

# Corporate Governance and Firm Value of Listed Companies in Nigeria

Eke Ngozi Ogbonnaya-Ugwo, & Okezie Stella Ogechukwu

Department of Accounting, College of Management Sciences, Michael Okpara University of Agriculture, Umudike, Abia State

DOI: <https://doi.org/10.51244/IJRSI.2026.1306000263>

Received: 10 June 2026; Accepted: 16 June 2026; Published: 03 July 2026

## ABSTRACT

This study examined the effect of corporate governance on firm value of listed firms in Nigeria, focusing specifically on board size, board independence, and board expertise, while firm value was proxied by Tobin's Q and Price Earnings Ratio (PER). The study adopted an explanatory research design and utilized panel data obtained from 11 selected firms, representing 11 sectors out of 126 listed firms in Nigeria, over an 11-year period from 2015-2024. Data were analyzed using descriptive statistics, correlation analysis, and panel unit root tests to ensure data suitability, while the Hausman test supported the adoption of the random effects regression model for estimation. The findings revealed that board size exhibited a negative but insignificant effect on Tobin's Q and a positive but insignificant effect on PER, while board independence showed a positive but insignificant effect on Tobin's Q and a negative but insignificant effect on PER. Similarly, board expertise demonstrated a positive but insignificant effect on Tobin's Q but a negative and insignificant effect on PER, indicating that all governance variables had mixed directional but statistically insignificant effects on firm value. Based on these findings, the study recommends that firms should adopt optimal board structures by balancing size, independence, and expertise in ways that enhance strategic decision-making while strengthening governance practices to improve firm value.

**Keywords:** Tobin's Q, Price Earnings ratio, Board Independence, Board Expertise, Board size

## INTRODUCTION

Corporate governance has assumed increasing importance in contemporary corporate management due to its role in ensuring accountability, transparency, and sustainable value creation. It refers to the set of rules, relationships, and processes through which firms are directed and controlled, defining the roles of shareholders, boards of directors, and management (Adegboye, et al, 2020). In emerging economies such as Nigeria, corporate governance is particularly significant because capital markets often feature ownership concentration and institutional weaknesses that heighten agency conflicts. As governance reforms continue to evolve, investors and regulators increasingly emphasize board effectiveness as a key determinant of corporate credibility (Uche & Ibenta, 2021).

Firm value reflects the market's assessment of a firm's economic worth and expected future performance. Unlike accounting-based measures that rely on historical data, market-based indicators incorporate investor expectations regarding growth opportunities, earnings sustainability, and risk exposure (Salami & Olayinka 2022). Tobin's Q is widely used in governance research because it captures the relationship between market valuation and asset replacement cost, thereby signaling growth potential embedded in governance structures

The board of directors occupies a central position in corporate governance, serving as the primary mechanism for monitoring management and guiding strategic decisions. One key board attribute is board size, which determines the range of expertise, perspectives, and oversight capacity available to the firm. Larger boards may

provide broader knowledge and improved monitoring, whereas smaller boards may enhance efficiency and prompt decision-making. Closely related to board size is board independence, which reflects the proportion of non-executive directors involved in board decision-making. Independent directors are expected to enhance board objectivity, curb managerial opportunism, and protect shareholder interests

Despite the growing emphasis on corporate governance reforms in Nigeria, the ability of listed companies to translate governance structures into enhanced firm value remains uncertain. Several governance codes and regulatory guidelines highlight the importance of effective board oversight, yet fluctuations in market valuation indicators suggest that improvements in governance architecture have not consistently yielded expected valuation outcomes. Adegboye et al., (2020), observe that while compliance with governance codes has improved in form, substantive effectiveness in influencing market confidence remains uneven among Nigerian listed firms. This raises concerns about whether core board attributes are sufficiently structured to enhance firm value as perceived by investors.

One major issue relating to board size, board independence, and board expertise is its effectiveness in improving market valuation. Nigerian listed companies' exhibit wide variation in board size, with some firms maintaining relatively large boards and others opting for leaner structures. While larger boards are expected to enhance strategic oversight through diverse expertise, excessively large boards may suffer from coordination inefficiencies and weakened monitoring (Ahrens et al., (2025). Conversely, smaller boards may lack sufficient diversity to address complex strategic challenges. Abdulrasheed et al., (2022), argue that the absence of clarity regarding optimal board size has contributed to inconsistent governance outcomes, which may explain why some firms experience stagnant or volatile Tobin's Q despite regulatory compliance. Lawal (2023) further notes that investors may interpret inefficient board size as a weak governance signal, potentially undermining firm valuation in the capital market. The study therefore seek to

1. Examine the effect of corporate governance on Tobin's Q of listed companies in Nigeria.
2. Assess the impact of corporate governance on Price Earnings Ratio of Nigerian listed companies.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Concept of corporate governance

Corporate governance refers to the framework of rules, institutions, and processes through which companies are directed, controlled, and held accountable in the pursuit of organizational objectives. At the international level, governance is framed around principles of transparency, accountability, fairness, and responsibility, which guide relationships among shareholders, management, regulators, and other stakeholders (Mallin, 2020). In emerging economies, corporate governance assumes heightened importance due to weaker institutional enforcement and higher agency risks, making regulatory codes and market discipline essential for firm credibility and investor confidence (Aguilera & Crespi-Cladera, 2022). In Nigeria, corporate governance is primarily guided by statutory provisions and regulatory frameworks issued by bodies such as the Securities and Exchange Commission (SEC) and the Nigerian Exchange Group (NGX). The Nigerian Code of Corporate Governance (NCCG) provides overarching principles aimed at promoting ethical leadership, integrity in financial reporting, and effective oversight across listed companies.

### Board Size

Board size refers to the total number of individuals appointed to serve as directors on a company's board at a given point in time and represents a fundamental dimension of corporate governance structure. Scholarly literature views board size as a critical governance attribute because it determines the board's capacity for collective decision-making, oversight, and strategic guidance (Mallin, 2020). From a governance perspective, the size of the board influences how effectively directors can monitor management actions while balancing diverse viewpoints and expertise within the organization. The board play a strategic role in monitoring management, providing advisory functions, ensuring accountability and protecting shareholders' interest.

In the Nigerian corporate environment, board size is guided by the Nigerian Code of Corporate Governance

(NCCG), which emphasizes that boards should be of sufficient size to ensure effectiveness without undermining efficiency. While the code does not prescribe a fixed number of directors, it encourages firms to adopt board sizes that reflect the scale, complexity, and nature of their operations (SEC, 2018). Adegbite and Amaeshi (2021) observe that Nigerian listed companies often adjust board size in response to firm growth, regulatory expectations, and ownership structure, reflecting a pragmatic approach to governance rather than rigid compliance (Aguilera & Crespi-Cladera, 2022). Consequently, the size of the board may exert either positive or negative effect on firm value. Hence we hypothesize that board size has no significant effect on value of listed companies in Nigeria.

## Board Independence

Board independence has been a prominent issue in corporate governance literature because of its potential influence on organizational accountability, transparency and firm value. Board independence refers to the extent to which a company's board is composed of non-executive directors who are free from management influence, material relationships, and conflicts of interest that could impair objective judgment. The concept is grounded in agency theory, which views independent directors as key oversight agents responsible for monitoring managerial behavior and protecting shareholders' interests (Mallin, 2020). By providing unbiased supervision, board independence enhances accountability and strengthens governance credibility in publicly listed firms. In Nigeria, board independence is strongly emphasized under the Nigerian Code of Corporate Governance (NCCG), which recommends an appropriate balance between executive and non-executive directors, with a significant proportion being independent. The objective is to ensure effective oversight, ethical leadership, and objective evaluation of management performance. Adegbite and Amaeshi (2021) note that the Nigerian governance environment, characterized by ownership concentration and dominant shareholders, heightens the relevance of independent directors in curbing managerial opportunism and related-party abuses. Conceptually, independent directors are expected to contribute objectivity, external perspectives, and professional integrity to board deliberations (Aguilera & Crespi-Cladera, 2022). Based on the foregoing review, the study hypothesizes that Board independence has no significant effect on value of listed companies in Nigeria.

## Board Expertise

Board expertise refers to the collective knowledge, skills, professional experience, and competencies possessed by board members that enable them to effectively perform oversight and strategic functions (Kraft et al., 2024). The concept is grounded in the notion that directors are expected not only to monitor management but also to provide strategic advice, evaluate organizational risks and contribute specialized knowledge that enhances decision-making quality. Literature conceptualizes board expertise from different perspectives including accounting, auditing or investment while others adopt broader definition encompassing industry expertise, legal knowledge, managerial experience, technological competence and academic qualifications (Guner et al., 2006; Jeanjean & Stolowy, 2009). Conceptually, expertise encompasses experience in areas such as finance, accounting, law, industry operations, risk management, and corporate strategy, which are essential for informed decision-making at the board level (Mallin, 2020). A knowledgeable board is better positioned to understand complex business issues and guide corporate direction. In the Nigerian governance context, the Nigerian Code of Corporate Governance emphasizes that directors should possess adequate competence and experience relevant to the firm's industry and operational complexity. This requirement reflects growing recognition that governance effectiveness depends not only on structural independence but also on the intellectual capacity of the board. According to Adegbite and Amaeshi (2021), weak board expertise has historically contributed to poor strategic oversight and corporate failures in developing economies, including Nigeria (Aguilera & Crespi-Cladera, 2022). The study therefore formulate that board expertise has no significant effect on value of listed companies in Nigeria

## Concept of Firm Value

.4Firm value represents the overall economic worth of a company as perceived by the market, reflecting its current performance, future growth prospects, risk profile, and managerial effectiveness. At the conceptual level, firm value captures investors' expectations about a firm's ability to generate sustainable returns over time rather than merely its accounting profitability (Mallin, 2020). As capital markets increasingly emphasize forward-

looking information, firm value has become a central indicator of corporate success and governance quality. In corporate finance and governance literature, firm value is commonly viewed as the outcome of effective managerial decision-making and sound governance structures that enhance efficiency, transparency, and accountability (Aguilera & Crespi-Cladera, 2022).

### **Tobin's Q**

Tobin's Q is a market-based measure of firm value that compares the market valuation of a company to the book value or replacement cost of its assets. Conceptually, Tobin's Q reflects how the market values a firm relative to the resources it controls, providing insight into investors' assessment of managerial efficiency, growth opportunities, and governance quality (Mallin, 2020). A value greater than one indicates that the market values the firm more highly than its recorded assets, suggesting positive growth expectations. Tobin's Q is widely used in corporate governance research because it captures long-term market perceptions rather than short-term accounting outcomes. Scholars argue that this measure is particularly suitable for evaluating governance effects, as governance mechanisms are expected to influence future cash flows and strategic positioning rather than immediate profits (Aguilera & Crespi-Cladera, 2022). As a result, Tobin's Q is often preferred in studies examining how governance influences firm valuation.

### **Price Earnings Ratio**

The price-earnings ratio (PER) is a valuation metric that expresses the relationship between a company's market price per share and its earnings per share. Conceptually, PER reflects investors' expectations regarding a firm's future earnings growth, risk level, and overall performance prospects (Mallin, 2020). A higher PER generally signals greater market confidence in the firm's ability to generate sustained earnings over time. From a governance perspective, the price-earnings ratio is regarded as a forward-looking indicator that links market sentiment to corporate performance. Scholars argue that firms perceived to have strong governance frameworks are more likely to command higher PERs, as investors associate governance quality with earnings reliability and reduced agency risk (Aguilera & Crespi-Cladera, 2022). This makes PER particularly relevant in assessing how governance influences investor valuation decisions.

In emerging capital markets like Nigeria, PER provides an accessible and widely understood measure of firm value for both institutional and retail investors. Adegbite and Amaeshi (2021) noted that due to information constraints, market participants often rely on simple but informative ratios such as PER to evaluate corporate prospects. The ratio therefore captures market confidence in management's capacity to translate current earnings into future growth. However, the interpretive power of PER depends on credible earnings information and transparent reporting. Nguyen et al. (2024) emphasize that stronger disclosure practices and regulatory oversight enhance the reliability of PER as a valuation metric. In the Nigerian Stock Exchange environment, PER thus serves as a practical indicator of how governance practices influence market valuation and investor expectations, reinforcing its relevance in firm value analysis (Zattoni & Cuomo, 2025).

## **Theoretical Framework**

### **Agency Theory**

Agency Theory was formally advanced by Jensen and Meckling (1976) to explain the contractual relationship between shareholders (principals) and managers (agents), highlighting conflicts that arise when managers pursue personal interests at the expense of shareholders' wealth. The theory assumes that managers may act opportunistically due to information asymmetry and weak monitoring, thereby increasing agency costs and reducing firm value. Modern governance frameworks are therefore designed to constrain managerial discretion and align managerial actions with shareholder objectives (Mallin, 2020). In contemporary corporate governance scholarship, Agency Theory remains central to understanding board oversight and firm valuation. Scholars argue that effective governance mechanisms enhance monitoring, reduce agency conflicts, and improve investors' confidence in corporate decision-making (Aguilera & Crespi-Cladera, 2022). In emerging markets like Nigeria, agency problems tend to be more pronounced due to ownership concentration and weak institutional enforcement, increasing the relevance of governance frameworks in protecting shareholder interests (Adegbite

& Amaeshi, 2021). Agency Theory directly relates to this study by explaining how governance structures influence firm value, as measured by Tobin's Q and the price earnings ratio. Strong governance systems are expected to enhance market valuation by signaling effective monitoring, reduced risk of managerial opportunism, and improved future cash flow prospects. Empirical evidence suggests that firms perceived to have lower agency conflicts tend to enjoy higher market valuation and investor trust (Nguyen et al., 2024).

## Empirical Review

Akinsola et al., (2025), investigated the effect of corporate governance attributes on the market value of financial firms listed on the Nigerian Stock Exchange between 2015 and 2024. Using an ex-post facto research design, secondary data were collected from annual reports, corporate governance disclosures, and audit committee reports of 52 listed financial firms. The study employed a dynamic panel Generalized Method of Moments (GMM). The findings revealed that past market value significantly influences current market value, confirming the persistence of firm valuation over time. Board independence, board gender diversity, board financial expertise, audit committee competence, institutional ownership, and firm size all have positive and significant effects on market value. Samuel and Ogege (2025), examined how governance variables such as board independence, board size, CEO ownership, and institutional ownership affect the firm value of companies listed on the Nigerian Exchange Group (NGX). By addressing the gap in understanding governance effectiveness within Nigeria's evolving regulatory landscape, the study employs a mixed-method approach, analyzing 480 firm-year observations from 48 listed firms between 2012 and 2021. The findings reveal that board independence significantly influences firm value. This underlines the important role independent boards' play in reducing managerial misconduct and aligning management decisions with the interests of shareholders. The study recommended regulatory bodies to enforce stricter standards for board independence, particularly by separating board leadership from CEO roles, to enhance investor confidence and firm value in Nigeria's capital market

Akinwumi and Onmonya (2025), studied the impact of board characteristics (board size, board independence, gender diversity) on firm value (Market Capitalization and Earnings Per Share) for firms in the NGX 30 index in Nigeria over 2014–2023, using robust pooled regression analysis. They found that board independence exerts a significant positive influence on firm value under both models, while board size had a significant positive effect under MCAP but an insignificant effect under EPS. They recommended increasing the proportion of independent directors on boards to improve firm value.

Akintaro, et al., (2025), examined corporate governance mechanisms (board size, board independence, gender diversity) on firm value of listed industrial manufacturing companies in Nigeria over 2014–2023, using panel multiple regression. They found that both board size and board independence have statistically significant positive effects on firm value; interestingly, board gender diversity had a significant negative effect on firm value in this manufacturing-firms context. The study recommended that firms should calibrate board size and strengthen independence to enhance value.

Bawa, et al., (2025), employing 11 listed industrial goods firms in Nigeria from 2014–2023 assessed the effect of board diversity (gender, nationality, expertise) on firm value, with particular focus on the moderating role of audit-committee independence. The study adopted a panel regression model and found that board gender diversity and board expertise significantly enhance firm value; audit committee independence strengthens these positive effects. They recommended regulatory enforcement to institutionalize minimum female representation and emphasis on skilled board composition for better firm outcomes. Balarabe, et al (2025), focused on Non-financial firms listed on the Nigerian Exchange Group between 2013 and 2023 of 76 firms, exploring board characteristics (board size, board independence, gender diversity, board meeting frequency) against firm performance (ROA, EPS, Market Capitalization) via fixed and random-effects regression models. They found board size has a significant negative effect on ROA (suggesting large boards may hinder operational efficiency), while gender diversity showed a positive but insignificant relationship; board independence and meeting frequency had no significant effect. They recommend more nuanced, context specific corporate governance frameworks rather than “one-size fits-all” structures.

Adewara, et al., (2025), assessed board characteristics (size, independence, expertise, diversity, CEO duality) of 8 listed multinational firms in Nigeria using multiple regression on panel data drawn from annual reports. Their

results indicated board characteristics positively impact financial performance and market value (ROA, ROE, Tobin's Q), suggesting that a well-structured, diverse, independent and expert board enhances firm success and valuation. They recommend that multinational firms prioritize balanced board size/composition, independence and expertise to maximize market value.

Despite the growing body of research on corporate governance and firm value, several unresolved issues persist in the literature, particularly in the context of Nigerian listed firms. Most empirical studies on corporate governance and firm value in Nigeria focus narrowly on banking or manufacturing firms, with little attention to other sectors such as consumer goods, industrial goods, or construction. This creates a knowledge gap regarding on how corporate governance mechanisms influence firm value in other sectors. This study intends to fill this gap by examining holistically listed firms across multiple sectors in Nigeria, allowing for comparative insights on the effect of board size, independence, and expertise on firm value.

## METHODOLOGY

This study adopted an explanatory research design, which is a quantitative approach aimed at investigating and establishing the cause-and-effect relationships between corporate governance mechanisms and firm value of listed companies in Nigeria. The population consists of all companies listed on the Nigerian Exchange Group as at 31st December 2025, totaling 126 firms spanning 11 sectors. The study adopted a purposive sampling technique while the study sample size were 11 companies. The study data were sourced from the financial Statement of Study companies. The study adopts a quantitative data analysis approach using panel data regression techniques

### Model Specification

The study adapts the corporate governance firm value model of Yermack, (1996) to examine the effect of board size, board independence, and board expertise on firm value (Tobin's Q and P/E ratio) of listed companies in Nigeria. However, for the purpose of the present study it was re-structured to capture the influence of multiple governance mechanisms on two market- and accounting-based measures of firm value, allowing for a comprehensive assessment of board effectiveness. To ensure robustness, separate models was estimated for each dependent variable:

$$TQ_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BE_{it} + \beta_4 FA_{it} + \epsilon_{it}$$

$$PER_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BE_{it} + \beta_4 FA_{it} + \epsilon_{it}$$

Where:

- $TQ_{it}$  = Tobin's q of firm i at time t
- $PER_{it}$  = Price Earnings Ratio of a
- $BS_{it}$  = Board size of firm i at time t
- $BI_{it}$  = Board independence of firm i at time t
- $BE_{it}$  = Board expertise of firm i at time t
- $FA_{it}$  = Firm Age i at time t
- $\beta_0$  = Intercept term
- $\beta_1 - \beta_4$  = Coefficients measuring the effect of each governance variable on firm value
- $\epsilon_{it}$  = Error term capturing unobserved factors

## RESULTS AND DISCUSSIONS

### Descriptive Analysis

The descriptive analysis displayed the basic features of the cross sectional data presented in table 1

Table 1: Descriptive Analysis for all variables

|              | <b>TQ</b> | <b>PER</b> | <b>BS</b> | <b>BI</b> | <b>BE</b> | <b>FA</b> |
|--------------|-----------|------------|-----------|-----------|-----------|-----------|
| Mean         | 0.979636  | 0.097909   | 10.73636  | 22.79114  | 7.590909  | 39.68182  |
| Maximum      | 1.82      | 0.21       | 18        | 71.4286   | 12        | 81        |
| Minimum      | 0.17      | 0.01       | 6         | 6.66667   | 3         | 7         |
| Std Dev.     | 0.333879  | 0.040025   | 2.49652   | 11.14559  | 2.099784  | 18.82412  |
| Skewness     | -0.02425  | 0.004218   | 0.359133  | 0.975125  | 0.197451  | 0.153986  |
| Kurtosis     | 2.722371  | 2.9852     | 2.433606  | 4.892515  | 2.646995  | 2.375494  |
| Jarque-Bera  | 0.364057  | 0.00133    | 3.834952  | 33.84834  | 1.285899  | 2.222247  |
| Probability  | 0.833578  | 0.999335   | 0.146977  | 0         | 0.525739  | 0.329189  |
| Observations | 110       | 110        | 110       | 110       | 110       | 110       |

**Source: Researcher computation from E-View 12.**

From the descriptive analysis in table 1, the mean value of TQ and PER for the period is 0.9796 and 0.0979 indicating that on average the listed companies in the sample have a market value that is approximately equal to their replacement cost of assets. A mean value close to 1 suggests that the market valuation of the listed companies is nearly the same as the value of their assets, implying moderate firm performance and investment efficiency. The maximum values of TQ and PER as shown is 1.82 and 0.21 respectively. This indicated that at some point during the study period, certain listed companies had a market value significantly higher than the replacement cost of their assets. This suggests that investors placed a high valuation on those listed companies, which may reflect strong growth prospects, high profitability, or positive market expectations. The minimum value of TQ was 0.17 showing that some listed companies recorded a market value far below the value of their assets. This implies that the market may have undervalued these listed companies or perceived them as having weak performance or poor future prospects. Hence, the standard deviation of TQ for the period of this study was 0.33 which show that the standard deviation was low, and that the data are clustered around the mean over the period. This means that the data set has outliers or extreme values in its distribution. Also, the skewness of the data set shows a negative value of 0.024252, meaning the data is skewed to the right. Based on the data set above the Kurtosis was  $2.722371 < 3$ , being less than the benchmark value of 3, indicates a platykurtic distribution, implying that the data are relatively flatter and exhibit fewer extreme observations compared to a normal distribution.

BS for the period under review reported a mean value of 10.73636, maximum of 18 and minimum of 6. The standard deviation was 2.496520 showing that standard deviation was good and the data close to the mean over the period. The skewness and kurtosis reported values within the acceptable range of validity for normal distribution.

The mean value of BI for the period was 22.79114. The maximum value of BI was 71.42860 while the minimum value of BI was 6.666670. The standard deviation of BI for the period of this study was 11.14559 which shows that the standard deviation was low and that the data are far from the mean over the period. The skewness shows an imbalance of a normal distribution. Also, the skewness of the data set shows a right value of 0.975125 meaning the data is skewed to the left. Based on the data set above the Kurtosis was  $4.8928515 > 3$ , which is the normal value, this indicates which indicates the dataset has heavy tails than a normal distribution

The mean value of BE for the period was 7.590909. The maximum value of BE was 12 while the minimum value of BE was 3. The standard deviation of BE for the period of this study was 2.099784 which shows that the standard deviation was low and that the data are far from the mean over the period.. This means that the data set has outliers or extreme values in its distribution. Also, the skewness of the data set shows a positive value of 0.197451 meaning the data is skewed to the right Based on the data set above the Kurtosis was  $2.646995 < 3$ , this

indicates the distribution is platykurtic. The distribution is slightly flatter than a normal distribution

**Table 2. Hausman Test for Model one**

|                                          |                   |              |        |
|------------------------------------------|-------------------|--------------|--------|
| Correlated Random Effects - Hausman Test |                   |              |        |
| Equation: Untitled                       |                   |              |        |
| Test cross-section random effects        |                   |              |        |
| Test Summary                             | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob.  |
| Cross-section random                     | 0.646818          | 4            | 0.9577 |

**Source: Researcher computation from E-View 12.**

For the Hausman test, the null hypothesis is that the preferred model is random effect, while the alternative hypothesis is that the fixed effect model is preferred (Green, 2008). Based on this premise, the random effect model was selected since the p-value of Hausman's test as indicated in table 2 reported p-value greater than 0.05.

## Regression Results

**Table 3: Summary of Panel Regression (dependent variable, TQ)**

| Variables           | Fixed Effect Model   | Random Effect Model  |
|---------------------|----------------------|----------------------|
| BS                  | -0.008722(-0.397573) | -0.001048(-0.055207) |
| BI                  | 0.001499(0.455567)   | 0.002517(0.831837)   |
| BE                  | 0.024403(1.104711)   | 0.026397(1.262333)   |
| FA                  | 0.003311(0.323587)   | -0.001555(-0.453630) |
| C                   | 0.722484(1.97166)*** | 0.794858(0.0039)***  |
| R-Squared           | 0.325503             | 0.304329             |
| Adjusted R-Squared  | 0.226103             | 0.204329             |
| F-statistics        | 3.274691             | 0.619816             |
| Prob. (F-statistic) | 0.000288             | 0.649364             |
| Durbin-Watson Stat  | 2.131041             | 1.987642             |

**Source: Author's computations from E-views 12**

Based on the Hausman test result in table 2, the chosen model was the random effect model because the random effect model was the preferred model for analysis. From the summary result of the random effect model, the adjusted R-squared (0.304329) indicates that BS, BI, BE and FA accounted for about 30% of the variations in TQ as the dependent variable while the remaining 70% could be explained by other variables not included in the analysis and represented by the error term. The coefficient of BS was -0.008722 This implies a unit increases in BS led to -0.008722 decrease in TQ. Also, the coefficient of BI and BE were 0.001499 and 0.024403. This implies that a unit increase in BI and BE led to 001499 and 0.024403 increase in TQ. The probability value of BS, BI and BE were 0.6918, 0.6497 and 0.2721. This implies that BS BI and BE were all insignificant since their value were greater than 0.05. Finally, the probability of F-statistic was 0.649364.

**Table 4: Hausman Test for Model Two**

|                                          |                   |              |        |
|------------------------------------------|-------------------|--------------|--------|
| 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                     | 10.625482         | 4            | 0.0311 |

**Source: Researcher computation from E-View 12**

The model 2 was also tested to ascertain the appropriate model for analysis using the hausman test. The null hypothesis is that the preferred model is random effect, while the alternative hypothesis is that the fixed effect model is preferred (Green, 2008). In table 4, the hausman test indicated a p-value of 0.0311 for the Chi-Sq statistic. Based on this premise, the fixed effect model was selected since the p-value of Hausman's test is less than 0.05. This implies that the study rejects the null hypothesis and accepts the alternative hypothesis that the fixed effect model is preferred. Hence, the fixed effect model was used as the best estimator of the study model 2.

**Table 5: Summary of Panel Regression (dependent variable, PER)**

| Variables           | Fixed Effect Model     | Random Effect Model   |
|---------------------|------------------------|-----------------------|
| BS                  | 0.000136(0.059248)     | 0.002491(1.228896)    |
| BI                  | -0.000605(-1.760400)** | -0.000281(-0.875934)  |
| BE                  | -0.000468(-0.202926)   | -0.000297(-0.134442)  |
| FA                  | 0.002765(2.588482)***  | -5.96E05(-0.145606)   |
| C                   | 0.006996(0.155071)     | 0.082196(2.736942)*** |
| R-Squared           | 0.488633               | 0.301171              |
| Adjusted R-Squared  | 0.413274               | 0.246775              |
| F-statistics        | 6.484043               | 0.816631              |
| Prob. (F-statistic) | 0                      | 0.517348              |
| Durbin-Watson Stat  | 1.670132               | 1.373014              |

**Source: Author's computations from E-views 12**

The result shown in table 5 gives the summary of the both the fixed and the random effect model output for the dependent variable price earnings ratio (PER). In line with the hausman test carried out which gave the fixed effect model as the preferred model the outcomes are interpreted. The adjusted R-squared (0.488633) indicates that BS, BE and BI accounted for about 48% of the variations in the price earnings ratio (PER) of the companies included in the study while the remaining 52% can be attributed to other factors not captured in the model. Firm age (FA) serving as a control variable was significant reporting a t-stat of 2.5885. The t-statistics for BS, BI and BE (0.0592, -1.7604 and -0.2029) all fell below the rule of thumb of 2 and as such are non-significant. Hence corporate governance measured as board size, board independence and board expertise do not significantly affect the value of listed companies in Nigeria.

## DISCUSSION OF RESULTS

The study examines the relationship between corporate governance and firm value of listed companies in Nigeria. The study was analyzed with panel regression with two hypothesis formulated. The result of hypothesis one revealed board size has negative and insignificant effect on Tobin's Q of listed companies in Nigeria. This result holds on the ground that larger board size can reduce efficiency because decision-making becomes slower and more complex. When too many directors are involved, it may lead to difficulty reaching consensus, communication breakdown and delays in strategic decisions. These coordination problems can weaken a firm's ability to respond quickly to market opportunities, which may reduce firm value as measured by Tobin's Q. The insignificant statistical effect implies that board size alone does not strongly determine firm value. The result is in line with the findings of (Bawa et al., 2025). Secondly, the result also revealed that board independence has positive but insignificant effect on Tobin's Q of listed companies in Nigeria. The result implies that in Nigeria, where corporate governance is evolving, independent directors play a critical role in increasing transparency and reducing conflicts of interest. The positive effect on Tobin's Q suggests that the market rewards the higher quality of governance associated with independent, non-executive, and experienced board members. The result is in line with the findings of (Abdulrasheed et al., 2022).

Lastly, the result revealed that board expertise has positive but non-significant effect on Tobin's Q of listed companies in Nigeria. This outcome may not be unrelated to the fact that despite board expertise brings the potential for improvement (positive), with structural, behavioral, or market-specific constraints in Nigeria, it

does not consistently lead to a statistically significant increase in the market-driven value of the firm. The result is in line with the findings of (Adegboye, et al., 2020).

For hypothesis two with price earnings ratio as the dependent variable, the results revealed that board size has positive but non-significant effect on price earnings ratio of listed companies in Nigeria. This result implies that, larger boards may slightly enhance investor confidence through better expertise and monitoring, which can improve market valuation. However, board size alone is not a strong determinant of the price–earnings ratio, as other firm-specific and market factors play a more influential role among listed firms in Nigeria. The result is in line with the findings of (Adeyemi & Olatunbosun, 2023).

The result testing the relationship between board independent and price earnings ratio reported a negative and insignificant association among listed companies in Nigeria. The result holds on the ground that independent directors are intended to strengthen monitoring and governance, their influence on market valuation may be limited in practice, particularly where independence is weak or symbolic. As a result, board independence does not significantly affect the Price-to-Earnings Ratio of listed companies in Nigeria. The result is in line with the findings of (Adamu & Suleiman, 2023).

The result assessing the effect of board expertise on price earnings ratio showed a negative and insignificant association for listed companies in Nigeria. This implies that board expertise may improve monitoring and financial oversight, it may also encourage cautious strategies but does not strongly influence investors' valuation decisions. Consequently, board expertise alone is not a significant determinant of the Price-to-Earnings Ratio of listed companies in Nigeria. The result is in line with the findings of (Adebayo & Okafor, 2023).

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

Corporate governance has increasingly been recognized as a critical factor influencing firm performance and market value, particularly in emerging markets like Nigeria. As the Nigerian economy continues to grow and integrate with global markets, the effectiveness of corporate governance mechanisms in listed companies has become a subject of intense scrutiny. While numerous studies have explored the link between corporate governance and firm value in developed economies, limited research has been conducted on this relationship within the Nigerian context, where unique institutional and socio-political dynamics play a significant role in shaping corporate practices. Hence, the study examines the relationship between corporate governance and firm value of listed companies in Nigeria. The findings of this study revealed that corporate governance (BS, BI, BE) does not significantly affect firm value of listed companies in Nigeria. In conclusion, while corporate governance undeniably plays a role in shaping company's outcomes, its impact on firm value in Nigeria is complex and influenced by a range of institutional and contextual factors. To enhance firm value, Nigerian companies must go beyond formal governance reforms and embrace practices that foster long-term growth, transparency, and market confidence.

### Recommendations

Drawing from the conclusions above the following recommendations are made:

The following recommendations were made by the researcher;

1. The management of listed companies in Nigeria Should prioritize the competence, experience, and independence of board members rather than simply increasing the number of directors.
2. The management of listed companies in Nigeria should increase the ratio of independent, non-executive directors on their boards to ensure more objective, unbiased oversight of management, reducing agency costs and enhancing firm value.
3. The management of listed companies in Nigeria should ensure that independent directors with specific expertise are appointed to key committees (e.g., Risk, Audit, and Remuneration) where they can directly impact financial reporting and strategic oversight

## REFERENCES

1. Abdulrasheed, A., Salawu, R., & Damagum, H. (2022). Board size and strategic oversight: Evidence from Nigerian listed firms. *Journal of Corporate Governance in Africa*, 9(2), 45–63.
2. Adegbite, E., & Amaeshi, K. (2021). Corporate governance in Nigeria: Institutional challenges and regulatory responses. *Journal of Business Ethics in Emerging Economies*, 14(2), 45–63.
3. Adegboye, A., Ojeka, S., & Adegboye, F. (2020). Corporate governance and accountability in emerging markets: Evidence from Nigeria. *Nigerian Journal of Business and Management*, 8(3), 22–41
4. Adewara, T., Awotomilusi, O., & Dagunduro, A. (2025). Board characteristics and financial performance of multinational firms in Nigeria. *Global Journal of Management Research*, 10(2), 33–50.
5. Aguilera, R. V. & Crespi-Cladera, R. (2022). Global corporate governance: Current trends and emerging challenges. *Corporate Governance: An International Review*, 30(1), 3–25
6. Akinsola et al., (2025). Audit committee quality and bank performance during crises. *Journal of Banking Regulation and Finance*, 10(3), 59–78.
7. Akinwumi, O., & Onmonya, J. (2025). Impact of board characteristics on firm value: Evidence from NGX 30 index firms in Nigeria. *Journal of Corporate Governance Studies*, 12(1), 45–63
8. Ahrens, F. K., Veltrop, D. B., Mulder, L. B., Rink, F., (2025) Board Size in Context: A Meta-Analysis on the Relationship between Board Size and Firm Performance. *Corporate Governance: An International Review* 34, 290-309
9. Balarabe, A., Ubah Adamu, M., & Mukhtar, R. (2025). Board characteristics and firm performance of non-financial firms in Nigeria. *Nigerian Journal of Finance and Accounting*, 8(1), 56– 75.
10. Bawa, M., Aruwa, S., Mamman, M., & Almustapha, F. (2025). Board diversity and firm value: Moderating role of audit-committee independence. *International Journal of Accounting and Finance*, 14(3), 102–120.
11. Guner, A.B., Malmemdir, U., & Tate, G. (2006). Financial expertise of directors National Bureau of Economic Research Working Paper No. 11914
12. Jeanjean, T., & Stolowy, H. (2009) Determinants of board members financial expertise: empirical evidence from France. *The International Journal of Accounting*, 44(4), 378-402
13. Kraft, P.S., Dickler, T. A., & Withers, M.C., (2024) When do firms benefit from overconfident CEOs? The role of board expertise and power for technological breakthrough innovation. *Strategic Management Journals* 46, 381-410
14. Lawal, T. (2023). Board size, investor perception, and market valuation in Nigeria. *African Journal of Finance and Management*, 7(1), 28–47.
15. Mallin, C. A. (2020). *Corporate governance* (6th ed.). Oxford University Press.
16. Nguyen, P., Tran, H., & Le, Q. (2024). Governance disclosure and firm value in emerging markets: Evidence from Nigeria. *African Journal of Finance and Management*, 12(1), 23–44.
17. Salami, A., & Olayinka, T. (2022). Market-based indicators and governance quality: Evidence from Nigerian listed companies. *International Journal of Finance and Accounting Research*, 10(3), 53–71.
18. Samuel, T & Ogege, H (2025). Board independence, board size, and financial performance in the US. *Journal of American Business Studies*, 12(3), 59–78.
19. Uche, O., & Ibenta, S. (2021). Board effectiveness and corporate credibility in emerging markets. *Journal of Emerging Market Corporate Governance*, 5(1), 15–33.