are few arguments on whether the larger board performs more than the smaller board size. In the extant literature, agency theorists like Linck et al. (2008) and Lehn et al. (2009) argue that larger boards are more effective in monitoring and advising management because of their ability to collect and process more information than smaller boards. This makes them more effective in checkmating the self-serving behaviour of managers. Others like Jensen (1993) argue that large board sizes can become too clumsy and inefficient. He suggests that board sizes greater than seven or eight directors are less effective and more susceptible to CEO control than smaller boards.

In this event, one can argue that these studies indirectly underscore the expert power inherited in larger boards. Drawing on the concept of expert power, board of directors could be seen as a formation of a group that attempts to improve corporations' performance and disclosure policies (Fincham, 1992). One can argue that larger boards have different experts which board draws on, what Lynall et al. (2003) tagged as expert power (those experts have the ability to contribute to organizational success by influencing a particular strategic choice, in dimension that provides an opportunity to improve performance) to get their point across. The existence of diverse expertise with different opinions enables larger board to enhance the corporations' disclosure policies. In addition, it was suggested that large boards are less likely to be dominated by the CEO (Hussainey & Wang, 2011).

2.1.4 Board Gender Diversity

Gender diversity is the composition of the board in terms of male and female directors. Traditionally, boards are considered a link between the firm and the essential resources that a firm need from the external environment for superior performance. However, the introduction of the resource dependency theory has now widened the scope of governance research to include viewing the board as a strategic resource. Resource dependency theorists posting that board member with different gender will act as strategic resource to the firm which may result to superior performance (Ujunwa et al., 2012). This postulation laid the theoretical foundation for corporate governance research on board gender diversity.

Historically, board are traditionally composed of only male members in Nigeria while in the US, women held 14.8% board seats, in Australia, Canada, Japan, and Europe is estimated to be 8.7%, 10.6%, 0.4%, and 8.0% respectively (Phan, 2016). This situation is changing because many proposals for governance reform explicitly stress the importance of gender diversity in the boardroom (Phan, 2016). This trend is supported by empirical researches showing that women appearance in the board room actually benefits the company. Furthermore, proponents of board diversity argue for the case of boardroom diversity along ethical and economic gains. The ethical view point argues that it is inequitable to exclude certain group from corporate elites based on gender and in terms of the economic gains it is argued that diversity promotes the functional ability of the board, particularly its ability to engage in complex problem solving,

However, in the context of this study, board diversity is viewed as the number of female directors sitting on the board of an entity during the year.

2.1.5 Board Meetings

The frequency of meetings held by the board may have significant impact on corporate governance principles. The board meeting in a year is considered a metric of the board activity, and the number of board meetings in a year is another aspect of the corporate governance mechanism. Firms routinely report such board activity in the form of the frequency of board meetings and the details of attendance in annual reports. The frequency of board meetings is considered a tool to improve the effectiveness of the board because the frequency of board meetings determines the level and the frequency of discussion on firms' related problems, as well as the adoption of possible remedies. It also measures board effectiveness by examining the frequency of meetings. The board of directors' meeting is defined as the number of meetings held by the board annually. Francis et al. (2012) posit that firms with poor board attendance at meetings had lower performance than boards with good attendance. Also, Ntim and Osei (2011) argued that regular board meetings increased higher financial performance and the value of the firm. It is at the meeting that strategic decisions would be taken that may lead to higher performance in the short run and a higher firm value in

the long run. The agency theory proposes that constant board meetings lead to better vigilance and management.

. Therefore, based on the divergent research findings, it can be deduced that while some researchers discovered that board meetings improve firm value other could not ascertained that. Board meeting is believed to be a way the board of directors could have opportunity to discuss issues that could affect the value of the firms. Hence, the timing of the board meeting is a crucial resource in enhancing the board's effectiveness.

2.1.5 Board Independence

Another essential characteristic that can affect the monitoring ability of the board is board composition. The Nigerian Code of Corporate Governance for Insurance companies 2009 requires all insurance companies to have a minimum of seven and a maximum of fifteen board members. Also, no company shall have more than 40% of its board members in an executive capacity. Hence, the primary role of the board of directors is that of trusteeship to protect and enhance shareholders' value through strategic supervision. As representatives, they will ensure that the company has clear goals relating to shareholders' value and growth. The provided direction and control ensures that the company is managed to fulfil stakeholders' aspirations and societal expectations (Kumar & Singh, 2013).

2.1.6 Ownership Structure Characteristics

Ownership structure is a mechanism that aligns the interest of shareholders and managers (Haniffa & Hudaib, 2006). However, Garko (2014) argues that, various aspects of ownership structures are studied in previous research (e.g. ownership concentration, family ownership, government ownership, foreign ownership, institutional ownership and managerial ownership). Both theories of the firm - the agency theory (Jensen & Meckling, 1976), and the stakeholder theory (Williamson, 1984; Freeman, 1984) acknowledge that modern enterprises have dispersed ownership. Modern enterprises tend to have diverse shareholders each of them may own a tiny fraction of the firm’s equity. These shareholders may not necessarily be the firms’ managers who are responsible for the firm’s daily operations. Fama and Jensen (1983) argue that when the companies’ capital is widely held, the potential of conflicts between principal and agent is greater. To reduce these conflicts some shareholders induce managers to disclose more corporate information for the truthful evaluation of the firm’s performance. As a result, information disclosure is likely to be intensive in widely held firms so that principals can effectively ensure that their economic interests are optimized. Different aspects of ownership structure have been used as explanatory variable of disclosure practices. But, for the purpose of this study, the following types of ownership structure are used.

2.1.7 Audit Committee Characteristics

Most of the corporate governance codes and regulations around the world, such as Cadbury 1992, the Sarbanes Oxley Act 2002 among others, require audit committees to be established by all listed companies and should consist majority of independent members The audit committee is a subset of the corporate board of directors and has the responsibility of enhancing internal control procedures, overseeing a firm's financial performance and reporting process, external reporting and risk management of companies. It also plays an important role by facilitating communication between the board, external auditors and internal auditors (Farhat, 2014; Cheng & Leung, 2006). Also, capital market authorities around the world require listed companies to establish audit committees.

Due to the increasing awareness of the important role of audit committee, a number of companies voluntarily created an audit committee to provide more effective communication between the board of directors and external auditors (Rajkovic, 2020). Audit committees of board of directors are mechanisms for reducing information asymmetry, and protecting investors (McDaniel et al., 2002 as cited in Garko, 2014) and maintaining the quality of financial information disclosure and control systems (Barako, Hancock, & Izan, 2006). According to McMullen (1996), audit committees are associated with reliable financial reporting such as reduced incidence of error and irregularities. Also, Audit committees are usually viewed as monitoring mechanisms that enhances audit attestation function of external reporting (Blackburn,

1994). In this regard, Audit committees can be a monitoring mechanism that improves the quality of information flow between firm's management and shareholders, especially in the financial reporting environment where ownership and management have disparate information levels (Barako et al., 2006).

2.1.8 Audit Committee Size

Audit committee that is often investigated in various empirical studies is the number of the audit committee. The small number of audit committee member may be effective to affect financial performance because they more focus to discuss important financial issues faced by a company. Moreover, audit committee with a larger number of people is not effective which in turn does not affect financial performance of the firm (Aldamen et al., 2012). The size of the audit committee is one characteristics considered to be relevant to the effective discharge of its duties (Cadbury Committee, 1992). In Nigeria, the Companies and Allied Matters Act, 1990 states that a public limited liability company should have an audit committee (maximum of six members of equal representation of three members each representing the management/ directors and shareholders) in place.

The members are expected to be conversant with basic financial statements. The committee has the following objectives: (i) Increasing public confidence in the credibility and objectivity of published financial statements. (ii) Assisting the directors, especially the non-executive directors, in meeting their responsibilities of financial reporting. (iii) Strengthening the independent position of a firm's external auditors by providing an additional channel of communication. A large audit committee size may play a vital role in monitoring management in using its assets to earn more revenue and enlarge its operations.

In a nut share a larger audit committee is likely to be more effective compared with the smaller audit committee; the intuition behind that is with a larger audit committee, the responsibilities, skills, background and power would be increased to enhance their oversight roles.

2.1.9 Audit Committee Financial Expertise

Audit committees are in charge of monitoring the financial reporting process and ensuring the accuracy of financial statements. The audit committee's members need to have some financial expertise. The amount of knowledge of the audit committee might lead to better financial performance. This relates to audit committee members having the appropriate skills, certifications, expertise, and knowledge of accounting and financial matters that would help improve the effectiveness of the audit process and ensure the accuracy of financial reporting (Hamdan et al., 2013). DeFond *et al*. (2014) concluded that the audit committee members' main task is to supervise corporate financial reporting and auditing processes, therefore its members should have the capability to understand the issues on earnings quality.

2.1.10 Audit Committee Meeting

The frequency of audit committee meetings can be used as a measure of their effectiveness. Code of best practice (2003) in Nigeria recommends that the audit committee meets not less than three times a year. Zhou and Chen (2004) noted that audit committee meetings serve as an important mechanism for improving and promoting corporate governance in firms. There is likelihood that financial fraud would be reduced if the audit committee meets frequently and carry out its duties as required. Thus, the audit committees that meet more often are more likely to perceive industry specialization as an important skill in external auditors and accordingly appoint industry specialist auditors.

Salawu *et al*. (2017) posited that audit committee that meets frequently are up to date with challenges in the business environment and are more proactive in the discharge of their responsibilities. This means that the number of audit committee meetings reflect their monitoring effectiveness. Audit committees that meet more frequently are better informed about the company circumstance (Al-Matari, 2014), and provide a more effective oversight and monitoring mechanism of financial activities, which includes the preparation and reporting of company financial information. According to Menon and Williams (1994), the meeting frequency of audit committee is a measure of audit committee effectiveness. Effectiveness monitoring may increase when audit committee members meet regularly and frequently.

Smith (2003) recommended that audit committee members should meet at least four times in financial year. The more meeting, the more problems can be resolved and the more meetings are performed, the better indicator for audit committee member in achieving their goals. Agency theory state that the frequency of meetings is only useful for the company when its benefits more than its costs (Jensen & Meckling, 1976).

2.1.11 Financial Leverage

Firms need funds to expand their operations and financial their assets. There are a multiple of financing sources available to finance their assets. Basically, two sources of finance can be used: internal financing sources which include reserves and retained earnings and external financing which includes long-term loans, bond issuance, ordinary and preferred stock issuance. Financial leverage is the use of borrowed money (i.e. debt) as capital by using different sources of funds in the form of either short term debt or long term debt in the form of debenture or bonds (Khalid et al., 2017).

According to Horne (2009) the term financial leverage is the employment of an asset or fund for which the firm pays a fixed cost of fixed return. Leverage is one of the methods being used by owners/managers to finance their capital. To gain a general idea of how much debt is employed by a company, a total interest bearing debt is compared to total assets or capital as the case may be. A higher percentage implies more dependent on debt and so a riskier venture. It can determine the overall level of financial risk (Khalid et al., 2017).

The proportion of debt to equity in the capital structure of a company is refers to leverage. It refers to the extent with which a company uses both their equity and borrowings to increase their performance. The financing decision is purely a managerial decision in that it influences the shareholder's return, risk and market value (Nwanna & Ivie, 2017). Companies that borrowed a huge and large sum of money could be seen as highly leverage if this occurred during the business recession and this might pose a great potential risk. Financial leverage is the use of borrowed money (debts) to finance the acquisition of assets with the hope that the capital gain from the acquisition of the new assets will exceed the cost of borrowing. It can also be referred to as the measure of how much firm uses debts and equity to finance its assets in order to increase the operating profit of the firm.

In general, companies may raise money from internal and external sources. The companies can raise fund from internal sources by plowing back part of their profits, which would otherwise have been distributed as dividend to shareholders. Funds could also be raised from external sources by an issue of debt or equity. The firm's leverage decision centers on the allocation between debt and equity in financing the company (Sagin & Eragbhe, 2014). According to Adetunji et al. (2016) financial leverage is the extent to which fixed income securities (such as debt) are used in a firm's capital structure.

Financing options may consist of debt, equity and hybrid securities which will reflect the firm value and performance. Higher level of debt financing may result in default and bankruptcy cost while equity financing will give bad signal to the public on the performance of the firm. Good capital structure decision taken by the managers will maximize the utilization of the investment and sustain the firm operation in the long run (Ibrahimy & Aidi, 2021). Therefore, it will ensure the achievement of firms' objective in maximizing the shareholders' wealth or the value of the firm

2.1.12 Financial Performance

Many scholars believed that research on financial performance originated from strategic management and organization theory (Samuel & Abdulatef, 2016). In view of this, to analyze firms' financial performance, emphasis should be geared to describe the concept of financial performance which covers different dimensions upon which firm's financial performance emanated. Firm financial performance can be defined as a process by which company manages its resources in line with its operational strategies and objectives to develop competitive advantage.

To Ibrahim and Abdullahi (2019) financial performance is defined as the ability of a firm to maximize its cost of operations, efficiently use its assets and maximize the value of shareholders. It shows the effectiveness and efficiency of management in the use of corporate resources. It is further defined as the attempt by a firm to meet established goals or effective productivity. Also, it is a measure of the firm's

earnings, profits and appreciation in its value which is disclosed by the rise in the market value of shares (Ibrahim & Abdullahi, 2019).

Corporate performance measure has different aspects and choosing relevant measures are important for pursuing research intentions. Performance measurements offer insights into appropriate measures for answering research questions. However, it is not always agreed as to what performance measures should be employed and used (Haniffa & Hudaib, 2006). There are various measures which have been used regularly in past studies as a measure for firm performance (e.g., value ratio, labour productivity, net present value, market-to-book value, and earnings per share). The measures of performance for the purpose of this proposition could be divided into two majors' groups: market measures and accounting measures, specifically Tobin's Q, ROA and ROE.

In summary, ROA and ROE are without a doubt among the most widely used accounting criteria for measuring financial performance. The overall value of a company is its assets and overall shareholders' investment of a company is the equity. Both ROA and ROE are the key measures in calculating the rate of return on the asset and equity as used by (Nana & Baiden, 2020; Armstrong & Gyimah, 2019; Ashari & Krismiaji, 2019; Oroud, 2019; and Siddik, 2017).

2.1 Conceptual Framework

The conceptual framework of this study shows, diagrammatically, how financial leverage mediates the relationship between corporate governance and financial performance. Given the gaps presented in the statement of the problem in section one for the identified corporate governance variables, financial leverage, and financial performance, the proposed framework is depicted schematically in Figure 1 below. Besides the dependent, independent, and mediator variables as explained above, certain control variables are also proposed to be considered in the framework. These include firm size and firm age. The variables are considered necessary given their established influences on the financial performance of firms as used by Ria (2023), Dwisaputra et al. (2022), Huynh et al. (2022), Itan and Chelencia (2022), Kijkasiwat et al. (2022) and Noghondari and Noghondari (2022).

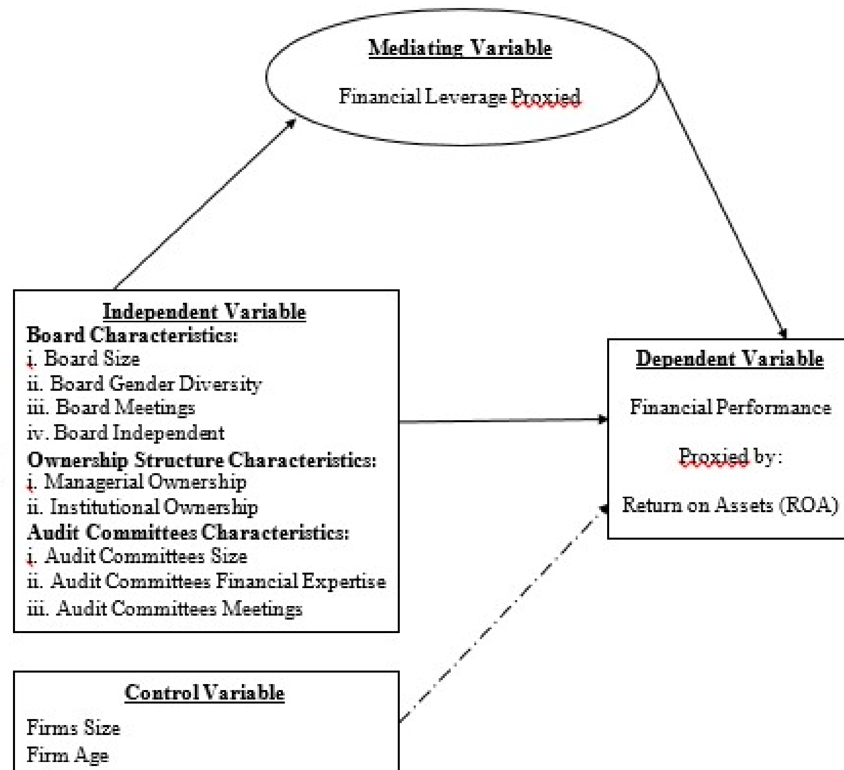

Figure 1: Conceptual Framework of the Study
Source: Developed by Researcher from the Literature Reviewed as a Road Map, 2023

A conceptual framework is a schematic presentation of the variables under investigation. In this study the mediating effect of financial leverage on the relationship between the independent variable corporate governance and dependent variable financial performance is summarized as shown in Figure 1 above.

2.2 Empirical literature

2.2.1 Corporate Governance and Firm Performance

Corporate governance has different components. It comprises of board characteristics (such as board size, board gender diversity, board independent, board meetings, foreign directors among others), ownership structure characteristics (managerial ownership, institutional ownership, foreign ownership, ownership concentration, family ownership and government ownership) and audit committees characteristics (audit committees size, audit committees financial expertise, audit committees meetings and audit committees meetings among others) which is regulatory and compliance committee.

2.2.2 Corporate Governance, Financial Leverage and Financial Performance

This sub-section provides empirical evidence on the intervening role of financial leverage on the relationship between corporate governance and financial performance. Prior studies produce strong relationship, why some inconclusive and mix findings evidence. Ria (2023) examined the determinant factors of corporate governance on company performance mediating role of capital structure of Indonesia's non-financial sector. Data for this study was obtained from financial statements of fifteen companies as sampled size of non-financial sector in Indonesia for a period of five years (2017-2021). The result shows that corporate governance (board independence, board size, and audit committee) were significantly associated with capital structure and company performance, but gender diversity has an insignificant relationship with capital structure and company performance. Moreover, this research found that capital

structure is not mediating the relationship between corporate governance (board independence, board size, audit committee, and gender diversity) and company performance. From this study, it means that firms with a large-sized board use low leverage to enhance corporate performance.

Dwisaputra *et al. (*2022) examined the effect of financial leverage in mediating corporate governance and firm performance relationship of manufacturing companies listed on the Indonesia Stock Exchange. This research was conducted on 113 manufacturing companies for a period of five years (2013-2017). The regression showed that board size has a positive effect on firm performance, while female directorship and ownership concentration have a negative effect on firm performance. Financial leverage partially mediates the effect of board size on firm performance. This implies that corporate governance structures such board size adopted a policy that enable them to use low leverage to enhance firm performance. The study is not based in Nigeria, and while it is recent, it uses data from 2013 to 2017, which is older, and it also covers a five-year period.

In another study, Huynh et al. (2022) explored the impact of corporate governance on firm performance of non-financial sector in Pakistan while considering financial leverage as a mediating variable. A sample of 150 firms was selected from those registered on the Pakistan Stock Exchange during the period of 2011-2021. Data was collected from financial statements. The results show that corporate governance is associated with firm performance. Board size has a positive relationship with firm performance; as board size increases, the performance of the firm also increases. Board independence is positively and significantly associated with firm performance. Audit committee size is also positively associated with firm performance. Female directors on the board are also associated with positive firm performance. Board independence, board size, audit committee, and female directorship were positively associated with financial leverage. Corporate governance protects the interest of shareholders and transfers risk from shareholders to debt holders. Results show that corporate governance enhances the financial distress cost by enhancing the debt ratio in the financial leverage. Financial leverage partially mediates the board size and board independence with firm performance, while audit committee size and female directorship relationship with firm performance are fully mediated. This means that corporate boards such as board size and board independence utilize financial leverage levels to enhance firm performance.

Itan and Chelencia (2022) examined the mediating effect of capital structure on this relationship between corporate governance and firm performance of family companies in Indonesia. The panel data approach was employed, using a sample of 117 companies registered on the Indonesia Stock Exchange between 2016 and 2020. The result of the study revealed the significant effect of board size, managerial ownership, and ownership concentration on the performance of the family businesses analyzed, as measured by ROA. However, the result of the analysis using Tobin’s Q measure shows an insignificant effect. Furthermore, this study found capital structure to have a mediation effect on GCG and performance of a family business, through ownership concentration and managerial ownership. However, the study failed to recognize other corporate governance, such as audit characteristics (audit committees size, audit committee’s financial expertise and audit committee’s meetings) which this current study intends to address.

Kijkasiwat *et al.* (2022) examined the mediating role of financial leverage on the association between corporate governance and firm performance of publicly listed firms operating in developed and emerging economies for the period of seven years (2002-2017). The study used purposive sampling techniques and selected 2,568 firms from the total population of 35,717 firms from developed and emerging countries. The study uses a two-step dynamic panel as well as a generalized method of moments (GMM) to estimate these relationships. The findings demonstrated financial leverage mediates the relationship between corporate governance and firm performance in the context of developed economies, and also in emerging economies.

Noghondari and Noghondari (2022) investigated the mediating effect of financial leverage on the relationship between ownership concentration and financial performance of listed companies in Tehran. The statistical population of the study was all listed companies in Tehran Stock Exchange. However, data

were available only for 60 companies during the period of 2004-2015. The multiple regression result shows that the ownership structure negatively affects the financial performance. Moreover, the financial leverage mediated the relationship between the ownership concentration and financial performance. This means that ownership concentration plays significant role by monitored management to use low financial leverage to enhance financial performance to benefit all the shareholders. A similar study in listed companies in Nigeria could yield a different result because Tehran.

Bawazir *et al*. (2021) examined the linkage between corporate governance and the performance of non-financial firms listed on Muscat Securities Market: mediating effect of financial leverage over the period of eleven years (2007-2017). The population consists of all the 80 nonfinancial firms listed on Muscat Securities Market. The sample of this research study covered 53 non-financial firm using purpose sampling techniques. A panel fixed effect regression was conducted to test if there is a relationship between corporate governance, capital structure and firm performance. Overall results show that women on board, audit committee size, leverage and firm size are positively related to firm performance. Finally, the findings indicate that financial leverage does not mediate the relationship between corporate governance and Omani firms' performance.

Noorlailie *et al.* (2017) examined the mediating effect of leverage and dividend policy on the influence of corporate governance towards firm value. The study was based on quantitative study used secondary data of 181 companies listed on the Indonesian Stock Exchange (IDX) in the year of 2014. The results showed that leverage did not mediate the relationship between corporate governance and firm value, and dividend policy partially mediated corporate governance and firm value relationship. This implies that firms with a small-sized board use low leverage to enhance corporate performance. This study was conducted outside of Nigeria, and the results may not be the same in the Nigerian context given the differences in corporate governance codes.

Intervening or mediating variables between corporate governance and financial performance could be examined to find out the way and timing of corporate governance in enhancing financial performance (Van Essen et al., 2012). Dwisaputra et al. (2022) examined the influence of corporate governance on financial performance relationship with financial leverage decisions as a mediator. The presence of mediating variable helps to explain corporate governance mechanism to financial performance effects. Meanwhile, the effectiveness of corporate governance mechanism affects financial leverage and influences financial performance. The study found that effective corporate governance mechanism that monitor firm risk vigorously are more likely to monitor management from adopting excessive leverage, which resulted in positive financial performance. Therefore, this study will incorporate financial leverage as a mediator variable. Using financial leverage as the mediators because prior research showed that financial leverage is important predictors of financial performance. The proposal is similar to the studies of Ria (2023), Dwisaputra et al. (2022), Kijkasiwat et al. (2022), Huynh et al. (2022) and Noghondari and Noghondari (2022) among others. The studies point out that corporate governance, financial leverage and financial performance should be incorporated in a study

2.3 Theoretical Review

2.3.1 Agency Theory

Agency theory has been used to underpin corporate governance literature in accounting, economics, finance, marketing, political science, organizational behaviour, and sociology (Amedu, 2016; Farhat, 2014; Garko, 2014; Haniffa & Hudaib, 2006). It is very often seen as the most used theoretical approach to the analysis of corporate governance, based on the idea of the division between ownership and control which is involved in the current corporate culture. It initially started with the work of Berle and Means (1932) which highlighted the separation between the management of the firm and its ownership. It is mainly focused on the alignment of the interests of both parties - the agents and the principals (Jensen & Meckling, 1976; Fama, 1980). Agency supposition indicates the relationship between these two parties, the principals who are the shareholders or the owners of the firm and the managers as their agents/stewards to manage and control the firm, but may not take full action in the interest of the shareholders, but instead work to

enhance their own interest. This situation was documented by Adam Smith in the eighteenth century in his commentary on joint stock companies (Cited by Cadbury, 1992, p.4):

Agency theory posits that a net reduction in agency costs arising from the institution of these internal corporate governance structures should help increase firm value and/or improve financial performance (Shabbir & Padget, 2005, p.3). This will result in agency costs being incurred, including monitoring, bonding and residual loss. All else equal, the institution of effective corporate governance structures will reduce agency costs. This is likely to increase firm value and/or financial performance. Information asymmetry and managerial signaling theory takes similar view to agency theory. It suggests that by incurring signaling costs, better-governed firms can increase their value by signaling their better quality to prospective investors (Farhat, 2014; and Garko, 2014). This is the overriding theory underlying the recommendations of a raft of corporate governance reports in many countries (in essence, NCCG, 2018; OECD, 2004; Cadbury, 1992).

It has also been the major motivation behind an established body of empirical research that attempts to link internal corporate governance structures with firm financial performance through the use of empirical econometric models based on some equilibrium assumptions (Rajkovic, 2020; Li et al., 2020; Sheikh et al., 2018; Elamer et al., 2018; Martín & Herrero, 2018; Farhat, 2014; Haniffa & Hudaib, 2006; among others). It is against this background and considering the multidimensional nature of CG impact on firm performance that this study adopts in contrast, stewardship theory that suggests that, due to agents (stewards/managers) information and knowledge advantages over the shareholders, better financial performance is likely to be associated with greater managerial trust and powers. Finally, this will be corroborated by resource dependence theory, which indicates that internal corporate governance structures like the board of directors help to link the firm to critical business inputs needed for higher financial performance.

2.3.2 Stewardship Theory

Contrary to Agency, Resource dependence and Signaling theories that place emphasis on managerial opportunism and monitoring, stewardship theory posits that executive managers are intrinsically trustworthy individuals (Nicholson & Geoffrey, 2003). Subsequently, managers should be fully empowered to run firms because they are good stewards of the resources entrusted to them (Letza et al., 2004). Furthermore, stewardship theory makes several assumptions about the behaviour of senior managers. Firstly, it assumes that since top managers usually spend their entire working lives in the company they govern; they are more likely to understand the businesses better than outside directors and so can make superior decisions (Donaldson & Preston, 1995; Donaldson & Davis, 1991).

Secondly, executive managers possess superior formal and informal information and knowledge about the firm they manage, which can aid better decision-making (Donaldson & Davis, 1991). Finally, competitive internal and external market discipline and the fear of damaging their future managerial capital ensure that agency costs are minimized (e.g., Fama, 1981; Fama & Jensen, 1983). As a result, proponents of stewardship theory contend that better financial performance are likely to be associated with internal corporate governance practices that grant managers greater powers, such as combining the positions of company chairman and CEO (Farhat, 2014; Nicholson & Geoffrey, 2003; Donaldson & Davis, 1991).

2.3.3 Resource Dependence Theory

Resource dependence theory was advocated by Pfeffer and Salancik in 978. The theory centered on the role of the board in providing access to resources for the organization. As resource providers, their characteristics tend to be of paramount importance (Hillman et al., 2009). Resource dependence theory is the final supporting theory of corporate governance that this study will rely upon. It suggests that the institution of internal corporate governance structures, such as board of directors is not only necessary for ensuring that managers are effectively monitored, but also they serve as an essential link between the firm and the critical resources that it needs to maximize financial performance (Farhat, 2014; Pfeffer, 1973). Firstly, the board and non-executive directors in particular can offer essential resources, such as expert advice, experience, independence, and knowledge (Haniffa & Cooke, 2002). Secondly, they can bring to

the firm reputation and critical business contacts (Haniffa & Hudaib, 2006). Thirdly, the board can facilitate access to business/political elite, information and capital (Nicholson & Geoffrey, 2003).
Finally, the board provides a critical link to a firm's external environment and significant stakeholders, such as creditors, suppliers, customers, and competitors. As a result, it has been argued that greater level of links to the external environment is associated with better access to resources, and this can impact positively on firm financial performance (Farhat, 2014; Nicholson & Geoffrey, 2003; Pfeffer, 1973).
In conclusion, agency theory concentrates on identifying and resolving disputes that may arise between the managers and owners of an enterprise in discharge of their duties. Stewardship theory supported organizational interest similar to those of the owners. The board of directors is responsible for supervising and providing the organization with the resources it requires, according to resources dependency theory. Therefore, this study draws its theoretical review from the agency theory that best explains the problem of the study. This is because shareholders in the Nigerian financial services firms are dispersed across the country and beyond. This makes it difficult for them to regularly meet and take appropriate decisions that may mitigate the excesses of the managers.

3.0 RESEARCH METHODOLOGY

The focus of this study however is restricted to the activities of financial services firms in Nigeria.

Population of the Study

For this study, the population is the fifty (50) listed financial service firms on the Nigeria Exchange Group floor as at 31st December 2022.

Source of Data and Method of Data Collection

The study will utilize the secondary source of data, collected from the annual reports and accounts of all the sampled financial service firms listed on the Nigerian Exchange Group covering the period of twelve years from 2011 to 2022. The data on all the variables such as return on assets, return on equity, board size, board gender diversity, board meetings, board independence, managerial ownership, institutional ownership, audit committee's size, audit committee's financial expertise, audit committee's meetings, financial leverage, total assets and firm age will be extracted from the audited annual accounts of the firms under study.

Correlation Analysis

Correlation analysis will be used to examine the nature of the relationship between the dependent variable and the explanatory variables. The correlation as a parametric test is used in developing the assumption for the regression because the results show the direction and nature of the association between dependent variables and explanatory variables. Therefore, pearson correlation as a parametric test is proposed for the study as used by prior CG and performance studies such as Chu et al. (2020); Rajkovic (2020); Li et al. (2020), Lu and Zhu (2020), Martín and Herrero (2018), Elamer and Benyazid (2018), Farhat (2014), Garko (2014), Haniffa and Hudaib (2006); Haniffa and Cooke (2002) among others.

Multiple Regression Analysis

To test the mediation effect of financial leverage on the relationship between corporate governance and financial performance, the study will have used Structural Equation Modeling (SEM), as used by Mohammed (2021). The path analysis technique has the following merits. Firstly, it provides an opportunity to test multiple relationships simultaneously. Secondly, it provides measures for the overall goodness of fit statistics of the proposed model.

Model Specification

The following models will be used to estimate the mediating effect financial leverage on the relationship between corporate governance and financial performance of listed financial services companies in Nigeria. The study will use Baron and Kenny's approach in testing the significance of the indirect effects, taking into account the critics and recommendation of Memon, et al. (2018), Mackinnon et al. (2012) and Zhao et al. (2010). Barron and Kenny proposed three sequential regressions, that, is first, regressing the mediator on the dependent variables to test Path a, secondly conducting a regression of independent

variables predicting the dependent variables to test Path c and, thirdly, conducting a regression of independent variable predicting the dependent variables controlling for the mediator to test Path c. The purpose of the proposed three regressions is to establish a zero-order relationship, that is, the independent variables in the first two models are expected to be significant. However, Memon, et al. (2018), Mackinnon et al. (2012) and Zhao et al. (2010) argued that testing mediating effect does not necessarily require regressing the independent variable on the depending variable because it represents a total effect and, therefore, can be misleading. According to them what is crucial is for the indirect effect to be significant. The graphical representation of mediating models is shown in Figure 2 below:

Figure 2 Conceptual framework

Figure 2 depicts the conceptual relationship among the three concepts, that is, corporate governance impacts financial leverage, which in turn affects financial performance. Thus, the relationship between corporate governance and financial performance is presumed to be mediated by financial leverage. Figure 3 below clearly shows the direct paths and the indirect paths.

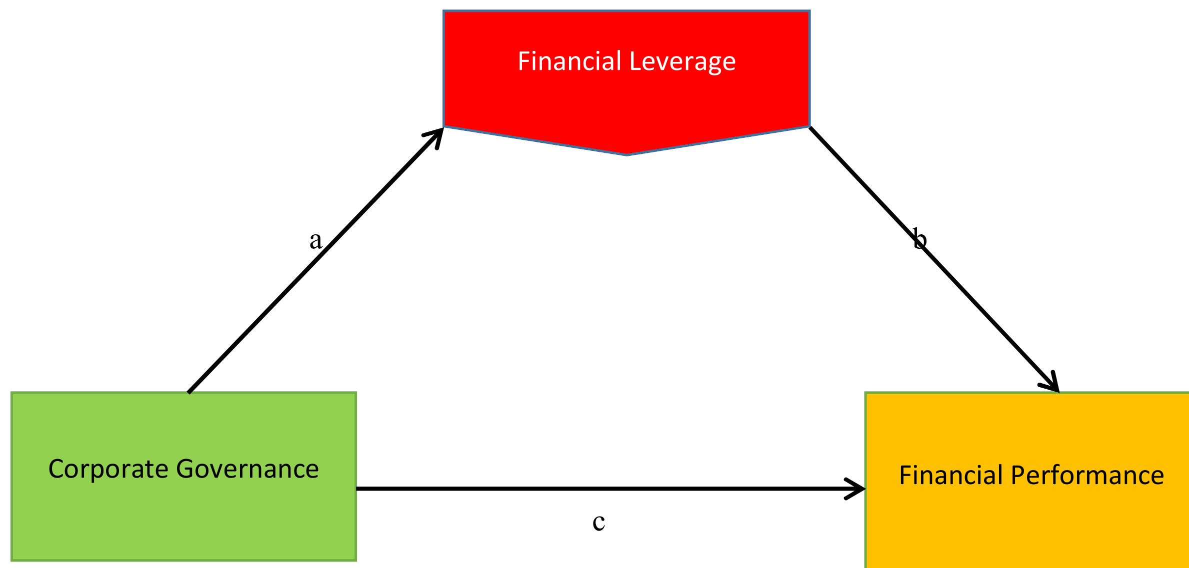

Figure 3: Statistical Diagram

From Figure 3, the relationship between corporate governance and financial leverage represents the direct effect (Paths a), while the statistical relationship between financial leverage and financial performance represents Paths b and the impact of corporate governance on the financial performance through financial leverage is represents by c (indirect effects). Thus, adopting Mackinnon et al (2012) and the recommendation of Memon et al (2018), the study used the following models, which is a modification of Ria (2023).

$FLEV_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BGD_{it} + \beta_3 BM_{it} + \beta_4 BI_{it} + \beta_5 MO_{it} + \beta_6 OI_{it} + \beta_7 ACS_{it} + \beta_8 ACC_{it} + \beta_9 ACM_{it} + \beta_{10} ACFE_{it} + \lambda_1 FSIZE_{it} + \lambda_2 FAGE_{it} + \varepsilon it$ ……………………………………………..(1)

The first model will be used to predict the impact of Mediator (financial leverage) on independent variable (corporate governance);

$ROA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BGD_{it} + \beta_3 BM_{it} + \beta_4 BI_{it} + \beta_5 MO_{it} + \beta_6 OI_{it} + \beta_7 ACS_{it} + \beta_8 ACC_{it} + \beta_9 ACM_{it} + \beta_{10} ACFE_{it} + \beta_{11} FLEV_{it} + \lambda_1 FSIZE_{it} + \lambda_2 FAGE_{it} + \varepsilon it$ …………………………..(2)

$ROE_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BGD_{it} + \beta_3 BM_{it} + \beta_4 BI_{it} + \beta_5 MO_{it} + \beta_6 OI_{it} + \beta_7 ACS_{it} + \beta_8 ACC_{it} + \beta_9 ACM_{it} + \beta_{10} ACFE_{it} + \beta_{11} FLEV_{it} + \lambda_1 FSIZE_{it} + \lambda_2 FAGE_{it} + \varepsilon it$ …………………………..(3)

The second model will be used to test the mediating effect of financial leverage on the relationship between corporate governance and financial performance
Where: $\beta 0_{it} - \beta 11_{it}$ = Regression coefficient of Independent Variables
$\lambda 1_{it} - \lambda 2_{it}$ = Regression coefficient of control variables
ε_{it} = Error Term

4.0 Conclusion

Most studies revealed that Good capital structure decision taken by the managers will maximize the utilization of the investment and sustain the firm operation in the long run and Despite the challenges, officials and business leaders must improve the performance of the firms' corporate governance in order to increase the chances of continued survival of firms and vigorous economic growth in Nigeria.

However, Most of the studies excluded the financial sector in their sample; only one study considered banking industry in Indonesia. Furthermore, most of them applied an index to measure corporate governance. In addition, none of the studies considered board diversity as part of their variable of the study and none of the studies had linked corporate governance, financial leverage and financial performance in Nigeria. It is obvious that most of the available studies on the subject were conducted in developed countries with very few in developing nations. None of those studies seek to find the mediating effect of financial leverage on the relationship between corporate governance and financial performance.

REFERENCES

Abdu, M., & Badara, M. S. (2017). Evaluating institutional ownership and financial performance of industrial goods sector in Nigeria. *International Journal of Advanced Research in Statistics, Management and Finance*, 5(1), 84-99.

Abdul, J., & Badmus, O. (2017). Effect of leverage on firm performance in Nigeria: A case of listed chemicals and paints firms in Nigeria. *Global Journal of Management and Business Research: Accounting and Auditing Journal,* 17(2), 2249-4588.

Abidin, Z., Kamal, N. M., & Jusoff, K. (2009). Board structure and corporate performance in Malaysia. *International Journal of Economics and Finance, 1*(1), 150-164.

Aboody, D., & Lev, B. (2007). Information Asymmetry, R&D, and Insider Gains. *The Journal of Finance,* 55(27), 47–66.

Abosede, A., & Kajola, S. (2011). Ownership structure and firm's performance: Evidence from Nigerian listed companies. *Corporate Ownership and Control,* 8(4), 391-400.

Adegboyegun, A. E., & Igbekoyi, O. E. (2022). Corporate governance and firm performance: Evidence from the Deposit Money Banks in Nigeria. *Amity Journal of Management Research,* 5(1), 88-99.

Adetunji, A. S., Akinyemi, I. A., & Rashid, K. O. (2016). Financial leverage and firms' value: A study of selected firms in Nigeria. *European Journal of Research and Reflection in Management Sciences*, 4(1), 56-63.

Adeyeni, A. A. (2018). Examination of the dynamic interactions among ownership structure, corporate governance, risk management and performance of Nigerian banks. *International Multi-Disciplinary Journal*. 12(1), 12-22.

Aernan, J. E., Emengini, S. E., & Okonkwo, B. S. (2023). Board characteristics and financial performance of DMBs: Evidence from Nigeria. *East African Journal of Business and Economics*, 6(1), 47-58.

Ahmad, I., Ahmed, F., Abid, A., & Abdulaziz, A. (2016). Corporate governance attributes and firm value: Evidence from Pakistan. *Research Journal of Finance, 7*(7), 18-27.

Ahmadu, B. A. (2020). Effect of audit committee financial expertise and gender mix on financial reporting quality of quoted health care companies in Nigeria. *Journal of Forensic Accounting & Fraud Investigation (JFAFI),* 5(1), 1-29.

Ahmed, M. M. (2018). The impact of audit committee characteristics on firm performance: Evidence from Jordan. *Research Article,* 22(5), 1-7

Akbar, S., Poletti-Hughes, J., El-Faitouri, R., & Shah, S. Z.-A. (2016). More on the relationship between corporate governance and firm performance in the UK: Evidence from the application of generalized method of moments estimation. *Research in International Business and Finance,* 38, 417-429.

Akpan, E. O., & Amran, N. A. (2014). Board characteristics and company performance: Evidence from Nigeria. *Journal of Finance and Accounting,* 2(3), 81-89.

Alabi, A. W., Olaoye, F. O., & Ojo, O. D. (2022). The nexus between corporate governance and financial performance of the FTSE 100 Index Entities in the United Kingdom. *European Journal of Business and Management Research,* 7(6), 235-246.

Albawwat, A. H., Almansour, A., Al-Zobi, M. K., & Alrawashedh, N. H. (2020). The effect of board of directors and audit committee characteristics on company performance in Jordan. *International Journal of Financial Research*, 11(6), 10-24.

Aldamen, H., Duncan, K., Kelly, S., Mcnamara, R., & Nagel, S. (2012). Audit committee characteristics and firm performance during the global financial crisis. *Accounting and Finance,* 52(4), 971–1000.

Alhanssan, B., Ibrahim, N. Y., & Shani, B. (2021). The effect of financial leverage on profitability: An empirical analysis of recapitalized banks in Ghana. *International Journal of Accounting & Finance Review*, *7*(1), 93–102.

Ali, J., Tahira, Y., Amir, M., Ullah, F., Tahir, M., Shah, W., Khan, I., & Tariq, S. (2022). Leverage, ownership structure and firm performance of listed firms on Pakistan Stock Exchange. *Journal of Financial Risk Management,* 11, 41-65. https://doi.org/10.4236/jfrm.2022.111002

Ali, T. M. N., & Ali, S. A. A. (2018). Board of directors, audit committee and financial performance of listed companies in Malaysia. *The Journal of Social Sciences Research, Academic Research Publishing Group,* 6, 951-957.

Al-Khouri, R. (2006). Corporate governance and firms' value in emerging markets: The case of Jordan. *Journal of Transnational Management,* 12(1), 25-49.

Alkurdi, A., Hamad, A., Thneibat, H., & Elmarzouky, M. (2021). Ownership structure's effect on financial performance: An empirical analysis of Jordanian listed firms. *Cogent Business & Management*, 8(1), 1-21.

Al-Matari, E. A., Al-Swidi, A. K., & Fadzil, F. H. (2014). Audit committee characteristics and executive committee characteristics and firm performance in Oman: Empirical Study. *Asian Social Science Journal*, 10(12), 98-113.

Al-najjar, D. (2015). The effect of institutional ownership on firm performance: Evidence from Jordanian listed firms. *International Journal of Economics and Finance,* 7(12), 97-105.

Alqatalamin, R. M. (2019). Audit committee effectiveness and company performance: Evidence from Jordan. *Accounting and Finance Research,* 7(2), 48-60.

Al-Shaer, H., Salama, A., & Toms, S. (2017). Audit committees and financial reporting quality: Evidence from UK environmental accounting disclosures. *Journal of Applied Accounting Research*, *18*(1), 2-21. https://doi.org/10.1108/JAAR-10-2014-0114.

Amedu, S. (2016). Impact of C E O power on company performance. Reading, UK: PhD thesis published by Henley Business School, University of Reading.

Aminu, A. O., & Murtala, S. (2018). The influence of corporate governance mechanisms on capital structure of listed firms in Nigeria. *Open Journal of Management Science*, 1(1), 18-32.

Anifowose, A. D., Soyebo, Y. A., & Tanimojo, T. A. (2020). Effect of financial leverage on firm's performance: Case of listed pharmaceutical firms in Nigeria. *International Journal of Academic Accounting, Finance & Management Research (IJAAFMR),* 4(04), 1-9.

Anis, W., Kamal, A., Khan, M. A., Imtiaz, I., & Qamar, H. (2022). Impact of financial leverage on firm performance with moderating role of corporate governance index: In light of agency theory. *Webology,* 19(3), 663-673.

Anonymous. (2018). University of Leicester. Retrieved from University of Leicester Library Catalogue: https://www2.le.ac.uk/offices/ld/resources/writing/writing-resources/writing-dissertation

Appah, E., & Tebepah S. F. (2023). Corporate governance mechanisms and financial performance of listed companies in Nigeria. *British Journal of Management and Marketing Studies,* 6(1), 55-83.

Aribaba, F. O., Ahmodu, A. O., Oladele, P. O., Afolabi, Y. A., & Salaam, S. I. (2022). An evaluation of firm characteristics and financial performance of listed oil and gas companies in Nigeria. Acta Universitatis Danubius, 18(5), 198-208.

Armstrong, E. A., & Gyimah, P. (2019). The impact of audit committees' meetings and audit fees on the financial performance of listed banks in Ghana. *International Journal of Research and Innovation in Social Science (IJRISS*), III(V), 341-346.

Ashari, S., & Krismiaji, K. (2019). Audit committee characteristics and financial performance: Indonesian evidence. *Equity,* 22(2), 139-152.

ASX Corporate Governance Council (2003)

Atuahene, R. A. (2016). Corporate Governance and Financial Performance: Evidence from the Ghanaian Banking Sector. Bradford, UK: Doctoral thesis submitted to the University of Bradford.

Awinbugri, A. E., & Prince, G. (2019). The impact of audit committees' meetings and audit fees on the financial performance of listed banks in Ghana. *International Journal of Research and Innovation in Social Science*, 3(5), 1-15.

Ayemere, I. L., & Elijah, A. (2015). Audit committee attributes and earnings management: Evidence from Nigeria. *International Journal of Business and Social Research,* 5(4), 14-23.

Balagobei, S. (2020). Corporate governance and financing choices in firms: A panel data analysis of Sri Lankan companies. *Asia-Pacific Management Accounting Journal (APMAJ*), 15, 98-113.

Barako, D. G., Hancock, P., & Izan, H. Y. (2006). Factors Influencing Voluntary Corporate Disclosure by Kenyan Companies: Corporate Governance. *An International Review,* 14(2), 107-125.

Bawa, S. Y. (2022). Impact of capital structure on financial performance of listed industrial goods companies in Nigeria. *Research Journal of Management Practice,* 2(8), 24-49.

Bawazir, H., Khayati, A., & Abdul Majeed, F. (2021). Corporate governance and the performance of non-financial firms in Oman: The mediating effect of financial leverage. *Entrepreneurship and Sustainability Issues,* 8(4), 595-609.

Bazhair, A. H. (2022). Audit committee attributes and financial performance of Saudi non-financial listed firms. *Cogent Economics & Finance*, 10(1), 1-13. DOI: 10.1080/23322039.2022.2127238

Beasley, S., & Salterio, S. (2001). The relationship between board characteristics and voluntary improvement in audit committee composition and experience. *Contemporary Accounting Research,* 18(14), 539-570.

Bekiaris, M. (2021). Board structure and firm performance: An empirical study of Greek systemic banks. *Journal of Accounting and Taxation*, 13(2), 110-121.

Berle, A., & Means, G. (1932). The Modern Corporation and Private Property. New York, USA: McMillian.

Blackburn, V. (1994). The effectiveness of corporate control in the US Corporations: Corporate governance. *An International Review,* 2(4), 123-151.

Blair, M. (1996). Wealth Creation and Wealth Sharing. Washington, District of Columbia: Brookings Publication.

Blumberg, B., Cooper, D., & Schindler, P. (2005). Business Research Methods. London, UK: McGraw Hill.

Buhari, A. A., & Zango, A. G. (2022). Corporate governance elements and financial performance of Nigeria's Deposit Money Banks. *International Journal of Management Sciences and Business Research,* 11(9), 18-29.

C I A. (2020, June 5). Nigeria: The World Fact Book. Retrieved from Central Intelligence Agency: https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html

Cadbury Committee (1992). Report of the committee on the financial aspects of corporate governance, Green Publishing, London.

Carrillo, E. P. (2007). Corporate governance: shareholders' interests' and other stakeholders' interest. *Corporate Ownership & Control,* 4(4), 55-70.

CBN (2016). Central Bank of Nigeria Statistical Bulletin. Central Bank of Nigeria.

Cerbioni, F., & Parbonetti, A. (2007). Exploring the Effects of Corporate Governance on Intellectual Capital Disclosure: An Analysis of European Biotechnology Companies. *European Accounting Review*, 16(4), 791-826.

Charitou, A., Georgiou, I., & Soteriou, A. C. (2017). Corporate governance, board composition, director expertise and value: The case of qulaity excellence. *Multinational Finance Journal, 20*(3), 181-236.

Chen, C. P., & Jaggi, B. (2000). Association between Independent Non-Executive Directors, Family Control and Financial Disclosure in Hong Kong. *Journal of Accounting and Public Policy,* 19(2), 285-310.

Cheng, E. M., & Courtenay, S. M. (2006). Board Composition, Regulatory Regime and Voluntary Disclosure. *International Journal of Accounting,* 262-289.

Cheng, G., & Leung, P. (2006). The Impact of Board Composition and Family Ownership on Audit Committee Formation: Evidence from Hong Kong. *Journal of International Accounting, Auditing and Taxation,* 15, 1-15.

Chinedu, F. E., & Augustine, N. O. (2018). Board leadership structure and earnings quality: evidence from quoted manufacturing firm in Nigeria. *Asian Journal of Accounting Research,* 3(1), 82-111.

Cho, M. H. (1998). Ownership structure, investment, and the corporate value: An empirical analysis. *Journal of Financial Economics,* 47, 103-121.

Chung, K., & Pruitt, S. (1994). A sample approximation of Tobin's Q. *Financial Management Journal*, 23, 70-74.

Clarke, T. (2004). Theories of Corporate Governance: Philosophical Foundations of Corporate Governance. London, UK: Routledge.

Combined Code. (2003). Combined code on corporate governance. London, UK: Financial Reporting Council.

Companies and Allied Matters Act. (2020). *CAMA, CAP 27 Law of the Federation Nigeria.*

Crowther, D., & Jatana, R. (2005). Agency theory: A Cause of Failure in Corporate Governance. ICFAI-International Dimensions of Corporate Social Responsibility. ICFAI University Press. Retrieved from http://www.socialresponsibility.biz/wp

Dakhlallh, M. M., Rashid, N., Abdullah, W. A. W., & Al Shehab, H. J. (2020). Audit committee and Tobin's Q as a measure of firm performance among Jordanian companies. *Journal of Advance Research in Dynamical & Control Systems*, 12(1), 56-70.

Dakhlallh, M. M., Rashid, N., Abdullah, W. A., & Dakhlallh, A. M. (2021). Ownership structure and firm performance: Evidence from Jordan. *Journal of Contemporary Issues in Business and Government,* 27(2), 79-90.

Lamido, I. A., Yahaya, O. A., & Fali, I. M. (2023). Audit committee and financial performance: Evidence from Nigeria. *International Journal of Accounting and Finance,* 3(2), 56-68. DOI: 10.47067/ramss. v6i1.581.

Lehn, K. M., Patro, S., & Zhao, M. (2009). Determinants of the size and composition of US corporate boards: 1935-2000. *Financial Management*, 38(4), 747-780.

Letza, S., Sun, X., & Kirkbride, J. (2004). Shareholding Versus Stake holding: A Critical Review of Corporate Governance. *Corporate Governance: An International Review*, 12(2), 242-262.

Leung, S., & Horwitz, B. (2004). Director Ownership and Voluntary Segment Disclosure: Hong Kong Evidence. *Journal of International Financial Management and Accounting*, 15(3), 235-260.

Lima, J., Dob, V., & Vu, T. (2020). Co-opted directors, covenant intensity, and covenant violations. *Journal of Corporate Finance,* 64(101628), 1-21. Retrieved from www.elsevier.com/locate/jcorpfin

Lin, Y. R., & Fu, X. M. (2017). Does institutional ownership influence firm performance? evidence from China. *International Review of Economics & Finance*, 49(1), 17–57.

Linck, J. S., Netter, J. M., & Yang, T. (2008). The determinants of board structure. *Journal of Financial Economics*, 87(2), 308-328.

Lindenberg, E. B., & Ross, S. A. (1981). Tobin's q Ratio and Industrial Organization. Journal of Business, 1-32.

Lipton, M., & Lorsh, J. W. (1992). A Modest Proposal for Improved Corporate Governance. *Business Lawyer*, 48(1), 59-77.

Luo, Y. (2005). Corporate governance and accountability in multinational enterprises: Concepts and Agenda. *Journal of International Management,* 11(1), 1-18.

Lynall, M. D., Golden, B. R., & Hillman, A. I. (2003). Board composition from adolescence to maturity: A Multi-theoretic View. *Academy of Management Review,* 28(3), 418-431.

Madi, H. K., Ishak, Z., & Manaf, N. A. A. (2015). The impact of audit committee characteristics on corporate voluntary disclosure. Procedia - Social and Behavioral Sciences, 164(08), 486–492.

Mak, Y. T., & Li, Y. (2001). Determinants of corporate ownership and board structure: Evidence from Singapore. *Journal of Corporate Finance,* 7(2), 35-56.

Mallin, C. A. (2007). Corporate Governance (2nd ed.). Oxford, UK: Oxford University Press.

Mangena, M., & Tauringana, V. (2008). Disclosure, Corporate Governance and Foreign Share Ownership on the Zimbabwe Stock Exchange. *Journal of International Financial Management and Accounting*, 18(2), 53-85.

Martín, J. G., & Herrero, B. (2018). Boards of directors: composition and effects on the performance of the firm. *Economic Research-Ekonomska Istraživanja,* 31(1), 1015-1041. Retrieved from https://doi.org/10.1080/1331677X.2018.1436454

McColgan, P. (2001). Agency Theory and Corporate Governance: A review of the literature from a UK perspective. Strathclyde, UK: Department of Accounting and Finance, University of Strathclyde.

Memon, J. A., Anwar, S., Aziz, A., Rahman, K. U., & Bhatti, A. A. (2021). Ownership structure and company's performance of pharmaceutical companies of Pakistan. *Palarch's Journal of Archaeology of Egypt/Egyptology,* 18(5), 273-289.

Menon, K., & Williams, J. (1994). The use of audit committees for monitoring. *Journal of Accounting and Public Policy*, 13, 121-139.

Monks, R. A., & Minow, N. (2004). Corporate Governance. Blackwell Publishers.

an Journal of Economics, Business and Accounting, 13(3), 1-11.

Sanyaolu, W. A., Adejumo, B. T., & Kadiri, I. (2020). Board diligence and financial performance: Evidence from Nigerian Deposit Money Banks. *Copernican Journal of Finance and Accounting,* 9(3), 145-160.

Sari, A. M. P., & Rahyuda, H. (2021). The effect of ownership structure on financial performance with capital structure as a mediating of agriculture companies in the Indonesia Stock Exchange. *SSRG International Journal of Economics and Management Studies,* 8(8), 1-9.

Sarwar, A., AlFaryan, M. A. S., & Saeed, S. (2022). The impact of corporate governance and financial leverage on the performance of Local Thai banks using corporate social responsibility as a mediator. *Theoretical Economics Letters,* 12, 19-51.

Sathyamoorthi, C. R., Baliyan, P., Dzimiri, M., & Wally-Dima, L. (2017). The Impact of Corporate Governance on Financial Performance: The Case of Listed Companies in the Consumer Services Sector in Botswana. *Advances in Social Sciences Research Journal*, 422, 63-77.

Watts, R., & Zimmerman, J. (1978). Towards a positive theory of the determination of accounting standards. *The Accounting Review,* 53(1), 112-134.

Wilcox, C. U., & Osho, A. (2020). Corporate governance characteristics and financial performance of Nigeria banks. *Journal of Accounting Research,* 6(1), 1-10.

Williamson, O. E. (1984). Corporate Governance. *Yale Law Journal,* 93(7), 1197-1230.

Wobo, H. O., & Ofurum, C. O. (2021). Audit committee characteristics and financial performance of Deposit Money Banks in Nigeria. *International Journal of Social Science and Humanities Research,* 9(3), 517-524.

Yahaya, K., & Lawal, R. (2018). Effect of ownership structure on financial performance of deposit money banks in Nigeria. *Journal of Accounting and Management*, 8(2), 29-38.

Yakubu, A., Danjuma, U., & Adejoh, O. (2019). Institutional ownership and financial performance of quoted building materials firms in Nigeria. *International Journal of Research and Scientific Innovation,* 6(5), 269-273.

Yermack, D. (1996). Higher market valuation of companies with a small board of directors. *Journal of Financial and Economics*, 40(2), 185-211.

Yusuf, I., Bambale, A. J., & Abdullahi, N. A. (2018). Effect of corporate governance on financial performance of Deposit Money Banks in Nigeria. *Journal of Finance, Accounting and Management*, 9(1), 41-56.

Zelalem, B. A., Abebe, A. A., & Bezabih, S. W. (2022). Corporate governance and financial performance in the emerging economy: The case of Ethiopian insurance companies. *Cogent Economics & Finance*, 10(1), 1-18.

Zhang, H., & Kyaw, K. (2017). Ownership structure and firm performance: An empirical analysis of Chinese companies. *Journal of Applied Economics and Finance*, 4(2), 57-64

Zhao, H., Teng, H., & Wu, Q. (2018). The effect of corporate culture on firm performance: Evidence from China. *China Journal of Accounting Research,* 11, 1–19. Retrieved from www.elsevier.com/locate/cjar

Zhou, J., & Chen, K. Y. (2004). Audit committee, board characteristics and earnings management by commercial banks Retrived from http://www.aaahq.org/audit/midyear/05midyear/.../ZHOU_CG_EM_DEC16A.pdf.