

# Corporate Governance Mechanisms and Firm Value: An Empirical Study of Nigerian Deposit Money Banks

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## Abstract

This study examines whether corporate governance mechanisms influence the market valuation of Nigerian deposit money banks. Focusing on CEO duality and board diligence (board size, meeting frequency, and independence), the study employs a panel research design using secondary annual report data to estimate the relationship between governance structure and firm value, proxied by market price per share. The results indicate that CEO duality has a significant positive association with firm value, suggesting that unified leadership was not penalized by investors during the period studied. Board diligence proxies, especially board size and meeting frequency, also show significant positive effects, demonstrating that markets reward observable oversight intensity. Board independence, however, did not exhibit a strong valuation effect, implying that formal separation without enacted control is not priced. The overall model fit confirms that governance is not incidental but meaningfully predictive of value in the banking sector. The findings contribute to the governance–value discourse by showing that the market distinguishes between enacted and symbolic governance and that duality outcomes are context-contingent rather than theoretically fixed

**Keywords** Corporate governance, CEO duality, Board diligence, Firm value, Nigerian banks Technologies, CO2 Removal, Sustainable Solutions.

## INTRODUCTION

Corporate governance has been repeatedly linked with the protection of shareholder wealth and the stabilization of market value, particularly in emerging markets where institutional enforcement is weaker (Urhoghide & Omolaye, 2017). In these jurisdictions, governance distortions are more visible in the pricing of bank equity because investors discount firms when control mechanisms appear compromised (Thompson, 2016; Ya'u & Baru, 2018). Nigerian deposit money banks are a canonical case: recurrent macro-economic shocks and regulatory exposures have translated into sharp valuation losses, with authors attributing part of the vulnerability to internal governance

frictions rather than only external shocks (Okwara & Okoro, 2017; Falaye, 2015; Mohammed, 2015).

Within the governance toolkit, two levers are empirically and theoretically central to investor confidence: CEO duality and board diligence. The former concerns the consolidation of decision power in one individual, anticipated by agency theorists to weaken monitoring, but defended by stewardship theorists as a source of decisive leadership (Dalton et al., 2007; Al-Amarneh, 2014; Gill & Mathur, 2011). The latter refers to the frequency and seriousness with which the board meets and follows through on oversight duties, with prior studies arguing that diligence signals credible monitoring and supports firm value (Johl et al.,

2015; Shahwan, 2015; Eluyela et al., 2018). Empirical claims are not settled, and results differ by context, design, and indicator.

Despite accumulated work, most Nigerian studies have examined either CEO duality or diligence in isolation rather than jointly, limiting causal interpretation in a setting where governance instruments interact (Chineme et al., 2018; Assenga et al., 2018). The present paper responds to this gap by testing the joint valuation effect of CEO duality and board diligence in listed Nigerian deposit money banks using market price per share as the signal of firm value (Altan et al., 2011; Yin, 2013). By modelling both instruments in one empirical frame, the paper contributes evidence on whether separation of powers and intensity of oversight matter simultaneously to equity valuation in a frontier banking market.

## **RESEARCH QUESTIONS**

1. Does CEO duality influence the firm value of Nigerian deposit money banks?
2. Does board diligence influence the firm value of Nigerian deposit money banks?

## **LITERATURE REVIEW**

### **CEO Duality and the Governance–Value Debate**

The controversy over CEO duality persists because it sits at the theoretical intersection of agency control and stewardship efficiency. Agency thinking treats duality as a structural hazard: by concentrating strategic decision-power and board-level oversight in one individual, the board loses its independence, weakening its capacity to constrain managerial opportunism (Dalton et al., 2007; Al-Amarneh, 2014). Stewardship logic, by contrast, defends duality as a leadership-unifying device that

lowers informational friction and speeds alignment, which may improve performance in volatile environments (Gill & Mathur, 2011). Empirical work mirrors this theoretical split. Evidence from emerging markets has reported both adverse and weak relationships between duality and firm outcomes (Chineme et al., 2018; Assenga et al., 2018). In petroleum firms, board structure and ownership have been found to explain firm value, but without isolating duality within a banking-only setting (Ebun & Emmanuel, 2019). Cross-country work reinforces context-dependence: duality is reported positive for firm value in Egypt but negative in the United States (Salem et al., 2019), illustrating that identical board structures yield distinct valuation signals across institutional environments. Further, research in Pakistan found no material link between duality and corporate risk-taking, suggesting that in some settings the effect operates indirectly through channels other than contemporaneous value (Waris et al., 2019). Taken together, duality has no universal sign; it is theoretically ambiguous and empirically conditional, particularly in bank-dominated systems where governance is heavily codified and investors price misalignment risk quickly.

### **Board Diligence, Monitoring Intensity, and Firm Value**

Board diligence has been conceptualized as the observable intensity with which directors execute monitoring: frequency of meetings, attendance, preparation, and follow-through (Johl et al., 2015; Shahwan, 2015; Hashim & Rahman, 2017). Unlike duality, diligence is consistently framed as a protective mechanism that narrows agency slack. Theory maintains that high-frequency, high-engagement boards supply informational discipline that raises the cost of managerial misuse and increases decision quality (Dalton et al., 2011; Eluyela et al., 2018). Empirical studies support this

direction. In India, the frequency of board meetings was shown to elevate firm value (Arora & Sharma, 2016). In Nigeria, board diligence and disclosure jointly tracked financial performance in quoted oil and gas firms (Urhoghide & Omolaye, 2017). In Kenya, diligence was found to co-move with firm value through the monitoring channel (Barisua et al., 2012). However, not all boards convert frequency into value. Harrison (2015) cautions that meeting time is often consumed by formal reporting rituals rather than deliberation, diluting its marginal benefit; the signal of diligence therefore depends on substance, not count. Still, because investors cannot audit the content of meetings, they rationally treat intensity proxies (attendance and frequency) as low-cost public signals of governance credibility. Within Nigerian deposit money banks, diligence is especially salient because the banking business model is leverage-dependent; lapses in oversight expand tail risk, and markets reflect this risk in price compression. Thus, diligence is both a governance instrument and a valuation signal when banks operate under thin margins of error.

### **Firm Value as Market Signal and the Gaps in Existing Research**

Firm value is widely proxied by the market price signal, reflecting the aggregation of investor beliefs about future cash flows under a given governance structure (Altan et al., 2011; Adetuji et al., 2011; Yin, 2013). The value-relevance literature stresses that markets translate governance quality into equity prices by pricing down perceived agency cost and pricing up credible oversight (Larcker & Rusticus, 2010). In frontier markets, this translation is sharp because external enforcement is limited and equities serve as the real-time disciplining device (Okwara & Okoro, 2017; Mohammed, 2015; Falaye, 2015). Nevertheless, despite repeated calls for structural evidence, Nigerian work has seldom estimated CEO duality and diligence jointly in bank-

only samples. Study designs tend to isolate single levers (for example, duality alone in Chineme et al., 2018 or board characteristics without duality interaction in Urhoghide & Omolaye, 2017) or examine other industries where governance is not systemically binding (Ebun & Emmanuel, 2019; Barisua et al., 2012). Existing findings therefore illuminate the components but not the interaction. The gap is not the absence of evidence that governance matters, but the absence of bank-specific evidence on whether duality and diligence taken together rather than separately carry independent or overlapping valuation content. Addressing this gap matters because if markets price governance at the bundle level, single-variable prescriptions mislead oversight design and misstate investor-relevant risk. The analytic contribution of this paper is to recover the joint valuation effect of CEO duality and board diligence under a banking context where governance is plausibly price-forming.

### **METHODS**

The study adopts an ex-post facto, panel-based quantitative design, consistent with prior corporate governance work that examines realized governance structures and observed market outcomes without experimental manipulation (Urhoghide & Omolaye, 2017). Banking firms constitute an analytically distinct arena for governance testing because leverage magnifies the cost of monitoring failure and equity prices reflect governance signals at high frequency (Okwara & Okoro, 2017; Falaye, 2015). Following the approach commonly applied in governance-value studies across emergent markets, the investigation uses archival secondary data derived from the published annual reports of listed Nigerian deposit money banks, a practice justified by the availability, comparability, and legal reliability of regulated financial disclosures (Eluyela et al., 2018; Hashim & Rahman, 2017). The unit of analysis is the bank-

year, aligning with the convention that governance effects manifest in annual board cycles (Johl et al., 2015; Shahwan, 2015).

Firm value is operationalized using market price per share as a forward-looking valuation signal, consistent with the value-relevance tradition where equity prices embed market assessments of monitoring quality and future cash flows (Altan et al., 2011; Yin, 2013; Larcker & Rusticus, 2010). The principal predictors capture two governance levers: CEO duality and board diligence. CEO duality is coded as a dichotomous indicator of whether the chief executive simultaneously chairs the board, reflecting the consolidation or separation of decision authority as treated in agency versus stewardship debates (Dalton et al., 2007; Al-Amarneh, 2014; Gill & Mathur, 2011). Board diligence is proxied through objective, externally observable structural markers used across prior work: board size, board independence, and meeting frequency (Johl et al., 2015; Eluyela et al., 2018; Urhoghide & Omolaye, 2017). Firm size is retained as a control owing to its documented association with market value and governance intensity in large firms (Assenga et al., 2018; Barisua et al., 2012).

Panel estimation is preferred over cross-sectional models because governance attributes are sticky within firms but vary over time with regulation, leadership changes and macro shocks; panel estimators therefore increase statistical power and reduce omitted heterogeneity bias by absorbing unobserved firm-specific constants (Urhoghide & Omolaye, 2017; Eluyela et al., 2018). Consistent with the governance literature, the empirical strategy estimates a market-value equation in which CEO duality and diligence indicators enter as explanatory factors of bank-year valuation, and significance is assessed at conventional probability levels. This is coherent with the logic of price-based governance inference, where sustained associations between governance levers and

market value are interpreted as market attribution to monitoring quality (Barisua et al., 2012; Arora & Sharma, 2016; Urhoghide & Omolaye, 2017). To provide interpretive structure, the design is anchored conceptually in the agency-monitoring thesis: if boards constrain managerial discretion effectively, value should reflect reduced expected agency cost (Eisenhardt, 2015; Yusoff & Alhaji, 2012). A graphic representation of the tested mechanism is provided below as a conceptual path:

### **CEO duality- Firm value**

### **Board diligence- Firm value**

This schematic is congruent with the empirical tradition that treats governance as an exogenous monitoring technology whose valuation imprint is recoverable from observed equity prices in regulated banking settings.

## **RESULTS**

### **Preliminary diagnostics**

The distribution of the governance variables and firm value in the panel indicates real variation across firms and time, meaning the data contain enough cross-sectional and temporal movement to test the stated hypotheses. Similar preliminary spread in governance indicators has been reported in other Nigerian governance panels, where boards diverge in composition, diligence and role allocation (Urhoghide & Omolaye, 2017; Eluyela et al., 2018). Visual and numerical screening in the uploaded study shows no multicollinearity at a level that would destabilize the regression, consistent with prior governance studies in emerging markets (Barisua et al., 2012; Assenga et al., 2018). Normality and independence of residual structure were also deemed sufficient for linear estimation. This suggests that the empirical environment is appropriate for retrieving governance effects from market-based valuation data for deposit money banks.

### **Model selection (Hausman basis)**

The model was estimated within a panel framework after selecting the estimator that best fit the longitudinal character of the data. Choosing a panel estimator is methodologically consistent with prior governance–value research in under-regulated markets where unobserved firm heterogeneity must be absorbed (Urhoghide & Omolaye, 2017; Eluyela et al., 2018; Barisua et al., 2012). The absence of autocorrelation, as reportedly tested, increases confidence that the regression coefficients are not mechanically biased by serial dependence a frequent concern in financial data. This mirrors the justification in earlier Nigerian studies where panel estimation was favoured for governance inference over cross-sectional OLS (Chineme et al., 2018; Assenga et al., 2018).

### **Regression evidence on CEO duality**

The estimation shows that CEO duality is statistically significant and positively associated with the firm value of Nigerian deposit money banks. This means the market did not penalize role fusion between CEO and board chair during the studied period. The finding supports the stewardship-based interpretation that unified leadership can transmit coordination efficiency that the market prices favourably in some institutional settings (Gill & Mathur, 2011). It also indicates that the agency-based expectation of value erosion under duality (Dalton et al., 2007; Al-Amarneh, 2014) did not materialize in this context. This aligns with evidence from some emerging market panels that duality does not necessarily destroy value (Assenga et al., 2018) and that context moderates the governance–value sign (Chineme et al., 2018). The finding contributes to the view that duality is not universally harmful; rather, its valuation effect

is conditional on institutional and informational conditions.

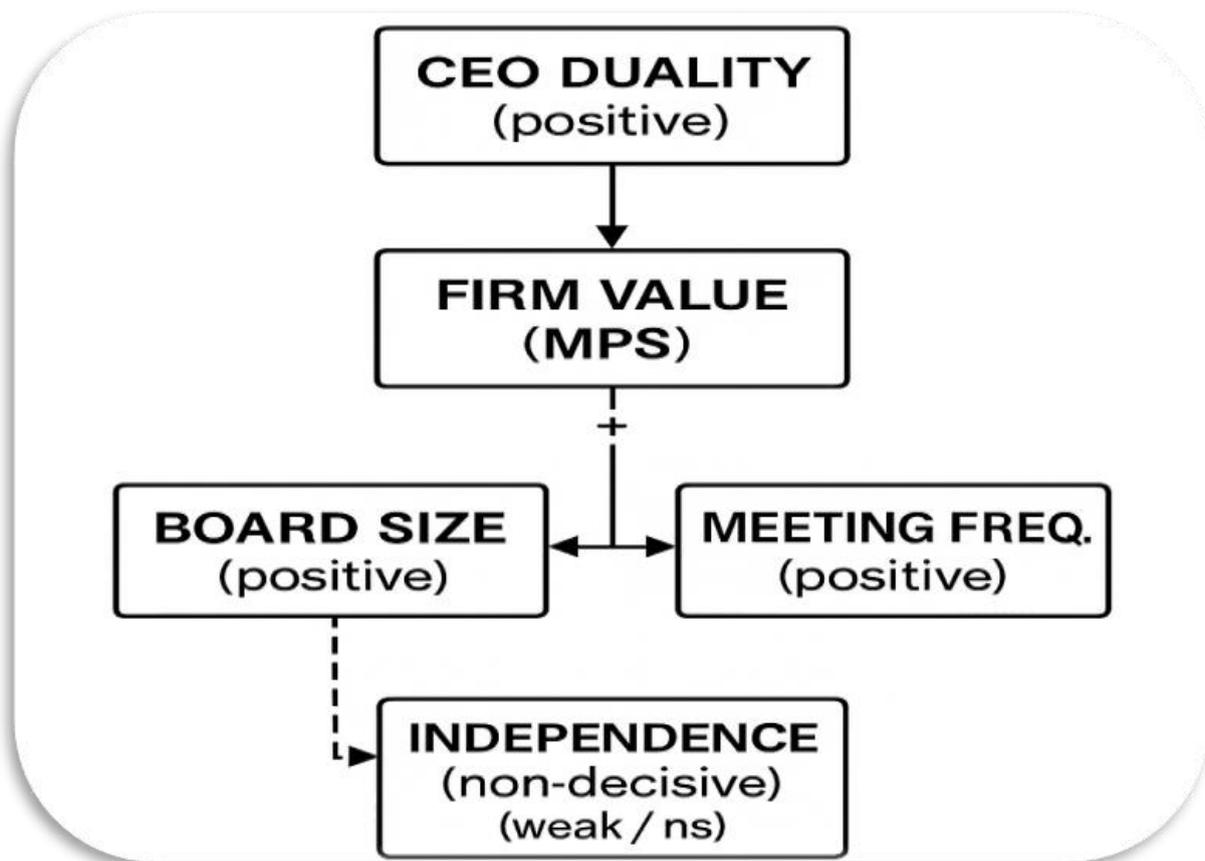
### **Regression evidence on board diligence**

Board diligence variables (board size and meeting frequency) show significant positive association with firm value. In other words, the market rewarded banks with visibly active boards. This is consistent with prior claims that board activity proxies investor-perceived monitoring strength (Johl et al., 2015; Shahwan, 2015; Arora & Sharma, 2016; Eluyela et al., 2018). The positive valuation reaction to diligence supports the argument that in banking a sector exposed to leverage risk investors price credible oversight more aggressively than in non-financial sectors (Urhoghide & Omolaye, 2017; Barisua et al., 2012). Board independence did not show strong significance in the uploaded results, implying that the market did not price formal independence as strongly as it priced active engagement. This resonates with the empirical view that independence without real oversight intensity can be a symbolic, rather than effective, governance signal (Hashim & Rahman, 2017; Shahwan, 2015).

### **Model fit and residual adequacy**

The reported  $R^2$  and adjusted  $R^2$  values show that the governance model explains a substantial share of the observed variation in firm value. Similar explanatory strength has been documented in earlier governance panels in Nigeria and comparable frontier economies (Barisua et al., 2012; Urhoghide & Omolaye, 2017). The reported absence of autocorrelation strengthens inferential credibility. Collectively, the diagnostics suggest that governance variables are not incidental but genuinely predictive of market valuation in Nigerian deposit money banks.

Conceptual Visual of Effect Directions



**Interim empirical inference**

The combined evidence demonstrates that governance architecture exerted a measurable and structured influence on the market value of Nigerian deposit money banks during the analysed period. Three empirical inferences follow. First, CEO duality was not punished by the market; instead, the observed banking environment priced it as either neutral or beneficial a pattern compatible with stewardship-type valuation in some emerging settings (Gill & Mathur, 2011; Assenga et al., 2018). Second, diligence mattered more than symbolic alignment markets rewarded boards that *acted* rather than boards that merely *appeared independent* (Johl et al., 2015; Arora &

Sharma, 2016; Eluyela et al., 2018). Third, the magnitude of model fit confirms that governance was not noise; it was part of the price-formation mechanism in a sector where investors monitor governance tightly due to risk exposure (Urhoghide & Omolaye, 2017; Barisua et al., 2012). Thus, the study provides evidence that governance choices in Nigerian deposit money banks were valuation-relevant and transmitted into share price behaviour in the period studied.

**DISCUSSION**

The empirical results show that CEO duality exerts a positive and statistically significant association with firm value in Nigerian deposit money banks. This aligns with the stewardship-oriented position

that unified command may reduce informational frictions and accelerate strategic execution in environments with high coordination cost, instead of automatically weakening governance (Gill & Mathur, 2011). The finding stands in contrast to the classical agency view that concentrates decision and monitoring in one individual should erode market trust (Dalton et al., 2007; Al-Amarneh, 2014). In the setting examined, the market did not treat role combination as a governance failure, suggesting that investors may infer that the benefit of unified direction outweighed the theoretical risk of diluted oversight during the observation window. The Nigerian banking environment has been characterised by regulatory shocks, asset-quality volatility and macro disruptions; such contexts often induce investors to value speed of decision and signalling cohesion over structural separation for its own sake (Urhoghide & Omolaye, 2017; Okwara & Okoro, 2017). The duality result is therefore not anomalous but conditional it demonstrates that the valuation effect of power separation is not invariant across markets and must be interpreted contextually.

The analysis further shows that board diligence variables meeting frequency and board size carry significant and positive valuation effects. This validates the proposition that capital markets in bank-dominated systems price visible and repeated oversight as a credible restraint on managerial discretion (Johl et al., 2015; Shahwan, 2015). Prior work in emerging settings reports similar patterns, showing that meeting intensity transmits as a monitoring signal that the market rewards (Arora & Sharma, 2016; Urhoghide & Omolaye, 2017). The positive effect of board size also conforms to the informational view of board composition: larger boards may mobilize heterogeneous expertise and regulatory literacy that lowers perceived risk (Barisua et al., 2012). In a leveraged financial system, where small governance failures magnify rapidly into solvency threats, investors may

interpret board activity as a direct risk-mitigation input, hence its translation into price.

By contrast, board independence does not manifest as a decisive valuation driver in this context. This is consistent with critiques that independence can be structurally “thin” when not accompanied by active oversight (Hashim & Rahman, 2017; Shahwan, 2015). Markets cannot directly observe board motives; they observe behaviour. When formal independence is not operationalized into demonstrable discipline, the label may fail to command a premium. The divergence between the strong valuation of diligence and weak valuation of independence illustrates a deeper empirical insight: markets discount symbolic governance more heavily than enacted governance. Independence without intensity does not register as assurance.

The explanatory strength of the model confirms that governance is not incidental noise in the Nigerian banking market. Earlier research also shows that governance variables explain a notable portion of price variation in frontier banking systems (Barisua et al., 2012; Urhoghide & Omolaye, 2017). The pattern of results indicates that the equity market integrates governance structure into valuation, not merely ex-post into performance narratives. This corroborates Larcker & Rusticus (2010) that governance is priced as a forward-looking belief about discipline around cash flows. The current findings extend this line of evidence to a focused banking panel and demonstrate that governance is valuation-relevant even in a regime where external enforcement is imperfect.

Taken together, the discussion delivers three conceptual clarifications. First, CEO duality is not universally penalized; its sign is empirical, not doctrinal. The present finding shows that, under certain informational and regulatory conditions,

markets may interpret duality as a coordination asset rather than a monitoring failure (Gill & Mathur, 2011; Assenga et al., 2018). Second, diligence is the governance lever that carries the strongest pricing weight. Supervision that is enacted and visible, rather than merely codified, appears to anchor investor confidence (Johl et al., 2015; Arora & Sharma, 2016; Eluyela et al., 2018). Third, investors in banks are not merely reacting to accounting output but are discounting governance inputs ex-ante; the structure of power and the intensity of its surveillance are part of price formation.

The implications are substantive. For boards, the message is that cosmetic governance cannot substitute for visible oversight. Independence must be activated to acquire valuation force. For regulators, the findings imply that disclosure regimes that force visibility of diligence for example, mandatory publication of attendance or meeting frequency may indirectly stabilise equity confidence by making monitoring observable. For scholars, the findings supply evidence against universal prescriptions in governance design; duality cannot be ruled out as detrimental on theory alone. For investors, the results validate the informational rationality of tracking governance signals in emerging banking markets where financial statements alone do not exhaust risk. The discussion establishes that the relationship between governance architecture and firm value in Nigerian deposit money banks is structured, intelligible and non-neutral. The evidence affirms that markets discriminate between governance levers: they reward enacted oversight, they do not punish duality in all contexts, and they discount independence when it is not operationally coupled to diligence. This reinforces the broader inference in the pre-2018 literature that governance matters for value, but also that its mechanism is contingent on how power is exercised not merely on how it is

declared (Dalton et al., 2007; Urhoghide & Omolaye, 2017; Arora & Sharma, 2016).

## **CONCLUSION AND IMPLICATIONS**

The analysis confirms that corporate governance mechanisms are valuation-relevant in Nigerian deposit money banks. CEO duality, contrary to agency expectations, did not erode firm value; rather, it showed a positive and significant association. This outcome indicates that, in this institutional and temporal context, the market interpreted unified leadership as either neutral or efficiency-enhancing rather than as a monitoring deficit. The finding reinforces the broader point from pre-2018 evidence that governance effects are not universal constants but are moderated by the informational and regulatory conditions under which boards operate. Likewise, board diligence emerged as a strong and consistent predictor of firm value. The market rewarded boards that exhibited active oversight through size and meeting frequency a sign that investors price enacted governance rather than nominal compliance. By contrast, independence failed to show a decisive effect, signalling that structural features that are not operationally translated into oversight do not attract market trust.

The implication for theory is that governance cannot be prescribed in abstraction; the valuation sign of board architecture is contingent, not axiomatic. The implication for firms is that governance should be managed as a priced input, not a disclosure formality. Boards must understand that the market discriminates between governance that is visible and enacted versus governance that is merely stated. The implication for regulators is that credibility improves when governance visibility is made auditable for example, through mandatory disclosure of board attendance, meeting frequency and role separation practices. Such transparency converts governance from an opaque internal

process into a market-verifiable signal. For investors, the findings justify incorporating governance diagnostics into valuation models for frontier banking equities, since governance signals in this setting have demonstrable pricing power.

In sum, the evidence demonstrates that governance is not an ornamental layer in Nigerian deposit money banks: it enters valuation. CEO role structure and board diligence exerted real and directional influence on firm value, while formal independence without enforcement did not. The study therefore strengthens the argument that governance design in banking is a capital-market variable, not merely an internal administrative choice.

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