

## **IMPACT OF INTELLECTUAL CAPITAL AND CORPORATE GOVERNANCE ON THE FIRM VALUE OF LISTED NON-FINANCIAL COMPANIES IN NIGERIA**

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### **ABSTRACT**

*This study examines the impact of intellectual capital and corporate governance on the firm value of listed non-financial companies in Nigeria over the period 2014–2023. Using panel data from 38 firms and employing fixed-effects regression techniques, the study investigates the effects of human capital efficiency, structural capital efficiency, relational capital efficiency, board size, board meetings, board independence, gender diversity, ownership concentration, and board financial expertise on firm value, measured by Tobin's Q. The findings reveal that human capital efficiency, relational capital efficiency, and board financial expertise have a positive and statistically significant effect on firm value. In contrast, board size, gender diversity, and firm size exhibit a significant negative relationship with firm value. Structural capital efficiency, board meetings, board independence, and ownership concentration are found to have no significant influence. The results highlight the importance of knowledge-based resources and board competence in enhancing firm value within an emerging market context. The study contributes to the literature by providing integrated, component-level evidence on intellectual capital and corporate governance in Nigeria and offers practical insights for managers, investors, and policymakers seeking to improve firm valuation.*

**Keywords:** *Intellectual capital; Corporate governance; Firm value; Non-financial firms; Nigeria*

### **INTRODUCTION**

The increasing shift toward knowledge-driven business models has heightened scholarly and practical interest in the role of intellectual capital and corporate governance in shaping firm value (Barney, 2001; Grant, 1996). In both developed and emerging economies, intangible resources such as employee expertise, organizational systems, and stakeholder relationships are increasingly recognized as critical determinants of competitive advantage and market valuation (Bontis et al., 2015; Si, 2019). Simultaneously, effective corporate governance mechanisms are essential for ensuring accountability, mitigating agency conflicts, and safeguarding shareholder interests (Jensen & Meckling, 1976; Fama, 1980).

In Nigeria, the relevance of intellectual capital and corporate governance is particularly pronounced. Listed firms operate within an environment characterized by regulatory enforcement gaps,

infrastructural constraints, and evolving governance standards (Lawal & Yahaya, 2024). As a result, the ability of firms to leverage intellectual capital efficiently and deploy effective governance structures may play a decisive role in determining market valuation. Despite this importance, empirical evidence on the combined impact of intellectual capital and corporate governance on firm value in Nigeria remains limited and fragmented (Dada, 2022; Adebayo et al., 2021).

Prior studies have largely examined intellectual capital or corporate governance in isolation, producing mixed results, particularly in emerging market contexts (Luckieta, 2021; Adi & Kurniasih, 2021). Moreover, few studies provide component-level analysis of intellectual capital while simultaneously accounting for multiple governance mechanisms over an extended time horizon (Harmono, 2023). This study addresses these gaps by examining the joint effects of intellectual capital and corporate governance on firm value among listed non-financial companies in Nigeria from 2014 to 2023.

The study contributes to the literature in three key ways. First, it provides integrated evidence on intellectual capital and corporate governance as joint determinants of firm value in an emerging economy. Second, it offers component-level insights into human, structural, and relational capital using the Value Added Intellectual Coefficient (VAIC) framework (Pulic, 2000; Chen et al., 2005). Third, it presents long-horizon panel evidence from Nigerian non-financial firms, enriching the understanding of governance effectiveness in contexts characterized by weak institutional enforcement.

## **Literature Review and Theoretical Framework**

### **Firm Value**

Firm value reflects investors' assessment of a company's current performance and future growth prospects (Pratama et al., 2020). Market-based measures such as Tobin's Q capture expectations regarding profitability, risk, and governance quality, making them widely used in empirical finance research (Maji & Goswami, 2017; Settembre-Blundo et al., 2021). Higher firm value signals efficient resource utilization and strong growth potential, making it a central objective of corporate management and a key concern for investors.

### **Intellectual Capital**

Intellectual capital refers to knowledge-based resources that enable firms to create value beyond physical and financial assets (Bontis et al., 2015). It is commonly decomposed into human capital, structural capital, and relational capital. Human capital encompasses employees' skills, expertise, and experience (Sowaity, 2022); structural capital includes organizational processes, systems, and routines (Sharma, 2018; Jose & Silva, 2021); and relational capital represents relationships with customers, suppliers, and other external stakeholders (Maaloul & Zeghal, 2010; Utami, 2018). The Value Added Intellectual Coefficient (VAIC) provides a standardized approach to measuring the efficiency of these components in generating value (Pulic, 2000, 2002).

### **Corporate Governance**

Corporate governance comprises the structures and processes that guide and control managerial decision-making (World Bank, 2015). Key governance mechanisms include board size, board independence, board expertise, ownership concentration, meeting frequency, and gender diversity. Effective governance reduces agency conflicts, enhances monitoring, and improves strategic decision-making, thereby influencing firm value (Jensen, 1993; Shleifer & Vishny, 1986; Adams & Ferreira, 2009).

### **Theoretical Framework**

This study is grounded in three complementary theories. The Resource-Based View posits that firms achieve competitive advantage through valuable, rare, and inimitable resources, including

intellectual capital (Wernerfelt, 1984; Barney, 2001). The Knowledge-Based View extends this perspective by emphasizing knowledge as the most critical strategic asset for value creation (Nonaka & Takeuchi, 1995; Grant, 1996). Agency theory explains the role of corporate governance mechanisms in aligning managers' interests with those of shareholders and mitigating opportunistic behavior (Jensen & Meckling, 1976; Fama, 1980). Together, these theories provide a coherent framework for examining how intellectual capital and governance mechanisms jointly influence firm value.

## **METHODOLOGY**

### **Research Design and Sample**

An explanatory research design was adopted. The population consists of all non-financial companies listed on the Nigerian Exchange Group as of December 2023. Applying data availability and continuity criteria, a final sample of 38 firms was selected, yielding 380 firm-year observations over the period 2014–2023.

### **Variables and Measurement**

Firm value is measured using Tobin's Q. Intellectual capital is proxied by VAIC and its components: human capital efficiency, structural capital efficiency, and relational capital efficiency. Corporate governance variables include board size, board meetings, board independence, gender diversity, ownership concentration, and board financial expertise. Firm size and leverage are included as control variables.

### **Model Specification and Estimation Technique**

Panel data regression techniques were employed. Diagnostic tests for multicollinearity, heteroskedasticity, and autocorrelation were conducted. The Hausman test supported the use of a fixed-effects model, which controls for unobserved firm-specific heterogeneity.

## **RESULTS AND DISCUSSION**

The empirical results indicate that human capital efficiency and relational capital efficiency exert a positive and statistically significant effect on firm value, consistent with the Knowledge-Based View, which emphasizes the primacy of employee knowledge and stakeholder relationships in value creation (Grant, 1996; Luckieta, 2021). This finding aligns with prior studies that document a positive association between intellectual capital and firm value in emerging markets (Adi & Kurniasih, 2021; Harmono, 2023). Structural capital efficiency, however, shows no significant effect, suggesting that internal systems alone do not enhance firm value without effective human and relational resource utilization (Dada, 2022).

Among governance variables, board financial expertise positively affects firm value, emphasizing the importance of financial competence in strategic oversight and decision-making (Haniffa & Cooke, 2000; Cheeme & Din, 2013). In contrast, board size and gender diversity show a negative relationship with firm value. The negative impact of board size supports agency-based arguments that larger boards may face coordination inefficiencies and weaker monitoring (Jensen, 1993). The negative link with gender diversity should be understood within the Nigerian institutional context, where female board representation might be limited to symbolic roles with restricted strategic influence (Adams & Ferreira, 2009; Green & Homroy, 2018).

Board independence, board meetings, and ownership concentration do not show significant effects on firm value. This suggests that formal governance structures may be insufficient to influence firm value in the absence of strong institutional enforcement and active director engagement (Krivogorsky, 2006; Lawal & Yahaya, 2024).

Overall, the findings underscore the importance of quality over form in both intellectual capital deployment and corporate governance mechanisms within the Nigerian context.

The empirical results show that human capital efficiency and relational capital efficiency have a positive and statistically significant impact on firm value. This supports the Knowledge-Based View, indicating that employee skills and stakeholder relationships are key drivers of value creation in emerging markets. However, structural capital efficiency has no significant effect, suggesting that internal systems alone do not increase firm value without effective use of human and relational resources.

Among the governance variables, board financial expertise shows a positive and statistically significant relationship with firm value, indicating that directors with accounting and financial knowledge improve monitoring quality and strategic decision-making, which in turn enhances market valuation (Haniffa & Cooke, 2000; Cheeme & Din, 2013). This finding aligns with agency theory, which suggests that competent boards are better equipped to reduce information asymmetry and managerial opportunism (Jensen & Meckling, 1976).

Conversely, board size shows a negative and significant association with firm value, indicating that larger boards may suffer from coordination problems, slower decision-making, and weakened oversight effectiveness (Jensen, 1993). This result supports prior empirical evidence that smaller, more focused boards tend to be more effective in monitoring management, particularly in emerging market contexts.

Board gender diversity also records a negative relationship with firm value. This outcome should be interpreted cautiously and within the Nigerian institutional context, where female board participation may be limited in number and influence, often reflecting symbolic compliance rather than substantive involvement in strategic decision-making (Adams & Ferreira, 2009; Green & Homroy, 2018). As such, the finding does not negate the potential value of gender diversity but rather underscores the importance of meaningful inclusion.

In contrast, board independence, board meeting frequency, and ownership concentration do not exhibit statistically significant effects on firm value. This suggests that formal governance structures alone may be insufficient to influence firm value in environments characterized by weak regulatory enforcement and limited board activism (Krivogorsky, 2006; Lawal & Yahaya, 2024).

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