Corporate Governance on Stakeholders' Obligations of Non-financial Firms Quoted in Nigeria: Moderating Effect of Firm Size and Liquidity

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Entities exist to create value for, not only their shareholders but all groups of stakeholders that affect and are affected by the entities' activities. Studies have however revealed that companies do fall short of meeting stakeholders' obligations for reasons not unconnected with ineffective corporate governance mechanisms. This study examined the effect of corporate governance on stakeholders' obligations of non-financial quoted companies in Nigeria and the extent to which firm size and liquidity moderate this effect. The study adopted ex-post facto research design and the population comprised 73 companies from the non-financial sectors that have faced financial distress in the period of consideration and shall be classified as failed or financially distressed firms. Using the purposive sampling technique, a sample of 52 delisted or suspended firms were selected for the study using stratified and purposive sampling techniques. The study used data extracted from the annual reports of the sampled companies covering 2008 to 2019. The finding revealed that corporate governance had a significant effect on stakeholder's obligations (Adj R^2 = 0.117, Wald-Test = 32.57, p = 0.000). The study further shows that firm size and liquidity significantly moderated the effect of corporate governance on the stakeholders' obligation of non-financial firms quoted in Nigeria. On the basis of these empirical findings, the study recommended that the management of non-financial quoted firms in Nigeria should properly consider their size and liquidity positions in their corporate governance policy.

Keywords: board independence, board size, CEO duality, corporate governance, institutional shareholdings, managerial ownership, stakeholders' obligations

INTRODUCTION

One of the fundamental key indices to the survival of any corporate organization is solvency and liquidity (Nwaobia & Jayeoba, 2016). These relate to the ability of the firm to meet its debts as they fall due, whether in the short term or long term. A company could meet its obligations in the short term but still face long-term solvency problems, if there are not enough resources to meet long-term debts. Thus, long-

term solvency and financial stability are important determinants of how safe a company is from failure because of its inability to meet its obligations (Nwaobia, Kwarbai, & Fregene, 2019).

There have been several cases of corporate failures in Nigeria involving financial misstatements, falsification of accounting records, infractions of financial statements, a myriad of board room squabbles, weak internal control systems, window dressing, non-filing of returns, etc. Large-scale misappropriation of funds has been reported in Nigeria in the recent past involving private and public organizations such as AVOQP Oil, Niger Steel Company, Anambra State Motor Manufacturing Company, Nigeria Coal Corporation, Cooperative and Commerce Bank, African Petroleum Nigeria Limited, Intercontinental Bank, Dunlop, Michelin Tyres, Cadbury Nigeria Plc and many of new generation banks that could not pass through the recapitalization process (Sagin & Suleiman, 2019; Taiwo, 2018). As a result of this corporate failure, investors' confidence is eroded particularly the authenticity value of these failed companies, likewise, the fear of the unknown in the capital market makes the credibility of companies to be in a state of panic (Ilo, Yinusa, Alimi, Olowofela, & Ajibade, 2016). The impairment in the confidence may also be attributed to a lack of accountability, transparency and disclosure, and unreliable audit work.

Recent literature emphasises the fact that entities do not exist solely for creating value for their investors (shareholders) alone but should strive to meet their obligations to all groups of individuals who affect and are affected by the entities' activities (Freeman, 1984). The obligations of entities to these stakeholders are varied and may include employment generation, community relations and other corporate social responsibilities such as provision of health care facilities and more importantly payment of relevant taxes to the government. Based on this premise, the cost of a corporate failure is usually high; the effects it leaves on the stakeholders is massive, and most times, this cost has negative effects on the nation's growth rate as the entities could not meet stakeholders' obligations, especially in the payment of appropriate company taxes needed for the provision of required infrastructure. This consequently causes the government of the country to intervene in order to rescue such companies.

Corporate governance is a mechanism created at maintaining a balance of interests between corporate investors and stakeholders in a firm. This is a mechanism for managing the firm in order to reduce agency conflicts, increase investor confidence, firm goodwill, shareholder wealth, and investment opportunities. The fundamental objective of corporate governance is to enhance shareholders' value and protect the interests of other stakeholders by improving corporate performance and accountability, hence it harmonizes the need for a company to strike a balance between the need to enhance shareholders' wealth and the need to balance the pluralistic interests of all. It also provides the correct direction to the firm on how the firm should work and be supervised. Corporate governance is established to compel managers to act in the best interest of shareholders and other stakeholders.

In Nigeria, there were regulatory changes through the issuance of different Codes of corporate governance by major regulators which include: Code of Corporate Governance for Public Companies, 2003 issued by Securities and Exchange Commission (SEC); Code of Corporate Governance for Banks Post Consolidation, 2006 issued by Central Bank of Nigeria (CBN); Code of Corporate Governance for Licensed Pension Operators, 2008 issued by Pension Commission (PENCOM); Code of Good Corporate Governance for Insurance Industry, 2009 issued by (National Insurance Commission) NAICOM; enactment of Financial Reporting Council of Nigeria Act (Act No 6 of 2011), which among others created Financial Reporting Council(FRC); Code of Corporate Governance for Public Companies, 2011 issued by SEC and its amendment 2014 and the Code of Corporate Governance for Banks and Discounts Houses in Nigeria and Guidelines for Whistle Blowing in the Nigerian Banking Industry 2014 (Inam, 2016). Other measures include the establishment and publication of the Nigerian Code of Corporate Governance 2018 by the FRC, which reveals the intention of the FRC to regulate corporate governance for private and public companies, not-for-profit organizations, and public interest entities in Nigeria. Despite the regulatory reforms and changes, there have been escalations of corporate failures in Nigeria. The specific problem was that in Nigeria, some company managers lack strategies to improve their understanding of the role of corporate governance in preventing corporate failures and the benefits of improving stakeholders' obligations.

There are numerous studies on corporate governance and shareholder's obligation differently most especially in the financial sector (Ibrahim & Jehu, 2018; Umobong & Ibanichuka 2017; Oyedokun,

Sanyaolu & Bamigbade 2017; Al-Shaer, Salama & Toms, 2017; Kantudu & Samaila, 2015; Onakoya, Ofoegbu & Fasanya, 2011). The studies of Ejeagbasi, Nweze, Ezeh, and Nze (2015); Okolie (2014) examined audit committee and corporate governance together. Furthermore, many empirical studies have been conducted to investigate the moderating effect of liquidity on the relationship between corporate governance and shareholder's obligation and perhaps financial performance in the world (Aimonomhe & Nwaobia, 2020; Mohammed & Elewa, 2016). However, similar studies in the context of Nigeria are very scarce. The research study presents new evidence of this subject, which should attract researchers, practitioners, manufacturers, and managers, but for whom there is less empirical research about the moderating role of liquidity and firm size between corporate governance and stakeholder's obligation. The article contributes significantly to the contemporary literature in many ways. First, it seeks to examine the moderating roles of liquidity and firm size in the corporate governance – stakeholders' obligation relationship which is rare in the literature. The relation between governance and corporate failure has already been proven (Lakshan & Wijekoon, 2012), but testing the moderating effect of these variables is a contribution. Second, the research work opens the discussion in the corporate governance literature through the role of liquidity and firm size as moderators of corporate governance mechanisms.

Section 2, after this introduction, presents a theoretical as well as an empirical review of the literature. Section 3 explains the methodology including measurement of variables, econometric models, and estimation methods. Section 4 presents the analyses, results, and discussions. Section 5 concludes the paper with recommendations of the study and suggestions for future research.

LITERATURE REVIEW

Concepts

Stakeholders Obligations

Stakeholder obligation refers to the belief that companies have responsibilities beyond generating profit for their shareholders. Such responsibilities include the negative duties to refrain from causing harm to the environment, individuals, or communities. This is in addition to the positive duties to protect society and the environment, such as by protecting the human rights of workers and communities affected by business activities, or actively incorporating principles of environmental sustainability into day-to-day business practices. These responsibilities are generally considered to extend beyond direct social and environmental impacts to the more indirect effects resulting from relationships with business partners, such as those involved in global production chains. The classical exposition of the stakeholder model of the company was developed by Freeman (1984) and precedes the popularity and adoption of corporate responsibility by businesses globally (Grayson-Morison & Ramsay, 2014).

The traditional or narrow view of a company's stakeholders is limited to those concerned with the inputs (investors, employees, suppliers) and outputs (customers) involved in maximizing the value of the company and returning profits to shareholders. A wider view, adopted in Freeman's "stakeholder model", defines stakeholders as: "Any group or individual who can affect or is affected by the achievement of the organization's objectives." (Freeman, 1984). This definition is consistent with the view which recognizes value is not only created by "inputs" and "outputs" but also by the relationships between a company and its stakeholders. According to this view, stakeholders should have input into a company's decision-making processes for either instrumental reasons (for example, in order to achieve a buy-in), or for normative reasons because the company has a moral obligation to those stakeholders to involve them in how the company is run (Jensen, 2001).

In this study, stakeholders' obligation is surrogated by company tax payment to the government. The government is seen as the agent/representative of a wider stakeholder community that receives the resources from the entities for distribution to other stakeholders through the provision of social amenities.

Corporate Governance Concept

Corporate governance has no single accepted definition; this is often attributed to the huge differences in countries' corporate governance codes (Mojca, 2016; Solomon, 2010). The definition varies based on

the framework and cultural situation of the country under consideration (Peters & Bagshaw, 2014). Also, the differences in definition can be a result of the different viewpoints from the different perspectives of the policymaker, researcher, practitioner, or theorist (Solomon, 2010).

The term “corporate governance” came into use in the 1980s to broadly describe “the general principles by which businesses and management of companies were directed and controlled” (Dor, Naseem, Rehman, & Niazi, 2011). Dor, et al. (2011) is in cohort with O’Donovan (2003) who defined corporate governance as “an internal system encompassing policies, processes and people which serves the needs of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity and integrity”. In other words, it defines the legal, ethical, and moral values of a corporation in order to safeguard the interest of its stakeholders.

The definition of Fadun (2017) is much more encompassing than O’Donovan (2003) as it defines corporate governance as the manner a board oversees the operation of company management, and how board members are answerable to shareholders. It bestows enormous responsibilities on the board to act responsibly not only to shareholders; but also, to other stakeholders (internal and external). However, OECD, (2014) extends the concept of corporate governance as the system by which business corporations are directed and controlled for the better of stakeholders and shareholders. Furthermore, Ekechukwu, Ugochukwu, and Mbah (2018) proffered that corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. Corporate Governance refers to the way in which companies are governed and to what objective. It identifies who has power and accountability, and who makes decisions. It is, in essence, a toolkit that enables management and the board to deal more effectively with the difficulty of running a company. Corporate governance ensures that businesses have appropriate decision-making processes and controls in place so that the interests of all stakeholders (shareholders, employees, suppliers, customers, and the community) are balanced. Ekechukwu, et al (2018) went further to say that corporate governance goes beyond merely establishing a clear relationship between shareholders and managers.

Corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also includes the relationships among the management, Board of Directors, controlling shareholders, minority shareholders, and other stakeholders. The primary objective of sound corporate governance is to improve corporate performance and accountability and create long-term shareholder value by monitoring those parties within a company that controls the resources owned by investors (Nwonyuku, 2016). The supporting purposes are to ensure that there is a suitable balance of power on the board of directors; make the board of directors responsible for monitoring and managing risk; ensure the external auditors are independent; to increase the level of confidence and transparency in company activities for all investors and thus promote growth; ensure that the company is run in a legal and ethical manner, and build in control at the top that will “cascade” down the organization.

Corporate Governance Structure. Several corporate governance mechanisms have been suggested in the literature. These according to Gillan, Hartzell, and Starks (2007) are categorized into internal mechanisms which include management and its board of directors, charter provisions, inside ownership, block holders, and external mechanisms including market for corporate control, legal and regulatory rules, and investor monitoring. Mechanisms of corporate governance relate to the tools, techniques, and instruments via which accountability is ensured; it is the various medium through which stakeholders monitor and shape behaviour to align with set goals and objectives. Adekoya (2012, p.40) defined a corporate governance mechanism as “the processes and systems by which a country’s company laws and corporate governance codes are enforced”. Osisioma, Egbunike, and Adeaga (2015) in contrast to the categorization by Gillan, Hartzell, and Starks (2007) divided Corporate Governance into external and internal corporate governance. The internal corporate governance covered the public’s interest, employees’ interest, and owners’ interest. While external corporate governance is defined as a mechanism through which governments’ responsibility to control the operations of banks is exercised based on the prevailing bank regulations (Adewoyin, 2012; Gbadebo, 2014). This study considers some Corporate Governance

Mechanisms from the perspective of Board size, Audit committee size, Board independence, CEO duality, Managerial ownership of firms, and Institutional shareholding.

The size of the board of an organization is the number of directors on board of such organization which includes chairman, managing director, company secretary, executive and non-executive directors (Gambo, Bello, & Rimamshung, 2018). Onyali and Okerekeoti (2018) also affirmed that board size represents the total headcounts of directors seating on the corporate board of an organization. It refers to the complete composition of directors either executive, non-executive, independent, or either male or female. Alabede (2016) further defined board size from the effectiveness perspective and not only from the headcounts. He defined board size as the number of people that make up a corporate board and that determine how effective it discharges its fiduciary responsibilities. According to Central Bank of Nigeria (CBN) corporate governance codes (2018), the board size of banks shall be a minimum of seven and a maximum of eleven. These definitions above highlight the totality narrative being an absolute number of persons appointed to serve on the board of a company. There are two distinct schools of thought in relation to the size of a board and a firm's improved financial performance (Onyali & Okerekeoti, 2018). The first school of thought argues that a smaller board size will contribute more to the financial success of the firm (Vo & Phan, 2013) while the second school of thought considers that a large board size will improve a firm's financial performance (Orozco, Vargas & Galindo-Dorado, 2017). The size of the corporate board also affects the manner in which directors conduct their responsibilities (Bello & Kamarul, 2017). This implies that the number of directors on a corporate board may influence the ability of the board to monitor and assess management practices and procedures. Orozco *et al.* (2017) reported that small-size boards are positively related to high firm value.

The audit committee according to CAMA 2020 section 404(3-4) shall consist of five members comprising 3 members and 2 non-executive directors; and all the members of the committee shall be financially literate; and at least one member shall be a member of a professional accounting body in Nigeria established by an Act of the National Assembly. The Companies and Allied Matters Act, 2020 ("**CAMA 2020**") has changed the previous provisions in the repealed **CAMA** on the composition of the statutory audit committee for public companies. In the repealed **CAMA**, the composition of the audit committee of public companies was six (6) members with an equal number of shareholders and directors. However, in **CAMA 2020**, the audit committee of a public company should have 5 (five) members i.e., 3 (three) shareholders and 2 (two) non-executive directors with at least one member being a member of a professional accounting body in Nigeria established by an Act of the National Assembly.

The SEC code 2003, stipulates that the audit committee should be established in accordance with CAMA 2020 Section 401 – 404. CBN code provides that the audit committee should compose of non-executive directors and shareholders of equal number subject to a maximum of six members. Kabir (2009) cited Nadler, Behan, and Nadler (2006), saying that audit committees are responsible for overseeing the financial reporting process, reviewing the adequacy of a company's financial control system, and ensuring the objectivity of the external audit. Similarly, on the quality of the audit committee, evidence exists that associates the audit committee with an important role of detecting and preventing management fraud through handling an important audit task. In other words, an ineffective audit committee may contribute to the existence of management fraud.

Board independence refers to the proportion of non-executive directors on the board to the total number of directors on the board. Prior studies (Müller, 2014; Uzi, Halim & Julizaerma, 2016; Zabri, Ahmad & Wah, 2016; Alshetwi, 2017; Rashid, 2018; Naciti, 2019) have used the terms "independent directors", "outside directors" and "non-executive directors" interchangeably to describe board independence. Notwithstanding, board independence describes the intensity of independent/non-executive directors' presence in corporate boards (Zabri et al., 2016; Rashid 2018). Alshetwi (2017) and Abdelkarim, Zuriqi (2020), and Ideh, Jeroh, and Ebiaghan (2021) assert that the level of independence of corporate boards largely determines the extent of corporate boards' abilities to make independent judgments irrespective of possible conflicting interests between those of shareholders and the management team of their respective organizations. Board independence is therefore measured with reference to the number of non-executive directors in identified corporate boards by specifically weighing its proportion to total board size.

The concept of Chief Executive Officer (CEO) duality is the practice of one person serving as both the CEO and chairperson of the board of directors. Okoro (2019) defined Board Duality as when the chief executive officer of the corporation is as well holding the function of the chairman of the board of directors. Vintilă (2013) further viewed CEO duality as the situation when the CEO also holds the position of the chairman of the board. It is leadership strategy or structure of an organization whereby the CEO also serves as the chairman of the same company's board of directors (Emira, 2015). Further, CEO duality refers to a governance structure in which one executive serves as the CEO and the chairperson of the corporate board of directors of the company (Abebe, Angriawan, & Liu, 2010; Chien, 2008; Krause, Semadeni, & Canella, 2013; Lawal, 2012). The key factor of CEO duality in relation to corporate governance and firm performance is the notion of CEO power. According to Mueller and Barker (1997), a powerful CEO can command a strong and unambiguous organizational leadership, which could result in good organizational performance. However, while some concentration of CEO power (e.g., CEO duality) positively affected firms' values and operating performance (Carty, 2012), too much CEO power (e.g., CEO plurality, defined as a CEO who is also chairperson and a member of compensation committees, audit committees, or nominating committees) has brought negative effects on operations and values of organizations (Harjoto, 2008).

According to Saidu and Gidado (2018), managerial ownership is a situation where the managers own shares in the firm they manage, in other words, they serve as managers of the firm and as well as the company's shareholders. The definitions above look at the possession of shares from an insider perspective which is not different from the shares held by those at the helm of affairs, (the managers of the company). This implies that managerial ownership means the amount of share either in naira amount or units of shares held by those who manage the affairs of the business where they act as an agent of the public (shareholders). Agustia, Dianawati, and Indah (2018) conceptually defined managerial ownership as the percentage of shares held by the management who actively participates in corporate decisions including the commissioners and directors. According to Agustia *et al.* (2018) further stated that managerial ownership allows managers to dominate the company and decide which strategies and policies the company will take because in this case the manager also acts as a shareholder.

Institutional ownership or shareholders are defined as block shareholders who are able to supervise and monitor the firms in which they have ownership. Their monitoring activities can be efficiently performed because they have financial incentives due to their stakes in these companies (Pound, 1988). Likewise, institutional investors are organizations that marshal large sums of money that they invest in companies. They take the form of banks, mutual funds, or insurance companies, among others. Institutional investors are known to play a very critical role in the debate on a company's shareholder value creation as they will always strive to maximize shareholder value (Hellman, 2005). According to Brickley, Lease, and Smith, (1988) and Kochhar and David (1996), institutional investors can be categorized into two major groups namely: pressure-sensitive institutional investors and pressure-resistant institutional investors. Pressure-sensitive institutional investors refer to those institutional investors who are likely to have both investment and business relationships with firms in which they hold equity; they include insurance companies, banks, and non-bank trusts. For such investors to protect their business relationships, they may be less willing to vote against the decision brought forward by the management.

Moderating Variables

Firm Size. Firm size has been viewed as a key variable in explaining corporate financial performance with many studies assessing the influence of firm size on identified criterion variables (Eyigege, 2018). Muigai (2017) defines firm size as increase in a specific amount, e.g., growth of certain parameters such as sales, production, or exports and conceptualized that firm growth establishes the size of a firm. Shaheen and Malik (2012) viewed firm size as the quantity and array of production capability and potential a firm possesses or the quantity and diversity of services a firm can concurrently make available to its clients. The size of a firm is very essential in today's world due to the phenomenon of economies of scale. Bigger firms can manufacture items on much lower costs in contrast to smaller firms. Firms of the modern era look to

increase their size so as to get a competitive edge on their competitors by lowering production costs and increasing their market share.

Firm size plays a significant role in explaining the kind of relationships the firm has within and outside its operating environment. Babalola (2013) argued that the larger a firm is, the more the influence it has on its stakeholders, and so large firms tend to outperform small firms. Coad and Hölzl (2012) refers to firm size as a reference indicator for the determination of firm growth.

Nwaobia, Kwarbai and Ogundajo (2016) believed that larger firms have the resources and incentives to decrease corporate tax as they possess sufficient resources and better opportunities to undertake tax planning strategies, for example, through utilizing the tax incentives available to them. Again they have a pool of diverse human resources that could be incorporated into the governance structure to retrain the opportunistic behaviour of managers.

In this study, firm size is measured in terms of an entity's asset base and used as a moderator in the corporate governance – stakeholders' obligation relationship.

Liquidity. The liquidity level of a company enables an entity to fund increases in assets and meet obligations as they fall due (Kiptoo & Maniagi, 2020). Liquidity connotes the company's ability to fulfill its obligations, to both shareholders and a wider community of stakeholders (Ongore & Kusa, 2013). An illiquid company cannot meet obligations to stakeholders as the need arises. Farhan, Alhomidi. Almaqtari and Tabash (2019) submitted that liquidity implies the ability of a firm to meet its short-term liabilities. It plays a vital role in smoothing all operations of a firm. Abdulla, Atheer, and Delan (2017) posited that a requirement for effective liquidity management is to have both strong internal and external controls systems over daily operations; it calls for having contingency plans in place to contain unexpected liquidity challenges.

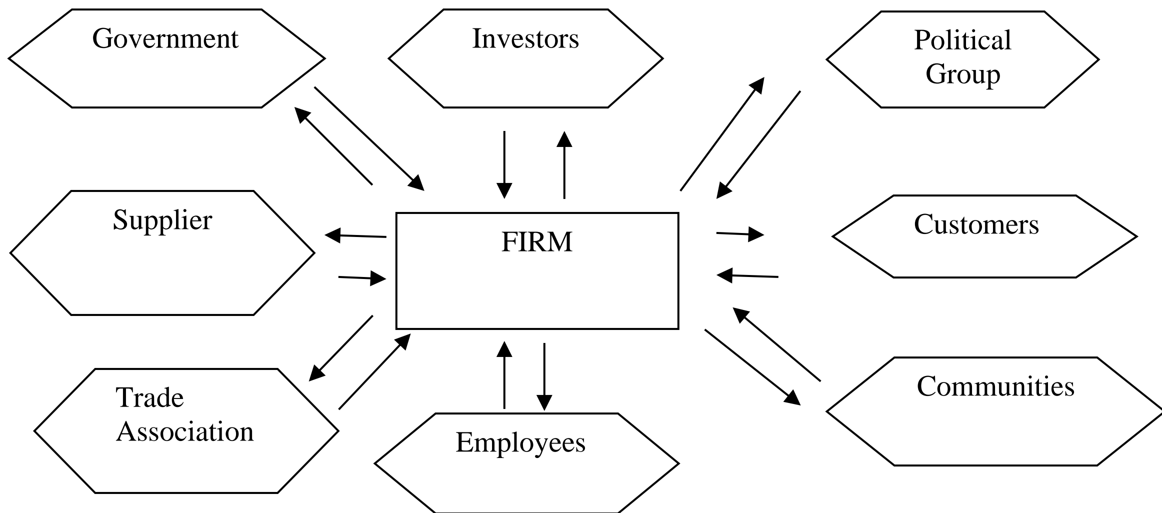
The quick ratio and current ratio are considered to be the standard measures of the liquidity position of a company (Karani, 2014). The current ratio measures the ability of an entity to meet short-term obligations with its short-term assets. Generally, when the current ratio is high, then the firm's ability to pay back its short-term obligations is good. Nassirzadeh and Rostami (2010) are of the view that companies can survive and serve the economy of a county with low or zero profitability but can hardly do so without liquidity. This study employed the current ratio as a surrogate of liquidity and a moderating variable for the purpose of analysis.

Theoretical Framework

Stakeholder Theory

The stakeholder theory is rooted in the works of Richard Freeman, who first introduced it into the management theory as a criterion for effectiveness in Corporate Governance. Freeman (1984) defines stakeholders as "any group of individuals who can affect or is affected by the achievement of the stakeholder's commitment". Sundaram and Inkpen (2004) suggest that "Stakeholders attempts to address the question of which groups of stakeholders deserve and require management's attention". Donaldson and Preston (1995) present a diagrammatical representation of the stakeholder model as shown below:

FIGURE 3
THE STAKEHOLDER MODEL



Adopted from Donaldson and Preston (1995).

The diagram above portrays the number of groups with interest in (or relationship with) the firm. The explanation is that under this model, all persons or groups that have legitimate interest partake in a venture. They do so to acquire beliefs and there is no existence of prima facia precedence of one set of interests and benefits over another. Stakeholder theory proposes an architecture for deciding the structure and operations of the firm that is apprehensive of the abundant participants who seek manifold and sometimes disparate goals (Donald & Preston, 1995).

Its fundamental assumption is that an entity, corporate or otherwise, seeks to provide a fitting balance between the interests of its numerous stakeholders to ensure that each of these interest groups or the constituents receives some commensurate degree of satisfaction. This theory has gained prominence because management practitioners and researchers have come to the conclusion that the activities of companies have a great impact on their operating environment thereby necessitating accountability of these organizations to a broader interest group than just the registered shareholders of the company. Therefore, McDonald and Puxty (1979) posited that the modern corporation is no longer just the exclusive instrument or property of their shareholders alone but exists within the society or host community and therefore have responsibilities to that hosting society. It has indeed been realized and rightly so that economic values are created by individuals who come together voluntarily and cooperatively to improve the position of everyone (Freeman, Wicks, & Parma, 2004).

An advantage is that stakeholder theory gives managers more opportunity to build a greater capability in dealing with various constituents of the firm as they do not only have to deal with financial performance but have to show that they value relationships with other groups and work to advance their interests over time. Therefore, stakeholder theory promotes not only profitable but sustainable operations. It also makes firms see the import of values and relationships with stakeholders as a critical part of their ongoing success (Freeman, Wicks, & Parma, 2004). A disadvantage is that there is a growing body of modern researchers who are channeling the focus of stakeholder theory to social responsibility. According to Freeman (1984), with regards to social responsibility, it is crucial to understand the complex interconnections between economic and social forces.

Empirical Review

Several empirical studies examined the effect of corporate governance on stakeholders' obligation; while some provide direct evidence, some studies evaluate the effect by examining the effect on tax payments (Onyali & Okafor, 2018; Ogbeide & Osaretin, 2018; Oyeleke, Erin, & Emeni, 2016; Rawiwan,

2013; Utkir, 2012; Uniamikogbo, Bennee & Adeusi, 2019). Empirical studies showed that corporate governance is positively related to tax avoidance, meaning that firms with good governance pay tax less than firms with bad governance. The board of directors and audit committee play an important role in tax reduction. Interestingly, the foreign holding of the company helped reduce tax payments. Specifically, Annuar, Salihu, and Obid (2014) carried out an empirical investigation into the relationship between corporate ownership structure and corporate tax avoidance in Malaysia. It was argued, based on cost/benefits consideration of tax avoidance, that family; foreign and government ownerships could be associated with corporate tax avoidance among Malaysian listed companies. The Malaysian companies listed on the main market of Bursa Malaysia were targeted as the source of data for the proposed investigation. The study proposed a timeframe of five years from 2009 to 2013. Two econometrics dynamic panel data models are proposed for the investigation. Generalized Method Moment (GMM) estimator is recommended as the estimation method. Findings from the study led to the conclusion that foreign ownerships are proven as the potential determinants of corporate tax avoidance with the potential interactive effect of board composition. Boussadi and Hamed (2015) found that diversity in gender on corporate board, managerial, and concentration ownership has significant effects on firms` tax aggressiveness activities. Board`s diversity and managerial ownership exhibit a positive association with the effective tax rate while increases in concentration ownership tend to affect it negatively. However, findings don`t show any significant effects of corporate board size and external auditor`s profile on the tax aggressiveness.

Salawu and Adedeji (2017) examined the impact of corporate governance on tax planning of nonfinancial quoted companies in Nigeria. Fifty non-financial quoted companies were sampled from period 2004 to 2014 and generalized method of moments result showed that there is a positive and significant relationship between Effective Tax Rates (ETR) and firm value (TobinQ). Other findings indicated that all the variables such as leverage (LEV), Liquidity (LIQ), Net Working Capital (NWC), Growth opportunities (MTB) and capital intensity (CIN) were found to have a positive and significant relationship with the firm value.

Dirk and Johannes (2017) analyzed the relationship between corporate governance and tax avoidance. They used a regression discontinuity design (RDD) in a two-stage instrumental variable threshold. They supposed the differences in corporate governance result from the value-weighted composition of the market capitalization-based indexes. They however found a significant discontinuity in the level of the corporate governance characteristics at the cutoff. The largest firms show stronger corporate governance characteristics compared to the smallest firms. The analysis showed that strong corporate governance characteristics drive down the effective tax rate for the firms. Olayiwola (2018) investigated the influence of corporate governance (Board size, Board composition, and audit committee size) on the performance of companies which is proxied with a net profit margin (NPM). She sampled 10 Nigerian listed firms from periods 2010 to 2016 and adopted panel data methodology and OLS to analyze. Findings revealed that board size had a significant negative correlation with NPM, board composition had a significant positive correlation with NPM, audit committee size had an insignificant correlation with NPM and board size, board composition and audit committee size had a significant joint effect on NPM.

Chytis, Tasios, and Filos (2020) also examined the effect of corporate governance mechanisms on tax planning during the financial crisis: an empirical study of companies listed on the Athens stock exchange. The study aimed to explore the effect of corporate governance on tax planning during the adverse circumstances created by the economic crisis. The effective tax rates of a sample of 55 non-financial companies listed on the Athens Stock Exchange (ASE) during the 2011–2015 period were used as a proxy of tax planning and were regressed on corporate governance characteristics, controlling for firm-specific attributes. Results showed a significant positive association of board independence with tax planning and a significant negative association with the chief executive officer (CEO) duality and firm size. The remaining corporate governance and firm variables which included board size, audit firm size, ownership concentration, leverage, and liquidity were not found to exert a significant influence on corporate tax planning of listed companies in Greece.

The study of Olayiwola and Okoro (2021) focused on the interactive effect of tax planning and corporate governance on the financial performance of 50 non-financial quoted companies in Nigeria

between 2007 and 2018. A system GMM was employed to estimate the dynamic models, and results show that ownership structure (OS) and capital intensity (CI) exerted a significant and positive impact on the returns on assets. Other findings showed that board diversity and thin capitalization wielded a significant and negative influence on return on assets. Abdullahi, Norfadzilah, Umar, and Lateef (2021) examined the impact of corporate tax planning on the financial performance of listed companies in Nigeria. With a sample of 84 companies listed on the board of NSE and 756 observations for the duration of nine years from 2010-2018, findings revealed that the inventory intensity reveals no relationship with Return on Asset (ROA). Also, the study further reveals that leverage is positively and significantly related to ROA. However, capital intensity reveals a negative significant relationship with ROA. Drawing from theoretical and empirical reviews of literature, the hypotheses are framed as below:

$H_0$1: *Corporate governance dimensions have no significant effect on the stakeholders' obligations of companies quoted in Nigeria.*

$H_0$2: *Firms' size and liquidity do not significantly moderate the effect of corporate governance on stakeholders' obligations of companies quoted in Nigeria.*

METHODOLOGY

This study adopted a quantitative approach and employed *ex-post facto* as the research design. The population of this study comprised seventy-three (73) firms that have faced financial distress in the period of consideration and shall be classified as failed or financially distressed firms.

Using the purposive sampling technique, a sample of 52 delisted or suspended firms were selected for the study. The selection of firms and the period covered by the study were determined by data availability. The study used secondary data extracted from the audited financial statements of the sampled firms for the 12 years study period, 2008 to 2019. Some of the annual reports that were not available in the NSE fact book were collected from the corporate offices of concerned companies or downloaded from the banks' corporate websites.

Data were analyzed using descriptive and inferential statistics. Test of multi-collinearity was conducted by means of the correlation matrix and variance inflation factor. Moreover, panel regression analysis was employed to establish the nature and significance of the relationship between independent variables and a dependent variable using Eviews 10. The two basic models of panel data regression analysis are the fixed effect model and the random effect model. The Hausman test was applied to choose objectively the appropriate estimator between fixed and random effect models. The significance of the individual explanatory variables on the dependent variable was carried out using t-test at 5% significance level. Joint significance of the regression model was performed by means of F-test.

Table 1 shows how the variables used in the study were measured and operationalized.

TABLE 1
MEASUREMENT OF VARIABLES

Variables	Description	Measurements	Existing Studies
BS_{it}	Board size	The number of directors in a board of firm i in year t	(Chaganti, Mahajan, & Sharma, 1985; Eilon, 1999; Lakshana & Wijekoonb, 2012; Muchemwa, Padia,& Callaghan, 2016)
MO_{it}	Managerial Ownership	The proportion of shares owned by management divided to the total number of shares of firm i in year t	(Lakshana & Wijekoonb, 2012; Tawfeeq & Alabdullah, 2021).

CEO_{it}	CEO Duality	Dummy variable used for measurement of CEO duality if the CEO has both position CEO/chairman give value 1and 0 otherwise.	(Kolias, Arnis, & Kypriotelis, 2019; Lakshana & Wijekoonb, 2012; Spahaj, 2015).
ID_{it}	Independent Directors	Number of outsiders in board composition to total number of board size of firm i in year t	(Hsua, & Wu, 2014; Lakshana & Wijekoonb, 2012).
AUD_{it}	Audit Committee independent	Number of outsider members divided by the total number of committee members of firm i in year t	(Hsua, & Wu, 2014; Lakshana & Wijekoonb, 2012).
$INST_{i}$	Institutional shareholder	Proportion of the institutional hold by large shareholders divided by the total number of shares of firm i in year t	(Oyarzún, 2011; Wang, Elsayed, & Ahmed, 2011).
SO	Stakeholders' Obligations	Log of Company Tax Payment	Freema, 1984; Orts & Strudler, 2009)
FS	Firm Size	Size of the firm (log of total assets) for i at time, t.	(Viguerie, et al., 2011)
LQ	Liquidity	Ratio of current asset and current liabilities. for i in time, t	(Nassirzadeh & Rostami, 2010; Owolabi, et al., 2011)

Source: Researcher`s study, 2021

Empirical Model Specification

The study estimated the following two panel regression models to determine both the primary and moderating effects of firm size and liquidity. The baseline model (equation 1) was used to estimate the effect of corporate governance on stakeholders' obligation while equation 2 estimated the moderating (interaction) effects of firm size and liquidity in the corporate governance and stakeholders' obligation relationship.

$$SO_{it} = \beta_0 + \beta_1(AUD)_{it} + \beta_2(BI)_{it} + \beta_3(BS)_{it} + \beta_4(CEO)_{it} + \beta_5(MGHT)_{it} + \beta_6(INST)_{it} \quad (1)$$

$$SO_{it} = \beta_0 + \beta_1(AUD)_{it} + \beta_2(BI)_{it} + \beta_3(BS)_{it} + \beta_4(CEO)_{it} + \beta_5(MGHT)_{it} + \beta_6(INST)_{it} + \beta_7(FS)_{it} + \beta_8(LQ)_{it} + \mu_{it} \quad (2)$$

ANALYSES, RESULTS AND DISCUSSIONS

Descriptive Statistics

The descriptive statistics presented in table 4.1 are the mean, maximum, minimum and standard deviations, and the numbers of observations for of each of the dependent and independent variables.

TABLE 4.1
DESCRIPTIVE STATISTICS OF CORPORATE GOVERNANCE AND CORPORATE FAILURE

Variables	Mean	Maximum	Minimum	Std. Dev.	Obs
SO	7.574	10.132	0.000	1.182	624
AUD	0.481	0.875	0.333	0.089	624

BI	0.617	1.250	0.364	0.188	624
BS	9.207	12.000	4.000	2.072	624
CEO	0.633	1.000	0.000	0.482	624
MGHT	0.382	0.620	0.100	0.109	624
INST	0.047	0.657	0.000	0.079	624
FS	9.706	11.669	7.708	0.866	624
LQ	0.846	4.062	0.005	0.812	624

Source: Researcher`s computation (2021)

Notes: Table 4.1 shows the mean, maximum, minimum and standard deviation of the variables. The dependent variables is Stakeholders Obligations (SO) while the independent variables are Audit Committee Independence (AUD), Board Independence (BI), Board Size (BS), Chief Executive Officer Duality (CEO), Managerial Ownership (MGHT) and Institutional Shareholder (INST). The moderating variables are Firm Size (FS) and Firm Liquidity (LQ). All the values were calculated from the 624 firms-year observations for fifty-two delisted firms on the Nigerian Stock Exchange. The estimation process was facilitated using EVIEWS 10.

According to the findings in Table 4.1, the mean value of stakeholders' obligations is 7.574 and standard deviation is 1.182. The mean value of 7.574, suggests that on the average the stakeholders' obligations of the selected firms on the Nigerian Stock Exchange is very high. The standard deviation of 1.182 connotes that there is a dispersion of the stakeholders' obligations from the mean to around 1.182. Thus, the standard deviation value is far from the mean, suggesting that the stakeholders' obligations are susceptible to change over time. The minimum value of 0.000 and maximum value of 10.132 indicate that the selected firms on the Nigerian Stock Exchange have different levels of stakeholders' obligations. This further implies that while some of the sampled firms have zero tolerance in achieving the stakeholders' obligations, others are highly optimistic in achieving the stakeholders' obligations. For audit committee (AUD), the mean is 0.481, and the standard deviation is 0.089. The mean value of 48.1% shows that on the average, the audit committee independence of the sampled firms is about 48 per cent, which means the independence of the audit committee of the sampled firms is relatively low. The standard deviation of 8.9% connotes that there is a dispersion of the audit committee independence from the mean to around 9 per cent. Thus, the standard deviation value is close to the mean, suggesting that the audit committee independence is less susceptible to change over time. The minimum value of 0.333 and maximum value of 0.875 indicate that the selected firms on the Nigerian Stock Exchange have different levels of audit committee independence. This further implies that while some of the sampled firms have low audit committee independence, others have high audit committee independence.

The table also indicates that board independence (BI) has a mean value of 0.617, and the standard deviation is 0.188. The mean of 61.7% shows that on the average, the board of the sampled firms have independent operating manner, which means they are well experienced in their business operations. As such, they should be able to ensure a detailed reporting of their sustainability practices to enhance their growth. This is supported with the minimum value of 0.364 and a maximum value of 1.250. The standard deviation of 0.188 indicates that there's relatively low variation in the independence operating manner of the sampled companies. With regards to board size (BS), the mean is 9.207, and the standard deviation is 2.072. The mean of 920.7% shows that on the average, the board size of the sampled firms is about 921%, which means the size of the board of the sampled firms is very large. As such, they should be able to ensure a detailed reporting of their sustainability practices to enhance their growth. This is supported with the minimum value of 4 and a maximum value of 12. The standard deviation of 2.072 indicates that there's relatively high variation in the board size of the sampled companies.

The results of descriptive statistics for Chief Executive Officer Duality (CEO) shows that it has a mean of 0.633, and the standard deviation is 0.482. The mean of 63.3% shows that on the average, the sampled firms practice CEO duality at about 63 per cent, which means there is high unity of command among the sampled companies. As such, they should be able to ensure a detailed reporting of their sustainability practices to enhance their growth. This is supported with the minimum value of 0 (zero) and a maximum value of 1

(one). The standard deviation of 0.482 indicates that there's relatively low variation in the CEO duality practices of the sampled companies. With regards to the Managerial Ownership (MGHT), the mean is 0.382, and the standard deviation is 0.109. The mean of 38.2% shows that on the average, the ownership of the sampled firms belongs to the board, which means the board are well experienced in their business operations. As such, they should be able to ensure a detailed reporting of their sustainability practices to enhance their growth. The standard deviation of 10.9% indicates that there's great variation of managerial ownership of the sampled firms. The minimum value of 0.100 and maximum value of 0.620 shows that some of the sampled firms have low managerial ownership while others have high managerial ownership.

Furthermore, Institutional Shareholder (INST) has a mean value is 0.047, and the standard deviation is 0.079. The mean of 4.7% shows that averagely the sampled companies have relatively low number of institutional stakeholders. This implies that averagely the decisions of the firms are influenced by few institutional stakeholders. The standard deviation of 7.9% indicates relatively low variation in the institutional stakeholders of the sampled companies. The minimum value of 0 (zero) and maximum value of 0.657 shows that some of the sampled firms are not controlled by institutional stakeholders while activities of others are influenced by institutional stakeholders. Also, in Table 4.1, firm size (FS) has a mean of 9.706, and the standard deviation is 0.866. The mean of 9.706 shows that on average, the firm size of the sampled firms is very large. As such, they should be able to ensure a detailed reporting of their sustainability practices to enhance their growth. This is supported with a minimum value of 7.708 and a maximum value of 11.669. The standard deviation of 8.66 indicates that there's great variation in the firm size of the sampled companies. Lastly, the mean value of liquidity is 0.846, and the standard deviation is 0.812. The mean of 8.46 shows that on average, the sampled firms have a very low firm liquidity base. As such, they were not able to meet up with their customer's needs. This is supported with a minimum value of 0.005 and a maximum value of 4.062. The standard deviation of 8.12 indicates that there's a high variation in the firms' liquidity of the sampled companies.

Test for Multicollinearity

In order to find out the level of collinearity present between the independent variables used in the study, pair-wise correlation analysis was employed. Conventionally, severe multicollinearity would be displayed between the primary variables and their corresponding moderated variable; for example, between corporate governance (CG) variable and stakeholders' obligations moderated by firm size and liquidity (CG*FS*LQ). This undesirable phenomenon makes it very difficult to distinguish the unique contributions of individual predictors on the variance of the dependent variable. High correlations among predictors also make the standard errors of the estimated coefficients large hence compromising inferential estimation. To deal with this multicollinearity problem between primary and moderated variables, the study adopted a variable centering approach. The process involves transforming the variable by subtracting the sample mean prior to computing the product terms (Fairchild & MacKinnon, 2009). Table 4.2 presents the Pair-wise correlation results.

TABLE 4.2
CORRELATION MATRIX OF CORPORATE GOVERNANCE AND STAKEHOLDER'S OBLIGATION

Variables	SO	AUD	BI	BS	CEO	MGHT	INST	FS	LQ	VIF
SO	1									N/A
AUD	0.041	1								1.090
BI	**0.130**	0.042	1							1.180
BS	**-0.238**	-0.011	**0.227**	1						1.170
CEO	**-0.166**	-0.073	-0.039	0.055	1					1.050
MGHT	0.046	**-0.195**	**-0.095**	**0.128**	-0.020	1				1.100

INST	-0.018	0.041	0.073	-0.035	-0.028	-0.052	1			1.020
FS	**0.804**	**-0.089**	**0.246**	**-0.202**	**-0.182**	-0.027	**0.106**	1		1.190
LQ	**0.138**	**0.145**	**0.106**	**-0.132**	-0.065	0.075	0.023	**0.082**	1	1.090

Source: Researcher`s computation (2021)
Notes: Table 4.2 shows the correlation coefficient of the variables. The dependent variables is Stakeholders Obligations (SO) while the independent variables are Audit Committee Independence (AUD), Board Independence (BI), Board Size (BS), Chief Executive Officer Duality (CEO), Managerial Ownership (MGHT) and Institutional Shareholder (INST). The moderating variables are Firm Size (FS) and Firm Liquidity (LQ). The variance inflation factor (VIF) which is a test for multicollinearity is on the last column of the table. All the values were calculated from the 624 firms-year observations for fifty-two delisted firms on the Nigerian Stock Exchange. The estimation process was facilitated using EVIEWS 10.

In this study, empirical analysis began with the test for multi-collinearity; the variance inflation factor for each of the explanatory variables is less 10, the VIF are 1.090, 1.180, 1.170, 1.050, 1.100, 1.020, 1.090 and 1.090 for audit committee independence, board independence, board size, chief executive officer duality, managerial ownership, institutional shareholder, firm size and liquidity, respectively. This implies that the explanatory variables included in all the specified and estimated models are not correlated with one another. Findings on Table 4.2 also showed that the pairwise correlation coefficients between all independent variables were less than 0.8 confirming that the variables did not exhibit severe multicollinearity as recommended by (Gujarati, 2003).

Panel Model Regression Results

To establish which panel effects (between fixed and random) provided better estimation results for the study, Hausman test was carried out for the specified panel regression model. The test was conducted against the null hypothesis that random effect model was the preferred model. Table 4.3 presents the panel regression model results.

TABLE 4.3
TEST OF HYPOTHESES ONE AND TWO
(WITH AND WITHOUT MODERATING VARIABLES)
DEPENDENT VARIABLE: SO

	Model 1 (Baseline Without Moderating Variables)				**Model 2 (Baseline with Moderating Variables)**			
Variables	**Coefficient**	**Drisc/Kraay Standard error**	**t-test**	**Prob.**	**Coefficient**	**Drisc/Kraay Standard error**	**t-test**	**Prob.**
Constant	8.239***	1.353	6.060	0.001	7.101**	2.477	2.866	0.015
AUD	-0.125	1.381	-0.090	0.930	-0.276	1.643	-0.168	0.869
BI	-0.324	0.392	-0.826	0.426	-0.633	0.514	-1.231	0.244
BS	-0.694	0.942	-0.737	0.476	-0.692	1.347	-0.513	0.618
CEO	-0.163	0.159	-1.020	0.330	-0.018	0.074	-0.236	0.818
MGHT	1.099***	0.219	5.016	0.000	1.074***	0.285	3.768	0.000
INST	-1.290	1.249	-1.033	0.324	-1.308	1.148	-1.139	0.279
FS	-				0.174	0.191	0.913	0.132***
LQ	-				0.051	0.043	1.184	0.049

Adjusted R^2	0.117	0.150
Wald-Test	32.57 (0.000)	105.70 (0.000)
Hausman Test	9.77 (0.135)	42.20 (0.000)
Bresuch-Pagan RE Test	1986.28 (0.000)	2.45 (0.005)
Heteroscedasticity Test	49069 65 (0.000)	42848.51 (0.000)
Serial Correlation Test	7.33 (0.009)	6.56 (0.014)
Pesaran CSI	4.65 (0.000)	4.84 (0.000)
Observations	624	624

Source: Researcher`s computation (2021)

Notes: Table 4.3 reports the Static Panel regression results of the effects of corporate governance on stakeholders' obligations of delisted firms on the Nigerian Stock Exchange. The dependent variable is Stakeholders Obligations (SO), while the independent variables are Audit Committee Independence (AUD), Board Independence (BI), Board Size (BS), Chief Executive Officer Duality (CEO), Managerial Ownership (MGHT) and Institutional Shareholder (INST)*. The moderating variables are Firm Size (FS) and Firm Liquidity (LQ). * Significant at 10%, ** Significant at 5%, *** Significant at 1%.

Model 1

Table 4.3 showed results of Model 1 (Baseline Without Moderating Variables) and Model 2 (Baseline with Moderating Variables). From Table 4.3 Model 1, the result of the Hausman test statistic of 9.77 with a probability value of 0.135 is not significant, indicating that the random effect estimation technique is appropriate for the model. The study went further to test the appropriateness of the random effect estimation technique by examining the Breusch Pagan Lagrangian test. The test statistic result of 1968.28 with a probability of 0.000, further confirmed the appropriateness of the use of random effect model. In testing for autocorrelation in the panel data, the Wooldridge test was used. The null hypothesis that the successive error terms are not correlated was rejected in favour of the alternative hypothesis that the successive error terms are serially correlated because the statistic of 7.33 with a probability value of 0.009 is less than the 5% level of significance.

The Breusch-Pagan/Cook-Weisberg test for heteroscedasticity was carried out to determine if the variance of the residual is constant. This the test statistic of 49069.65 with a p-value of 0.000 confirmed the presence of heteroscedasticity. To determine the cross-sectional dependence between the delisted firms on the Nigerian Stock Exchange, the Pesaran CD test was used. The statistic of 4.65 and with a probability value of 0.000 is statistically significant at 5% level of significance. This implies that the selected delisted firms on the Nigerian Stock Exchange are cross sectional dependence. However, because of the presence of serial correlation, heteroscedasticity and cross-sectional dependence, the analysis corrects for the random effect model by using the Driscolli-Kray regression.

$$SO_{it} = \alpha_1 + \beta_1 AUDit + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 CEO_{it} + \beta_5 MGHT_{it} + \beta_6 INST_{it} + \mu_2$$

$$SO_{it} = 8.239 - 0.125AUDit - 0.324BI_{it} - 0.694BS_{it} - 0.163CEO_{it} + 1.099MGHT_{it} - 1.290INST_{it}$$

T-test 6.060 -0.090 -0.826 -0.737 -1.020 5.016 -1.033

From the results in Table 4.3, there is evidence that only managerial ownership has positive and significant effect on the stakeholders' obligations ($\beta_5 = 1.099$, t-test= 5.016, $p < 0.05$)., while audit committee independence, board independence, board size, CEO duality, and institutional shareholder have negative effect on the stakeholders' obligations. This implies that managerial ownership is a significant factor influencing variations in stakeholders' obligations of selected delisted firms in Nigeria. Conversely, there is evidence that audit committee independence, board independence, board size, CEO duality, and institutional shareholder have no significant effect on the stakeholders' obligations of selected delisted firms in Nigeria. The Adjusted R^2 which measures the proportion of the changes in the stakeholders obligations

as a result of changes in the corporate governance dimensions explains about 11.7 per cent changes in the stakeholders obligations, while the remaining 88per cent were other factors explaining changes in stakeholders obligations of delisted firms in Nigeria but were not captured in the model. Concerning the magnitudes of the estimated parameters 1 unit increase in managerial ownership will lead to 1.099 increases in stakeholders' obligations, while 1 unit increase in audit committee independence, board independence, board size, CEO duality, and institutional shareholder will lead to a fall of 0.125, 0.324, 0.694, 0.163 and 1.290 in stakeholders' obligations of the selected delisted firms in Nigeria respectively.

Decision

The Wald-test Statistic of 32.57 with a probability value of $0.000 < 0.05$ indicates that the explanatory variable and thus the model, is statistically significant. Thus, the null hypothesis that corporate governance dimensions (audit committee size, board independence, board size, CEO duality, managerial ownership of firms, and institutional shareholding) have no significant effect on the shareholders obligations of quoted delisted firms in Nigeria was rejected.

The findings of this study corroborate the study of Nadarajana, Chandrenc, Bahaudin, Elias, and Abdul Halim (2016) who established that best practices through effective corporate governance mechanism somehow tight up in deciding to minimize operational cost through the effort of reducing the asset called inventory that is accounted for almost 70 percent of total manufacturing cost. The result however disagrees with Saidu and Gidado (2018) which established that managerial ownership impact negatively on the financial performance of manufacturing firms listed in Nigeria as managers of firms sometimes manipulate the accounting numbers in the financial statement in order to have a private gain.

Model 2

The results displayed on Table 4.3 model 2 revealed that the Hausman test statistic of 42.20 with a probability value of 0.000 supported appropriateness of the fixed effect estimation technique-for model two. The study went further to test the appropriateness of the fixed effect estimation technique by conducting the Testparm test. The result of this test statistic is 2.45 with a probability of 0.005, paving way for the use of fixed effect model. To test for autocorrelation in the panel data, the Wooldridge test was used. The null hypothesis that the successive error terms are not correlated was rejected in favour of the alternative hypothesis that the successive error terms are serial correlated because the statistic of 6.56 with a probability value of 0.014 is less than the 5% level of significance.

The Breusch-Pagan/Cook-Weisberg test for heteroscedasticity was carried out to determine if the variance of the residual is constant. The null hypothesis of homoscedasticity was rejected and the alternative hypothesis of heteroscedasticity was accepted. This was because the test statistic of 42848.51 with a probability value of 0.000 is less than the 5% level of significance. To determine the cross-sectional dependence between the delisted firms on the Nigerian Stock Exchange, the Pesaran CD test was used. The statistic of 4.84 and with a probability value of 0.000 is statistically significant at 5% level of significance. This implies that the selected delisted firms on the Nigerian Stock Exchange are cross sectional dependence. However, because of the presence of serial correlation, heteroscedasticity and cross-sectional dependence, the model corrects for the fixed effect model by using the Driscolli-Kray regression.

$$SO_{it} = \alpha_1 + \beta_1 AUDit + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 CEO_{it} + \beta_5 MGHT_{it} + \beta_6 INST_{it} + \beta_7 FS_{it} + \beta_8 LQ_{it} + \mu_5$$

$$SO_{it} = 7.101 - 0.276AUDit - 0.633BI_{it} - 0.692BS_{it} - 0.018CEO_{it} + 1.074MGHT_{it} - 1.308INST_{it} + 0.174FS_{it} + 0.051LQ_{it}$$

T-test 2.866 -0.168 -1.231 -0.513 -0.236 3.768 -1.139 0.913 1.184

As in the baseline model, the results in Table 4.3 model 2, indicate that only managerial ownership, exerted significant positive effect on the stakeholders' obligations, even with the introduction of the moderating variables of firm size and liquidity. However, there is evidence that firm size ($\beta_7 = 0.174$, $t = 0.913$, $p = 0.132$) and liquidity ($\beta_8 = 0.051$, $t = 1.184$, $p = 0.049$) exerted positive moderating effect on the corporate governance – stakeholders obligations relationship. Liquidity exerted significant moderating

effect while the effect of firm size was not statistically significant. The presence of the moderating variables led to a change in Adjusted R^2 from 11.7% (baseline) to 15% (ΔAdj.R^2 = 3.3%) indicating a variation on stakeholders' obligations over and above the baseline position, thus confirming the moderating influence of firm size and liquidity.

Decision

On the basis of the F-test Statistic of 105.70 (p = 0.000) and ΔAdj.R^2 = 3.3%), the null hypothesis that firms' size and liquidity do not significantly moderate the effect of corporate governance dimensions on stakeholders' obligations of companies quoted in Nigeria was rejected. The study therefore accepted the alternate hypothesis that firms' size and liquidity significantly moderate the effect of corporate governance dimensions (audit committee size, board independence, board size, CEO duality, managerial ownership of firms, and institutional shareholding) on stakeholders' obligations of companies quoted in Nigeria.

The finding of this study is in line with the findings of several other studies such as Salawu and Adedeji (2017), Dirk and Johannes (2017), and Olayiwola (2018). Also, board independence moderated by firm size has a negative significant effect on ROA while board gender diversity with the interaction of firm size is negatively significant at 1% level of significance. Furthermore, Budiyanto and Hudiwinarsih (2015) found that good corporate governance affects profitability and leverage, but it does not affect liquidity. While, firm size affects profitability, leverage, and liquidity. Furthermore, similar to the findings of this study is the study by Ofei and Owusu (2019) who found that there was significant negative effect after moderating liquidity and corporate governance in the association between internal audit function and financial performance of banks in Ghana after controlling for confounding variables, the study further showed that there was a significant positive effect of internal audit function of the financial performance of banks in Ghana after controlling for confounding variables.The results of this study disagree with some other related suties. For instance, Chytis, Tasios, and Filos (2020) and Obaje, Abdullahi, and Ude (2021) found that board size moderated by firm size has a negatively insignificant effect on return on assets of quoted deposit money banks in Nigeria. In addition, a study conducted by Novita and Herliansyah (2019) revealed that independent commissioners, managerial ownership, size of directors, liquidity, and company size partially have no significant effect on tax avoidance, whereas institutional ownership and audit committees have a significant effect on tax avoidance. The results of the study simultaneously proved that independent commissioners, managerial ownership, board size, liquidity, institutional ownership, audit committee, and company size had a significant effect on tax avoidance

CONCLUSION AND RECOMMENDATIONS

The Stakeholders theory supports corporate governance that Stakeholders of an entity demand accountability, adequate financial information and sound corporate governance from the management, in return for their investments. The theory also supports the advantages of auditing which enhance cost quality control, detect error and fraud, management morale check, increase stakeholder's confidence and increase the level of quality financial information. The researcher used Company Tax Payment to measure the dependent variable (stakeholders' obligations). Consequently, this study developed two hypotheses in order to investigate the effect of corporate governance elements on stakeholders' obligations. This study uses audit committee size, board independence, board size, CEO duality, managerial ownership of firms, and institutional shareholding as independent variables. The regression results provide moderate evidence of a significant positive effect of corporate governance as represented by managerial ownership on stakeholders' obligations of selected delisted firms in Nigeria. However, audit committee independence, board independence, board size, CEO duality, and institutional shareholder have no significant effect on the stakeholders' obligations of selected delisted firms in Nigeria. Additionally, liquidity affected the relationship between corporate governance and stakeholders' obligations. Further, from the study results, it was established that firm size has positive effect on the relationship between corporate governance and stakeholders' obligations. The finding showed that firm size was statistically significant which implied that stakeholders' commitments were not significantly affected by the size of the firms. Overall, the study

concludes that corporate governance could be used to improve the stakeholders' commitments to reduce the corporate failure. The study recommends that management of non-financial quoted firms in Nigeria should properly consider firms' size and liquidity in their corporate governance policy most especially on audit committee size, board independence, board size, CEO duality, managerial ownership of firms, and Institutional shareholding because firms' size and liquidity are major determinants.

Suggestion for Further Research

Given the importance of corporate governance for business survival and sustainability, future studies may investigate other economic sectors.to enhance the generalization of this study's findings. In this study, two moderators were investigated which are firm size and liquidity, integrating more moderators such as governance and audit quality may yield different results and can be included in future research.

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