

CAPITAL STRUCTURE, CORPORATE GOVERNANCE AND COST EFFICIENCY IN DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The study analysed cost efficiency of selected listed financial firms in Nigeria and investigated the influence of corporate governance of selected listed financial firms. It also assessed the mediating role of corporate governance on the relationship between capital structure and cost efficiency of selected listed financial firms in Nigeria. There were with the view to providing information on the relationship among capital structure, corporate governance and cost efficiency in deposit money banks in Nigeria, between 2005 and 2020. The study adopted a descriptive survey design, and employed secondary data of 15 quoted deposit money banks. Data on corporate governance variables such as size, membership, independence and shareholding status; efficiency variables such as assets, profit, share capital; and capital structure variables such as long and short term debts were collected from the annual audited financial statements of the firms and analysed using the stochastic frontier analysis with percentages, t-statistics and probability model. The result showed that average cost of efficiency of the deposit money banks in Nigeria was 54.6%. Also corporate governance variables, such as board size ($t= 2.285, p<0.05$) and board expertise ($t=-2.311, p<0.05$) exhibited significant effect on capital structure. Finally, the result showed that corporate governance variables such as board size ($t=-2.807, p <0.05$), board independence ($t= -2.438, p<0.05$) and board mix ($t=2.5, p < 0.05$) served as intervening variables between corporate governance and cost efficiency were all significant at 5% level. The study concluded that notable relationship existed among capital structure, corporate governance and cost efficiency

Keywords: Capital Structure, Corporate Governance, Cost Efficiency, Deposit Money Banks, Nigeria