

CORPORATE GOVERNANCE ATTRIBUTES AND FINANCIAL PERFORMANCE OF LISTED PHARMACEUTICAL FIRMS IN NIGERIA**Nwdighoha, Lucky Ephraim (Ph.D)****Department of Accounting, Faculty of Management Science, Ignatius Ajuru University of Education, Port Harcourt, Rivers State, Nigeria***Email: luck2014.len@gmail.com***ABSTRACT**

The wrong mentality of conflict of interest and having too much control or pocketing the shareholders and directors of a firm is causing serious problems in a firm and this has led to corporate failures. The board's impairment, gender diversity and conflicting laws arising from the nature or structure of ownership are other causes of failures in corporate governance. Thus, this study investigated the effect of corporate governance attributes on financial performance of listed Pharmaceutical firms in Nigeria. Three proxy of corporate governance attributes (Board size, Board Gender Diversity and Board Meeting) and one measure of financial performance which is Return on Equity (ROE). These dimensions and measures were used to formulate three specific objectives, research questions and hypotheses. The study adopted an ex-post facto research design. The population of the study was 7 listed Pharmaceutical firms in Nigeria. Census sampling technique was used and considered all the 7 listed Pharmaceutical firms. This study employed secondary sourced which covered a period of 10 years from 2014-2023. This study adopted descriptive statistics, Unit root test, Husman Test and Multiple Regression method of data analysis. The study's findings showed that board size has an insignificant effect on return on equity, whereas, board meeting and board gender diversity respectively have significant effect on return on equity of listed pharmaceutical firms in Nigeria. It was suggested amongst others that listed pharmaceutical firms should examine board size from a wider perspective which in all sense capture the main essence of corporate governance in relation to the day to day performance, so as to give credence to matters that boost maximum corporate performance, without necessarily focusing on how the board is size.

Keyword: Corporate Governance Attributes, Board Size, Board Gender Diversity and Board Meeting

INTRODUCTION

Nigeria has experienced financial crises in recent years, due to poor corporate governance practices by organizations. In 2003, the Nigerian Securities and Exchange Commission rolled out a code of best practices on corporate governance encompassing board composition and other features. Having a diverse, transparent and accountable board can positively affect organizational financial performance (Orumwense & Orumwense., 2023). A well-structured board composition brings resources, ideas, checks and balances to an organization, leading to better financial performance. In 2020, many firms especially in the pharmaceutical sector experienced financial crisis due to poor corporate governance, self-interest of directors/managers, and directors/management giving out information without proper security and collaterals, directors passing out Covid19 breakdown to the general public without proper test and data record keeping. Hence, over the past three years, researchers such as Appah and Tebepah (2023), Hoang and Zoltan (2023), Vintilă and Radu, (2023), Asikhia et al (2023), Hasan et al (2023), Abdurrashid et al (2023), Ermalina et al (2023), Ahmet et al (2022), Baba (2022), Cahyono et al (2022), Shah et al (2022), Jude et al (2022), Isaac (2022), Afriyie et al (2021), Kiptoo et al (2021), Eton et al (2021) etc have debated the institution of and adherence to strong corporate governance; it has been assumed that weak corporate governance institutions, particularly in the banking sector of Nigeria, have contributed to the failure of numerous banks in that country. Corporate governance is gaining attention in academic settings, literatures,

industries and business circles due to its focus on effective and efficient performance of corporate organizations. Nigeria is one of the largest economies in Africa, and banks are expected to have an advantage in driving economic growth and development (Orumwense & Orumwense., 2023). Due to this effect, Eton et al (2021) stated that the global trends in the management of today's modern business firms have triggered managers to adopt corporate governance attributes. He further opined that although most business firms in West Africa are adopting corporate governance, its application is still at its infant stage. The practice of adopting corporate governance (CG) attributes behaviors and structures guide the firms to develop specific objectives, plans and strategies that help in monitoring its performance (Eton et al, 2021). Corporate governance focuses on the responsibilities and the rights of members of the board, management and different shareholders. Jizi et al (2014) opined that corporate governance attributes was developed to protect the interest of the shareholders but turned to gradually gain importance in society and from different stake holders. Moenga (2015) posited that the interest of shareholders and investors and the future of their businesses emanates from good corporate governance. It entails the obligations of an organization's board and the association between the directors and the shareholders (Orumwense & Orumwense, 2023; Hariem & Turgut, 2023; Khan & Mahmood, 2023; Kiptoo et al., 2021).

Statement of the Problem

Governance issues, systemic instability, and pharmaceutical firm's noncompliance with healthcare policies are all having an impact on the financial environment in Nigeria, which has a negative effect on the expansion and development of the economy. Good financial performance of any corporate organization depends on its governance mode, board of directors have been widely blamed and criticized for losses in shareholders wealth and organizational failure, amongst some of the reasons for corporate failure were absence of error correcting mistake functions by the board of directors, re-assigning control to the corporate managers who intend pursuing their self-interest, giving loans without security, The implications and remedies for how corporate governance affects pharmaceutical firms financial performance, particularly in Nigerian context, have not yielded the intended results. Globally, modern firms have gradually applied the principles of corporate governance in their day to day management whether small, medium or large, enjoy almost the same benefit, faced similar challenges or influences especially when it comes to the adoption of corporate governance principles or practices (Willan et al., 2016). The wrong mentality of conflict of interest and having too much control or pocketing the shareholders and directors of a firm causes serious problems in firms and may lead to business failures (Nwidobie, 2016). The board impairment, gender diversity and conflicting laws arising from the nature or structure of ownership are other causes of failures in corporate governance (Abdulmalik & Ahmad, 2016). The board of directors have also shown lack of commitment in their oversight functions, weak monitoring system, non-disclosure or transparency in their work and this causes corporate governance failures (Okpara, 2016).

Despite all the empirical evidences on positive relationships between corporate governance and financial performance, some Nigerian listed companies continue to operate on losses over the last five years. This affected shareholders, employees, customers, creditors, managers, suppliers, the wider community, and the country's economy (Isaac, 2022). The implication was that stakeholder suffered low return because investors, prospective and actual shareholders and lose confidence in the market. Joshua et al. (2019) came to the conclusion that the size of the board of directors had a positive but insignificant link with company performance. In their study on corporate governance, Panan et al. (2021) came to the conclusion that board gender diversity had a substantial impact on the financial performance (ROA) of commercial banks in Nigeria. Gwaison and Maimako (2021) result indicated that board size had significant effects on financial performance (ROA) of commercial banks in Nigeria, board composition had significant effects on financial performance (ROA) of commercial banks in Nigeria, and board gender diversity had significant effects on financial

performance (ROA) of commercial banks in Nigeria. Shah et al (2022), results reflect that firm size, board size and productivity were found positively significant. Jude et al (2022) findings revealed that, in line with expectation, board size positively predicted return on assets in insurance companies. In other hand, some of the studies indicated a negative and insignificant relationship between corporate governance dimensions and financial performance measures include; Baba (2022) study found that Board Size exerts insignificant and positive impact on ROA whereas Board Composition and CEO Duality influence insignificant and negative effects on ROA; that Board Size influences significant and positive effect on ROE whereas Board Composition and CEO Duality exert insignificant and negative effects on ROE; and that Board Size and CEO Duality influence insignificant and positive effects on liquidity whereas Board Composition exerts insignificant and negative effect on liquidity. Fernando (2022) findings of the correlation analysis results revealed that, there is no significant relationship between the overall governance scores and Return on Assets. Boshnak (2021) result showed a negative relationship between board size and financial performance. Others includes; Boshnak (2021), Gwaison and Maimako (2021), Afriyie et al (2021), Bawaneh (2020), Mustapha et al (2020), Naveed et al (2020), Al-Hamadsheh et al (2020), Khanifah et al (2020), Ibrahim and Abdullahi (2019) etc. There has been a lack of agreement among authors because it is clear that a number of authors and scholars who have conducted studies in this area have differing views and opinions regarding the effect of corporate governance attributes on the financial performance. They have also been unable to establish a clear connection on the effect of corporate governance attributes on financial performance of listed pharmaceutical firms in Nigeria. It is against this backdrop that this study intend to bridge the gap in knowledge by investigating the effect of corporate governance attributes on financial performance of listed pharmaceutical firms in Nigeria.

Aim and Objectives of the Study

The aim of this study is to investigate the effect of corporate governance attributes on financial performance of listed pharmaceutical firms in Nigeria. The specific objectives are to;

1. investigate the effect of board size on return on equity of listed pharmaceutical firms in Nigeria;
2. evaluate the effect of board meeting on return on equity of listed pharmaceutical firms in Nigeria
3. assess the effect of board gender diversity on return on equity of listed pharmaceutical firms in Nigeria.

Research Questions

The following research questions were addressed in the study:

1. What is the effect of board size on return on equity of listed pharmaceutical firms in Nigeria?
2. What is the effect of board meeting on return on equity of listed pharmaceutical firms in Nigeria?
3. What is the effect of board gender diversity on return on equity of listed pharmaceutical firms in Nigeria?

Hypotheses

The following hypotheses were tested in order to answer the stated questions:

- H₀₁:** The effect of board size on return on equity of listed pharmaceutical firms in Nigeria is not significant;
- H₀₂:** The effect of board meeting on return on equity of listed pharmaceutical firms in Nigeria is not significant;
- H₀₃:** The effect of board gender diversity on return on equity of listed pharmaceutical firms in Nigeria is not significant;

REVIEW OF RELATED LITERATURE

This chapter reviewed the relevant literature on corporate governance attributes and its effect on financial performance that have been carried out by prior studies on this subject area. The researcher reviewed the relevant literature under the following: conceptual framework, theoretical framework, empirical review and summary of literature review.

Conceptual Review

1. Corporate Governance Attributes

Corporate governance is defined as the processes and procedures utilized to direct and manage the activities and events of a firm to balance the achievement of corporate objectives with the alignment of corporate behaviour to the expectations of society and accountability and transparency to shareholders and stakeholders (Christina & Alexander, 2018). Similarly, Hulya (2016) defines corporate governance as a means that ensures a business is fairly, efficiently, effectively and transparently managed in order to achieve corporate goals through better practices and structures. Appah (2022) describes corporate governance as a mechanism used by organizations to reduce the agency cost that occurs due to conflicts of interest that happen between the agent and principal. The authors further noted that the conflict stems, almost logically, due to the separation of ownership from control in contemporary organizations that keeps managers at an advantaged situation that provides them the liberty to take decisions that could either meet with or establish the value maximization objectives of the firm. Corporate governance attributes includes not only the activities of the board of directors and its relationship with shareholders, managers but also with external parties such as auditors, regulatory authorities and other corporate participants. The structure of corporate governance determines the distribution of rights and responsibilities between different parties in the firm and sets the decision-making rules and procedures (Boeva et al., 2017). Corporate governance is about the manner in which a firm's top officers are being monitored and to discipline them accordingly with the primary objective of enhancing shareholders' long-term value (Ahmet et al., 2022). Sharma (2015) posited that CG should ensure that the frameworks that are set in an organization are legitimate and empowers all stake holders to know their rights and freedoms and ought to assume their tasks legitimately. Iqbal and Khan (2015) stated that corporate governance is the collection of linkages between the managers, shareholders, board of directors and other stakeholders of a firm. Omesi and Ordu (2021) state that corporate governance consists of structures, systems, and processes utilized by the various organs of a firm as an effort to provide value-added firm sustainability in the long term by taking into consideration the interests of stakeholders based on beliefs, ethics, norms and rules. This is based on professional ethics in the firm.

2. Dimensions of Corporate Governance Attributes

Board Size: According to Orumwense and Orumwense (2023), the board of any institution is an important internal mechanism for resolving agency problems, as it is responsible for recruiting and monitoring executive management to protect the interests of shareholders. Salehi et al (2018) defined that board size comprises of the number of directors on the board. There is a view that larger boards are better for firm value because they have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate. The structure and size of corporate boards have received much attention in the media and in the business community recently, fuelled by the prominent business failures of large companies (Appah, 2022c). Asikhia et al (2023) stated that board size is an important factor in most corporate governance rating systems, and that a small board size is generally considered to improve the value of the firm. Constraining board size in order to achieve a more effective board seems to be the preferred choice, because a small board size is generally considered to improve the value of the firm and the benefits of effective and efficient monitoring nature and quick decision making (Orumwense & Orumwense (2023). The board of directors plays an important role in an institution by offering policy direction and strategic guidance (Kiptoo et al, 2021). Resource dependence theory advanced by Pfeffer (1972) argued that an

institution can gain immense and valuable resources from its board of directors which in turn reduces dependency on the environment. The theory further argues that firms, which have large board size, can gain access to more resources from the external environment. Some studies on corporate governance affirm this theory and indicate that increasing the size of the board positively impacts the performance of a firm (Khan et al., 2019; Riyadh et al., 2019).

Board Meeting: Board meetings are essential because boards hold meetings on behalf of the company, and there is a process entailing the board's collective action, which includes passing of a resolution on board meetings. The meeting of the board allows members to interact among themselves thereby creating and strengthening of cohesive bonds that will engender mutual understanding for strategic decision that will contribute to improved managerial performance (Lipton & Lorsch, 1992). The more the meeting by the board of directors, the better will be the managerial monitoring quality which ensures positive corporate performance (Ntim & Osei, 2011). More meetings mean more chances of considering different decisions by the boards and quickly reaching the final results (Khan et al., 2018). The directors are well informed and keep abreast of the activities within the organization when they meet regularly (Mangena & Tauringana, 2008). Peter et al (2020) stated that meeting is a major means of carrying out the business of the board and strategically achieving the objective of the firm. Various prior studies examine the impact of board meetings by considering the frequency or number of meetings. The number of board meetings is an indicator of the effectiveness of the board of directors in managing the firm.

Board Gender Diversity: Various explanations have been adduced to account for diversity in board composition. In the opinion of Rao and Tilt (2016); Naciti (2019), the diversity variable in the board of directors in an organization is characterized by a different set of attributes like the board composition, experiences of the members, their expertise in policy formulating for the organizations' progress. Naciti (2019) argued that gender and national diversity form a basic feature of board diversity. This study will use gender diversity as a proxy for board diversity. Evidence from listed firms in the New York Stock Exchange according to Wolfers (2015), reveals that amongst executive members, men outnumber women. Zhuang et al. (2018) opined that the characteristics in board composition such as nationality, age, independence, gender comes along with many attributes, which supports the firm. Bakar et al. (2019) noted that gender diversity in the composition of the board would enhance a balance in decision making as in a way female think different from men. Female members are very sensitive to many issues such as community response, leadership style, employee's attitude (Al-shaer & Zaman, 2016).

3. Financial Performance

Financial performance can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Akparhuere et al (2019) stated that financial performance also refers to the standard measurement of how a particular issue is handled or doing something successfully using knowledge, treated different from just possessing it. The performance measurement concept indicates that employees can increase the value of the firm by; increasing the size of a firm's future cash flows, by accelerating the receipt of those cash flows, or by making them more certain or less risky (Khan et al., 2018). Peter et al (2020) argued that use of financial performance could still be justified on the grounds that it reflects what managers actually consider to be financial performance and, even if this is a mixture of various indicators like accounting profits, productivity, and cash flow. Financial performance is determined by the following indicators; profit or value added; sales, fees, budget; costs or expenditure and stock market indicators (e.g. share price) and autonomy. Management accounting is thus fundamentally involved with the processes of organizational practice.

4. Measure of Financial Performance

Return on Equity (ROE): Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on Equity is a ratio that provides investors with the insight into how efficiently a company (or more specifically, its management team) is managing the equity that shareholders have contributed to the company (Bashari & Mohammed, 2019). It is about the earning capacity by using shareholder's funds. It is the responsibility of managers to effectively manage the equity. ROE explains net earnings by using the equity given by the shareholders. It also indicates the portion of total assets provided by shareholder equity. Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. ROE is considered a measure of how effectively management is using a company's assets to create profits. ROE is especially used for comparing the performance of companies in the same industry (Appiah et al, 2017). ROE considered as an important measure profitability of the company. The higher values generally mean that the company is effective in the generation of income on the new investments. Investors should be compared to the return on the rights of shareholders of different companies, as well as the verification of the trend in the rules of engagement with the passage of time. However, only relying on the return the rights of shareholders and make investment decisions are not safe. The management can be affected in unclear way, for example, when the use of debt financing to reduce capital, there will be an increase in the return on equity even if remain fixed income (Kurniaty et al, 2019).

Theoretical Framework

Stewardship Theory

Stewardship theory was advanced by Davis et al. (1997). The theory assumes that when stewards align their interests with those of the principal, there will be no principal-agency problem (Chrisman, 2019). In essence, when the interests of the steward and the principal coincide, both parties achieve their long-term goals without conflicting interests. Given the current study, the managers or executives of the firm are stewards while the stake holders of the firm are the principals. When the managers or executives opt to behave in a manner that drives them towards self- motivation, goal attainment and self-actualization, they will naturally align their ambitions with the organization's goals (Schillemans & Bjurston, 2020). Rather than serving their own ill-interests, managers and executives will serve the interests of the organization, which will lead to superior firm performance. Since managers and executives are driven by higher order needs (according to Maslow's needs theory), they will be motivated by nonfinancial rewards and mutual relationships, which naturally dissolves their own interests into that of the entire organization. The goal of corporate governance is to create stakeholder value. Therefore, when the managers' and executives' espoused values align with the enacted values of the firm, the firm will positively respond to the changing business environment, thus creating stakeholder value (Subramanian, 2018).

Stewardship theory suggests that when the principal and the manager in the business choose to behave as stewards, the two parties will work towards the principal's interest, which is supported by psychological and situational factors (Madison, 2014). We argue that when managers and executives constitute the board of directors of business firms, their stewardship behavior is likely to translate into highly performing firms. By examining the diversity of the board of directors, we argue that boards which constitute a majority membership of firm managers and executives are likely to perform better than firms whose boards constitute a greater majority of members outside the firm. The mode of communication in boards where majority of the membership are firm managers and executives will reflect interests internal to the firm, since managers and executives operate on interests that are in line with the firm's interests, which are the principal's. Finally, the presence of firm managers and executives on the board is likely to be influential in the integrity of the board.

After all, the goals of the managers and executives are self-actualization but in the interest of organizational goals (Grundei, 2008). Our assumption agree with (Subramanian, 2018) who observed that boards that are dominated by insiders (in this case managers and executives) have in-depth, technical and current knowledge and information need for the firm's success. However, our assumptions do not thwart previous scholars (Chrisman, 2019) who noted the possibility of one individual coming as a steward towards a certain goal and an agent towards another goal. This is possibly due to the multiplicity of goals and conflicts among principals.

Reason for Anchoring Stewardship theory on this study

Stewardship theory was relevant to this research since it poses that stewards are likely to ignore selfish interests in order to pursue the best interest of the firm. The theory observed that when a steward has been in a company for so long, the steward and the firm becomes one entity. Instead of using the firm for their own selfish interest, the stewards seems to be more in ensuring the continuous existence and long term success of the firm because they now see the firm as an extension of themselves.

Empirical Review

Appah and Tebepah (2023) investigated the relationship between corporate governance mechanisms and financial performance of listed consumer goods manufacturing firms in Nigeria for the period of 2011 to 2020. The study adopted ex post facto and correlational research designs. The population of the study was twenty one (21) listed consumer goods manufacturing firms as at the end of 2020. The study used a census approach to determine a sample size of twenty one (21) firms. Secondary data from the published annual financial reports of the sampled firms were used for data analysis. Descriptive statistics, correlation coefficient and multivariate analysis were used. The results disclosed that board size has a negative and insignificant relationship with return on equity of listed consumer goods manufacturing firms in Nigeria; board independence has a negative and significant relationship with return on equity of listed consumer goods manufacturing firms in Nigeria; board compensation has a positive and significant relationship with return on equity of listed consumer goods manufacturing firms in Nigeria; and board diligence has a negative and significant relationship with return on equity of listed consumer goods manufacturing firms in Nigeria. The study concludes that corporate governance mechanisms influence the financial performance of listed consumer goods manufacturing firms in Nigeria. The study recommends among others that board sizes should be enhanced as this allows for the appropriate combination of directors.

Orumwense and Orumwense (2023) investigated the impact of corporate governance on the financial performance of Nigeria's publicly traded commercial banks. The objective of this study is to determine if board size, board female gender, and board independence have effect on the financial performance of quoted commercial banks in Nigeria. Five (5) quoted commercial banks in Nigeria were examined, ranging from the years 2011 to 2020. Secondary data was used and obtained from the bank's annual reports published in Nigeria Exchange Group. Cross-Sectional research design was used, and the method of data analysis used was panel multiple regression. Findings revealed that board independence has a significant impact on financial performance (return on assets) of quoted commercial banks in Nigeria but shows negative relationship with financial performance (return on assets) of quoted commercial banks, study further revealed that board size has a negative relationship with bank's financial performance (return on assets) but has significant value on the financial performance (return on assets), findings also revealed that at least two female board members were represented in every corporate organization studied, female board membership has a positive relationship with banks' financial performance (Return on Assets), but shows insignificant value on financial performance (return on assets). The study concluded and recommended that, despite some of the independent variables shows insignificant values, Board

independent, Board size, Board female gender mechanisms continue to be a critical component of corporate governance in achieving any organization's objectives, financial or otherwise.

Abdurrashid et al (2023) examined the effect of corporate governance on firm performance in Nigeria. It specifically examined the effect of board director and managerial ownership on profit after tax of listed deposit money bank in Nigeria. Secondary source of data was employed through ex post facto research design. Census sampling technique was employed for the fourteen listed Deposit Money Bank spanning for the period of 2010- 2020. 84 observation were assessed using multiple regression model. A strong multiple regression model was used to analyze the nexus between board of directors and managerial ownership. The multiple regression result of the findings showed that board size has positive and significant effect on profit after tax while managerial ownership has negative and significant effect on profit after tax. It was concluded that corporate governance has significant effect of firm performance of listed Deposit Money Bank in Nigeria Exchange Group. However, it was recommended that agency problem between manager and owners may be mitigated by keeping managerial ownership stake in a company low.

Hasan et al (2023) investigated the relationship between corporate governance and firm performance in a sample of 58 companies listed on the Dhaka Stock Exchange (DSE) using the data of 2016-2021. The study used a number of corporate governance indices, including board size, board independence, members of the audit committee, and board effectiveness. The impact of those indices has been analyzed on the performance indicators of a firm like EPS, ROA and ROE. In the research, firm size and leverage ratio serve as control variables. In addition, the influence of independent factors on dependent variables has been analyzed using multiple linear regression. From the regression, the study found that board independence is a solo factor that is significant on the firm performance and has a positive impact. This research also observed no statistically significant correlation between Board Size, Board Effectiveness, and Audit Committee on the firms' performance.

Asikhia et al (2023) examined the effect of corporate governance dimensions on the financial performance of listed Oil and Gas firms in Nigeria for ten years, 2009 to 2018. The study employed ex-post facto research design by relying on secondary data which involve collection of data from the existing sources over a period of time. The study used secondary data extracted from the annual reports and audited financial statements of the listed Oil and Gas companies for years 2009 to 2018. The statistical techniques which include panel regression analysis were adapted to examine the nature of relationship between the dependent and the independent variables in this study. A total of 12 Oil and Gas firms were selected for the study cutting across three listing classifications of the Oil and Gas firms in Nigeria. The result of the study showed that corporate governance had no significant effect on return on assets. The result suggests that listed Oil and Gas companies in Nigeria should continue to maintain large board size provided the cost of doing so is not outrageous and ensure that the board always have a mix of persons with requisite skills, knowledge and understanding of business management and the operations of the company.

Hoang and Zoltan (2023) investigated the relationship between corporate governance (CG) and financial performance in the case of publicly listed companies in Vietnam for the period from 2019 to 2021. The sample has been compiled concerning all businesses listed on the Hanoi Stock Exchange (one of Vietnam's two largest stock exchanges) in the period from 2019 to 2021. A linear regression analysis was conducted using the OECD Scorecard Instrument of financial firms' performance against CG components. After selecting pilot data, the authors constructed a set of evaluation criteria to score each business. The study found a positive relationship between transparency disclosure and financial performance and a positive correlation between CG and company size. The COVID-19 pandemic caused a decrease in transparency and information index

scores in 2021 compared to 2019 and 2020 due to delayed General Meetings of Shareholders. The study failed to find a relationship between shareholder rights index and board responsibility and financial performance.

Vintilă and Radu (2023) highlighted the impact that a company's management structure has on the profitability of an enterprise during the period of uncertainty that the emergence of the new COVID-19 virus has created. In order to achieve the objective, a series of panel regressions is carried out, following which an analysis over a period of 3 years (more precisely the years 2019, 2020 and 2021) will be outlined. In Romania, this virus appeared at the beginning of 2020, more precisely on 26.02.2020. The year 2019 was also analyzed, as this is the year in which the virus appeared for the first time in the world. The analysis is based on 41 companies listed on the Romanian stock exchange. The statistical results mainly show the negative and statistically significant relationship between the corporate governance indicator, the percentage of female board members and the financial and economic rates of return, respectively, this result being in line with previous studies. The results obtained are intended to be significant for investors, but also for future researchers, as this paper captures how a company's management is controlled and coordinated during the Covid-19 pandemic, through its ability to adapt to an unstable and uncertain market.

Ermalina et al (2023) studied analysis of the effect of good corporate governance, leverage and financial performance on profit management. The study aims to analyze the relationship of these three variables to profit management. The method used is a quantitative method. The data used is secondary data. Data analysis was performed using multiple linear regression. The results showed that good corporate governance has a negative and significant influence on profit management, leverage has no influence on profit management, and financial performance has a negative influence on profit management.

Hariem and Turgut Tursoy (2023) examined the effect of Corporate Governance (GC) on the performance of firms in non-financial sectors listed on the Frankfurt Stock Exchange in Germany over the period 2002-2018. Panel Diagnostic Test, regression analysis and correlation matrix were used for analysis. The study measured firm performance based on accounting data, using ROA and ROE. The results provided evidence that the characteristics of the audit committee and board of directors have significant and negative effects on firm financial performance, whereas the effect of CEO duality is not statistically significant. Large board size could bring about the issue of deferred decision making by the board members in the insider-controlled CG system of Germany. Furthermore, IFRS adoption in 2005 was found to have a positive effect on firm performance. These results can raise considerable interest in managers and shareholders, precisely when they prioritize the financial performance of their companies.

Khan and Mahmood (2023) investigated the impact of corporate governance on firm performance using a case of Pakistan stock exchange. Corporate governance has been operationalized through eight indicators, including the Board Size, Ownership Structure, CEO Duality, Independence of Audit Committee, Firm Size, Firm Age, Firm Leverage, and Firm Growth. At the same time, the Firm's performance has been factored into Return on Assets and Return on Equity. Pakistan stock exchange has been used as the unit of analysis, taking 100 public listed firms from the non-financial sector as the sample for ten years, i.e., 2013-2022. The study adopted descriptive statistics, correlation coefficient and multivariate analysis. The findings reveal that lean board size, moderate leverage, CEOs serving on various boards, high independence on audit committees, large firm size, young firms, and sustainable growth positively impact the firm performance. High leverage has been found to have an adverse impact on firms' profitability, especially in the wake of high interbank offered rates. These findings are important to practitioners, corporate regulators, and researchers. Future

studies are recommended to take more indicators from the corporate governance index into account for understanding their impact on firm performance.

Baba (2022) assessed the effect of corporate governance on financial performance of Indigenous Universal Banks in Ghana. The research was an explanatory, quantitative, multiple- case study which adopted the deductive philosophy of study. The study gathered and examined secondary data on a sample of eight (8) indigenous universal banks from a population of twenty-three (23) universal banks in Ghana spanning over a period of 5 years from 2014-2018. The variables used in the study were Board Composition, Board Size and CEO Duality on financial performance metrics of Return on Equity (ROE), Return on Assets (ROA) and liquidity. The research deployed correlation and regression techniques. The study found that Board Size exerts insignificant and positive impact on ROA whereas Board Composition and CEO Duality influence insignificant and negative effects on ROA; that Board Size influences significant and positive effect on ROE whereas Board Composition and CEO Duality exert insignificant and negative effects on ROE; and that Board Size and CEO Duality influence insignificant and positive effects on liquidity whereas Board Composition exerts insignificant and negative effect on liquidity. The study recommended that board and firm sizes should be appropriately enhanced to impact positively on performance; that board members should be constituted of outside, non-executive directors with expertise in banking; that the professional capacities of the CEO and board chairman should be strengthened and enhanced regardless of whether or not the roles are held by one person or separately by two individuals.

Shah et al (2022) examined impact of corporate governance on the financial performance of Islamic banks working in Pakistan. The population of the study was Islamic banks working in Pakistan and seven (7) Banks were selected as a sample size through simple random sampling technique. Data was collected from the annual reports of Islamic banks websites for the year 2017 to 2021. The dependent variable was return on assets while independent variables were board size, female director, age of experience, firm size and productivity. Panel Diagnostic Test, regression analysis and correlation matrix were used for analysis. Results reflect that firm size, board size and productivity were found positively significant. While age of experience was inversely significant and female director was found statistically insignificant. The magnitude of firm size was high as compared to other significant variables. However, female director was found insignificant so it has no impact on return on assets.

Ahmet et al (2022) determined the importance of corporate governance features and the lags on audit reports in firm performance: The case of Turkey. The objective of the study is to examine whether corporate governance dimensions and audit reporting lags affect firm performance in Turkey. The study used 30 firms operating in BIST. Data cover the 2013-2019 periods. To analyze relationships between variables, the study used the Westerlund Cointegration test and CCE Group Estimator. The results showed that, there is a long-term cointegrated relationship between dependent and independent variables in both models. In both models, there is significantly negative relationship between reporting lags and ROA/ROE. There is significantly positive relationship between firm performance and board independence. This study is one of the few studies measuring audit reporting lag and different corporate governance dimensions and their impact on firm financial performance in Turkey.

Cahyono et al (2022) examined the effect of implementing corporate governance and financial performance in non-financial companies listed in Indonesian. The sample was determined by the purposive sampling method, and there were 376 non-financial companies listed on the Indonesian stock exchange (IDX) for the period 2015-2019 employing panel data regression analysis. The results show that shareholder rights and investor relations (SI), leverage, and firm size significantly affect Tobin's Q. However, it has an insignificant effect on ROE. Meanwhile, board accountability (BA), audit committee (AC), transparency and disclosure (TD, and ownership and control disclosure

(OC) has an insignificant effect on Tobin's Q and ROE. The results of this study indicate that the implementation of good corporate governance can improve potential corporate market value.

GAP in Literature

Prior research has studied the effect of corporate governance on financial performance. Based on the empirical studies reviewed in term of concepts, years, scope, methodology adopted, variable employed, findings, conclusion and recommendations. The following gap were identified; (1) to the best of our knowledge, none of the prior studies have conducted a study on the effect of corporate governance attributes and financial performance of listed pharmaceutical firms in Nigeria, (2) to the best of our knowledge, none of the prior studies has included individual research gap in tabular format of empirical review between corporate governance attributes and financial performance of listed pharmaceutical firms in Nigeria, (3) to the best of our knowledge none of the previous studies used the time frame of 2014 to 2023 on the listed pharmaceutical firms in Nigeria. Therefore, this study is designed to bridge this knowledge gap that existed in the literature of corporate governance attributes and financial performance of listed pharmaceutical firms in Nigeria.

METHODOLOGY

Research Design

This study adopted Ex-post facto research design. This design seeks to identify antecedents of a present situation. In ex-post facto research design, the variable is not controlled or manipulated by the researcher, because it has already occurred in the past. The data involved are from the published annual reports of listed pharmaceutical firms founded in the Nigerian Exchange Group.

Population for the Study

A population is seen as an entire group of individuals, events or objects that possess a similar characteristic. Target population is referred to as a computed set of individuals, cases or objects with some common observable characteristics of a particular nature that is distinct from other population. A population is a well-defined or set of people, services, and elements, events group of things or households that are being investigated. This population insists that the population of interest is homogenous. The targeted population of this study consists of all the listed seven (7) pharmaceutical firms in the Nigerian Exchange Group (NGX) and the time frame considered for this study was 2014-2023 for the purpose of secondary data collection. Table 1 presents a comprehensive list of the population members. Also see Appendix 3

Table 1 Listed Pharmaceutical firms in Nigeria

S/N	COMPANIES NAME
1	EKOCORP PLC
2	FIDSON HEALTHCARE PLC
3	GLAXO SMITHKLINE CONSUMER NIGERIA PLC
4	MAY & BAKER NIGERIA PLC
5	MORISON INDUSTRIALS PLC
6	NEIMETH INTERNATIONAL PHARMACEUTICALS PLC
7	PHARAMA-DEKO PLC
TOTAL	7

Source: www.nqx.com.ng

Sample and Sampling Technique

The sampling technique used in this study was census sampling technique. As the name implies, it is a sample "chosen purely on the basis of convenience. Seven (7) listed pharmaceutical firms were chosen simply because as at the time of this research work and analysis, only seven pharmaceutical firms that are listed in Nigerian Exchange Group formally known as Nigeria Exchange Group.

Method of Data Collection

The study used secondary data for the analysis. Secondary data was collected from published annual reports of the selected sample size of listed pharmaceutical firms in the Nigerian Exchange Group. The secondary data provided a reliable source of information required by the researcher to investigate the phenomenon and sort efficient methods for solving problems arising from situations.

Method of data Analysis

This study adopted descriptive statistics, Unit Root Test and Multiple Regression method of data analysis. Descriptive statistics was used to ascertain the central tendency of each of the variables of the study, Correlation analysis was employed to determine the relationship strength whether it indicate positive or negative relationship between the independent variable measures and dependent variable measures. Unit root test were to check the stationarity of the variables. Multiple Regressions was used to estimate the significant level between corporate governance attributes measures and financial performance measures of listed pharmaceutical firms in Nigeria.

Model Specification

The functional relationship between the dependent and independent variable, the disturbance, coefficient and intercepts for corporate governance attributes and financial performance for the purpose of the research are stated below:

$$ROE = f(BS, BM, BGD,) \dots\dots\dots\text{equation 1}$$

This can be written in Panel Least Square (PLS) form as:

$$ROE_{it} = a_0 + a_1BS_{it} + a_2BM_{it} + a_3BGD_{it} + e_{it} \dots\dots\dots\text{equation 2}$$

ROE = Return on Equity as measure for financial performance

BS = Board Size as dimension for corporate governance attributes

BGD = Board Gender Diversity as dimension for corporate governance attributes

BM = Board Meeting as dimension for corporate governance attributes

a_0 = Constant Term

$a_1, \dots, a_3, \eta_1, \dots, \eta_3$ and β_1, \dots, β_3 = Coefficient Terms

i = No of firms

t = Time Period ranging from 2014 – 2023 (10 years)

Decision Rule:

Panel Least Square (PLS) multiple regression technique was use to estimate the effect of corporate governance attributes variables and financial performance variables. Furthermore, If the t-value of the interaction term has $p < .05$, then the moderator variable has significant effect on the relationship between the dependent variable financial performance indices – return on investment (ROA) and turn on asset (ROE) and the independent /predictor variable (total environmental cost reporting). But if $p > .05$, then the interaction effect is not significant.

Other tests of significance which was used in the study were:

R^2 – coefficient of determination was used to test the explanatory power of the independent variable;

T-test was used to test for the significance of the coefficient of the variables;

F-Ratio was used to test for the significance of the overall models;

Durbin-Watson (DW) test was used to test whether auto-correlation exist or not in error term (u);

ANALYSIS OF RESULTS AND DISCUSSION OF FINDINGS**Data Analysis****Descriptive Analysis**

2: Descriptive analysis

	ROE
	0.326226
	0.095749
	10.35256
	-3.723443
	1.572004
	4.215278
	27.97649
	2026.790
	0.210074
	22.83585
	170.5125
	70

	BS	BM	BGD
Mean	14.48571	4.657143	0.515900
Median	14.00000	4.000000	0.461300
Maximum	19.00000	6.000000	1.000000
Minimum	10.00000	3.000000	0.200000
Std. Dev.	3.365394	1.272743	0.244572
Skewness	0.044714	0.100630	0.817483
Kurtosis	4.508698	3.826313	4.745651
Jarque-Bera	6.509935	8.288402	7.985278
Probability	0.078582	0.051585	0.184509
Sum	1014.000	326.0000	36.11300
Sum Sq. Dev.	781.4857	111.7714	4.127280
Observations	70	70	70

Source: Author Computation, (2024) using E-Views 12

From the results in table 2 the study observed that the financial year in which the financial information has been extracted from seven (7) listed pharmaceutical firms in Nigeria spanning for the period between 2013 - to - 2022. The study disclosed an observation period 70 implying (10 x 7) years. The board size (BS) shown a mean, median, standard deviation value as 14.485; 14.000; and 3.365 respectively that highlighted the minimum and maximum board size structure ranges from 10.000 to 14.000 members for the time period observed among the sampled listed pharmaceutical firms in Nigeria. The board meeting (BM) revealed a mean, median, standard deviation value as 4.657; 4.000; and 1.272 respectively whereby the minimum and maximum board meeting (BM) ranges from 3.000 to 6.000 held for the time period observed among the sampled listed pharmaceutical firms in Nigeria. The board gender diversity (BGD) disclosed a mean, median, standard deviation value as 0.515; 0.461 and 0.244 respectively that highlighted the minimum and maximum board gender diversity ranges from 0.200 to 1.000 female diversity for the time period observed among the sampled listed pharmaceutical firms in Nigeria. The return on equity (ROE) reveals a mean, median, standard deviation value as 0.321; 0.095; and 1.572 respectively highlighted the minimum and maximum return on equity (ROE) ranges from -3.723 to 10.352 shares for the time period observed among the sampled listed pharmaceutical firms in Nigeria. The return on asset reported a mean, median, standard deviation value as 0.057; 0.040; and 0.069 respectively highlighted the minimum and maximum return on assets ranges from -0.082 to 0.278 Billionaire for the time period observed among the sampled listed pharmaceutical firms in Nigeria.

The skewness statistics indicated that all the three dimensions of corporate governance attributes (BS, BM, and BGD) are positively skewed which shown the variables has a long right tail while the one measure of financial performance (ROE) are also positively skewed which shown the variables has a long right tail. The information provided by kurtosis result demonstrated that BS, BM, BGD and ROE have a mesokurtic values 4.508; 3.826; 4.745 and 4.437 respectively reported that the variables are greater the kurtosis value (3) for the time period observed among the sampled listed pharmaceutical firms in Nigeria. Finally, the Jarque-Bera test statistics disclosed that probability values (0.078; 0.051; 0.184 and 109) of the variables are greater than the 5% critical level implying that the panel data set is normally distributed.

Unit Root Test

Table 4.2: Unit Root Test Results

Variable	LL&C	IPS	ADF FISHERS	HADRI	ORDER OF INTEGRATION	REMARK
ROE	0.0000	0.0003	0.0002	0.0000	I(0)	Stationary
BS	0.0000	0.0004	0.0001	0.0000	I(0)	Stationary
BM	0.0000	0.0000	0.0000	0.0001	I(0)	Stationary
BGD	0.0000	0.0027	0.0016	0.0004	I(0)	Stationary

Source: Author Computation, (2024) using E-Views 12

The empirical results of the Panel unit root test at 5 percent critical levels in table 4.2 above shows that all the variables of interest are I(0), that is, stationary at levels. Their p-values are less than 5% with respect to LL&C, IPS, ADF Fisher and Hadri.

Multivariate Data Analysis

The panel data collected from the seven pharmaceutical firms and for ten years lead to a total sample size of 70 firms-years. Random effects and fixed effect regression model has been developed to verify the cause and-effect relationship between the dependent and independent variables. Table 4.3 and Table 4.5 disclose Hausman Test for the choice of Random effects and fixed effect regression.

Table 3: Hausman Test for Model One

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.159028	3	0.5401

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BS	0.132018	0.122134	0.000128	0.3823
BM	-0.469885	-0.499247	0.001255	0.4071
BGD	-8.681068	-7.774755	0.384732	0.1440

Source: Author Computation, (2024) using E-Views 12

Hausman test is a test of the consistency of an estimator, in so doing, evaluating the fitness of the statistical model to the data gathered. With this test, the study identified if the Random-effect or

Fixed-effect model should be adopted for further analysis. From table 4.3, the Hausman test shows that individual effects is independent of the explanatory variable given that the probability value of 0.541 is above the 5% significant level, thereby accepting the null hypothesis. Accordingly, the study adopts the Random-effect multiple regression for model I estimation.

Table 4. Regression Analysis of Model

Dependent Variable: ROE

Method: Panel EGLS (Cross-section random effects)

Date: 08/22/23 Time: 17:20

Sample: 2014 2024

Periods included: 10

Cross-sections included: 7

Total panel (unbalanced) observations: 70

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BS	0.122134	0.154924	0.788349	0.4333
BM	0.499247	0.242018	2.062848	0.0431
BGD	7.774754	2.002834	3.881877	0.0002
C	20.46230	1.789589	11.43408	0.0000
Effects Specification				
			S.D.	Rho
Cross-section random			3.597898	0.7850
Idiosyncratic random			1.882794	0.2150
Weighted Statistics				
R-squared	0.621977	Mean dependent var	2.335477	
Adjusted R-squared	0.591158	S.D. dependent var	2.238392	
S.E. of regression	1.867765	Sum squared resid	230.2441	
F-statistic	10.44731	Durbin-Watson stat	1.514590	
Prob(F-statistic)	0.000010			
Unweighted Statistics				
R-squared	-0.064196	Mean dependent var	14.48571	
Sum squared resid	831.6537	Durbin-Watson stat	0.142465	

Source: Author Computation, (2024) using E-Views 12

The results in table 4 disclosed the regression coefficients ($R^2 = 0.621$, Adjusted $R^2 = 0.591$, F-statistic = 10.447, DW = 1.514). The results of the regression model disclosed the effect of the independent variables board size (BS), board meeting (BM), and board gender diversity (BGD) on the dependent variable return on equity (ROE). The coefficient of determination R^2 represented the proportion of variance of return on equity (ROE) that has been explained by board size (BS), board meeting (BM), and board gender diversity (BGD) in the regression model. The Adjusted R^2 provides an insight of goodness of fit of the model. This implied that 54.9% changes in return on equity (ROE) is contributed to changes in board size (BS), board meeting (BM), and board gender diversity (BGD) among listed pharmaceutical firms while 45.1% was explained by unknown variables that were not included in the regression model. The Durbin-Watson statistic test discovered that there is a positive evidence of autocorrelation in the time series data set. The F-statistic and its

corresponding probability value disclosed that the regression model satisfies the overall goodness-of-fit statistical test.

Statement of Hypotheses

- H₀₁:** The effect of board size on return on equity of listed pharmaceutical firms in Nigeria is not significant;
- H₀₂:** The effect of board meeting on return on equity of listed pharmaceutical firms in Nigeria is not significant;
- H₀₃:** The effect of board gender diversity on return on equity of listed pharmaceutical firms in Nigeria is not significant

Decision 1: The results in table 4 reported the effect of board size (BS) on return on equity. The board size (BS) coefficient (0.122) and T-statistics 0.788) disclosed a positive effect. The Prob. ** value 0.433 > 5% chosen significant level. Given the above result, the study accepted the null hypothesis one and rejected the alternative hypothesis one. Hence, the study concluded that the effect of board size on return on equity of listed pharmaceutical firms in Nigeria is not significant.

Decision 2: The results in table 4 reported the effect of board meeting (BM) on return on equity. The board meeting (BM) coefficient (0.499) and T-statistics 2.062) disclosed a positive effect. The Prob. ** value 0.043 < 5% chosen significant level. Given the above result, the study rejected the null hypothesis two and accepted the alternative hypothesis two. Hence, the study concluded that the effect of board meeting on return on equity of listed pharmaceutical firms in Nigeria is significant.

Decision 3: The results in table 4 reported the effect of board gender diversity (BGD) on return on equity. The board gender diversity (BGD) coefficient (7.774) and T-statistics 3.881) disclosed a positive effect. The Prob. ** value 0.000 < 5% chosen significant level. Given the above result, the study rejected the null hypothesis three and accepted the alternative hypothesis three. Hence, the study concluded that the effect of board gender diversity on return on equity of listed pharmaceutical firms in Nigeria is significant.

CONCLUSIONS

This study investigated the effect of corporate governance attributes on financial performance of listed pharmaceutical firms in Nigeria from 2014 to 2023. Based on the data analysis, and discussion of findings, and summary of findings; the following conclusions are drawn: The study generally concluded that there is a significant effect of corporate governance attributes on financial performance of listed pharmaceutical firms in Nigeria from 2014 to 2023. Other inclusions are;

1. The effect of board size on return on equity of listed pharmaceutical firms in Nigeria is not significant;
2. The effect of board meeting on return on equity of listed pharmaceutical firms in Nigeria is significant;
3. The effect of board gender diversity on return on equity of listed pharmaceutical firms in Nigeria is significant;

RECOMMENDATIONS

In consonance with this study's findings, it is recommended that:

1. The study recommends that, listed pharmaceutical firms should examine board size from a wider perspective which in all sense capture the main essence of corporate governance in relation to day to day performance, so as to give credence to matters that boost maximum corporate performance, without necessarily focusing on how the board is size.
2. The study recommends that listed pharmaceutical firms should increase the number board meeting in addressing issues that are tantamount to a diminution of corporate financial

performance, like tight bureaucratic process in making an organizational decision, and also ensures effective disclosure measures for the benefit of the business owners, investors, shareholders and other stakeholders.

3. Firms should admit board members that are resourceful. This will help the board have the required human resources to evaluate the best possible financing option vis a vis cost of capital and any agency issues that may arise from such investment decision.

Limitation of the study

Concerning this research, several limitations were discussed. First, because the corporate governance attributes index is established based on an unweighted approach, this may not accurately reflect the importance of each corporate governance principle for different sectors because it is a set of general principles. However, culture and practices in pharmaceutical firms will differ from those in manufacturing sectors or deposit money banks, so the score will be affected by each component index's corporate governance attributes practice score. Nevertheless, unweightedness also has the advantage of easy adoption, transparency and comparability across countries. Second, the transparency of the reports of nonfinancial information provided by listed companies cannot be checked. Third, there may be an overlap in information. For example, the shareholder rights index has two questions with the same information as the answer: (1) The latest annual general meeting (AGM) minutes record that shareholders have the opportunity to ask questions or raise problems and (2) Do the minutes of the latest AGM indeed record questions and answers?

Suggestion for Further Studies

With the establishment of significant effect of the major indices of corporate governance attributes (board meeting and board gender diversity) and financial performance measures (return on equity and return on assets) in the context of selected pharmaceutical firms in Nigeria, the study findings therefore shows support to previous empirical studies. However, with the high number of mixed empirical findings in the area of corporate governance, there is still need for further inquiry especially on how corporate governance affects non-financial performance measures, and also the impact of corporate governance on financial performance of other financial institutions and other industries/sectors in Nigeria sector.

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