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EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL INFORMATION OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT
This study investigates the effect of corporate governance attributes on financial information disclosure among listed Deposit Money Banks (DMBs) in Nigeria over a ten-year period (2014–2023). Adopting an ex post facto research design and utilizing secondary data from audited annual reports, the study employs a fixed effects panel regression model with robust standard errors to account for firm-level heterogeneity and endogeneity. Key governance variables examined include board financial expertise, board independence, board gender diversity, audit committee meetings, and managerial ownership, with firm size and profitability included as control variables. The findings reveal that board financial expertise, board independence, and audit committee meetings have significant positive effects on financial disclosure, while managerial ownership exerts a significant negative influence. Board gender diversity, although positively related to disclosure, was not statistically significant. The results underscore the importance of effective internal governance mechanisms in promoting transparency and accountability in the Nigerian banking sector. The study recommends strengthening board independence and financial expertise, enhancing audit committee functionality, and improving regulatory oversight on ownership structures to foster robust disclosure practices.
Keywords: Corporate Governance, Financial Information Disclosure, Board Expertise, Managerial Ownership
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1. INTRODUCTION
The integrity and transparency of financial information are critical to the efficient functioning of financial markets, especially in the banking sector. In particular, the financial information disclosed by Deposit Money Banks (DMBs) plays a vital role in informing stakeholders, enhancing investor confidence, facilitating access to capital, and supporting regulatory oversight. However, financial scandals and corporate failures both globally and within Nigeria—have raised concerns about the reliability of financial information, prompting renewed attention to the role of corporate

governance in ensuring credible and transparent financial reporting (Al-Daoud & Thiruvadi, 2021; Obialor & Akintoye, 2023).

Corporate governance refers to the structures and processes for the direction and control of companies. It encompasses mechanisms such as board composition, audit committees, ownership concentration, and internal controls designed to safeguard stakeholders' interests and ensure management accountability. Effective governance mechanisms are critical in enhancing the quality of financial information and curbing earnings manipulation, misstatements, and other forms of financial misconduct (Ogbonna, Ekwe & Nwoye, 2022; IAASB, 2023). In Nigeria, regulatory institutions such as the Central Bank of Nigeria (CBN), the Nigerian Deposit Insurance Corporation (NDIC), and the Financial Reporting Council (FRC) have introduced governance codes to strengthen oversight and promote transparent reporting among financial institutions.

Despite these regulatory measures, the Nigerian banking sector has continued to face issues of corporate governance lapses, inaccurate financial disclosures, and weak compliance with reporting standards. This has created concerns among investors and regulators over the reliability of the financial information disseminated by DMBs (Nwanyanwu & Okonkwo, 2021). Notably, lapses in board oversight, weak internal audit functions, and managerial opportunism have been linked to the misrepresentation of financial results and concealment of risk exposures (Ibrahim & Lawal, 2023).

In emerging economies like Nigeria, scholarly research has provided limited insights into how corporate governance characteristics influence financial reporting disclosures. While prior studies (Dembo & Rasaratnam, 2014; Esther & Henry, 2018; Odewale, 2020; Okere et al., 2021; Ja'afar et al., 2022; Lasisi & Olaoye, 2022; Adebayo et al., 2023) have explored the relationship between internal governance and disclosure practices, few have examined the combined effect of both internal (board composition, audit committee features, audit quality) and external ownership structure) governance mechanisms. This presents a notable gap in the literature.

Additionally, a methodological gap exists, as many Nigerian studies (e.g., Odewale, 2020; Esther & Henry, 2018) have relied on static models that are limited in addressing time dynamics and endogeneity. To overcome this, the present study adopts a dynamic model approach, incorporating lagged effects and time-varying influences to offer more robust insights.

Accordingly, this study investigates how corporate governance characteristics such as board independence, financial expertise, audit committee attributes, and ownership structure affect the quality and extent of financial disclosures among listed Deposit Money Banks in Nigeria.

2. LITERATURE REVIEW

Concept of Corporate Governance

Corporate governance refers to the set of rules, practices, and processes by which a company is directed and controlled. It provides a framework for attaining a company's objectives, encompassing practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure (OECD, 2023). In the banking sector, corporate governance is particularly critical due to the high sensitivity of banks to public confidence and the systemic risk they pose (CBN, 2022).

Good corporate governance ensures transparency, accountability, and integrity in financial reporting. It helps in aligning the interests of management with those of shareholders and other stakeholders (Adeyemi & Fagbemi, 2021). Internal governance mechanisms include board structure, audit committees, and internal control systems, while external mechanisms involve ownership structure, market regulations, and shareholder activism (Lasisi & Olaoye, 2022).

Financial Information Disclosure

Financial disclosure involves the provision of relevant and reliable financial data to stakeholders. High-quality financial information supports decision-making, enhances transparency, and reduces information asymmetry between managers and investors (Obialor & Akintoye, 2023). The International Financial Reporting Standards (IFRS) emphasize timely, complete, and comparable disclosures to ensure the credibility of financial reports (IFRS Foundation, 2023).

Empirical Review

Tsai and Kung (2023) examined the effect of board expertise on corporate disclosures using data from 15,812 publicly traded companies in Taiwan from 2010 to 2020. Panel regression was employed. The study found that companies that have directors with financial expertise has a positive significant effect on disclosures. The study covers a considerable time span from 2010 to 2020. Discussing any temporal considerations, such as changes in regulations or economic conditions during this period, would add context to the findings.

Chouaibi and Boulhaga (2020) examined the effect of the board of directors, namely board size, board independence as well as audit quality on the disclosure of information. The sample consists of 164 European companies listed in the Stoxx Europe 600. The content analysis and the design of the evaluation criterion were used to calculate the disclosure index of internal control. Thus, multiple regression analysis is utilized to analyze the results. Multivariate results indicate that corporate disclosure is positively and significantly associated with board independence. However, it is important to acknowledge some limitations of the study.

Adebayo et al *(2023)* investigated the influence of board composition on voluntary disclosure of quoted manufacturing firms in Nigeria from the period of 2015 to 2019. Thirty- three (33) were purposively selected for the purpose of this study. Information was produced from content analysis of yearly reports. Panel fixed effect model, correlation matrix and descriptive statistics were employed in the estimation. The estimation of the fixed effect model shows board independence have positive and significant connection on the level of voluntary disclosure.

Fabrício, *et al* (2022) studied the relationship between the presence of women on the board of directors (BOD) of Brazilian companies and the firms' disclosure and participation in projects or initiatives to reduce greenhouse gas (GHG) emissions. The research used an adaptation of the model by Ben-Amar *et al.* (2017), added two other gender variables and analyzed a sample of 42 companies listed on the Brazilian stock exchange that participate in the Brazilian GHG protocol program. As for the models with the variables of interest, the most significant was the female percentage, Blau's index, the dummy of female presence, the number of women on BOD, total years with the woman on board and the number of committees the board women were. The results for the sample showed that there is a positive relationship between the presence of women on the BOD and the likelihood of participation disclosures.

Eka *et al* (2020) examined the effect of managerial ownership, and institutional ownership on company disclosure. This study's population is manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. As of 2019, there are 143 companies listed on the Indonesia Stock Exchange. The research sample of 54 companies. Data analysis methods used are multiple regression analysis, simultaneous significance test, and partial significance test. Simultaneous significance test results show that managerial ownership, and institutional ownership have a significant effect on corporate disclosure. The study focuses on data from 2017 to 2019. As corporate practices and disclosure norms may have evolved over time, the inclusion of more recent data could strengthen the relevance and applicability of the findings.

Arianpoor *et al* (2023) assessed the relationship between ownership structures and future-oriented disclosure. A total number of 197 firms were assessed in this study during 2014–2021. Two measures were used for MICW. First, the number of existing MICW was assessed in independent auditors' reports. In Iran, the maximum number of weaknesses is 13. Second, the scoring (0 or 1) method was used as a dummy variable, 1 for a firm with MICW and otherwise 0. Moreover, the scoring (0 or 1) method was used to measure the level of future-oriented disclosure of 13 indicators. The study adopted logisitic regression. The findings showed that institutional ownership and managerial ownership have a significant positive effect on future-oriented disclosure. While the study mentions future-oriented disclosure, it would be beneficial to provide a clear definition or specify what aspects are considered in future-oriented disclosure. Detailing the indicators and their relevance to the study would enhance understanding.

3. METHODOLOGY

This study adopts an ex post facto research design, which is appropriate when the researcher seeks to investigate causal relationships between variables without manipulating the independent variables.

The population for this study comprises all fifteen (15) Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group (NGX) as of 2023. Given the relatively small and manageable population size, the study adopts a census sampling technique.

This study utilized secondary sources of data to examine the effect of corporate governance attributes on the audit reports of listed Deposit Money Banks (DMBs) in Nigeria. The data were extracted from Audited Annual Reports and Financial Statements of the selected DMBs for the period 2014–2023. This study employs the panel regression model as its primary data analysis technique.

Model Specification

$$FI_{it}=\alpha 0+\beta_1 BFE_{it}+\beta_2 BI_{it}+\beta_3 BGD_{it}+\beta_4 ACMT_{it}+\beta_5 MO_{itit}+\beta_8 FS_{it}+\beta_9 PROF_{it}+\varepsilon_{it}$$

Where:

FIit: Financial Information

0α0: Constant term

β1−β9: Coefficients for the explanatory variables

BFEit: Board Financial Expertise

BIit: Board Independence

BGDit: Board Gender Diversity

ACMTit: Audit Committee Meetings

MOit: Managerial Ownership

FSit: Firm Size (Control Variable)

PROFit: Profitability (Control Variable)

μi: Unobserved individual (firm-specific) effect

εit: Idiosyncratic error term

4 RESULT AND DISCUSSIONS

Table 4.1: Descriptive Statistic

Variable	Obs	Mean	Std. dev.	Min	Max
FI	150	0.54661	0.177899	0.088889	0.888889
BFE	150	0.667231	0.119409	0.409091	0.916667
BI	150	0.348436	0.150234	0.0241	0.733015
BGD	150	0.098413	0.109012	0	0.5
ACMT	150	4.140741	0.443241	4	6
MO	150	0.069477	0.061121	0.000119	0.185553
FS	150	7.265875	0.758001	5.2473	8.5891
PROF	150	0.035799	0.023503	0.002512	0.095696

Source Stata output 2025

The descriptive statistics indicate that financial information disclosure (FI) among the sampled Deposit Money Banks (DMBs) is moderate, with an average of 54.7%, though disclosure levels vary considerably across firms. On average, 67% of board members possess financial expertise (BFE), suggesting a strong presence of financially literate directors, which supports effective oversight. Board independence (BI) stands at 34.8%, indicating a moderate presence of non-executive directors, potentially influencing board objectivity. Board gender diversity (BGD) remains low, with only about 10% female representation on average, reflecting a persistent gender gap in governance. Audit committee meetings (ACMT) average just over four per year, aligning with regulatory expectations for quarterly oversight. Managerial ownership (MO) is generally low, averaging 6.95%, which may affect the alignment of managerial and shareholder interests. Firm size (FS) varies significantly, with a mean of 7.27, indicating that larger banks may face greater pressure to maintain robust disclosure practices.

Table 2: Correlation Matrix

Variables	FI	BFE	BI	BGD	ACMT	MO	FS	PROF
FI	1							
BFE	0.45	1						
BI	0.38	0.31	1					
BGD	0.26	0.22	0.35	1				
ACMT	0.41	0.29	0.27	0.2	1			
MO	-0.21	-0.16	-0.14	-0.1	-0.13	1		
FS	0.53	0.44	0.39	0.25	0.37	-0.17	1	
PROF	0.48	0.36	0.3	0.21	0.28	-0.12	0.52	1

Source Stata output 2025

The correlation matrix above provides preliminary insights into the relationships between financial information disclosure (FI) and corporate governance attributes. Financial information disclosure is positively correlated with board financial expertise (r = 0.45), firm size (r = 0.53), profitability (r = 0.48), and audit committee meetings (r = 0.41), suggesting that stronger governance structures and larger, more profitable firms are more likely to disclose comprehensive financial information. These results align with prior findings by Ogbonna et al. (2022) and Okere et al. (2021).

Table 3: Multicollinearity Diagnostic Test

Variable	VIF	1/VIF
FS (Firm Size)	3.21	0.3116
BFE (Board Financial Expertise)	2.78	0.3597
BI (Board Independence)	2.54	0.3937
PROF (Profitability)	2.42	0.4132
ACMT (Audit Committee Meetings)	2.18	0.4587
BGD (Board Gender Diversity)	1.67	0.5988
MO (Managerial Ownership)	1.52	0.6579
Mean VIF	2.33	

The Variance Inflation Factor (VIF) test was conducted to assess the presence of multicollinearity among the independent variables. As shown in Table 3, all VIF values are below the conventional threshold of 10, and the mean VIF is 2.33, indicating that multicollinearity is not a concern in this model (Gujarati & Porter, 2009).

Table 4 Hausman Specification Test

Test	**Chi-Square Statistic**	**Degrees of Freedom**	**p-value**	**Model Decision**
Hausman Test	21.84	7	0.0032	Fixed Effects

The Hausman test evaluates the null hypothesis that the preferred model is Random Effects and that the individual-specific effects are uncorrelated with the regressors. The result $Chi^2(7) = 21.84$, $p < 0.01$ indicates a statistically significant difference between the Fixed and Random Effects estimators. Since the p-value is less than 0.05, we reject the null hypothesis and conclude that the Fixed Effects model is more appropriate for this study. This suggests that time-invariant characteristics of the firms are correlated with the independent variables, justifying the use of the Fixed Effects estimator for consistent and unbiased results.

Table 5 Regression Results

Variables	Coefficient	Robust Std. Error	t-Statistic	p-Value	Significance
Constant (α0\alpha_0)	0.215	0.078	2.756	0.007	**
Board Financial Expertise (BFE)	0.328	0.102	3.216	0.002	***
Board Independence (BI)	0.274	0.118	2.322	0.022	**
Board Gender Diversity (BGD)	0.112	0.093	1.204	0.231	ns
Audit Committee Meetings (ACMT)	0.187	0.089	2.101	0.038	**
Managerial Ownership (MO)	-0.146	0.071	-2.056	0.042	**
Firm Size (FS)	0.295	0.088	3.352	0.001	***
Profitability (PROF)	0.219	0.081	2.704	0.008	**
R-squared	**0.527**				
Adjusted R-squared	**0.491**				
F-statistic (overall)	**14.62**			0	***

The regression results, as presented in Table 5, reveal that corporate governance attributes significantly influence financial information disclosure among listed Deposit Money Banks (DMBs) in Nigeria. Board Financial Expertise (BFE) has a positive and statistically significant effect on financial disclosure ($\beta = 0.328$, $p < 0.01$), indicating that banks with a higher proportion of financially literate board members are more likely to disclose comprehensive and quality financial information. Similarly, Board Independence (BI) is positively associated with financial disclosure ($\beta = 0.274$, $p < 0.05$), suggesting that the presence of independent directors enhances board oversight and transparency.

Audit Committee Meetings (ACMT) also show a positive and significant relationship with financial disclosure ($\beta = 0.187$, $p < 0.05$), which implies that frequent meetings of the audit committee contribute to improved monitoring and financial reporting. Conversely, Managerial Ownership (MO) is negatively and significantly related to financial disclosure ($\beta = -0.146$, $p < 0.05$), suggesting that increased ownership by managers may reduce the incentive to provide transparent financial information, possibly due to entrenchment concerns.

Although Board Gender Diversity (BGD) shows a positive coefficient, the effect is not statistically significant ($\beta = 0.112$, $p = 0.231$), implying that female representation on boards alone may not have a direct influence on disclosure practices. Regarding the control variables, Firm Size (FS) exerts a strong positive effect ($\beta = 0.295$, $p < 0.01$), consistent with the notion that larger firms are under more scrutiny and therefore disclose more information. Profitability (PROF) also has a significant positive relationship with disclosure ($\beta = 0.219$, $p < 0.05$), indicating that more profitable banks tend to be more transparent.

The model explains approximately 52.7% of the variation in financial information disclosure, as indicated by the R-squared value. The F-statistic (14.62, $p < 0.01$) confirms the overall significance of the model. Robust standard errors were used to correct for heteroskedasticity and autocorrelation, thereby enhancing the reliability of the estimates. These findings underscore the critical role of board characteristics, audit oversight, and firm-specific factors in promoting transparency in the Nigerian banking sector.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the effect of corporate governance attributes on financial information disclosure among listed Deposit Money Banks (DMBs) in Nigeria over a ten-year period (2014–2023). Using a panel regression framework with fixed effects and robust standard errors, the analysis revealed that board financial expertise, board independence, audit committee meetings, and managerial ownership significantly influence the level of financial information disclosed by banks. Specifically, the presence of financially literate and independent directors, as well as frequent audit committee meetings, positively contribute to enhanced transparency and disclosure. Conversely, higher levels of managerial ownership were associated with reduced disclosure, likely due to information hoarding or managerial entrenchment. Based on the findings, the following policy and managerial recommendations are proposed:

Regulatory bodies such as the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) should enforce minimum qualifications and continuous training requirements to ensure that boards are composed of individuals with relevant financial expertise.

Policies should be enacted to increase the proportion of non-executive and independent directors on bank boards, as their presence has been shown to significantly enhance disclosure and reduce information asymmetry.

Banks should institutionalize regular and effective audit committee meetings, as these contribute to greater oversight of financial reporting. The frequency and attendance of such meetings should be disclosed in annual reports.

Regulatory authorities should monitor ownership concentration and potential conflicts of interest arising from high managerial ownership, which may compromise transparency.

Although gender diversity did not show a significant direct effect, policies should not only aim at increasing female representation but also ensure that women are empowered to contribute meaningfully to governance and decision-making processes.

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