International Journal of Business and Management Review
Vol.11, No.11, pp.1-14, 2023
Print ISSN: 2052-6393(Print)
Online ISSN: 2052-6407(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

Corporate Governance and Debt Financing of Listed Manufacturing Firms in Nigeria

Felix Ebun Araoye
Department of Accounting, Ladoke Akintola University of Technolgy, Ogbomoso, Oyo State, Nigeria. Email: araoyefelix@yahoo.co.uk

Bosede Oladunni Oyesanmi
Audit Department, Obafemi Awolowo University, Ile-Ife, Osun State, Nigeria. Email: dunnioyesanmi@yahoo.com

doi: https://doi.org/10.37745/ijbmr.2013/vol11n11114 Published December 05, 2023

Citation: Araoye F.E. and Oyesanmi B.O. (2023) Corporate Governance and Debt Financing of Listed Manufacturing Firms in Nigeria, *International Journal of Business and Management Review*, Vol.11, No.11, pp.1-14

ABSTRACT: *The study assessed the relationship between corporate governance and capital structure of listed manufacturing firms in Nigeria. The study employed secondary data covering a period of 10 years (2012 – 2021) with sample of 28 listed manufacturing firms. The study obtained annual reports of listed firms from their respective websites and Nigerian Stock Exchange (NSE) Factbook. The data were analysed using pool ordinary least squared and fixed effect model estimation. The findings revealed a significant relationship between the corporate governance and debt financing of the listed manufacturing firms in Nigeria. Specifically, results show that corporate governance variables such as the board size ((t = 2.120 p < 0.05), the board composition (t= 9.288, p < 0.05) and CEO duality (t =2.306, p< 0.005) had positive and significant effect on use of debt funding of listed manufacturing firms in Nigeria. The study concluded that the practice of corporate governance contributes and play significant role in finance decision and enhanced financial performance in Nigeria. Therefore, policy maker should ensure a combination of some mandatory minimum rules and flexibility above the minimum level that will ensure effective financing decision by manufacturing firms in Nigeria.*

KEY WORDS*:* corporate governance, debt, financing, manufacturing, Nigeria

INTRODUCTION

Corporate governance is the stewardship responsibility of corporate directors to provide oversight for the goals and strategies of a company and to foster their implementation (Cornelius, 2005). Corporate governance may thus be perceived as the set of interlocking rules by which corporations,

shareholders and management govern their behavior. These rules refer to individual firm attributes and factors that allow companies to maintain sound governance practices even where public institutions are relatively weak. Such factors may include a corporation's ownership structure, its relationships with stakeholders, financial transparency and information disclosure practices as well as the configuration of its managing boards.

The concept of capital structure describes the proportionate relationship between debt and equity. The debt is majorly made up of long term loans such as debenture, equity includes paid up share capital, share premium, reserves, and surplus or retained earnings. Today, Capital structure is perceived as an important management decision as it greatly influences the owner's equity return, the owners' risks as well as the market value of the shares. Both theoretical and empirical capital structure literature have attempted to explain the determinants of capital structure. Hence, some broad categories of capital structure determinants have been documented in the literature.

The concept of capital structure describes the proportionate relationship between debt and equity. The debt is majorly made up of long term loans such as debenture, equity includes paid up share capital, share premium, reserves, and surplus or retained earnings. Today, Capital structure is perceived as an important management decision as it greatly influences the owner's equity return, the owners' risks as well as the market value of the shares. Both theoretical and empirical capital structure literature have attempted to explain the determinants of capital structure. Hence, some broad categories of capital structure determinants have been documented in the literature.

Nigerian industries, just like industries in many developing countries, are characterized by their inability to revolutionize or transform production. Manufacturing in developing countries in general and Nigeria in particular, consists largely of a handful of factories producing construction material, clothing, textiles, footwear and processed foods using simple assembly processes.

Capital structure is described in the literature as really important for a company because it will affect the financial health of a company. It is about how a company chooses between debt and equity to finance its business activities (Heng, Azrbaijani, & San, 2012). There are consequences in choosing more debt or more capital. Choosing the wrong combination of capital structure can lead to financial distress (Heng et al., 2012). Most empirical researches for firms on developed and developing market has focused on the determinants of capital structure and many variables have been duly identified such as size and age of the firms, investment opportunity and financial market condition etc. In the finance literature, there is an emergence of corporate governance as a key factor that has effect on the capital structure of firms. This new construct in the literature has been explored extensively in the developed countries.

Past studies on corporate governance and capital structure focused on multinational firms, food and beverages, non-financial firms and including all listed firms (Osazee & Aigbedo, 2019; Bamidele Oyetade & Adegbie, 2022; Kajola, Olabisi & Fapetu, 2019). Other studies on corporate governance in Nigeria also

only paid attention to financial performance of companies in Nigeria (Kalu 2016; Araoye 2020). However, since little has been done to specifically look at quoted manufacturing firms in Nigeria, this study will address the gap by venturing into examining the effect corporate governance on the capital structure of listed manufacturing firms in Nigeria.

Objectives of the Study

The broad objective of this study is to evaluate the effects of corporate governance practices on capital structure of publicly quoted manufacturing firms in Nigeria. These will be achieved by means of the following specific objectives which are set to:

1. assess the relationship between duality and debt financing of listed manufacturing firms in Nigerian
2. evaluate the effect of board composition on debt financing of listed manufacturing firms in Nigerian
3. analyze the effects of board size on debt financing of listed manufacturing firms in Nigerian

Research Hypotheses

The following null hypotheses were tested in this study

- H_o There is no significant relationship between duality and capital structure of manufacturing firms in Nigerian stock exchange
- H_o There is no significant effect of board composition and firms' capital structure of manufacturing firms in Nigerian stock exchange
- H_o There is no significant influence of board size on capital structure of manufacturing firms in Nigerian stock exchange

LITERATURE REVIEW

Conceptual Review

Corporate governance is a philosophy and mechanism that entails processes and structure which facilitate the creation of shareholder value through management of the corporate affairs in such a way that ensures the protection of the individual and collective interest of all the stakeholders. Sound corporate governance principles are the foundation upon which the trust of investors and lenders is built. Good corporate governance practices may have significant influence on the strategic decisions of a company, e.g. external financing, that are taken at board level. Therefore, corporate governance variables like size of board, composition of board, skill set at board and CEO/Chair duality may have direct impact on capital structure decisions.

Capital structure describes the proportionate relationship between debt and equity. While debt is majorly made up of long term loans such as debenture, equity includes paid up share capital, share premium, reserves, and surplus or retained earnings. Therefore, a company can finance its

investments by debts and/or equity. The pioneering work of Modigliani and Miller (1958) commonly known as the MM theory, on capital structure led to the development of several other theories bent on explaining the basic determinants of the capital structure in firms.

The exact structure of the corporate governance of any given institutions will determine what right, responsibility and privileges that are extended to each of the corporate stake holders and to what degree each stakeholder may enjoy or exercise their right (Adeyemi, 2011). Good corporate governance is the rules and practices that govern the relationship within the managers and shareholders of corporations, as well as stakeholders such as employees and creditors, which contribute to growth and financial stability by underpinning market confidence, financial integrity, and economic efficiency (OECD 2004). The extant literature identified the main characteristics of corporate governance to include board size, board composition, CEO duality, tenure of the CEO and CEO compensation among others.

Theoretical Review

Corporate and Personal Taxes Theory

Theoretical Review of Capital Structure Several studies have been conducted to examine the theory of capital structure. One of these studies was carried out by Modigliani and Miller (1958), Modigliani and Miller (MM) Theory illustrates that under certain key assumptions, firm's value is unaffected by its capital structure.

The Bargaining Based Theory

This theory of capital structure was pioneered by Hart and Moore (1989), and an extension followed by Bolton and Scharf Stein (1991). According to this theory, the firm's capital structure influences potential future negotiations between the firm and its investors, and the anticipation of such negotiations, in turn, influences financial decisions.

The Static Trade-off Theory

This theory postulated that the tax-deductibility of interest payment induces a company to borrow up to the margin where the present value of interest tax shield is just offset by the value loss due to agency cost from issuing risky debt as well as the cost of possible liquidation or re-organization. This hypothesis by Miller (1977) is based on the proposition that the optimal leverage ratio of the firm is determined by the tradeoff between current tax shield benefits of debt and higher bankruptcy costs implied by the higher degree of corporate indebtedness.

Agency Costs Theory

The theory states that an optimal capital structure can be obtained by trading off the agency cost of debt against the benefit of debt. Agency costs are costs due to conflicts of interest and have its origin in the work of Berle and Means in 1932 where it was noticed that the separation of ownership and control gives managers the opportunity to pursue their interest against owners' interest. It was later developed by Jensen and Meckling in their 1976 publication.

Empirical Review

Some researchers had carried out studies on the subject of corporate governance and capital structure in developed and developing countries including Nigeria with different findings for policy-makers attention. Shijun (2007) examined the relationship between board composition and firm's performance. The sample included 1252 firms during the years 1996 to 2006. The study used the return of assets (ROA) and shares as criteria for measuring performance and also the variables board size and proportion of outside directors for measuring board composition. The results showed that there is a positive relationship between board size and proportion of outside directors with the performance of firm.

Aminu and Muritala, (2018) investigates the effect of corporate governance mechanisms on capital structure of Nigerian listed firms for the period 2012-2016. The study uses panel corrected standard errors (PCSEs) and three-stage least squares (3SLS) models to analyze the relationship between corporate governance mechanisms and capital structure of non-financial firms listed in Nigeria. The study found that board size, board meeting, managerial ownership and block-holder ownership are negatively related to the total debt ratio, whereas firm age and firm growth are positively related.

Bodaghi and Ahmadpour (2010) collected data from 50 Iranian firms listed at Tehran Stock Exchange to examine the relationship between corporate governance and capital structure. They concluded a negative relationship between board size and debt to equity ratio. Authors also found that CEO duality does not significantly influence corporate financing behavior.

The study of Saad (2010) obtained sample of 126 firms to investigate the relationship between corporate governance and capital structure in Malaysian public listed companies from four industries for the period 1998 to 2006. Through the use of multiple regression analysis, it was discovered that there is a negative relationship between CEO duality and capital structure, and positive relationships between board size and capital structure.Rehman, Rehman and Raoof, (2010) investigates the relationship between corporate governance and capital structure of randomly selected 19 banks of Pakistan from 2005-2006. They found a positive relationship between board size and capital structure. Vakilifard, Gerayli, Yanesari, and Ma'atoofi, (2011) took data of firms from Tehran Stock Exchange (TSE) over the period 2005–2010 to examine the effect

of corporate governance on capital structure of listed firms in Iran. The study found a positive relationship between CEO duality and leverage, and a negative relationship between board size and leverage.

Hadeel and Asmaa, (2015) examine the effect of corporate governance on capital structure of listed firms in Jordan. The study used a sample of annual observations for publicly owned companies that have selected from pool of firms listed in Amman Stock Exchange (ASE) between 2005 and 2011. Regression analysis was adapted to carry out the analysis of data obtained. The result shows that funds and institutional holdings has a negative and significant impact on leverage, suggesting that financial leverage degree decreased with the increased monitoring power of funds and institutional stockholdings. Vijayakumaran and Vijayakumaran, (2019) examines the impact of corporate governance on capital structure decisions based on a large panel of Chinese listed firms. Generalized Method of Moments (GMM) estimator was used to control for unobserved heterogeneity, endogeneity, and persistency in capital structure decisions. The result revealed that the ownership structure plays a significant role in determining leverage ratios and that managerial ownership has a positive and significant impact on firms' leverage.

METHODOLOGY

This study adopted a descriptive research method. The design established the association between variables of capital structure and corporate governance. The study analysed the relationship between dependent and independent variables. The analysis of board size, board composition and control variables of size (in assets), age and return on assets extracted from financial statement are regressed with Debt equity ratio using static panel data model.

The population for the study includes all manufacturing firms listed on Nigeria stock market. A purposive sample of 28 firms was obtained from 68 manufacturing firms listed on the Nigeria capital market as at December 2021.

The study adopts Secondary data in obtaining data from annual report of sampled firms from their respective websites and relevant Nigerian Stock Exchange publication. The study used a panel data to carry out the analysis of 28 manufacturing firms listed on the Nigeria stock exchange market over the 10 years period from 2012-2021. A hierarchical regression analysis was used to test the hypotheses and the data were analyzed using the multiple regression estimation techniques.

Model Specifications

This study employs multiple regression analysis in a panel data framework to measure the dependence of capital structure on corporate governance variables. This model is consistent with the work of Abor, (2007) and as adopted by Araoye and Olatunji (2019).

The general form of model for the study is stated as follows:

$$Debt\ –to-\ Equity = f(bod, Dua, Outdr, lage, roa, tang, gwth, lnas) \quad \ldots\ldots (i)$$

$$Debt\ –to-\ Equity = \alpha + \beta_1 lbod_{it} + \beta_2 Dua_{it} + \beta_3 Outdr_{it} + \beta_4 lage_{it} + \beta_5 roa_{it} + \beta_6 tang_{it} +$$

$B_7 gwth_{it} + B_8 lnas_{it} + \varepsilon_{it}$ ……*(ii)*

Where:

bod_z = *board size*
Dua= CEO duality
Outdr= board composition
Age =age of the firm
Roa = return on asset
Gwth = growth prospect
Tang = tangible assets

Measurement of Variables

Debt to equity; ratio of book value of debt to equity
bod_z; is the number of board members,
Dua_{it} ; is CEO duality; 1 if the CEO is also chairman of the board, 0 otherwise.
Outdr ; is the percentage of outside directors of board,
$lage_{it}$;is the number of years in business,
roa_{it} Return on Assets that is income before tax and interest to total assets,
$tang_{it}$ is the ratio of tangible assets to total assets,
$Size_{it}$ is measured by the log of total assets
$gwth_{it}$ is the growth prospect measured by the value of equity divided by book value of equity.

RESULT AND INTERPRETATION

Descriptive Analysis

Table 4.1 Descriptive Analysis of Variable

Descriptive analysis Variable	Minimum	maximum	mean	Median	Std deviation	skewness	Kurtosis
Debt-to-equity(dq)	0.01	26.75	0.32	0.48	3.7	5.21	22.42
%Outdir	00	1.00	.64	0.68	0.21	-0.47	2.97
logB-size	0.65	0.72	.71	0.69	0.06	-0.48	2.59
Dual	00	1.0	.92	1.00	0.25	-2.74	12.21
Lnas	7.75	12.54	9.4	8.37	0.72	0.09	2.96
Age_i	.00	1.76	1.34	1.45	0.26	-1.43	6.19
ROA	-7.05	4.40	0.22	0.14	0.65	-1.85	45.54
$TANG_i$	0.04	45.05	1.97	0.97	4.41	5.49	39.79
$Gwth_i$	0.07	174.12	5.1	1.95	12.55	7.82	68.53

Source:Author's computation (2023)

Table 4.1 shows that debt to equity has the highest mean among capital structure variables. The mean for total debt to asset ratio is 0.32 showing that 32% of asset of firms in the sample are represented by total debt. For corporate governance variables board size has a mean of 71% which shows that most firms has a mean of 11directors and most firms (92%) have the CEO doubling up as director. The mean figure for non executive (outside) is 64% with a median of 68%. This result indicates the compliant of listed firms to code of corporate governance in Nigeria. This is above the threshold of 30% established standard and requirement for Non executive directors who must be on the board.

Econometric Analysis Test

Multicollinearity

Table 4.2 Variance Inflation Factor and Tolerance test (Collinearity Statistics)

Variable	VIF	Tolerance
%Outdir	1.021	0.761
logB-size	1.052	0.814
Dual	1.142	0.672
Lnas	1.026	0.742
$lage_i$	1.096	0.812
Roa	1.121	0.651
$TANG_i$	1.201	0.805
$Gwth_i$	1.024	0.735

Source:Author's computation (2023)

Multi-collinearity was used to check whether there was any relation among independent variables. The results in table 4.2 reveal that there is no multicollinearity problem because the VIF for each independent variable is less than 10 and none of the tolerance level is < or equal to 1.

Unit Root Test Using Constant/Individual Effect

Table 4.3: Ho = Unit root at level

Variables	ADF-Fisher Chi-square		Levin, Lin and Chu	
	Statistics	Probabilities	Statistic	Probability
Debt-to- equity(dq)	52.6524	0.0000	-7.0092	0.0000
Lev	267.279	0.0000	-22.9816	0.0000
%Outdr	278.905	0.0001	-24.9598	0.0000
Lbod	265.059	0.0000	-21.9481	0.0000
Dual	316.129	0.0000	-74.6800	0.0000
Lnas	262.206	0.0000	-12.4965	0.0000
$lage_i$	241.000	0.0000	-14.3273	0.0000
Roa	287.612	0.0000	-329.602	0.0000
$\boldsymbol{TANG_i}$	21.4008	0.0000	-4.6207	0.0000
$\boldsymbol{Gwth_i}$	21.6220	0.0000	3.2176	0.0000

Source: Author's computation (2023)- Eview 7.1

The panel unit root test is carried out using ADF- Fisher Chi-Square Panel unit root test. Table 4.3, at the constant/individual effects, the results indicate that the unit root hypothesis is rejected for all the variables. This implies that each of the panel data series does not contain a unit root. They are stationary at level. The stationarity of the variables may have resulted from the cross-sectional nature of the data and that the data are not subject to time variation.

A Test of Relationship between Corporate Governance and Capital Structure

Correlation Analysis

Table 4.4 Correlation Matrix of the Main Variable

Correlation									
t-Statistic									
Probability	**AGE**	**Debt- equity**	**lbod**	**dual**	**outdir**	**lnas**	**tang**	**gwth**	**ROA**
AGE	1.000000								

Debt-equity	0.216366	1.000000							
	6.153584	-----							
	0.0000	-----							
Lbod		0.092066	1.000000						
		3.426781	----						

		0.0001	------						
Dual	0.052698	0.261848	0.261848	1.000000					
	1.465302	3.533566	7.533566	-----					
	0.1432	0.0000	0.0000	-----					
Outdir	-0.047268	0.069677	0.141848	0.015890	1.000000				
	-1.313957	3.939417	4.042566	0.441259	-----				
	0.1893	0.0005	0.0000	0.6591	-----				
Lnas	-0.023896	0.100540	0.24378	-0.060862	0.949563	1.000000			
	-0.663708	2.805895	3.26751	-1.693075	84.08299	-----			
	0.5071	0.0005	0.0000	0.0908	0.0000	-----			
Tang	0.031816	0.029949	0.34567	0.004342	0.350955	0.309352	1.000000		
	0.883866	1.831954	2.61423	0.120571	10.40688	9.032837	-----		
	0.3770	0.0001	0.0000	0.9041	0.0000	0.0000	-----		
Gwth	-0.023619	0.100496	0.42612	-0.060683	0.949838	0.999816	0.309544	1.000000	
	-0.656009	2.804655	3.45610	-1.688098	84.33124	1448.681	9.039034	-----	
	0.5120	0.0052	0.0000	0.0918	0.0000	0.0000	0.0000	-----	
ROA	-0.057591	0.028408	0.35421	0.125170	0.090298	0.047904	0.026172	0.047638	1.000000
	-1.601777	1.789126	1.92756	3.503134	2.517573	1.331685	0.726962	1.324266	-----
	0.1096	0.0001	0.0000	0.0005	0.0120	0.1834	0.4675	0.1858	-----

Source:Author's computation (2023)

Table 4.4 shows pair-wise correlation between the corporate governance components, capital structure and firms' characteristics for the cross-section of 28 firms in the sample over the period of ten (10) years. The correlation results show individual relationship among different variables. All the variables (board size, CEO duality and board composition) are positively correlated with capital structure proxy by debt to equity. The rest of the variables are positively related with capital structure. It means that if the variable increases then capital structure would also increase in same direction.

The correlation shows that the capital structure measures (Debt-equity ratio) and the corporate governance measures have a correlation with each other. The correlation between debt-equity and corporate governance measures are also very high and all statistically significant at one percent.

Corporate Governance and Debt to Equity Ratio

Table 4.5 Regression

	OLS	*Fixed effects*	*Random effects*	*F-statistic*	*3.93798*
	Debt to Equity	*Debt to Equity*	*Debt to Equity*	*Prob(F-statistic)*	*0.000000*
Constant	*0.316 (-1.177)*	*14.902 (3.448)*	*11.138 (6.597)**	*Durbin-Watson stat*	*1.242403*
Lbod	*0.334 (2.745)***	*1.333 (2.120)***	*0.208 (2.779)***		
Dual$_i$	*6.900 (-2.837)**	*1.535 (2.306)**	*-1.220 (-2.127)**		
Outdir	*-0.103 (-7.840)**	*-0.388 (-9.288) **	*-1.511 (-9.679)***		
Age$_i$	*0.001 (1.111)*	*0.073 (0.0421)*	*-0.004 (-0.027)*		
ROA	*-0.046 (-2.601)***	*0.639 -(2.561) **	*0.400 (-3.918)***		
TANG	*0.132 (2.347)**	*(0.202) (3.093)* *	*1.041 (1.936)**		
Gwth	*0.043 (2.074)*	*0.043 -(2.074) **	*0.043 (2.074)*		
Lnas	*0.043 (2.074)*	*1.771 (3.267) ****	*0.043 (2.074)*		
Obs no	*280*	*280*	*280*		
Adj R^2	*0.42*	*0. 62*	*0.34*		

Source: Author's computation (2023)- Eview 7.1

Note: *, **.and *** indicate significance at 1%, 5%, and 10% levels

The regression result indicates that capital structure measured by debt to equity are related to the corporate governance measures, that is, the board size, CEO duality and ratio of outside directors as reported by previous studies. The table presents the results from the panel regression of capital structure on corporate governance scores along with other control variables. The study reports three estimation that is OLS, fixed effect and random effects and it is interesting to note that in general, the results are robust for all three evaluation methods. Pool OLS, fixed effect and random effect models indicate that corporate governance measures have significant effect at 1% and 5%.level- both positive on firm capital structure. Though, the co-efficient of corporate governance are weak, many of the control variables are significant also in predicting debt to equity (significant at p = 0.01, 0.05).

The results show that there is a significant association between board size (measured by log of number of board members) and capital structure. The board size coefficient is positive and statistically significant at the 0.01 level which indicates a significant positive relationship between board size and debt to equity. This result is consistent with earlier studies (Rajendran, 2012; Wen, 2002; Noriza, 2010). A unit increase in board size will lead to 1.333 unit increase in debt financing suggesting that large board size adopts high debt policy. This result shows a positive and

statistically significant (t = 2.120) relationship between board size and debt to equity. This finding suggests that large boards, which are more entrenched due to superior monitoring by these bodies, pursue higher leverage to raise company value.

Also, the results indicate a significantly positive relationship in CEO duality and debt to equity. The coefficient of dual in the model is positive (1.535) and is significant (t =2.306) at the 0.01 level. This result is not surprising because, most manufacturing firms (93%) on the NSE has the CEO as the director and this concentrates decision making authority on an individual leading to high debt policy for firms on NSE. Furthermore, the empirical result shown in the regression suggests that the number of non-executive director on the board has a negative estimated association with debt to equity in three estimations and it is significant with (t = 9.288). A unit increase in the number of outside directors on board will result in corresponding decrease in debt financing of the manufacturing firms in Nigeria. This result is consistent with the hypothesis that outside directors tend to monitor managers more actively, causing these managers to adopt lower debt for getting good performance results. This finding also might be caused by the possibility that with a higher proportion of outside directors, the board tends to pursue lower debt with a high market value of equity.

The results also show the statistical significance of the other control variables. Consistent with other studies in the literature, tangibility is shown to be positively correlated to debt, although it is not highly significant. Growth represents the growth opportunities of a firm. The result shows that growth is positively correlated to debt and significant. This is in keeping with the trade-off model which implies that growth has a bearing on debt in that those firms with growth opportunities have a propensity to lower debt as growth is typically not a tangible asset against which a firm can borrow. Thus, rather than increasing debt to fund growth, firms rely on equity capital.

Interestingly, the firm size (measured by log of asset) is positive, suggesting that larger firms have higher leverage relative to their assets. This result is consistent with empirical studies which have found leverage to be positively related to company size (Booth et al., 2001; Rajan & Zingales, 1995). In this study a negative and significant relationship is found between debt and profitability. This is in line with a number of prior empirical study of Bevan & Danbolt, (2004).it however, departed and not in congruence with a number of prior empirical studies including Kalu, (2016)

It is very obvious from the result obtained that there is significant relationship between firm's debt financing and the corporate governance variables of board size, CEO duality and outside directors. The result therefore rejects the stated null hypothesis of the study. The overall result as measured by adjusted R^2 which indicates the impact of the independent variable on the dependent variable by which the independent variable explain over 62% of the variance in the capital structure of firms in all the regressions show the fitness of the model. Moreover the results of the regression

analysis reveals that Corporate Governance Practices contributes significantly to Capital Structure ($F=3.938$; $P < 0.05$)

CONCLUSION

The assumption of the empirical work is that the contribution of good corporate governance practices in Nigeria is positive and this was tested by looking at the relationship between some component of corporate governance and capital structure measured as debt to equity ratio. Three hypotheses were used to examine the relationship between corporate governance practices and firms' capital structure. Within the limitation presented by time and absence of comprehensive data base, this study has been able to investigate the impact of corporate governance on capital structure of Nigerian manufacturing firms, and examine the corporate governance mechanism driving firm's choice of capital structure. The study's finding revealed a significant relationship between corporate governance and capital structure of the manufacturing firms in Nigeria. The result shows a positive relationship between debt financing and corporate governance variables (board size, board composition, proportion of non-executive Directors).

The findings in the study, especially when considered with those from other countries suggest that the benefits of particular corporate governance vary depending on firm and country characteristics. This suggests that governance is not one-size fits all. Thus, policy maker should ensure a combination of some mandatory minimum rules (perhaps differing based on firm size) and flexibility above the minimum level.

REFERENCES

Abor, J. (2007). Corporate governance and financing decisions of Ghanaian listed firms, corporate governance. *International Journal of Business in Society*, 7(1), 83-92.

Adeyemi, B. (2011): Bank Failure in Nigeria: A Consequence of Capital Inadequacy, Lack of Transparency and non-performing loans? Banks and Bank Systems 6(1).

Aminu, A. O. and Murtala, S. (2018) the influence of corporate governance mechanisms on capital structure of listed firms in Nigeria, *Open Journals Nigeria*: 1-18.

Araoye F. E. (2020) the impact of audit committee on financial performance of insurance firms in Nigeria, *Research Journal of Finance and Accounting*, 10(14): 10-19

Araoye F. E & Olatunji T E. (2019) board meetings and financial performance of insurance companies in Nigeria, *European Journal of Accounting, Auditing and Finance Research*, 7(9):1-16

Bodaghi A. & Ahmadpour A. (2010). The effect of corporate governance and ownership structure on capital structure of Iranian listed companies. *7th International Conference on Enterprise Systems, Accounting and Logistics.*

Cornelius, P.K. (2005). Good corporate practices in poor governance systems: Some evidence from the global competitiveness report. *Corporate Governance*, 5(3): 12-23.

Hadeel, Y. & Asmaa, A. (2015) Corporate Governance and the Financial Leverage: Evidence from Jordan, *Research Journal of Finance and Accounting* .6(12): 180-188

Heng, T. B., Azrbaijani, S., &San, O. T. (2012). Board of directors and capital structure: Evidence from leading Malaysian companies. *Asian Social Science*, 8(3): 123-136. Available from http://search.proquest.com/docview/1034717089?accountid=31532.

Jensen, M. C. & Meckling, W. H. (1976), "Theory of the firm: Managerial behaviour, agency costs and ownership structure", *Journal of Financial Economics*, 3(4).

Kajola, S.O. (2008). "Corporate governance and firm performance: The case of Nigerian Listed firms, *European Journal of Economics, Finance and Administrative Sciences*, 14.

Kajola, S. O., Jayeola, O. O. & Fapetu, O. (2019). Corporate governance and capital structure decision in Nigerian, EconPaper, 1(2): 50-68.

Kalu, N. N., (2016), corporate governance and profitability of listed food and beverages firms' in Nigerian, ssrn electronic journal doi: 1021391ssrn2760330.

Noriza, M. S. (2010), Corporate Governance and the effects on Capital Structure in Malaysia, *International Journal of Economics and Finance*, 2(1): 105-.113

Osazee, F. O. & Aigbodo, O. O.. (2019). capital of structure and firm Performance in Nigeria: is pecking order theory valid amity *Journal of corporate governance*, 4(2): 13-.16

Rajan, R. G., & L. Zingales, 1995, What do we know about capital structure? Some evidence from international data, *Journal of Finance*, 50,: 1421-1460.

Rajendra, K. (2012), "Effects of Corporate Governance on Capital Structure: case of Srilanka listed Manufacturing companies, , *Journal of Management and Governance*, 4(3).

Rehman, M. A. U., Rehman, R. U., & Raoof, A. (2010). Does corporate governance lead to a change in the capital structure? *American Journal of Social and Management Sciences.*

Saad, N.M. (2010). "Corporate Governance Compliance and the Effects to Capital Structure in Malaysia", *International Journal of Economics and Finance*, 2(1).

Vakilifard, H. R., Gerayli, M. S., Yanesari, A. M., & Ma'atoofi, A. R. (2011). Effect of Corporate Governance on Capital Structure: Case of the Iranian Listed Firms. *European Journal of Economics, Finance and Administrative Sciences*, 35, 165-172.

Vijayakumaran, S & Vijayakumaran R (2019), Corporate Governance and Capital Structure Decisions:Evidence from Chinese Listed Companies *Journal of Asian Finance, Economics and Business 6(3) : 67-79*

Wen, Y., Rwegasira, K., & Bilderbeek, J. (2002). Corporate governance and capital structure decisions of the Chinese Listed firms. *Corporate Governance: An International Review*, *10*(2), 75-83. https://doi.org/10.1111/1467-8683.00271