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Corporate Governance Characteristics and Non-Financial Performance of Listed Financial Institutions in Nigeria

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Abstract

This study explores the relationship between corporate governance and the non-financial performance of listed financial institutions in Nigeria. It specifically investigates how corporate governance practices in banks and insurance companies listed on Nigeria's exchange group influence their non-financial performance, using historical financial data from 2019 to 2023. The effects of board size, board diversity, audit committee size and frequency of board meetings on growth in customers deposit, complaints resolution rate and growth in training and development of listed financial institutions in Nigeria were examined. The study collected data from the annual reports of 30 financial institutions comprising 13 deposit money banks and 17 insurance companies. The study employed a general least squares (GLS) multiple regression analysis to analyse the panel data. The findings reveal no significant correlation between corporate governance and non-financial performance, suggesting that other factors—such as the quality of board interactions or the effectiveness of information-sharing processes—may play a more critical role in driving non-financial performance than the frequency board meetings, board size, audit committee and board diversity. The study recommends that Nigerian financial institutions should continue efforts to improve board diversity, particularly by increasing the representation of women and other underrepresented groups.

Keywords: *Corporate Governance, Non-financial Performance, Board of Directors, Board Independence, Audit Committee Independence.*

1. Introduction

Corporate governance has evolved into a pivotal component of modern management, serving as a fundamental tool for attaining goals and mitigating company risks. Failure of corporate governance in some banks has been attributed to poor management practices, unsecured lending under the influence of depositors, leading to loss of shareholder wealth and business failure (Olokoyo, Adegboye, & Okoye, 2019).

The 2018 crash of the Nigeria stock exchange (now the Nigeria Exchange group) led to a loss in value of assets worth N1.55 trillion. This is undoubtedly proof of poor business management and abuse of power. Sequel to this crash, the Central Bank of Nigeria took a number of measures to strengthen corporate governance in banks. This includes the adoption of code of corporate governance for banks for banks, financial inclusion and review of the foreign exchange manual. In the bid to make financial commodities affordable and accessible to all customers, financial institutions have removed several barriers that would exclude patronage of diverse products or services. However, in trying to expand

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customer growth and satisfaction, there have been series of scandals and failures across various global entities, which has placed an emphasis on the significance of CG.

The increased focus on CG has arisen in response to notable instances of corporate misconduct and subsequent business failures, including but not limited to WorldCom, Enron, and Oceanic Bank (Amah, 2021). By aligning governance structures with strategic objectives and performance measurement systems, organizations can enhance their ability to deliver value across financial and non-financial measures of performance.

Numerous research has been conducted on the relationship between corporate governance and the performance of Nigerian organizations. Several studies have found positive relationships between corporate governance mechanisms and financial performance metrics (Aduwo, 2023; Isidore, 2022; Orumwense & Orumwense, 2023; Umar et al., 2020; Bui & Krajcsák, 2024; Ogunleye & Akanbi, 2018; Nordim & Kasim, 2015; Brown & Caylor, 2004; Evans, Evans & Loh 2002). However, only a small number of studies have investigated the financial sector (Olokoyo et al., 2019; Isidore, 2022; Oman, 2001; Goswani, 2001; Malherbe & Segal, 2001). Even fewer, have looked at the non-financial components of corporate performance and its relationship with corporate governance post enactment of the measures by CBN which were aimed at strengthening corporate performance in Nigeria financial sector. Financial performance measurement indicators, do not adequately account for the social and environmental benefits derivable from corporate activities. This study differs from prior researches by measuring corporate performance of financial institutions in Nigeria using the balanced scorecard framework.

In spite of the increased recognition of non-financial performance metrics as explained in the balanced scorecard model, organisations struggle when developing their corporate governance frameworks to effectively integrate corporate governance practices with these non-financial perspectives. This limited cohesion could cause poor oversight functions, decision making and impede long term sustainability or success of the organisation.

Therefore, the aim of this study is to better understand how corporate governance traits affect listed financial institutions in Nigeria in terms of their non-financial performance. The effects of board size, board diversity, audit committee size and frequency of board meetings on growth in customers deposit, complaints resolution rate and growth in training and development of listed financial institutions in Nigeria were examined. The financial institutions covered in this study are Deposit money banks and insurance companies which have published financial statements from 2019 to 2023 with the relevant metrics for this study.

2. Review of Related Literature

2.1 Conceptual Review

Non-financial Performance

The balanced scorecard framework provides a structured approach to measuring and managing organizational performance across multiple dimensions, including financial, customer, internal processes, and learning and growth perspectives (Kaplan, 1992). It offers a comprehensive approach to measuring and managing corporate performance, integrating corporate governance practices and non-financial performance metrics to drive sustainable value creation and stakeholder engagement. By aligning governance structures with strategic objectives and performance measurement systems, organizations can enhance their ability to deliver value across financial and non-financial. The BSC framework provides executives and managers with tools needed to compete in the future and monitor the effectiveness of a firm's strategy. Financial institutions conduct surveys to assess customers perception of their services. This survey may request customer ratings on wait times during visits, staff resolution of customer complaints, overall satisfaction with new products or services. The feedback is used to retrain staff or improve business processes and quality of service. The components of the balanced scorecard are discussed below:

Customer perspective

The customer perspective examines customer satisfaction in terms of quality, service or product availability and price affordability. The general reviews from customers give feedback about their overall satisfaction and possible retention. Fatoki (2021) and Adewoye and Olarewaju (2017) emphasizes the importance of customer satisfaction in the Nigerian banking sector, highlighting that customers who are ultimately satisfied are more likely to patronize the bank forever and recommend the bank to others. Additionally, studies conducted by Olatokun and Ismail (2019) stress the significance of factors such as service quality, responsiveness, and trust in influencing customer satisfaction within

Nigerian financial institutions. Financial institutions can forge stronger bonds with their clients and see a rise in customer retention by emphasizing customer-eccentric tactics and improving service quality (Adesua, 2018).

Internal Business Process

The internal business process examines the process of rendering services or manufacturing products. Gaps in production, bottlenecks, wastages and shortages are identified and corrected by investigating how well products are manufactured or services are rendered. Oyewobi and Obamuyi (2019) explain the importance of financial institutions in paying adequate attention to their internal business processes by making them efficient and user friendly, this would enable the organization to optimize operational efficiency. By employing techniques such as customer ratings and performance analysis, banks can identify bottlenecks and implement measures to optimize internal processes. Complaints resolution rate is considered a measure of internal business process efficiency among Financial Institutions (Ashiru et al., 2023; Adenuga & Olufemi, 2016). Olasupo & Egbunike, 2018).

Learning and growth perspective

This perspective evaluates the level of training and research resources in an organisation. It examines the effective use of information and technology among employees to a competitive advantage of the business within the industry. Ashiru et al., (2023) investigated the effects of financial innovation on bank profitability through electronic banking services in Nigeria 2012 to 2021. They found that innovation had impacted profitability of banks. Ololade and Afolabi (2018) emphasizes the importance of innovation in enabling banks to differentiate themselves in a crowded market. Additionally, studies by Aremu and Adebiyi (2017) highlight the role of strategic initiatives such as product innovation and market diversification in driving revenue growth and market expansion. By embracing innovation and exploring new opportunities through research, financial institutions can provide for the rising customer's needs (Ogunleye & Fadairo, 2019).

2.2 Corporate Governance

Corporate governance refers to the process of regulating and managing the activities of an organization according to prescribed rules, regulations and industry-specific requirements. It involves adopting a number of practices, including adhering to appropriate accounting standards, compliance with regulations affecting financial disclosure, executive remuneration and composition (Uwuigbe, 2015). Corporate governance requires entities to abide by principles such as accountability, transparency, corporate ethics, including accurate and timely financial reporting.

Babatunde, Uzir, Tze and Hamid (2020) utilised a total of 300 firms to measure the level of corporate governance in non-financial medium-sized firms in Nigeria. The findings show a significant relationship between corporate governance and firm performance. The authors explain that by integrating financial and non-financial perspectives, banks can develop a deep and detailed understanding of their performance indicators and drivers as well as formulate strategies for sustainable growth and value creation.

2.2 Theoretical framework

StakeholderTheory

An argument against the agency theory is its narrow, rigid structure, which only makes business owners the major stakeholder group of the organization. Stakeholder theory states that corporate organizations always try to achieve the satisfaction of different stakeholders by expanding the range of stakeholders to ensure that everyone involved has something to do with it. Therefore, stakeholder theory, which addresses many aspects of the company, is way more significant than agency theory in explaining the role of a company to its shareholders, customers, the general public, and also to the governments which are the major stakeholders of a company.

2.3 Empirical Review

Some literature tends to suggest that corporate governance mechanisms are associated with corporate performance. Each of these mechanisms and their relationship with corporate non-financial performance is examined as follows:

Board size and Internal business process efficiency

Large boards have access to a lot of information. They can create teams and delegate workload, thus increasing efficiency which can be argued to be favourable or beneficial to the firm. Conversely, large board sizes can be argued to have a great financial burden on the firm due to the robust compensation packages that will be paid to multiple directors (Isidore, 2022). Corporate governance is expected to increase firms' internal business process efficiency by creating structures and initiatives that maximize operational and market efficiency (Guluma, 2021). The basic rationale of corporate governance is to increase the performance of firms by structuring and sustaining initiatives that motivate corporate insiders to maximize firm's operational and market efficiency

The central bank regulations do not stipulate a minimum or maximum number of board members; however, it is recommended that a board consist of five people at the very least.

Some companies adopt smaller boards in anticipation that management will be efficient in making decisions, while some other companies will adopt larger boards in anticipation that it will lead to a great pool of diverse and experienced members (Hussainey & Wang, 2010).

Organizational theory opines better performance may be associated with smaller boards because smaller meetings are less likely to have problems with firms' organization and communication, and some are more likely to be efficient in managing these events (Işık &İnce, 2016). The resource dependency approach supports large boards, noting that these can help reduce reliance on external resources and provide more networking opportunities than boards with a limited number of individuals. Limiting board size is thought to make a company perform better. This is because although bigger boards have more monitoring advantages, they also have poorer communication and decision-making skills (Paulinus, 2017). Imuetinyan and Ugbogbo, (2021) found that board size and board independence have a significant effect on corporate performance of manufacturing firms when using the balanced scorecard approach. Thus, this study hypothesizes that: *Board size has a significant effect on non-financial performance of listed financial institutions in Nigeria.*

Board diversity and learning and growth

Another attribute of corporate governance is board diversity. Board diversity is a clear distinction in the area of gender, age, ethnicity, knowledge, thinking, and learning. Board diversity has a significant effect on the activities of an organization because it allows board members to bring in different views, opinions, and experiences, all of which are crucial for the achievement of organizations goals (Ashiru et al., 2023).

Empirical studies show mixed result on the effect of board diversity on non-financial performance. Umar et al., (2020) find a negative insignificant association between audit board diversity and performance. On the contrary, Aduwo (2023), Ogunsanwo (2019) and Terjesen et al., (2016) discovered that having a diverse mix of genders on a board of directors brings different qualities that can help improve how a company is managed and monitored. An organisation with the right training skills for managers and firm value, showed that the right leaders will guide an organization toward achieving its objectives . Imuetinyan and Ugbogbo, (2021) found that board diversity has no significant effect on corporate performance of manufacturing companies when using the balanced scorecard approach. Hence, this study hypothesises that:

Board diversity has significant effect on non-financial performance of listed financial institutions in Nigeria.

Frequency of board meetings and customer retention and growth

Aliyu, Rashid, Bala, and Musa, (2020) opine that board meetings are necessary because they are held on the company's behalf. In line with the 2018 Nigerian Code of Corporate Governance, the board of directors must convene four times or more within a fiscal year so as to allow the company's representatives to debate on how to run the business successfully. Frequency of board meetings may signal greater oversight functions of executive management which should lead to efficiency and prompt correction of anomalies. The meetings serve as a means of understanding business operations and prompt resolution of customer complaints. The meetings would provide opportunities for deliberating on how to increase customer satisfaction and growth. Therefore, the study hypothesizes that: *Board meetings frequency has significant effect on non-financial performance of listed financial institutions in Nigeria*

Audit committee size and internal business process efficiency

A functional audit committee has the potential to enhance organizational management and enhance the reliability of financial reporting, hence facilitating informed investment choices and policy formulation (Owolabi & Dada, 2011). The composition of an audit committee in terms of size is indicative of its capabilities, expertise, and experience (Isidore, 2022 & Aduwo, 2023). According to Alrassas and Kamardin (2016), agency theory posits that a larger number of individuals responsible for conducting audits inside a corporation may enhance the effectiveness of corporate oversight. The audit committee members can help monitor the overall financial reporting and annual audit activities of a firm (Li, Mangena, & Pike., 2012). The NCCG code (2018) stipulates that the Audit Committee's membership cannot exceed six (6), with directors and shareholders equally represented. Hence, firms can have audit committee size greater than 6 members on the premise that smaller sizes may inhibit effectiveness and performance because fewer persons may be saddled with overseeing a large portion of financial reporting and audit responsibilities. Audit committees carry out a critical function in the governance and operational oversight of corporations. Imuetinyan and Ugbogbo (2021) found that audit committee size has no significant effect on corporate performance of manufacturing companies when using the balanced scorecard approach

Consequently, the study hypothesizes that: *Audit committee size has significant effect on non-financial performance of listed financial institutions in Nigeria,*

3. Methodology

The research adopts an ex-post facto research design to address the study's problem. Out of a total of forty-four (44) listed financial institutions in Nigeria, thirteen (13) deposit money banks and seventeen (17) insurance companies with publicly listed shares on the Nigerian stock exchange were purposively selected as the study sample size. (Nigerian Exchange Group, 2024). These companies had the relevant data for this study 2019-2023 and comprised an adequate representation (68%) of listed financial institutions in Nigeria. Data was extracted from the annual audited financial statements of the selected financial institutions for 5 years (i.e., 2019-2023). The period 2019-2023 was selected because the effective date of implementation of the CG code was 2019 and 2023 was the last year with available information for this study as at the point of research. Performance was measured using balanced scorecard framework with metrics such as: financial, customer, internal business processes and learning and growth perspectives. The operationalization and measurement of variables for the study is presented in Table 1:

Table 1: Operationalization and Measurement of Variables

Variable	Definition	Measurement	Source
Customer satisfaction	Gross deposit from customers (GCD)	Growth in customers' deposit & Growth in customers premium	(Okwuise & Ukwandi, 2019)
Internal business processes	Complaints resolution rate CRR	Percentage of complaints resolved within a specified time frame.	(Okwuise & Ukwandi, 2019)
Learning and growth	Training and development cost (TDC)	Growth in cost of employee training	(Okwuise & Ukwandi, 2019)
Corporate governance	Board size (BDS)	Number of individuals on the board	Umar et al., (2020)
	Board diversity (BDD)	Ratio of female to male board members	Umar et al., (2020)
	Board meetings (BDM)	Number of board meetings per annum	Umar et al., (2020)
	Audit committee (AUS)	Number of directors in the committee	Isidore (2022)
Firm size (Control variable)	Firm size (FS)	Log of total assets	Umar et al., (2020)

Source: Designed for the Study (2024).

GLS is especially suitable for fitting linear models on data sets that exhibit heteroskedasticity (i.e., non-constant variance) and/or auto-correlation. Real world data sets such as this study often exhibit these characteristics making GLS a very useful alternative to OLS estimation. Generalised least square (GLS) multiple regression analyses were used

to dissect the panel data based on the results of the Hausman and random effect model test utilizing E-view 9. These tests results, was utilized to determine if fixed effects model or random effects model should be used for the analysis.

This study investigates the impact of corporate governance (board size, board meetings, board diversity, audit committee size) on non-financial performance, hence, the regression models developed for the study is displayed below:

$NFP_{it} = \beta_0 + \beta_1 BDS_{it} + \mu_{it}$ --------- *(1.1)*

$NFP_{it} = \beta_0 + \beta_2 BDM_{it} + \mu_{it}$ --------- *(1.2)*

$NFP_{it} = \beta_0 + \beta_3 BDD_{it} + \mu_{it}$ -------- *(1.3)*

$NFP_{it} = \beta_0 + \beta_4 AUDS_{it} + \mu_{it}$ --------- *(1.4)*

$NFP_{it} = f(\beta_1 BDS_{it} + \beta_2 BDM_{it} + \beta_3 BDD_{it} + \beta_4 AUDS_{it} + \beta_5 FS_{it})$ --------- *(2)*

$NFP_{it} = GCD_{it} + CRR_{it} + TDC_{it} + \mu_{it}$ ---------- *(3)*

Where:

BDS = Board Size, BDM = Board Meetings, BDD = Board Diversity, AUS = Audit Committee Size, GCD = Growth in Customers Deposit, CRR = Complaints Resolution Rate, TDC = Growth in Training and Development Cost FS = Firm Size (Control Variable), i = Companies, t = Period (2019-2023) and μ = Stochastic term. While the a priori signs are β1 - $\beta 5 > 0$

4. Data Analysis and Presentation of Results

This section covers the presentation of the data collected to establish the relationship between corporate governance characteristics and non-financial performance of financial institutions in Nigeria. Table 4.1 displays the descriptive statistical data.

4.1 Descriptive Statistics

Table 2 displays the analytical and descriptive relationships between the measured variables. The proxies of non-financial performance are Growth in Customers Deposits and Premium (GCD), Complaint Resolution Rate (CRR) and Growth in Training and Development Cost (TDC) while Board Size (BDS), Board Meetings (BDM), Board Diversity (BDD), Audit Committee Size (AUS) are corporate governance characteristics variables and the control variable is Firm Size (FS). This statistic shows the extent of corporate governance practices among listed financial institutions and the level of learning and growth, customer growth and satisfaction and the efficiency of internal business processes. The mean values from these Table 2 are used in developing the proxies for the regression analysis

Table 2: Descriptive Statistics

	GCD	CRR	TDC	BDS	BDD	BDM	AUS	FS
Mean	0.4576	1.0552	1.5230	10.369	0.2653	5.5302	5.1141	10.641
Median	0.2000	0.0000	0.1500	11.000	0.2200	5.0000	5.0000	10.750
Maximum	30.720	93.950	182.70	20.000	1.600000	23.000	7.0000	13.310
Minimum	-0.2800	0.0000	-45.120	0.0000	0.000000	0.0000	0.0000	0.0000
Skewness	11.58285	12.01476	9.7021	-0.4035	1.975538	2.3169	-2.4319	-2.9957
Kurtosis	138.4853	145.9098	112.4475	3.740481	11.91465	15.90274	10.182	13.451
Jarque-Bera	117293.6	130378.9	76705.74	7.446288	590.301	1166.867	467.1505	900.9532
Probability	0.000000	0.000000	0.000000	0.024158	0.00000	0.000000	0.000000	0.000000
Sum	68.19090	157.2309	226.9285	1545.000	39.5350	824.0000	762.0000	1585.468
Sum Sq. Dev.	950.1453	8720.345	37917.44	2168.698	6.799745	1047.114	269.0604	930.1336
Observations	149	149	149	149	149	149	149	149

Source: Researcher's computation (2024)

Table 2 shows that the mean values, median maximum and minimum values for gross current account deposits which represents customer growth. There is a symmetrical mean of 0.457657 and a median of 0.200000, both of which are close to the center of the distribution. The complaint resolution rate, which represents internal business process shows a mean value of 1.055241 and a median of 0.000000. Learning and growth was measured using training and

development cost. The mean values of training development cost is 1.52 and median value of 0.15 respectively. This shows that minimal investment is made on staff training and development in the sampled financial institutions.

The mean value of Board Size is 10.36913 showing that the typical board member size is marginally above average, pointing to a symmetric distribution of board sizes. From extremely small to comparatively large boards, there is a huge range of board sizes indicated by the maximum of 20 and lowest of 0. Board diversity mean value is 0.265336 and median 0.220000. This shows a minimal representation of women on the board of directors of the sample companies. Table 2 shows that the average number of board meetings is 5.5302 with median value of 5 which is near the mean, the variable's maximum value is 23, while its minimum value is 0. This indicates that averagely the board of the sample companies convene not less than five times a year, while some do not meet at all. The average number of audit committee members is 5.1141 with a median value of 5 which is close to the average. This suggests that most committee members have no fewer than 5 members on average. For the firm size, the mean of 10.64072 and median of 10.75 suggest that the average firm size is close to the median, indicating that most firms are of a comparable size. Firm size has maximum 13.31 and minimum 0 values indicating that there is some variation in firm size, with some firms being much larger or smaller than the average.

4.2 The Hausman Test: Random Effect (RE) Versus Fixed Effect (FE) Models

The Hausman test determines which of the two approaches to apply. The data presented in Table 4a only include the Hausman results published in the upper panel table.

The Assumption of the Model

H_0: Random effects are independent of explanatory variables
H_1: H_0 is not true.

The null hypothesis is the random effects model and if the test statistic exceeds the relevant critical value, the random effects model is rejected in favour of the fixed effects model.

The Hausman test result of 7.915581 suggests that the panel data may contain some endogeneity evidence. Fixed effects should be favored if the test's p-value is less than 1% since this indicates that the model is impacted by unneeded effects. The test result is not significant at the 5% level of significance, as indicated by the p-value of 0.1609 in the above table. This means that there is not enough evidence to strongly reject the hypothesis that casts doubt on the absence of endogeneity.

4.3 Panel Co-Integration Test

Co-integration tests were run on the model variables using Johansen's test of co-integration. The co-integration findings for the variables are displayed in Table 4b. The finding suggests the existence of a co-integrating equation at the 5% level of significance. The ADF t-statistic 0.150161 in Table 4 is small and does not provide evidence of non-stationarity at the level. This suggests that the residuals from the ADF test equation are stationary. The HAC (Heteroscedasticity and Autocorrelation Consistent) variance estimator for the ADF test 7.894271 is comparable to the residual variance estimator 7.934963, suggesting that the residuals from the ADF test equation are not significantly influenced by heteroscedasticity or autocorrelation.

The R-squared and adjusted R-squared values (both equal to 0.257042) are moderate, suggesting that approximately 25% of the variation in the residuals can be explained by the regression model. The t-statistic for the RESID(-1) coefficient in the ADF test equation -6.510721 indicates that the lagged residuals are significantly associated with the current residuals, suggesting a negative autoregressive relationship. The Durbin-Watson statistic (1.774792) is close to the ideal value of 2.0, indicating that there may be only a small amount of positive autocorrelation in the residuals. These ADF test results suggest that the model is reasonably specified and that the residuals are not significantly influenced by non-stationarity, heteroscedasticity, or autocorrelation. This indicates that the residuals from the model are likely to be stationary and suitable for further analysis.

The analysis in Table 5 shows the R-squared and adjusted R-squared values of the VAR estimates. GCD and CRR have the lowest R-squared values, indicating that the VAR model explains only a small portion of the variance of these variables. TDC, BDS, BDD, and BDM have high R-squared values, indicating that the VAR model explains most of the variance in these variables. For every variable in the VAR model, the overall significance is represented by the F statistic.

The VAR model is not significant for these variables, according to the lower F values for GCD and CRR. The VAR model is important for TDC, BDS, BDD, BDM, AUS, and FS, according to the higher F statistics for these variables.

The variance, mean and standard deviation demonstrate, CRR has the highest variance while FS has the maximum variance. The log-likelihood and Akaike information criterion (AIC) values suggest the VAR model is well specified for most variables, except GCD and CRR. The determinant of the residual covariance suggests that the residuals are heteroscedastic, as the dof-adjusted value is much larger than the regular determinant. This indicates that the residuals exhibit a pattern of heteroskedasticity, which may require adjustments to the model or additional analysis.

The covariance analysis of the residuals in Table 6 shows evidence of significant heteroskedasticity in the residuals as the p-value (0.0053) is below the commonly used threshold of 0.05. The null hypothesis of cointegration is that there is no residual heteroskedasticity. Rejecting this null hypothesis indicates that the residuals have a heteroskedasticity pattern. In view of this, the fixed effect regression model is selected for the study.

The coefficient estimates in Table 7 (a) show that there is no significant difference between the two variables because all coefficients have p-values greater than the significance value of 0.05. The R-squared and adjusted R-squared values indicate that the model is stable and explains only a small portion of the variance since the adjusted R-squared value is negative. The F-statistic of 0.861407 and its associated p-value of 0.684566 indicate that the overall model interaction is not significant at the 5% level of significance. The Durbin-Watson statistic of 1.573511 indicates some positive autocorrelation in the residuals that may require further investigation. The fixed effects model does not provide strong evidence of a relationship between corporate governance and non-financial performance variables. Further analyses, including additional variables or exploring other models, will be necessary to better understand this relationship.

4.4 Regression Result implications

The fixed effect regression model result in Table 7 indicates that 9% increase in non-financial performance is attributed to every 1% increase in board size. Additionally, board meetings have a negative effect of -0.07219, meaning that for every unit increase in board meetings, non-financial performance will decrease by 7.2%. There is a negative link between board diversity and non-financial performance; for every unit increase in board diversity, there is a corresponding modest fall in non-financial performance by 34.2 %. Furthermore, there is a negative link between audit committee size and non-financial performance, a unit increase in audit committee size causes a 44.9% decrease in non-financial performance. There is a positive association between firm size and non-financial performance, a unit increase in firm size results in 18.6% increase in non- financial performance. Overall, the results show that corporate governance mechanisms have an insignificant relationship with non-financial performance of listed financial institutions in Nigeria.

4.5 Discussion of findings

The absence of a significant relationship between corporate governance and nonfinancial performance suggests that other factors influence non-financial performance of listed financial institutions such as the competitive, legal, or cultural context in which the business operates. Stakeholder theory postulates that a firm should satisfy all its stakeholders, which includes shareholders, employees, customers, and even the general community. With this theory, firms have non-financial obligations to some of their stakeholders. The lack of significant effect of corporate governance on non-financial performance suggests that firms' corporate governance practices are not enough to satisfy the interests of all stakeholders who have non-financial interests in the firm.

Agency theory emphasizes the relationship between principals and agents, conflict of interest might happen when the goals of the principal (the shareholders) do not align with those of the agents (the managers). The principals desire long-term goals which will include some non-financial aspects such as improvement in the overall business practices of the firm. The insignificant impact of corporate governance on non-financial performance indicates that organizations focus on financial performance and ignore non-financial performance. The findings of this study is in consonance with Ololade et al., (2023) which found that despite recent reforms aimed at improving corporate governance, the relationship between corporate governance and non-financial performance in the financial markets in Nigeria is not as strong as expected. Adebayo et al., (2019), also found that there was no relationship between board diversity and non-financial performance. This could be attributed to the underrepresentation of women on boards in Nigeria. Although gender diversity in boardrooms has been shown to be positively associated with non-financial performance in other contexts, the absence of women in boardrooms in Nigeria will limit the impact of diversity on the performance of business.

In addition, Akinola and Adetunji (2023) established an insignificant relationship between audit committee size and non-financial performance. This may be attributed to the fact that audit committees in Nigeria are hardly independent because of their indirect reliance on the board for some appointments or allowances. For example, audit committee members in Nigeria are often appointed by the board of directors, which may limit their independence and ability to be accountable to stakeholders.

The negative relationship between board size and non-financial performance supports the notion that larger boards may not necessarily mean that the board has diverse skills, knowledge, and perspectives that will lead to better decision-making and strategy development. It is unexpected and goes against the widespread perception that diverse boards will improve performance and that there is no meaningful correlation between board diversity and non-financial performance.

However, it is important to consider that the lack of significant relationships among the variables of study, may be due to the limited diversity in Nigerian boards, and underrepresentation of women and other minority groups on the board. Therefore, companies should continue to strive for greater diversity on their boards, not only to improve performance but also to promote inclusivity and fairness in the workplace. The lack of a significant relationship between audit committee size and non-financial performance suggests that while audit committees play a crucial role in overseeing financial reporting and risk management, the size of the committee may not be the primary factor influencing non-financial performance. Instead, the focus should be on the quality of the committee members, their independence, and the effectiveness of the committee's oversight processes.

Furthermore, the absence of a strong relationship between the frequency of board meetings and non-financial performance implies that the caliber and efficiency of the board members in the meeting is not significant in improving non-financial performance of financial institutions.

5. Conclusion and Recommendations

In conclusion, board size, board diversity, audit committee size, and frequency of board meetings have no significant effect on non-financial performance of listed financial institutions in Nigeria. The study recommends that Nigerian financial institutions should consider incorporating corporate governance mechanisms that could improve non-financial performance. They should strive for greater diversity on their boards, focusing on promoting the representation of women and other underrepresented groups. Financial institutions should focus on the quality and effectiveness of their audit committees, ensuring that the committee is composed of experienced and knowledgeable individuals who are able to effectively oversee financial reporting and risk management activities. Furthermore, focus should be on the quality and effectiveness of board meetings, rather than simply increasing their frequency.

Future studies could consider exploring the significance between corporate governance practices and non-financial performance in other sub-sectors in Nigeria, or how corporate social responsibility (CSR) efforts affect the non-financial performance of financial institutions in Nigeria.

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APPENDIX

Table 4a 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	7.915581	5	0.1609

Source: *Economic View 9.0*

Table 4b

Kao Residual Cointegration Test
Series: GCD CRR TDC BDS BDD BDM AUS FS
Date: 07/17/24 Time: 10:47
Sample: 2019 2023
Included observations: 150
Null Hypothesis: No cointegration
Trend assumption: No deterministic trend
Automatic lag length selection based on SIC with a max lag of 0
Newey-West automatic bandwidth selection and Bartlett kernel

	t-Statistic	**Prob.**
ADF	0.150161	0.4403
Residual variance	7.934963	
HAC variance	7.894271	

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(RESID)
Method: Least Squares
Date: 07/17/24 Time: 10:47
Sample (adjusted): 2020 2023
Included observations: 119 after adjustments

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
RESID(-1)	-1.246523	0.191457	-6.510721	0.0000

R-squared	0.257042	Mean dependent var	0.280044
Adjusted R-squared	0.257042	S.D. dependent var	2.833287
S.E. of regression	2.442151	Akaike info criterion	4.632003
Sum squared resid	703.7639	Schwarz criterion	4.655357
Log likelihood	-274.6042	Hannan-Quinn criter.	4.641486
Durbin-Watson stat	1.774792		

Source: Economic view 9.0

Table 5: Vector Autoregression Estimates

Vector Autoregression Estimates
Date: 07/17/24 Time: 10:53
Sample (adjusted): 2021 2023
Included observations: 89 after adjustments
Standard errors in ( ) & t-statistics in [ ]

	GCD	CRR	TDC	BDS	BDD	BDM	AUS	FS
R-squared	0.0983	0.19077	0.93291	0.74825	0.58139	0.33833	0.53223	0.60964
Adj. R-squared	-0.1021	0.01094	0.91799	0.69231	0.48838	0.19129	0.42828	0.52289
Sum sq. resids	848.46	7018.98	2378.17	375.095	2.10234	543.910	92.1772	328.634
S.E. equation	3.4328	9.87349	5.74718	2.28247	0.17088	2.74851	1.13148	2.13644
F-statistic	0.4906	1.06084	62.5697	13.3749	6.25007	2.30094	5.12011	7.02781
Log likelihood	-226.62	-320.649	-272.488	-190.301	40.3931	-206.837	-127.846	-184.416
Akaike AIC	5.4747	7.58764	6.50535	4.65844	-0.52569	5.03005	3.25497	4.52621
Schwarz SC	5.9500	8.06299	6.98071	5.13380	-0.05033	5.50541	3.73033	5.00157
Mean dependent	0.6239	1.44347	2.88895	9.97753	0.28033	5.55056	4.74157	10.3953
S.D. dependent	3.2699	9.92795	20.0695	4.11477	0.23889	3.05633	1.49642	3.09302
Determinant resid covariance (dof adj.)			32698.02					
Determinant resid covariance			5998.759					
Log likelihood			-1397.40					
Akaike information criterion			34.45850					
Schwarz criterion			38.26136					

Table 6: VAR Residual Heteroskedasticity Tests: No Cross Terms

Sample: 2019 2023
Included observations: 89
Joint test:

Chi-sq	Df	Prob.
1278.317	1152	0.0053

Source: *Economic View 9.0*

Fixed Effect Regression Model

Table 7 (a) Fixed Effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BDS	0.090418	0.147904	0.611325	0.5422
BDM	-0.072190	0.130083	-0.554952	0.5800
BDD	-0.341561	1.571777	-0.217309	0.8284
AUS	-0.448835	0.327636	-1.369916	0.1734
FS	0.186226	0.215056	0.865942	0.3883
C	0.323755	1.401949	0.230932	0.8178
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.204399	Mean dependent var		0.457657
Adjusted R-squared	-0.032886	S.D. dependent var		2.533752
S.E. of regression	2.575078	Akaike info criterion		4.931687
Sum squared resid	755.9369	Schwarz criterion		5.637312
Log likelihood	-332.4107	Hannan-Quinn criter.		5.218371
F-statistic	0.861407	Durbin-Watson stat		1.573511
Prob(F-statistic)	0.684566			

Source: Economic View 9.0