Corporate Governance and Financial Performance of Listed Healthcare Firms in Nigeria

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Introduction

The role of corporate governance in enhancing financial performance has garnered significant global attention, especially following a series of corporate failures that underscored lapses in governance mechanisms. This study investigates the impact of corporate governance variables, specifically corporate risk management, board independence, and board size on the financial performance of listed healthcare firms in Nigeria over ten years (2012–2021). Financial performance is proxied by Return on Assets (ROA), a widely accepted indicator of a firm's profitability and efficiency in resource utilisation.

Materials and methods

Adopting an ex-post facto research design, the study employed secondary data extracted from annual reports of selected healthcare firms listed on the Nigerian Stock Exchange. Descriptive statistics, correlation analysis, and multiple regression using SPSS software were used to analyse the data and test the research hypotheses.

Results and discussion

The empirical findings reveal a nuanced relationship between the corporate governance indicators and financial performance. The multiple regression analysis shows that corporate risk management ($\beta = -0.163$, $p = 0.299$) had a negative but statistically insignificant effect on ROA. In contrast, board independence ($\beta = -0.236$, $p = 0.011$) and board size ($\beta = 0.285$, $p = 0.034$) had positive and statistically significant effects on ROA. These results suggest that well-structured boards characterized by independence and optimal size are crucial for enhancing the financial outcomes of healthcare firms in the Nigerian context. The model's overall explanatory power was modest, with an R-squared value of 0.202, indicating that 20.2% of the variation in financial performance can be explained by the corporate governance variables considered. The F-statistic was 3.877 with a p-value of 0.015, confirming the overall model significance.

Conclusion

The study is grounded in agency theory, which posits that effective governance mechanisms, such as independent oversight by non-executive directors, mitigate agency conflicts between management and shareholders. The findings support the theoretical assumption that corporate governance plays a vital role in aligning managerial actions with shareholder interests, particularly in sectors as sensitive as healthcare. In light of the results, the study recommends increased attention to the composition and size of corporate boards. It emphasises the need to ensure adequate independence among board members and to adopt optimal board sizes that encourage strategic oversight without incurring inefficiencies. Furthermore, it advocates for the inclusion of equity ownership by board members as a strategic incentive to align their interests with the long-term performance goals of the firms. The study contributes to the growing literature on corporate governance in emerging economies by highlighting sector-specific dynamics in healthcare and offers policy-relevant insights for regulators, investors, and corporate managers aiming to improve firm performance through governance reforms.

Keywords: Corporate Governance, Return on Assets, Board Independence, Board Size, Healthcare Firms