

# Do Internal Corporate Governance Code, Capital Structure, and Ownership Structure Matter in Explaining the Performance of Nigerian Financial Institutions

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Received September 17, 2021; Revised March 21, 2022; Accepted March 30, 2022

## Cite This Paper in the following Citation Styles

(a): [1] Nnamdi Martin Onyenmuru, Steve Emeka Emengini , "Do Internal Corporate Governance Code, Capital Structure, and Ownership Structure Matter in Explaining the Performance of Nigerian Financial Institutions," *Universal Journal of Accounting and Finance*, Vol. 10, No. 3, pp. 697-706, 2022. DOI: 10.13189/ujaf.2022.100307.

(b): Nnamdi Martin Onyenmuru, Steve Emeka Emengini (2022). *Do Internal Corporate Governance Code, Capital Structure, and Ownership Structure Matter in Explaining the Performance of Nigerian Financial Institutions*. *Universal Journal of Accounting and Finance*, 10(3), 697-706. DOI: 10.13189/ujaf.2022.100307.

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**Abstract** The rise in financial scandals and corporate failures prompted a greater spotlight on CG, particularly as it pertains to financial institutions (FI). This research looks at how the corporate governance code, CS, and ownership structure affect financial institution performance in Nigeria. The data for the study was obtained from the annual financial reports of 37 financial service institutions as the sample between 2010 and 2019. Internal corporate governance code proxy by board size, board independence, board remuneration and audit committee size, capital structure proxy by long-term debt and equity and short-term debt and equity ratio, ownership structure proxy by board ownership, ownership concentration, and foreign ownership concentration are the independent variables used in this study. The dependent variable is performance proxy by earnings per share and Tobin's Q. The study used a dynamic panel GMM estimator to deal with the panel data models. The results show that the EPS of FI in Nigeria is positive and significantly influenced by board size and short-term debt to equity ratio. Board remuneration and the long-term debt to equity/assets ratio, on the other hand, have a negative and considerable effect on FI earnings per share. Similarly, for Tobin Q, Bindp and Bremu, except board size, negatively impacted FP of the Nigerian financial service industry. Capital structure proxies by long-term debt and equity and short-term debt and equity

ratio exerted a considerable impact on Tobin's Q. Equally, the ownership structure has a considerable impact on Tobin's Q. As a result, we recommend that financial institutions in Nigeria prefer equity financing over long-term debt when funding capital projects. On the other hand, short-term debt obligations should be used to fund short-term initiatives to keep the firm's performance growing. The research is necessary to ensure that debt and equity ratios are used appropriately in financial sector funding firms to maximise return on capital.

**Keywords** Corporate Governance, Capital Structure, and Ownership Structure and Earnings per Share

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## 1. Introduction

Finding factors that explain company performance both individually and collectively has been a source of controversy in the research. Various studies, however, have sought to explain the determinants of corporate performance (CP) using various metrics of solid performance and have come to no definite conclusions [38], [14], [1]. The diversity of performance measures plays a vital role in the disparity between the outcomes of various

studies. Return on equity (ROE) and return on capital employed (ROCE) were used as measures for CP in a large number of studies [24], [29]. Others proxied firm performance (FP) using return on assets (ROA) [23]. However, not many other studies investigate the determinants of CP employing earnings per share (EPS) and Tobin's Q to measure performance [14], [38].

In addition to EPS used to measure CP in some studies, the study adopted Tobin's Q as proxies for CP.

The global financial crisis, which has affected every country, including Nigeria, has sparked extensive debate over corporate Governance (CG) efficiency. The function of (CG) has become increasingly important due to rising financial crises and corporate failures. The financial sector, whose collapse had a knock-on effect on the rest of the global economy, is particularly important. Similarly, the 2008 financial crisis prompted intensified scrutiny of the banking sector's corporate Governance, exacerbating the situation.

Weak corporate Governance has been highlighted as one of the primary issues accountable for the global financial crisis that engulfed the global financial industry in 2008. Meanwhile, little is known about the role of CG, Capital Structure (CS), and Ownership Structure (OWNC) on the Nigerian financial system's performance.

Kohher and Raul [21] emphasised that capital structure decisions and the firm's financing alternatives majorly impacted numerous aspects of the firm's operation. These include; performance, firm value, and shareholder wealth while explaining the determinants of FP. In Nigeria, the impact of CG, CS, and OWNC on CP success has yet to be adequately investigated. Most research focused on industrialised economies, with limited studies in developing economies like Nigeria.

According to Zhuang [39], the OWNS of banking financial organisations is a crucial determinant that influences their CP. More studies found a link between CP and OWNS, particularly among banking financial institutions (FI) [6]. There are many studies on the impact of OWNS on CP. However, the Nigerian experience is inconclusive, with most studies reporting contradictory results. In light of this, this study investigates Nigerian perspectives on the impact of CG, CS, and OWNS on CP drivers (EPS and Tobin's Q), focusing on the Nigerian financial sector.

The other aspects of this paper are as follows: Section two; review of related literature, section three; the methodology used, section four; the results and interpretation of the data analysis, section five; the discussion of findings, and finally, the last session address the conclusion and policy recommendations.

## 2. Literature Review

### 2.1. Theoretical Framework

The most significant influence on corporate governance

study has been agency theory (AGENT). Separating management from business owners, according to agency theory, encourages managers to pursue self-interest more willingly than the best interests of the landlords. As a result, there is a departure from the well-known objective of increasing shareholder earnings.

The Wealth of Nations, written by Adam Smith in 1776, is the source of agency theory. According to Adam Smith, to make judgments as an owner and take or exercise adequate care in the administration of a company, a manager must have the direct ownership of the company. This concept was popularised by Jensen and Meckling [18]. The irregularity of information involving landlords and executives, they said, was worsened agency problems.

Managers are motivated to act opportunistically to serve their interests, which could harm shareholders' interests. Organisations may become less open in their earnings accounting due to this behaviour. According to Beatty and Harris [7], one of the main motivations for OWNS is an issue arising from AGENT. It's usually utilised as a basis for any CG discussion. According to Warokka, Abdullah and Duran [37], organisations have a variety of OWNS, with considerable holdings concentrated on managerial decisions. This makes it possible for shareholders the assurance that management activities are in their best interests.

Managers and owners had a contractual connection that compelled managers to serve as agents for the owners' interests. According to Vu, Phan and Le [36], executives attempt to defend their interests at the owners' expense. This has a detrimental influence on the FP as businesses rely mainly on managerial decisions to keep their performance up. Lots of studies have shown that it is vital in shaping the happening that aligns shareholders' and managers' objectives, such as OWNS mutually, as unprincipled management actions may jeopardise shareholders' interests. Furthermore, firms' long-term performance will increase [9].

According to Kao, Hodgkinson and Jaafar [19], a firm's OWNS will devote more resources to managing organisational decisions that reduce agency costs (AGENC) and information asymmetries, improving long-term performance and reducing agency issues. According to Jensen and Meckling [18], the OWNS is a way to reduce AGENC. Inside the company, however, there are discrepancies amongst different sections. Firms must pursue an OWNS that allows directors to reach their full potential while acting for shareholders' unsurpassed benefit to resolve such disagreement. Accordingly, Hatzell, Sun and Titman [15] stipulate that the OWNS impacts how the company is administered and controlled, which results in lower AGENC. This document contains conceptual guidelines for promoting accountability and fairness in management-shareholder partnerships.

### 2.2. Corporate Governance Structure and FP

According to the Corporate Finance Institute (CFI), CG

is the rules, laws, and measures that direct how its board of directors manages and controls its processes. It's the mechanism for directing and controlling businesses. Transparency, accountability, and security are the guiding principles of corporate Governance. Poor CG causes a company's inability to fulfil stated goals and, in the worst-case situation, leads to the company's entire collapse, resulting in large financial losses to the company's owners.

CG's primary concept is to ensure that major corporations are managed well with the intention that shareholders and lenders can put in their resources. By implementing best practices in CG, stakeholders' rights in local societies can be protected from mismanagement and corruption. It's critical for promising nations, as improved company management can help them achieve high levels of economic development, encourage investments, and make a viable nation. Furthermore, in an organisation, raising the charge of savings and shielding the human rights of minority stakeholders is critical.

PeiZhi and Ramzan [32], in their paper, the impact of CG and CS on the performance of Pakistani businesses, considered market-based and accounting-based performance with a focus on outliers. M-estimators and S-estimators of robust regression were used to test hypotheses for 45 publicly traded companies from 2013 to 2017. According to the findings, boosting the leverage ratio makes a better FP. Nonetheless, it has a minimal effect on publicly-traded company stock values.

Anita and Namrata [5] explored the role of CG in analysing the impact of OWNS on bank performance in the United Arab Emirates. A questionnaire was used to get the information needed. The study outcomes show a substantial correlation between CG and bank performance. Bank profitability, on the other hand, is unchanged by ownership patterns.

Kennedy, Josiah, and Nixon [20] conducted a study to see how CG and CS affect the success of East African community stock exchanges. The study aimed to see how CS affected CG and business performance in listed businesses in Kenya, Tanzania, Uganda, Rwanda, and Burundi. According to the research, there is a link between CG and corporate performance. The study also found that CS (leverage) substantially impacts the relationship between CG and CP.

Zahroh [38] investigated the effect of CG in the rise of CP. The study's goal was to see how CG mechanisms influenced the performance of organisations whose data is stored in the CG Perception Index (CGPI).

The research revealed that audit quality, audit committee meetings, and CGPI positively influence firms' profitability. In contrast, board independence, firm size, and leverage negatively impacted profitability. It was determined that audit committee meetings ought to be held regularly to improve corporate productivity. At the same time, implementing effective corporate Governance will enhance CP.

### 2.3. CS and Corporate Performance

The debt and equity (DTE) mix in a company's overall capital is its CS. This is seen as a crucial decision by financial management to keep the company competitive. It assists in identifying the appropriate point of DTE for the organisation in general. The appropriate point is critical as it reduces the cost of capital (COC), improving owners value with the finest risk and return management [33]. On the other hand, debt finance (DF) aims to lower the COC by subtracting interest costs, enhancing the firm's value. Scholars discovered that enterprises with 60 per cent DF were regarded highly leveraged and that the tax benefit contributed positively to their profits [1].

Das [12] analysed the link between CS and EPS of publicly-traded Indian automobile companies from 2012 to 2016. The study used the OLS estimation method. According to the survey, the DER is a significant driver of automobile businesses' EPS in India from 2006 to 2010. Sivathaasa and Rathika [34] looked at the impact of CS on the EPS of FI listed on the Colombo Stock Exchange in Sri Lanka. In the analysis, regression and correlation were applied. They discovered that the CS ratio considerably impacts Sri Lanka's FI's EPS.

In a related study, Velnampy and Aloy Niresh [35] looked at the association between CS and banking profitability in Sri Lanka from 2002 to 2009. The study's findings reveal a negative link between CS and profitability for the period under consideration.

### 2.4. Ownership Structure and FP

The percentage of equity capital shares owned by different parties is the OWNS. Every shareholder cluster has its economic objectives and tactics for growing its holdings [19]. According to Alabdullah [3], various shareholders have varying tactical managerial powers, affecting the organisation's success. The OWNS and FP relationship has become a popular topic in accounting research [3], [4], [13]. The OWNS is important in FP because it gives regulators information on improving CG practices and assisting businesses to become more efficient [22].

Additionally, Cornett, Marcus and Tehranian [11] established a relationship between OWNS and FP, which might be used to lessen agency conflict. Because there is a difference between CG and OWNS in organisations, Nikoskelainen and Wright [26] asserted that OWNS frequently drives firm value. Because there is a separation between CG and OWNS in organisations, according to Nikoskelainen & Wright [26], OWNS repeatedly drives the company's value. Many academics, politicians, and researchers have performed empirical studies on the general connection between OWNS and FP.

Despite the lack of solid evidence on the extent and size of the impact of these variables on FP, the discussion overboard qualifications, capital structure, and OWNS has

aged on constantly. As previously indicated, several authors have participated in this debate, with varied results. In light of this, we'd like to present empirical evidence on the impact of board quality, capital structure, and ownership structure on Nigerian business performance. Several studies focused on ROE, ROA, and ROCE as business performance metrics, with EPS and Tobin Q receiving minimal attention. As a result, the study's measurement of financial performance using EPS and Tobin Q, which most studies neglect, is a unique feature. Based on the above arguments, the following hypotheses are formed:

**H<sub>1</sub>:** corporate governance code, capital structure, and ownership structure significantly impact the EPS of financial institutions in Nigeria.

**H<sub>2</sub>:** corporate governance code, capital structure, and ownership structure significantly affect Tobin Q of financial institutions in Nigeria.

### 3. Data and Methodology

The impact of internal CG codes, CS, and OWNS on the performance of a Nigerian FI is investigated in this study. The populations of the study are the 53 financial service institutions listed on the Nigeria Stock Exchange. The information used comes from a sample of 37 financial institutions that were chosen based on their size and data availability. The study covered the period of 2010 to 2019. Internal CG code (Bsize, Bind, Brem, and AUDCS), CS (LTDE and STDE), and OWNS (board interest/ownership, ownership concentration, and foreign ownership) are the independent variables. For FP, EPS and Tobin's Q are used as the proxy.

This study utilises a dynamic panel GMM estimator to assess the effect of exogenous variables on the FP in the Nigerian financial services industry. It's typical to incorporate the dependent variable's (DV) lag as a right-hand-side variable when adding dynamics to a model. As a result, the standard equation is estimated as follows:

$$Y_{i,t} = \beta_0 Y_{i,t-1} + \beta_1 X_{i,t} + \beta_2 \delta_{2,t} + \vartheta_{1(i)} + \vartheta_{2(t)} + \varepsilon_{i,t} \quad (1)$$

Where  $Y_{i,t}$  is the performance variable for the company  $i$ ,  $Y_{i,t-1}$  is the lagged version of the DV (performance variable),  $X_{i,t}$  is a vector of board characteristic variables,  $\delta_{2,t}$  is a vector of other explanatory variables,  $\vartheta_{1(i)}$  and  $\vartheta_{2(t)}$  stand for the firm and time-specific effects,  $\varepsilon_{i,t}$  is an eccentric error term with  $E(\varepsilon_{it})=0$  for  $i$  and  $t$ . The error term merges an individual specific random effect with a time-varying random effect to adjust for all unobservable effects on the DV that are exceptional to the individual. To capture our overall ignorance of the determinates of  $y$ , an inaccuracy changes across persons and time  $y_{it}$ . Because this is a panel model, each observation that is indexed over  $i$  ( $= 1...N$ ) cross-section groups (here, companies) and  $t$  ( $= 1...T$ ) periods (here, annual observations). Equation 1 is a

dynamic panel model since the explanatory factors on the right-hand side incorporate the dependent variable's starting lag ( $y_{i,t-1}$ ).

Neither OLS nor fixed effects estimates, on the other hand, can accurately assess this. Because of individual effects, the  $i$  explanatory variable  $y_{i,t-1}$  is positively associated with the error term in an OLS estimate of equation 1. A fixed-effects estimation does not have this disparity because the equation excludes the individual impact.

This shows that the converted lagged DV and the altered error term have a strong relationship. In this situation, the total effect of the correlations is negative, resulting in a well-known bias [25]. These biases can be used as an informal test for a lagged DV estimator [8]. The estimated coefficient should be constrained below the OLS result (which has the greatest upward bias) but above the fixed effects estimate (which gives the maximum downwards bias). Due to these difficulties, the standard procedure is to choose an instrument correlated with but not connected with the potentially endogenous variable (the stronger the correlation, the better). Because GMM does not restrict instrumentation to one instrument per parameter to be estimated, multiple moment conditions can be defined for each parameter. The GMM estimate of dynamic panel models, first proposed by Holtz-Eakin, Newey and Rosen [16], takes advantage of this capability.

We employed unbalanced panel data sourced from the firm's annual report. We adopted two different measures of FP; EPS, Tobin's Q as our dependent variable, while board characteristics, capital structure, and ownership structure are the primary independent variables under study. We controlled revenue growth in the three models that follow the dependents variables.

We estimate a variant of the Blundell and Bond (1998) equation below:

$$EPS_{i,t} = \beta_0 Bsize_{i,t-1} + \beta_1 Bindp_{i,t} + \beta_2 Brem_{i,t} + \beta_3 AUDCS_{i,t} + \beta_4 LTDE_{i,t} + \beta_5 STDE_{i,t} + \beta_6 Bown_{i,t} + \beta_7 Ownc_{i,t} + \beta_8 Fownc_{i,t} + \vartheta_0 + \vartheta_{1(i)} + \vartheta_{2(t)} + \varepsilon_{i,t} \quad (2)$$

$$TobinsQ_{i,t} = \beta_0 Bsize_{i,t-1} + \beta_1 Bindp_{i,t} + \beta_2 Brem_{i,t} + \beta_3 AUDCS_{i,t} + \beta_4 LTDE_{i,t} + \beta_5 STDE_{i,t} + \beta_6 Bown_{i,t} + \beta_7 Ownc_{i,t} + \beta_8 Fownc_{i,t} + \vartheta_0 + \vartheta_{1(i)} + \vartheta_{2(t)} + \varepsilon_{i,t} \quad (3)$$

Where:

$i$  refer to companies,  $t$  refers to time; Bsize is board size, AUDCS is audit committee size, BREM is board remuneration. Furthermore, EPS is earnings per share; Tobin's Q measures the firm's market to the book value of its assets. Finally, OWNC is a dummy variable (DUMV) which is 1 if the most significant shareholders to the total number of shares outstanding are up to or more than 5%, and 0 if not. Fown is a DUMV which is 1 if foreign ownership controls are up to or more than 5% of the firm's total shares outstanding and 0 if not. Bown is the board interest, measured as the ratio of shares held by board

members to the total number of shares outstanding; LTDE is for the long-term DTE ratio, whereas STDE stands for the short-term DTE ratio. Its DTE ratio assesses the CS of a company.

**Table 1.** Description of Variables

Variables	Measures of	Description
OWNC=Ownership concentration	OWNS	Represent a dummy variable which is "1" if a single or group of shareholders owns up to or more than 5% of the company's outstanding shares, and "0" if not.
BOWN=Board Ownership	OWNS	Directors' direct and indirect shares divided by outstanding shares.
FOWN=Foreign Ownership concentration	OWNS	Represent a dummy variable "1" if the shares ownership concentration of all of the block's foreign institutional shareholders owns 5% or more of the stock, and "0" if they don't.
Bsize	CG code	The numbers of all directors of a company
Bind	CG code	The ratio of independent directors to the total number of directors
Brem	CG code	The total directors' remuneration divided by revenue
AUDC	CG code	The total numbers audit committee members.
LTDE	CS	The non-current liabilities divided by Total equity
STDE	CS	The current liabilities divided by Total Equity
LTDA	CS	The non-current liabilities divided by Total asset
STDA	CS	The current liabilities divided by Total Asset
EPS	Performance	The net profit after tax divided by outstanding shares
Tobin's Q	Performance	The Total Market Value of Firm as a ratio of Total Asset Value of Firm

Author's construction

## 4. Analysis and Interpretations of the Result

**Table 2.** Result of the two-step system GMM

	(1)	(2)	(3)	(4)
	EPS	TobinsQ	EPS	TobinsQ
L.EPS	0.0794 (0.119)		0.0937 (0.121)	
L.TobinsQ		0.711*** (0.157)		0.634*** (0.0986)
Bsize	0.110** (0.0335)	-0.0116 (0.00624)	0.0838* (0.0384)	-0.00243 (0.00344)
Bindp	-0.00912 (0.0114)	-0.000102 (0.000963)	-0.0101 (0.0120)	-0.000298 (0.000579)
Bremu	-0.263** (0.0803)	0.0251* (0.0102)	-0.239* (0.102)	0.00777 (0.00529)
AUDCME	-0.149 (0.113)	-0.0258** (0.00920)	-0.112 (0.123)	-0.0155 (0.00828)
LTDA	-0.968*** (0.266)	0.134* (0.0539)	- -	- -
STDA	0.00136 (0.00702)	0.00478* (0.00232)	- -	- -
LTDE	- -	- -	(0.193)	(0.0130)
STDE	- -	- -	0.0218** (0.00651)	0.00133* (0.000594)
Bown	0.0399 (0.0608)	-0.00274 (0.00289)	0.0248 (0.0823)	0.000172 (0.00268)
Ownc	-0.0537 (0.325)	0.0188 (0.0264)	-0.131 (0.343)	0.0266 (0.0193)
FOWNC	0.871* (0.374)	0.0282 (0.0213)	0.726 (0.363)	0.0426* (0.0178)
_cons	0.727 (1.637)	-0.349 (0.179)	-0.852 (1.601)	0.0565 (0.0879)
AR(2)	-0.78	0.31	-0.42	-0.52
AR(2) Pvalue	0.438	0.753	0.677	0.602
Sargan test	27.32	57.55	27.89	35.68
Sargan test P-value	0.820	0.010	0.798	0.436
Hansen test	13.71	20.12	14.07	20.14
Hansen test P-value	1.00	0.979	0.999	0.979
Instruments	15	18	15	18
N	312	312	302	302

Standard errors in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

We began by calculating the EPS sensitivity of sampled firms to changes in internal corporate governance factors (Bsize, Bindp, Brem), capital structure (LTDE and STDE), as well as other ownership structure variables. According to the findings, Bsize has a considerable and favourable impact on EPS. As a result, Bsize is a prominent driver of EPS among Nigerian financial service firms. It also reveals that changes in board size have a considerable impact on the EPS of Nigerian banking and non-banking financial sector businesses. Similarly, at a 5% significance level, we discovered that Brem strongly explains variability in firm EPS. According to the research, increasing board salaries will result in a significant drop in EPS for companies. Implying that increase in long-term debt to the equity component of the capital structure of financial service industries in Nigeria significantly decreases the firms' EPS. The findings also show that financial service industries with strong foreign ownership have a major impact on EPS in Nigeria. As a result, it suggests that as the number of shares owned by foreigners increases, performance improves, resulting in high EPS.

Our research found no evidence that the following characteristics substantially impact EPS: board independence, audit committee meetings, short-term debt to assets ratio, management ownership, and ownership concentration. With Board independence, Audit committee meetings, and ownership concentration, the dimensions of the influence of these factors differ, showing a negative impact on EPS. On the other hand, short-term debt to assets ratio and management ownership positively affects EPS, not statistically significant. The result is consistent when the components of the capital structure were changed from LTDA and STDA to LTDE, and STDE, respectively. The effect of board size and board remuneration on EPS remains significant with no change in dimension. When the proxies of the capital structure changed, we found that LTDE component is positive, unlike that of the LTDA. At the same time, the STDE indicates a positive and significant effect on EPS.

We examined how internal CG affected other FP indicators like TobinsQ. The findings show that board remuneration, audit committee meetings, LTDE, and STDE are important predictors of TobinsQ changes in Nigeria's financial services industries. The LTDE and STDE had a favourable and significant impact on Nigeria's financial services industries (TobinsQ). The remaining variables have no statistical significance in explaining changes in the firms' performance indicators. Although several of these factors have a negligible effect on TobinsQ, the sign still shows a positive impact, implying that improvements in these variables could favourably and considerably explain the firm's performance metric variability.

Based on the coefficient and probability value (Pv) of the AR(2), the diagnostic test result suggests no second-order correlation in the model. On the other hand, this conclusion is consistent across all models in which the

AR(2) probability value is greater than 0.05. Similarly, the Sargan and Hansen test results demonstrate that the instruments used in model estimates are reliable. The outcome of the Sargan and Hansen tests' coefficient and probability values demonstrates this. Except for the second model, where the Pvs are lesser than 0.05, the Pvs of the Sargan test is all larger than 0.05 in all models. The Hansen test result for the second model, on the other hand, is more than 0.05. We came to the same conclusion as the researcher's findings that the instruments in the second model are valid. Accordingly, the Hansen test is more reliable in determining instrument validity in a GMM estimator.

## 5. Discussion of Findings

There is a wealth of empirical research on the importance of board qualities in explaining corporate performance. Despite increased research on the subject, little is known about the Nigerian financial services industry. Divergent results have resulted from the variety of performance metrics and gaps in studies to explain various performance indicators. On the other hand, authors have proxied board characteristics with different variables, yielding contradictory results. When the capital structure is factored in, the difficulties persist. In light of the preceding, the purpose of this study is to look into the impact of board qualities and capital structure on the performance of Nigeria's financial service businesses.

Except for board remuneration, our findings suggest that CG proxies by board size, board independence, and board remuneration have considerably improved the performance of the Nigerian financial service business as measured by EPS. Board remuneration has a significant negative impact on EPS. On the other hand, this finding is compatible with economic theories since directors' salary is deducted from the profit made by the organisation, lowering the firm's net earnings and, as a result, reducing the firm's EPS. Many organisations use various remuneration packages to incentivise the board of directors and management to act in the best interests of the shareholders. As a result, increasing board member salaries will significantly negatively impact the firms' EPS.

In other words, the director's salary is one of the costs deducted from the firm's earnings, lowering net earnings and, as a result, reducing EPS. On the other hand, this finding is consistent with the findings of Olayinka [30], Bussin [10]. Still, it does not support the results of Oviantari [31], who found a positive association between board remuneration and business success based on empirical evidence from various nations.

LTDE and STDE capital structure proxies have significantly positively affected EPS. On the other hand, the ownership structure does not affect EPS. The positive and significant influence can be attributed to the member of the board's talents, capabilities, experience, integrity, and

ingenuity, which improve the organisation's profitability, increasing EPS. This result agrees with Noja et al. [27] and Zahroh [38], however, it contradicts the findings of Nwokwu et al. [28], and Islam and Masri [17]. The disparate results can be attributed to various corporate governance procedures in different countries worldwide. According to Nwokwu et al. [28], board size varies from one corporation to the next and from one country to the next. Despite the argument that a large board raises the cost of coordination, a large board has been found to boost the performance of financial service organisations in Nigeria by providing a varied set of skills and experiences. This result also supports the agency theory which accordingly states that, to make judgments as an owner and take or exercise adequate care in the administration of a company, a manager must have direct ownership of the company.

The results for hypothesis two shows that CG proxies such as board size, board independence, and board remuneration, with the exception of board size, have a negative but significant impact on the performance of the Nigerian financial services industry as measured by Tobin's Q. Board independence and board remuneration negatively and significantly affects the firms' Tobin's Q. By implication, an increase in CG will negatively affect performance.

CS proxies by LTDE and STDE exerted a significant positive impact on Tobin's Q. On the other hand, the ownership structure has positively and significantly impacted Tobin's Q. The good and significant influence can be attributed to the member of the board's talents, capabilities, experience, integrity, and ingenuity, which improve the organisation's profitability, leading to an increase in firm value. This outcome, however, is consistent with economic theory because directors' salary is deducted from the organisation's earnings, lowering Tobin's Q, the company value.

## 6. Conclusions and Recommendations

This study investigated the effect of internal CG codes, CS, and OWNS on the performance of the financial service industry in Nigeria proxied by EPS. Based on our findings, board size appears to be a significant indicator of a financial services firm's performance in Nigeria. Similarly, board remuneration has a detrimental and considerable impact on the success of companies in Nigeria's financial services industry. We also concluded that CS, as measured by long-term debt to equity and long-term debt to assets, has a significant negative influence on EPS. In contrast to long-term capital structure measurements, short-term debt to equity has a favourable and considerable impact on EPS-based financial service firm performance. This, on the other hand, suggests that Nigerian financial service institutions should use more short-term debt to fulfil their short-term obligations. Simultaneously, suppose the corporation is to generate a sustainable EPS. In that case,

the equity option should be used to support long-term capital projects. As a result, financial service institutions in Nigeria should improve their competitive edge by offering new and technologically driven services to boost revenue and lower service costs, resulting in higher and longer-term FP. The findings of OWNS show that foreign ownership increases a company's performance as measured by EPS in a positive and significant way. On this note, financial service firms should jettison indigenisation policy and embrace globalisation to sustain the firm's profitability in the financial service industry in Nigeria.

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