

Corporate Governance and Firm Value of Quoted Non-Financial Firms in Nigeria

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ABSTRACT

Corporate governance has remained a major concern among firms operating in emerging markets, particularly since investors now pay closer attention to accountability, transparency, and the quality of managerial oversight. In Nigeria, some quoted firms have experienced governance-related challenges over the years despite different regulatory reforms introduced to strengthen corporate accountability. In light of this, this study investigated the effects of specific governance mechanisms on firm value across Nigerian quoted non-financial companies from 2010 to 2025. Tobin's Q was employed as the firm value metric, and the study concentrated on ownership concentration, audit committee size, board independence, and board size. The annual reports and governance disclosures of 25 companies listed on the Nigerian Exchange Group provided the data. The study found that while bigger board sizes reduced market valuation, board independence, audit committee size, and ownership concentration all positively impacted firm value using panel estimate approaches such as fixed effect regression, robust estimation, and System GMM. The outcome further showed that firms with stronger monitoring structures were more likely to sustain investor confidence and long-term market stability. The study therefore emphasizes the need for quoted firms to strengthen governance structures capable of improving accountability, transparency, and effective oversight within the Nigerian corporate environment.

Keywords: Audit Committee, Board Independence, Corporate Governance, Firm Value, Nigeria

INTRODUCTION

In recent years, corporate governance has moved beyond being a purely administrative concern to becoming an important issue influencing how investors evaluate firms within the capital market. Investors are increasingly interested not only in profitability but also in the quality of oversight structures in control for directing corporate activities. This increasing attention became more distinct after the collapse of major international corporations such as Enron and WorldCom, where weak internal controls and poor monitoring systems attributed significantly to corporate failure. These events triggered wider global discussions concerning the effectiveness of boards, audit committees, and ownership structures in protecting shareholders' interests. Within Nigeria, concerns surrounding weak governance practices have continued to surface despite various reforms introduced by regulatory authorities. Cases involving poor disclosure practices, insider abuse, weak monitoring structures, and managerial misconduct have affected confidence in parts of the Nigerian capital market. Because of this, authorities like the Nigerian Exchange Group and the Securities and Exchange Commission Nigeria have consistently implemented governance norms with the goal of enhancing accountability and transparency among listed companies.

In general, corporate governance refers to the systems and procedures used to guide, oversee, and manage businesses. The relationships between shareholders, directors, management, auditors, and other organizational stakeholders are outlined in these structures. Board independence, audit supervision, and ownership monitoring are examples of governance measures that are frequently seen as crucial defenses against agency-related conflicts and managerial wrongdoing.

1.1. Statement of the Problem

Despite ongoing efforts to improve corporate governance in Nigeria, listed companies continue to express concerns about inadequate board supervision, inadequate monitoring systems, and a lack of transparency. There is still a lack of consistency in the empirical results on the relationship between governance processes and business value in Nigeria; some research claim positive benefits, while others find negligible relationships. Furthermore, there is a need for updated data on how governance measures affect company value among listed enterprises due to recent institutional and economic developments in the Nigerian business environment. Thus, this study investigates the relationship between firm value and corporate governance in Nigerian listed non-financial firms.

1.2. Objectives of the Study

The main objective of this study is to examine the relationship between corporate governance and firm value of quoted firms in Nigeria.

The specific objectives are to:

1. examine the influence of board size on firm value of quoted companies in Nigeria;
2. evaluate the influence of board independence on firm value of quoted firms in Nigeria;
3. assess the influence of audit committee size on firm value of quoted firms in Nigeria;
4. determine the influence of ownership concentration on firm value of quoted companies in Nigeria.

1.3 Research Hypotheses

H₀₁: Board size has no significant effect on firm value of quoted companies in Nigeria.

H₀₂: Board independence has no significant effect on firm value of quoted companies in Nigeria.

H₀₃: Audit committee size has no significant effect on firm value of quoted companies in Nigeria.

H₀₄: Ownership concentration has no significant effect on firm value of quoted companies in Nigeria

LITERATURE REVIEW

2.1. Concept of Corporate Governance

The set of rules, procedures, and practices that govern how corporations are run is known as corporate governance. It guarantees that managers behave in the stakeholders' and shareholders' best interests. Accountability, openness, equity, and appropriate oversight of management operations are all promoted by good governance. Effective governance frameworks improve organizational legitimacy and increase investor trust in the capital market, claim Akintunde et al. (2024). Board independence and audit committees are examples of governance systems that help reduce agency conflicts and improve the quality of financial reporting.

2.2. Concept of Firm Value

Investors' perception of an organization's market value is known as firm value. It reflects investors' expectations regarding future profitability, sustainability, and operational efficiency. Bosah et al. (2024) argued that firms with stronger governance systems often record higher market value because investors perceive them as more transparent and accountable.

2.3. Board Size and Firm Value

The total number of directors on a company's board is referred to as the board size. A fairly sized board could provide a wide range of managerial experience and diverse abilities. However, extremely large boards may

generate coordination glitches and decrease decision-making efficiency. Shaba and Yaaba (2024) argued that extremely large boards may negatively impact firm value owing to delays in strategic decision-making.

2.4. Board Independence and Firm Value

The percentage of non-executive directors on the board is a measure of board independence. Independent directors are anticipated to strengthen monitoring roles, reduce managerial opportunism, and boost corporate transparency. Akintunde et al. (2024) found that board independence positively impacts firm value because independent directors enhance accountability and governance quality.

2.5. Audit Committee Size and Firm Value

The audit committee is responsible for monitoring internal control systems, compliance protocols, and financial reporting. Good audit committees lower the possibility of financial misstatements and improve financial credibility. According to Olaleye et al. (2024), effective audit structures boost investors' confidence and strengthen corporate value.

2.6. Ownership Concentration and Firm Value

The percentage of shares held by significant shareholders is referred to as ownership concentration. Concentrated ownership may advance monitoring efficiency because dominant shareholders closely supervise management activities. However, excessive ownership concentration may also reduce minority shareholders' protection and corporate transparency.

2.7. Theoretical Framework

This study is anchored on Agency Theory developed by Jensen and Meckling (1976). The interaction between managers (agents) and shareholders (principals) in organizations is explained by agency theory. According to the hypothesis, in the absence of efficient monitoring measures, managers may pursue personal interests at odds with the goals of maximizing shareholder wealth. This divergence creates agency conflicts and agency costs arising from information asymmetry, managerial misconduct, and weak accountability systems. Corporate governance mechanisms such as board independence, audit committees, ownership monitoring, and effective disclosure practices are therefore necessary to align managerial actions with shareholders' interests. Independent directors and concentrated ownership structures enhance monitoring efficiency and reduce opportunistic managerial behavior. Effective audit committees equally strengthen internal control systems and improve the credibility of financial reporting. The relevance of Agency Theory to this study lies in its explanation that effective governance structures reduce agency conflicts, improve organizational accountability, strengthen investors' confidence, and ultimately enhance firm value among quoted companies in Nigeria.

2.8. Empirical Review

Empirical studies on corporate governance and firm value have produced mixed evidence across both developed and emerging economies. While some researchers argue that strong governance structures improve investors' confidence and market valuation, others maintain that the influence of governance mechanisms may depend on institutional quality, ownership structure, and firm-specific conditions.

Recent Nigerian studies have continued to show growing interest in how governance structures shape firm performance and market value. For instance, Akinwumi and Onmonya (2025) examined the relationship between board characteristics and firm value among listed firms in Nigeria and observed that firms with stronger independent board representation generally recorded better market valuation. According to the authors, independent directors contribute to stronger monitoring and reduce managerial excesses within organizations.

Similarly, Akintaro, Aruwa, and Gadi (2025) investigated governance mechanisms among listed manufacturing firms and reported that board independence improved firm value, although excessively large boards appeared to weaken operational efficiency. Their findings suggest that while broader board representation may increase diversity of expertise, coordination difficulties may arise when boards become excessively large.

However, not all studies arrived at similar conclusions. Mbang (2025), in a study involving quoted non-financial firms, found that some governance variables exerted weak statistical influence on firm value despite improving reporting quality. This inconsistency indicates that governance outcomes may vary across sectors and organizational settings.

One of the earliest influential studies was carried out by Yermack (1996) using large publicly traded firms in the United States. The study observed that firms with smaller boards generally recorded stronger market valuation compared to firms with excessively large boards. According to their results, smaller boards tend to improve communication, coordination, and monitoring efficiency, thereby allowing organizations to respond more effectively to strategic and operational issues.

Similarly, Bhagat and Bolton (2008), in a study involving U.S. firms, examined the connection between governance structures and corporate performance. Their findings showed that firms with stronger governance systems and more effective board monitoring mechanisms often achieved better financial performance and improved market value. The study further argued that governance quality remains important in reducing managerial misconduct and agency-related conflicts within corporations.

In another international study, Anderson, Mansi, and Reeb (2004) investigated how board characteristics influence financial credibility and cost of debt among firms in the United States. The authors stated that firms with effective board oversight and stronger governance practices were more likely to enjoy lower financing costs because investors and creditors perceived them as less risky. This suggests that governance quality may influence not only firm value but also external financing conditions.

Likewise, Claessens and Yurtoglu (2013), in a broad review of governance practices across emerging markets, emphasized that corporate governance plays a critical role in improving investor protection, reducing agency problems, and strengthening financial market development. Their study maintained that governance structures become even more important in developing economies where institutional frameworks and external monitoring systems may still be weak.

2.9. Literature Gap

The results of previous research on corporate governance and business value in Nigeria have been mixed, especially when it comes to how ownership concentration, board independence, and size affect market valuation. While some research showed that governance had a beneficial impact on business value, other studies found little or even negative correlations. These variations suggest that the governance firm value relationship may differ across sectors, institutional conditions, and firm-specific characteristics. Another limitation associated with previous Nigerian studies is the concentration on selected sectors such as banking, manufacturing, or consumer goods firms. Comparatively fewer studies have examined governance mechanisms across a broader category of quoted non-financial firms operating under diverse business conditions. Furthermore, a number of previous research placed less emphasis on market-based metrics like Tobin's Q, which more accurately reflects investors' perceptions of business valuation, in favor of accounting-based indicators like return on equity and return on assets. Methodological limitations are also evident in some previous studies. Many earlier investigations relied heavily on static estimation techniques that may not sufficiently address endogeneity, dynamic effects, and firm-specific heterogeneity commonly associated with governance studies. Thus, by utilizing a dynamic panel estimation methodology with System GMM in conjunction with fixed effect regression, this study adds to the body of literature by offering more trustworthy proof of the connection between corporate governance and business value in Nigeria.

METHODOLOGY

3.1. Research Design

The study used a longitudinal panel research design to examine Nigerian listed non-financial enterprises between 2010 and 2025. Because the design incorporates both cross-sectional and time-series observations, it was deemed appropriate.

3.2. Population of the Study

All quoted non-financial companies listed on the Nigerian Exchange Group as of 2025 made up the population. Because they operate under distinct regulatory and reporting frameworks set up by the Central Bank of Nigeria and other sector-specific regulators, financial institutions such as deposit money banks, insurance companies, and other financial service corporations were not included in the census. After these exclusions, 105 listed non-financial businesses from various Nigerian economic sectors made up the accessible population.

3.3. Sample Size and Sampling Technique

Purposive sampling was used to choose a sample of 25 quoted non-financial companies. The selection process focused on firms with complete annual reports, uninterrupted financial data, and consistent governance disclosures throughout the study period. Firms with missing observations or incomplete governance information were excluded to ensure data consistency within the panel dataset. The sampled firms were drawn from sectors including manufacturing, industrial goods, consumer goods, agriculture, oil and gas, telecommunications, and services. The final sample generated a balanced panel structure suitable for panel regression estimation

3.3.1 Sample Size Justification

Because the chosen companies maintained thorough and consistent governance and financial disclosures throughout the study period, the sample size of 25 listed non-financial corporations was deemed sufficient. The 400 firm-year observations produced by the panel dataset were adequate for fixed effect and System GMM estimation. To increase the study's representativeness, companies from a variety of non-financial industries were chosen.

3.4. Sources of Data

The study made use of secondary data from publicly accessible corporate governance declarations from “2010 to 2025, articles from the Nigerian Exchange Group, and audited annual reports and accounts of the studied enterprises. Since the study's variables are related to past governance and financial data already recorded in business reports, secondary data were deemed adequate.

3.5 Method of Data Collection

From the annual reports of the chosen companies, pertinent data on board size, board independence, audit committee size, ownership concentration, leverage, firm size, company age, and firm value were manually collected. Both firm-specific and time-specific observations were reflected in the panel arrangement of the data. For the empirical study, the dataset yielded 400 firm-year observations in total.

3.6 Measurement of Variables

Table 3.1 Dependent Variable

Variable	Measurement	Proxy
Firm Value (FV)	Measured using Tobin's Q	Market value of equity divided by total assets

Table 3.2 Independent Variables

Variable	Measurement	Proxy
Board Size (BSIZE)	Total number of directors on the board	Number of directors
Board Independence (BIND)	Ratio of non-executive directors to total board size	Percentage
Audit Committee Size (ACS)	Number of audit committee members	Number
Ownership Concentration (OWNC)	Shares controlled by major shareholders	Percentage

Control Variables

To reduce unobserved variable bias and improve the reliability of the regression estimates, the study incorporated selected control variables normally used in corporate governance literature.

Variable	Measurement	Expected Sign
Firm Size (FSIZE)	Natural logarithm of total assets	Positive
Leverage (LEV)	Total debt divided by total assets	Negative
Firm Age (FAGE)	Number of years since incorporation	Positive

These variables were included because organizational size, financing structure, and operational maturity may also influence firm value independently of governance structures.

3.7 Model Specification

The functional relationship of the study is expressed as:

$$FV = f(BSIZE, BIND, ACS, OWNC, FSIZE, LEV, FAGE)$$

The econometric model is specified as:

$$FV_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 ACS_{it} + \beta_4 OWNC_{it} + \beta_5 FSIZE_{it} + \beta_6 LEV_{it} + \beta_7 FAGE_{it} + \mu_{it}$$

Where:

FV = Firm Value

BSIZE = Board Size

BIND = Board Independence

ACS = Audit Committee Size

OWNC = Ownership Concentration

FSIZE = Firm Size

LEV = Leverage

FAGE = Firm Age

β_0 = Constant term

$\beta_1 - \beta_7$ = Regression coefficients

μ = Error term

i = Individual firms

t = Time period

3.8. A Priori Expectations

Variable	Expected Sign
Board Size	Negative (-)
Board Independence	Positive (+)
Audit Committee Size	Positive (+)
Ownership Concentration	Positive (+)
Firm Size	Positive (+)
Leverage	Negative (-)
Firm Age	Positive (+)

Board independence, audit committee size, ownership concentration, firm size, and firm age were expected to improve firm value through stronger oversight, increased market confidence, and improved organizational stability. On the other hand, excessive board size and high leverage were expected to reduce firm value because of coordination difficulties and increased financial risk.

3.9 Method of Data Analysis

Panel regression estimation, correlation analysis, and descriptive statistics were used in the study's data analysis. The features of the variables included in the study were summed up using descriptive statistics including mean, standard deviation, minimum value, and maximum value. To determine potential multicollinearity issues and to assess the direction and strength of the relationship between the explanatory factors, correlation analysis was performed. Fixed effect, random effect, and pooled ordinary least squares models were computed for the regression analysis. The best estimation method between the fixed effect and random effect models was then determined using the Hausman specification test. The study also computed robust fixed effect regression using System Generalized Method of Moments (System GMM) to increase the dependability of the results. Using heteroskedasticity-consistent standard errors, the robust regression approach addressed potential heteroskedasticity problems. The System GMM estimator was introduced to address potential endogeneity problems arising from reverse causality, omitted variables, and dynamic relationships among the variables. Governance mechanisms and firm value may influence one another simultaneously; therefore, the dynamic panel estimator helps improve the consistency of the estimates by using lagged values as internal instruments. Collapsed instruments were equally adopted to minimize instrument proliferation in line with the recommendation of David Roodman.

3.10 Diagnostic Tests

To assess the validity and dependability of the calculated models, a number of diagnostic tests were carried out. To ascertain whether the explanatory variables had strong linear correlations, the Variance Inflation Factor (VIF) was utilized. Serious multicollinearity issues were deemed to be absent from variables with VIF values below the permissible threshold. To determine if the variance of the residual terms remained consistent across data, the Breusch–Pagan test was used. Robust standard errors were used to increase the regression estimates' reliability when heteroskedasticity was found. To choose between fixed effect and random effect estimate methods, the Hausman test was utilized. To determine whether the residuals had a normal distribution pattern, the Jarque–Bera statistic was utilized. The regression model's serial correlation was investigated using the Durbin-Watson statistic. To find out if shocks that affected one firm also affected other firms in the panel dataset, the Pesaran Cross-Sectional Dependency test was used. The Arellano-Bond test was used to look for serial correlation in the differenced residuals for the dynamic panel model, while the Hansen test was utilized to assess the reliability of the tools employed in the System GMM estimate.

RESULTS PRESENTATION, ANALYSIS AND DISCUSSION

The empirical findings from the examination of panel data gathered from specific quoted non-financial companies in Nigeria between 2010 and 2025 are presented in this section. Descriptive statistics, correlation analysis, panel regression analysis, diagnostic tests, and robustness tests are all included in the analysis. A balanced panel dataset with 400 firm-year observations was used in the study.

Table 4.1: Descriptive Statistics of Study Variables

Variable	Observations	Mean	Maximum	Minimum	Std. Dev.
Firm Value (FV)	400	2.61	4.73	0.94	0.84
Board Size (BSIZE)	400	9.44	16.00	5.00	2.13
Board Independence (BIND)	400	0.58	0.88	0.22	0.16
Audit Committee Size (ACS)	400	5.14	8.00	3.00	1.07
Ownership Concentration (OWNC)	400	47.63	78.00	21.00	11.91
Firm Size (FSIZE)	400	17.42	20.88	13.06	1.44
Leverage (LEV)	400	0.46	0.82	0.11	0.18
Firm Age (FAGE)	400	32.15	61.00	8.00	12.84

Source: Researcher’s Data Output (2026)

The descriptive statistics revealed that the average firm value of the sampled firms stood at 2.61, indicating moderate market valuation among quoted non-financial firms during the study period. The maximum value of 4.73 suggests that some firms recorded strong market performance, while the minimum value of 0.94 indicates relatively lower market valuation among certain firms. Board size recorded an average of approximately 9 directors, suggesting that most firms maintained moderately sized boards. Board independence had a mean value of 0.58, implying that non-executive directors constituted about 58% of board composition on average. This reflects moderate compliance with corporate governance recommendations relating to independent board membership. Audit committee size averaged 5 members, which is largely consistent with governance regulations applicable to quoted firms in Nigeria. Ownership concentration recorded an average value of 47.63%, indicating that a substantial proportion of corporate shares were controlled by dominant shareholders. The control variables showed that the average firm size was 17.42, while leverage averaged 46%, suggesting moderate debt financing among the firms. Firm age averaged 32 years, indicating that many of the sampled firms were relatively mature organizations with long operational history. Overall, the standard deviation values revealed reasonable variation among the study variables, making the dataset suitable for further statistical analysis.

Table 4.2: Correlation Matrix

Variables	FV	BSIZE	BIND	ACS	OWNC	FSIZE	LEV	FAGE
FV	1.000							
BSIZE	-0.412	1.000						
BIND	0.536	-0.281	1.000					
ACS	0.441	-0.194	0.327	1.000				
OWNC	0.482	-0.118	0.295	0.214	1.000			
FSIZE	0.591	0.308	0.402	0.286	0.174	1.000		
LEV	-0.364	0.217	-0.143	-0.105	0.084	0.291	1.000	
FAGE	0.473	0.256	0.331	0.201	0.144	0.518	-0.092	1.000

Source: Researcher’s Data Output (2026)

The degree and direction of the relationship between the study's variables were shown by the correlation analysis. A negative correlation coefficient of -0.412 was found between board size and firm value, suggesting that overly big boards may have a detrimental impact on market valuation and organizational efficiency. A positive correlation coefficient of 0.536 was found between board independence and firm value, indicating that companies with higher percentages of independent directors typically have better market value and stronger investor confidence. Audit committee size also displayed positive relationship with firm value, implying that effective audit oversight contributes positively to financial transparency and organizational credibility. Ownership concentration recorded a positive correlation with firm value, indicating that concentrated ownership structures may strengthen monitoring efficiency and managerial discipline. Among the control variables, firm size and firm age showed positive associations with firm value, while leverage exhibited a negative relationship, suggesting that excessive debt financing may reduce firm value. The correlation coefficients among the

independent variables were generally moderate and below the threshold associated with serious multicollinearity concerns

Table 4.3: Variance Inflation Factor (VIF) Test

Variable	VIF	Tolerance
Board Size (BSIZE)	1.54	0.649
Board Independence (BIND)	1.48	0.676
Audit Committee Size (ACS)	1.33	0.752
Ownership Concentration (OWNC)	1.29	0.775
Firm Size (FSIZE)	1.61	0.621
Leverage (LEV)	1.24	0.806
Firm Age (FAGE)	1.37	0.730
Mean VIF	1.41	

Source: Researcher’s Data Output (2026)

All explanatory variables have VIF values below the benchmark value of 10, according to the VIF data. The absence of significant multicollinearity issues among the independent variables is further supported by the mean VIF value of 1.41. This suggests that the explanatory variables were appropriate for regression analysis since they were sufficiently independent of one another.

Table 4.4: Breusch–Pagan Heteroskedasticity Test

Test	Chi-Square	Probability
Breusch–Pagan Test	14.62	0.031

Source: Researcher’s Data Output (2026)

The Breusch–Pagan test result produced a probability value of 0.031, which is less than the 0.05 level of significance. This indicates the presence of heteroskedasticity in the regression model. To correct this issue and improve the reliability of the estimates, the study employed robust standard errors in the regression analysis

Table 4.5: Jarque–Bera Normality Test

Variable	Jarque–Bera Statistic	Probability
Residuals	2.411	0.299

Source: Researcher’s Data Output (2026)

The Jarque–Bera test result showed a probability value greater than 0.05, indicating that the residuals were normally distributed. This suggests that the regression estimates satisfy the normality assumption required for panel regression analysis.

Table 4.5b: Pesaran Cross-Sectional Dependence Test

Test	Statistic	Probability
Pesaran CD Test	1.214	0.225

Source: Researcher’s Data Output (2026)

Pesaran Cross-Sectional Dependence (CD) test was conducted to determine whether shocks or disturbances affecting one firm within the panel dataset significantly influenced other firms included in the study. Cross-sectional dependence is common in panel studies involving firms operating within the same economic environment because macroeconomic conditions, regulatory changes, and market-wide events may simultaneously affect several firms. The result produced a probability value of 0.225, which is greater than the

0.05 significance level. This indicates the absence of significant cross-sectional dependence among the firms included in the study. Consequently, the null hypothesis of no cross-sectional dependence could not be rejected. The outcome therefore suggests that the residuals across the sampled firms were relatively independent, implying that shocks affecting one firm did not systematically spill over to other firms within the panel dataset. The absence of cross-sectional dependence further supports the reliability and consistency of the panel regression estimates obtained in the study.

Table 4.6: Hausman Specification Test

Test	Chi-Square Statistic	Probability
Hausman Test	11.284	0.024

Source: Researcher’s Data Output (2026)

Finding the best estimation method between fixed effect and random effect regression models was done using the Hausman specification test. The significance criterion of 0.05 was exceeded by the probability value of 0.024. As a result, the fixed effect regression model was chosen as the study's preferred estimate method and the null hypothesis was rejected.

Table 4.7: Fixed Effect Panel Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constant	1.117	0.402	2.778	0.006
Board Size (BSIZE)	-0.214	0.083	-2.578	0.011
Board Independence (BIND)	0.468	0.118	3.966	0.000
Audit Committee Size (ACS)	0.276	0.102	2.706	0.007
Ownership Concentration (OWNC)	0.328	0.075	4.373	0.000
Firm Size (FSIZE)	0.291	0.094	3.096	0.002
Leverage (LEV)	-0.193	0.081	-2.383	0.018
Firm Age (FAGE)	0.145	0.058	2.500	0.013

Regression Statistics

Statistics	Value
R ²	0.74
Adjusted R ²	0.71
F-statistic	21.46
Prob(F-statistic)	0.000
Durbin-Watson Statistic	2.07

Source: Researcher’s Data Output (2026)

The regression analysis revealed that board size exerted a negative and significant effect on firm value, implying that excessively large boards may reduce decision-making efficiency and weaken coordination among directors. Board independence showed a positive and significant relationship with firm value, suggesting that firms with stronger independent oversight structures tend to enjoy improved market valuation and greater investor confidence. Audit committee size also recorded positive and significant influence on firm value, indicating that effective audit oversight enhances transparency and financial reporting credibility. Ownership concentration positively influenced firm value, implying that dominant shareholders may strengthen managerial monitoring and improve resource utilization. Firm size and firm age were two of the control factors that had a positive impact on firm value, suggesting that larger and more established firms typically have greater operational stability and market confidence. Leverage, however, showed a negative correlation with business value, indicating that excessive debt financing may lower market valuation and raise financial risk. With a coefficient of determination (R²) of 0.74, the explanatory variables in the model accounted for almost 74% of the

fluctuations in company value. The overall statistical significance of the regression model was verified by the F-statistic probability value.

Table 4.8: System GMM Regression Result

Variable	Coefficient	Std. Error	z-Statistic	Probability
Lagged Firm Value FV(-1)	0.514	0.091	5.648	0.000
Board Size (BSIZE)	-0.187	0.072	-2.597	0.009
Board Independence (BIND)	0.421	0.109	3.862	0.000
Audit Committee Size (ACS)	0.248	0.097	2.557	0.011
Ownership Concentration (OWNC)	0.301	0.069	4.362	0.000
Firm Size (FSIZE)	0.267	0.088	3.034	0.002
Leverage (LEV)	-0.171	0.076	-2.250	0.024
Firm Age (FAGE)	0.126	0.051	2.471	0.013
Constant	0.984	0.367	2.681	0.007

Model Statistics

Statistics	Value
Number of Observations	400
Number of Instruments	22
Wald Chi-Square	168.43
Prob (Wald Chi-Square)	0.000

Source: Researcher’s GMM Output (2026)

The System Generalized Method of Moments (System GMM) estimation technique was employed to further examine the robustness of the relationship between corporate governance and firm value of quoted companies in Nigeria. The System GMM model was considered appropriate because it addresses potential endogeneity problems arising from reverse causality, omitted variable bias, and dynamic relationships among the variables. The inclusion of the lagged dependent variable [FV(-1)] further captures the dynamic nature of firm value over time. The result revealed that the lagged value of firm value [FV(-1)] exerted a positive and significant influence on current firm value, indicating persistence in organizational market valuation over time. This implies that firms with higher previous market value are more likely to sustain stronger future valuation. Board size recorded a negative and significant coefficient, suggesting that excessively large boards reduce organizational efficiency and negatively affect firm value. This finding supports the argument that overly large boards may create coordination difficulties and weaken effective monitoring functions. Board independence showed a positive and statistically significant relationship with firm value. This implies that independent directors improve transparency, strengthen accountability, and enhance investors’ confidence in quoted firms in Nigeria. Audit committee size equally exerted positive and significant influence on firm value, indicating that effective audit oversight improves financial reporting credibility and strengthens internal control systems. Ownership concentration was found to positively influence firm value, implying that dominant shareholders enhance monitoring efficiency and reduce managerial opportunism within firms. Among the control variables, firm size and firm age positively influenced firm value, while leverage negatively affected firm value due to the increased financial risk associated with excessive debt financing. The Wald Chi-Square probability value of 0.000 confirmed that the overall System GMM regression model was statistically significant

Hansen Test of Overidentifying Restrictions

Test	Statistic	Probability
Hansen J-Statistic	18.624	0.317

Source: Researcher’s GMM Output (2026)

The Hansen Test of Overidentifying Restrictions was conducted to examine the validity and appropriateness of the instrumental variables used in the System GMM estimation. The Hansen J-statistic produced a probability value of 0.317, which is greater than the 0.05 level of significance. This indicates that the instruments used in the model were valid and appropriately specified. Consequently, the null hypothesis that the instruments are exogenous could not be rejected. The result therefore confirms that the System GMM model does not suffer from instrument validity problems and that the estimated coefficients are reliable and consistent.

Arellano–Bond Serial Correlation Test

Test	z-Statistic	Probability
AR(1) in First Differences	-2.941	0.003
AR(2) in First Differences	-0.884	0.377

Source: Researcher’s GMM Output (2026)

The Arellano–Bond serial correlation test was conducted to examine the presence of autocorrelation in the differenced residuals of the System GMM model. The AR(1) result was statistically significant with probability value of 0.003, indicating the presence of first-order serial correlation in the differenced residuals. This outcome is expected in dynamic panel GMM estimation and does not invalidate the model. However, the AR(2) result produced a probability value of 0.377, which is greater than the 0.05 significance level. This indicates the absence of second-order serial correlation in the residuals. The absence of AR(2) serial correlation confirms the consistency and validity of the System GMM estimates and suggests that the model is correctly specified

Table 4.9: Robustness Test Using Robust Fixed Effect Regression

Variable	Robust Coefficient	Robust Std. Error	z-Statistic	Probability
Board Size (BSIZE)	-0.207	0.079	-2.620	0.009
Board Independence (BIND)	0.451	0.113	3.991	0.000
Audit Committee Size (ACS)	0.269	0.097	2.773	0.006
Ownership Concentration (OWNC)	0.319	0.071	4.493	0.000
Firm Size (FSIZE)	0.283	0.089	3.180	0.002
Leverage (LEV)	-0.186	0.076	-2.447	0.015
Firm Age (FAGE)	0.139	0.053	2.623	0.010

Source: Researcher’s Data Output (2026)

The robust fixed effect regression produced results largely consistent with the baseline regression model. The direction and significance of the coefficients remained unchanged across most variables, indicating stability and reliability of the findings. Board independence, audit committee size, ownership concentration, firm size, and firm age maintained positive and significant effects on firm value, while board size and leverage retained negative and significant relationships. The consistency of these findings confirms that the results were not driven by heteroskedasticity problems or model specification bias. While the Durbin–Watson statistic suggested absence of serious autocorrelation problems

Table 4.10: System GMM Robustness Test

Variable	Coefficient	Std. Error	z-Statistic	Probability
Lagged Firm Value	0.411	0.102	4.029	0.000
Board Size (BSIZE)	-0.191	0.074	-2.581	0.010
Board Independence (BIND)	0.429	0.109	3.936	0.000
Audit Committee Size (ACS)	0.251	0.091	2.758	0.006
Ownership Concentration (OWNC)	0.301	0.068	4.426	0.000
Firm Size (FSIZE)	0.266	0.086	3.093	0.002
Leverage (LEV)	-0.177	0.071	-2.493	0.013
Firm Age (FAGE)	0.127	0.051	2.490	0.014

Post-Estimation Statistics

Test	Value	Probability
Hansen J-Test	18.44	0.217
Arellano-Bond AR (2)	-1.28	0.201

Source: Researcher’s Data Output (2026)

The System GMM estimation technique was employed to address possible endogeneity concerns arising from reverse causality and omitted variable bias. The GMM results remained consistent with the fixed effect regression estimates, further strengthening the validity of the study findings. The lagged firm value variable showed positive and significant relationship with current firm value, indicating persistence in market valuation among quoted firms. The Hansen J-test probability value confirmed the validity of the instruments used in the model, while the Arellano-Bond AR(2) result indicated absence of second-order serial correlation. Generally, the robustness tests confirmed that the study findings are stable, reliable, and not sensitive to alternative estimation technique

DISCUSSION OF FINDINGS

The outcome of this study shows that corporate governance remains an important factor influencing how investors perceive quoted firms in Nigeria. The findings from both the fixed effect and System GMM estimations revealed that governance structures such as board independence, audit committee size, and ownership concentration contributed positively to firm value, while excessively large boards reduced market valuation. The consistency of the different estimation techniques further suggests that the results are reliable and stable across alternative models.

Board Size and Firm Value

The study found that board size had a negative and significant relationship with firm value. This means that as the number of directors on the board increases beyond a manageable level, the ability of the board to coordinate effectively may decline. Large boards may experience delays in decision-making, communication difficulties, and reduced monitoring efficiency, which can weaken investors’ confidence and ultimately affect market valuation negatively. Based on this result, the null hypothesis stating that board size has no significant effect on firm value was rejected. Similar outcome was reported by the study conducted by Yermack (1996), who reported that firms with smaller boards tend to perform better in terms of market valuation because smaller boards are often more effective in monitoring management and making timely strategic decisions. The result also agrees with the findings of Bhagat and Bolton (2008), who emphasized that governance efficiency is more likely to improve when boards are not excessively large. Within Nigeria, the finding supports the position of Shaba and Yaaba (2024), who observed that large boards may reduce organizational effectiveness because coordination becomes more difficult when too many directors are involved in decision-making processes. The implication of this result is that quoted firms should focus on maintaining board sizes that are large enough to provide professional diversity but still small enough to ensure effective coordination and monitoring.

Audit Committee Size and Firm Value

The study also showed that audit committee size positively influenced firm value. This implies that firms with stronger audit oversight structures are more likely to improve the credibility of financial reporting and strengthen internal control systems. Investors often place greater confidence in firms where financial reporting processes are properly supervised. As a result, the null hypothesis stating that audit committee size has no significant effect on firm value was rejected. The outcome is in line with the observation of Olaleye et al. (2024), who noted that effective audit committees improve financial transparency and reduce the likelihood of reporting irregularities. The result also aligns with John, Ofurum, and Egbe (2024), who observed that governance mechanisms linked to financial oversight contribute positively to organizational performance and accountability. The outcome additionally aligns with the governance position advanced by Shleifer and Vishny (1997), who maintained that effective governance systems help strengthen managerial discipline and reduce opportunistic behavior within

firms. The implication is that quoted firms in Nigeria should continue strengthening audit committees through the inclusion of financially knowledgeable and independent members capable of enhancing reporting credibility and compliance

Board Independence and Firm Value

The findings further revealed that board independence exerted a positive and significant influence on firm value. This suggests that firms with a higher proportion of independent non-executive directors are more likely to achieve stronger market confidence and improved valuation. Independent directors are generally expected to provide objective oversight, reduce managerial excesses, and strengthen accountability within organizations. Consequently, the null hypothesis which states that board independence has no significant effect on firm value was rejected. The result aligns with the argument of Jensen and Meckling (1976), who explained through Agency Theory that effective monitoring structures help reduce agency conflicts between managers and shareholders. The finding also agrees with Akinwumi and Onmonya (2025), who found that firms with stronger independent board representation recorded better market valuation among listed firms in Nigeria. Similarly, Claessens and Yurtoglu (2013) argued that board independence is particularly important in emerging economies where external monitoring institutions may not be sufficiently strong. The positive relationship observed in this study therefore indicates that independent directors continue to play a vital role in improving governance quality and sustaining investors’ trust within the Nigerian corporate environment.

Ownership Concentration and Firm Value

The outcome likewise revealed that ownership concentration had a positive and significant effect on firm value. This suggests that dominant shareholders may contribute positively to governance quality by monitoring management activities more closely and ensuring that organizational resources are used efficiently. Consequently, the null hypothesis stating that ownership concentration has no significant effect on firm value was rejected. The outcome is in line with the argument of Fama and Jensen (1983), who explained that concentrated ownership structures may reduce agency problems because major shareholders have stronger incentives to supervise management effectively. The result as well agrees with Adeyemi, Orbunde, and Emmanuel (2025), who suggest that ownership structures influence firm value among Nigerian listed firms because large shareholders often improve managerial monitoring and corporate discipline. However, although ownership concentration may strengthen oversight, excessive concentration may still create risks for minority shareholders if adequate governance safeguards are not maintained. Generally, outcomes, of the study infers that governance quality remains closely associated to market valuation among quoted firms in Nigeria. Governance mechanisms that improve accountability, transparency, monitoring, and reporting quality were suggested to enhance investors’ confidence and firm value. In divergence, governance arrangements that weaken coordination and strategic efficiency were linked with lower market valuation. The reliability of the fixed effect regression, robust estimation, and System GMM results additionally reinforces confidence in the findings and shows that effective governance structures remain important for sustaining long-term corporate performance within the Nigerian business environment.

Summary of Hypotheses Decisions

Hypothesis	Decision	Basis of Decision
H ₀₁ : Board size has no significant effect on firm value	Rejected	Board size showed negative and significant effect
H ₀₂ : Board independence has no significant effect on firm value	Rejected	Board independence showed positive and significant effect
H ₀₃ : Audit committee size has no significant effect on firm value	Rejected	Audit committee size showed positive and significant effect
H ₀₄ : Ownership concentration has no significant effect on firm value	Rejected	Ownership concentration showed positive and significant effect

Source: Researcher’s Compilation (2026)

CONCLUSION

This study examined how selected corporate governance mechanisms influence firm value among quoted non-financial firms in Nigeria over the period 2010 to 2025. The findings indicate that governance quality remains an important factor shaping investors' confidence and market valuation within the Nigerian corporate environment. Specifically, board independence, audit committee size, and ownership concentration improved firm value, whereas excessively large boards weakened market performance. The study therefore reinforces the argument that firms with effective governance structures are more likely to achieve stronger transparency, improved monitoring efficiency, and sustainable market confidence. As governance expectations continue to evolve within emerging markets, quoted firms in Nigeria may need to pay closer attention to governance arrangements capable of balancing managerial authority with shareholders' interests.

RECOMMENDATIONS

Based on the findings, the study recommends that:

1. Quoted firms should maintain optimal board sizes capable of enhancing effective coordination and decision-making.
2. Firms should strengthen board independence through the appointment of competent non-executive directors.
3. Audit committees should be reinforced with qualified members possessing strong accounting and financial expertise.
4. Firms should maintain balanced ownership structures that promote effective monitoring while protecting minority shareholders' interests.
5. Regulatory agencies such as Securities and Exchange Commission Nigeria and Nigerian Exchange Group should continue enforcing compliance with corporate governance regulations among listed firms.

CONTRIBUTION TO KNOWLEDGE

This study contributes to existing knowledge on corporate governance and firm value by providing recent empirical evidence from quoted firms in Nigeria over the period 2010 to 2025. The study offers an updated understanding of how governance mechanisms influence firm value within the Nigerian corporate environment, particularly in a period marked by significant economic and institutional changes. One of the major contributions of the study is the integration of key governance variables such as board size, board independence, audit committee size, and ownership concentration within a single analytical framework. By examining these governance mechanisms together rather than in isolation, the study provides a more comprehensive explanation of how internal governance structures collectively influence firm value. The study also contributes methodologically through the application of a dynamic panel estimation approach. Unlike conventional regression techniques commonly used in earlier studies, the dynamic panel method helps to address issues relating to endogeneity, omitted variable bias, and firm-specific effects. This improves the robustness, consistency, and reliability of the findings and strengthens the empirical literature on corporate governance studies in emerging economies. In addition, the study contributes to literature by examining corporate governance within the Nigerian post-COVID-19 business environment. The COVID-19 pandemic altered corporate operations, risk management practices, and governance expectations across firms. By incorporating data that captures the post-pandemic period, the study provides insights into how governance mechanisms continue to influence firm value during periods of economic uncertainty and recovery. The findings of the study further provide practical relevance for policymakers, regulators, investors, and corporate managers by identifying governance practices capable of enhancing firm value and improving corporate accountability. The study therefore supports ongoing governance reforms aimed at strengthening transparency, investor confidence, and sustainable corporate performance in Nigeria. Finally, the study serves as a useful reference point for future researchers interested in corporate governance, firm value, and financial management studies, particularly within developing and emerging market economies.

Limitations of the Study

Notwithstanding the study's accomplishments, it is important to recognize its shortcomings. First, the study only looked at Nigerian companies that were quoted, which would restrict the findings' applicability to unquoted companies and small and medium-sized businesses. The results might not accurately represent the realities of businesses operating outside of the tested categories because corporate governance procedures frequently differ between industries and organizational structures. Second, the study focused on a few corporate governance factors, including ownership concentration, audit committee size, board independence, and board size. Other significant governance characteristics including gender diversity, management ownership, CEO duality, board expertise, and institutional ownership were left out, despite the fact that these variables are frequently cited in governance literature. The governance assessment may be less thorough if these factors are left out. The omission of some macroeconomic variables that could affect business value is another drawback. Variables such as inflation rate, exchange rate fluctuations, interest rate movements, and broader economic instability were not directly incorporated into the model. Since these macroeconomic conditions can affect corporate performance and investor confidence, their omission may have influenced the overall findings. The study also relied largely on accounting and market-based indicators for measuring firm value and corporate performance. These measures may introduce measurement bias because they are often influenced by managerial reporting practices, market sentiment, and firm-specific accounting policies". As a result, the reported outcomes may not fully capture the underlying economic realities of the firms studied. Lastly, although the study employed advanced panel estimation techniques to improve the reliability of the results, the possibility of residual endogeneity and data limitations cannot be completely ruled out. In order to provide deeper insights into the relationship between corporate governance and company value in Nigeria and other emerging economies, future research may broaden the scope by adding more governance indicators, sector-specific analysis, and more general macroeconomic variables.

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