

Innovations

Corporate Governance and Economic Growth in Nigeria: The Role of Monetary Policy

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Abstract

This study investigated the impact of monetary policy and corporate governance on economic growth in Nigeria. The study employed time series data obtained from the Central Bank of Nigeria Statistical Bulletin, World Development Indicators, and the National Bureau of Statistics. Per capita GDP growth was used to proxy economic growth and corporate governance was proxied by variables such as the number of contraventions/sanctions reported in audit activities; policy on insider trading/market abuse; risk management committee; disclosure and transparency; and shareholders right. Monetary policy was captured by broad money supply and exchange rate. Autoregressive Distributive Lag (ARDL) technique was used for estimation. The result revealed a long-run relationship among the estimated variables. The result of the Error Correction Mechanism (ECM) shows that monetary policy and corporate governance variables significantly impacted economic growth, but corporate governance had a more significant impact on economic growth than monetary policy. The study made the following recommendations: that effective monetary policy framework which impacts positively on the real variable to promote economic growth and development should be implemented in the country; efficient management of the monetary system through ensuring a well-developed financial and strict adherence to code of corporate governance in order to boost the confidence of investors to make informed decisions about their investments.

Keywords: Monetary Policy, Corporate Governance, Economic Development, Nigeria

1. Introduction

Corporate governance is an important factor in the financial system with far reaching implications for the performance of the economy. The link between monetary policy and corporate governance in the banking industry is established through the relationship between macro-prudential regulations and corporate governance practices of commercial banks. In essence, monetary policy affects the corporate governance practice of commercial banks

through its macro-prudential regulations for commercial banks (CBN, 2011). Macro-prudential policies in the banking industry are a set of regulatory measures put in place by the monetary authority to control and abate increases in systemic risk in commercial banks, which is partly associated with corporate governance imperfections or problems. Monetary and macro-prudential policies are clearly linked as both seek to achieve the same macroeconomic goals, namely: price stability, attractive interest rate, stable exchange rate, financial system stability, and sustainable economic growth and development (Nnanna, 2001). Corporate governance imperfections relate to asymmetric information problems such as moral hazard and adverse selection of banking business which result in systemic risk (that is, negative externalities) with adverse consequences on the banking sector performance and the macroeconomic system in general (Aliyu & Englama, 2009).

Globally, corporate governance has gained recognition following the substantial changes in the role of the private sector in economic development, and the increased awareness of the important role of commercial banks in the economy. Corporate governance in banks owes its significance to the role of banks in the economy, and the substantial risks and negative consequences associated with improper banking practices (Kyereboah-Coleman, 2007). It is highly important as banking business is very complex and supervisory authorities cannot singlehandedly supervise banking risks. In this regard, Basel II Accord on the enhancement of corporate governance in banking institutions indicates that the supervision of commercial banks by central banks cannot be done efficiently and effectively in the absence of good corporate governance. Consequently, the safety and soundness of banks require intervention and action on the part of shareholders and their representatives on the boards of directors (Omankhanlen & Taiwo, 2013). The banking system in Nigeria is fraught with unethical practices that are at variance with good corporate governance principles. This concerns poor asset quality resulting from non-adherence to the risk management framework, the use of spurious documents to purchase foreign exchange, and inaccurate returns on financial and liquidity positions. Poor board composition of the financial institutions in Nigeria gave rise to non-compliance with monetary policy which resulted in insider abuse (Soludo, 2004). This has led to reduced access to external financing by firms, high cost of capital, and associated low firm valuation which makes investment less attractive, and the collapse of some banks, thereby dampening economic growth.

To strengthen the banking system through good corporate governance and normalize the above indices, Nigeria introduced market-oriented reforms in the financial sector following the adoption of deregulation policies in 1986. More importantly, the institutional set-up within which firms operated in the regulated era has undergone a substantial transformation. Notwithstanding these reforms and measures, it appears that corporate governance failures still remain a critical issue that hinders the remarkable performance of banks, and by extension, economic development in Nigeria. Many of the banks that were liquidated in the 1990s were fraught with great fraudulent activities with consequential monumental losses. According to Umoh (1997), a sum of ₦8.2 billion was involved in bank fraud between 1991 and 1996. The worst recorded fraudulent activities were in 1999 when the sum of ₦7.4 billion was reported while an actual loss of ₦2.7 billion was expected (Ogunleye, 2000). A great deal of the frauds perpetuated in 14 liquidated banks was due to corporate governance failures,

specifically insider abuse (Afolabi, 2002). Many banks in Nigeria, for instance, experienced losses during the 2008 financial crisis due to their exposure to the capital market through subprime lending and the downturn in oil and gas prices.

This study, therefore, sought to empirically examine the impact of monetary policy and corporate governance on economic growth in Nigeria. The remaining part of the paper is divided into three sections with section two x-raying the literature and conceptual issues of monetary policy and corporate governance, section three is the methodology, section four presents the results and discussion of findings, and section five is the summary, conclusion, and recommendations.

2. Literature Review

2.1 Conceptual and Theoretical Issues

Monetary policy has been defined by experts from different perspectives. According to CBN (2011), monetary policy is defined as a deliberate act of the monetary authority to influence the quantity, cost, and availability of money and credit with a view to achieving desired macroeconomic objectives of internal and external balances. It is further seen as the combination of measures designed to regulate the value, supply and cost of money in the economy in consonance with the expected levels of economic activities. The monetary authority does this by tinkering with the money supply and nominal interest rates in order to manage the quantity of money in the economy.

Corporate governance has been conceptualized by different scholars with some variations in meanings. Corporate governance is described as the set of rules, structures and procedures by which investors assure themselves of getting a return on their investment and ensure that managers do not misuse the investors' funds (Shleifer & Vishny, 2003). Rogers (2006) opines that corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance. It is also about how to build trust and sustain confidence among the various interest groups that make up an organization. Similarly, Salvioni, Gennari & Bosetti (2016) posit that corporate governance is a combination of structures and processes. While the structure refers to all the bodies responsible for the firm's direction and control, the processes consist of the activities developed to satisfy the stakeholders' expectation. Corporate governance therefore specifies the ways by which corporations are directed and guarded. The structure of corporate governance outlines the way in which stakeholders' rights and responsibilities are shared and distributed. Corporate governance provides a framework through which management and boards provide a transparent, fair and efficient environment that are needed to satisfy the interest of all the stakeholders (management, suppliers of capital, government, creditors, the host communities, depositors and other stakeholders) as well as to achieve the long run goals of an organization while complying with the regulatory and legal requirements of the industry (Bairathi, 2009). Corporate administration, in the financial area, requires sensible and judicious administration of assets and the safeguarding of assets (resources) of corporate firm, guaranteeing moral and expert guidelines and the quests for corporate objectives. It looks to guarantee clients' fulfillment, high worker assurance and the support of market discipline, which reinforces and settles the financial framework through productive money related arrangement system (John

and Ibenta, 2016). Corporate administration is a framework based on which organizations are coordinated and overseen. It is upon this framework that details are given for the division of obligations between the gatherings (top managerial staff, administrative board, the administration and investors) and form rules and methodology for embracing choices on corporate issues by the financial specialists.

In this study, corporate governance was measured with vector of corporate governance variables such as audit; policy on insider trading/market abuse; risk management committee; disclosure and transparency; and shareholders right. These variables will be measured using dummies. The theoretical framework of this study is based on the Monetarists school of thought led by Milton Friedman (1954) and the neo-classical growth theory of Robert Solow of 1957. Friedman stressed the stock of cash as the key factor influencing the prosperity of the economy and acknowledged the requirement for a successful financial strategy for macroeconomic adjustment. The exogenous development or neo-classical growth hypothesis by Robert Solow in 1957. The model implies that economies will conditionally converge to the same level of income if they have the same rates of savings, depreciation, labour force growth and productivity growth. The Solow growth model is a modification of the Harrod-Dormar growth model as it allows for substitution between capital and labour assuming that there are diminishing returns to these inputs.

2.2 Empirical literature

Measures of corporate governance are used to assess the extent to which set criteria have been met. The criteria are standards set by the OECD principles of corporate governance that are often included in the national framework of law. The six OECD Principles are ensuring the basis of an effective corporate governance framework, the rights of shareholders and key ownership functions, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure, and transparency, and the responsibilities of the board (OECD, 2004). Studies that applied this measure of corporate governance and investigate its effect on economic development in developing countries are scarce. In one such study, Maune (2017) examined the influence of sound corporate governance on economic growth in Zimbabwe for the period 1968-2015. It was found that sound corporate governance is significantly correlated to economic growth in that country. A similar study by Škare and Hasić (2016) in Croatia investigated the relationship between corporate governance, firm performance, and economic growth. Utilizing a panel regression model and random effects estimator, their findings showed that corporate governance is a significant growth determinant. Using an exploratory research approach, Chandravathi (2015) examined the effect of corporate governance on sustainable economic development in India. The study found that corporate governance has proved to be a very efficient and effective framework for the functioning of the Indian economy.

3. Methodology

3.1 Study design

The design adopted in this study was an ex post facto (after the fact) design. This is because the events had already taken place before the investigation is carried out. This design is chosen because the researcher has no control over the independent variables and inferences

about the relationship among the variables are made without the current interaction among the regressand and regressors (Ndiyo, 2005). A multiple regression analysis was used which is predicated on various econometric techniques such as ADF and Philip-Peron (PP) unit root tests, Granger causality test, and autoregressive distributive lag model also known as bound testing co-integration test, as well as the trend analysis of stylized facts on some of the indicators of variables of concern.

3.2 Model specification

Corporate Governance and economic growth equation

The model is specified as follows:

$$PCGDPR = f(CGOV_1, CGOV_2, CGOV_3, CGOV_4, CGOV_5, GEXP, EXR, GDI, LAB)$$

$$PCGDPR = \psi_0 + \psi_1CGOV_t + \psi_2CGOV_t + \psi_3CGOV_t + \psi_4CGOV_t + \psi_5CGOV_t + \Psi_6GEXP_t + \psi_7EXR_t + \psi_8GDI_t + \psi_9LAB_t + \varepsilon_t \quad (2)$$

where:

PCGDPR = Per capita GDP growth rate measured in percentage

CGOV₁ = Corporate governance on audit activities measured by the number of contraventions/sanctions referred to in audit report on legal and regulatory requirements

CGOV₂ = Corporate governance measured by the availability of risk management committee

CGOV₃ = corporate governance measured by adherence to policy on insider trading, trading in security and market abuse

CGOV₄ = disclosure and transparency measured by the statement of obedience with the requirement of established patterns of institution

CGOV₅ = shareholders right measured by the analysis of capital market performance (share price, traded volume and value, stock index and forecasts

GEXP = Government expenditure (control variable capturing fiscal policy and measured in growth rate)

EXR = Exchange rate (control variable capturing trade policy).

GDI = Gross domestic investment (in billion naira)

LAB = Labour force (in million)

The *a priori* expectation is mathematically stated as:

$$\Psi_0, \Psi_1, \Psi_2, \Psi_3, \Psi_4, \Psi_5, \Psi_6, \Psi_7, \Psi_8, \Psi_9 > 0$$

Economic growth, monetary policy, and corporate governance equation

This is the interactive equation to show the impact of the interaction between monetary policy, corporate governance, and economic development.

$$PCGDPR = f(M2, INFLA, EXR, CGOV_1, CGOV_2, CGOV_3, CGOV_4, CGOV_5, GDI, LAB)$$

$$PCGDPR = \mu_0 + \Delta_1M2_t + \Delta_2INFLA_t + \Delta_3EXR_t + \Delta_4CGOV_t + \Delta_5CGOV_t + \Delta_6CGOV_t + \Delta_7CGOV_t + \Delta_8CGOV_t + \Delta_9CGDI_t + \Delta_{10}LAB_t + \varepsilon_t \quad (3)$$

M2 = Broad money supply measured in growth rate

INF = Inflation rate measured in percentage capturing macroeconomic stability

Other variables are as earlier defined.

4. Presentation of Results and Discussion of Findings

4.1 Unit root test results

The Augmented Dickey-Fuller and the Philip-Perron unit root tests were conducted to examine the stationarity condition of the variables. As indicated in Table 1, PCGDPR and M2 were stationary at levels in both ADF and PP tests. INFLA was stationary at level in the ADF test but became stationary after the first difference in the PP test, while GEXP was stationary at level in PP test but stationary at the first difference of the ADF test. Conversely EXR, GDI, LAB, CGOV₁, CGOV₂, CGOV₃, CGOV₄, and CCGOV₅ became stationary after the first difference using both criteria. The variables are therefore integrated of order one, that is, they are I(1).

Where some of the variables are I(0) while others are I(1) suggests the problem of a unit root in the equations. It becomes imperative to perform co-integration tests to determine the presence of an equilibrium relationship among the variables in each equation. The study, therefore, adopted the ARDL bound testing technique for co-integration, as the variables are integrated of diverse orders (i.e., order zero and order one).

(Insert Table 1)

4.2 Corporate Governance and Economic Growth.

The long-run results of corporate governance and per capita GDP are reported in Table 2. From the results and in contravention of theoretical expectation, a negative relationship exists between corporate governance (CGOV₁) and per capita GDP growth. The value of the coefficient of 1.99 implies that an increase in corporate governance (CGOV₁) by 1 percent will result in a decrease in per capita GDP growth by 1.99 percent. The p-value indicates that CGOV₁ is statistically insignificant. This simply means that the contraventions and sanctions referred to by the audit in the report on other legal and regulatory requirements/contraventions have no significant effect on per capita GDP development in the country in the long run. Furthermore, a negative relationship exists between corporate governance (CGOV₂) and per capita GDP growth, and statistically insignificant. This is inconsistent with the theory. A one percent increase in the second corporate governance variable (CGOV₂) which is the risk management committee will lead to a reduction in per capita GDP by 4.46 percent. The relationship between corporate governance (CGOV₃), which is measured by the adherence to policy on insider trading, trading on securities and market abuse, and per capita GDP growth is positive and consistent with a priori expectations. Therefore, a one percent increase in adherence to policy on insider trading, trading on securities, and market abuse will lead to a rise in per capita GDP by 3.00 percent. Hence, the greater the adherence to policy on insider trading, trading on securities, and market abuse, the better the strength of corporate governance and economic development of the country. The

relationship between corporate governance (CGOV₄), which is measured by disclosure and transparency, and per capita GDP growth is positive and consistent with a priori expectations. Therefore, a onepercent rise in disclosure and transparency will result in a rise in per capita GDP by 2.08 percent. Hence, strict obedience to the requirement of established patterns will strengthen corporate governance and hence economic development of the nation in the long run. The relationship between corporate governance (CGOV₅) which measured shareholders'rights and per capita GDP is negative in the long run, and statistically insignificant. A one percent increase in analysis of capital market performance (share price, traded volume and value, stock index, and forecasts) will lead to a fall in per capita GDP by 5.14 percent. Government expenditure (GEXP) and per capita GDP growth are positive in the long run, and statistically insignificant. This agrees with economic theory. The magnitude of the coefficient shows that a 1 percentincrease in exchange rate, in the long-run, will lead to a 0.019 percent rise in per capita GDP (PCGDPR), ceteris paribus. Gross domestic investment (GDI) and per capita GDP growth are negatively related in the prolonged state, but statistically significant. This is contrary to economic theory. Hence, a onepercent rise in gross domestic investment will lead to about a 0.402 percent decrease in per capita GDP growth. According to the result, labour force (LAB) has a bad and insignificant interaction with per capita GDP growth (PCGDPR) in Nigeria in the prolonged state. The magnitude of the coefficient shows that a 1 percent increase in labour force, in the long run, will lead to a 0.38 percent rise in per capita GDP (PCGDPR).

The short-run results of corporate governance and per capita GDP are reported in Table 3. From the results, a negative relationship exists between corporate governance (CGOV₁) on audit activities and per capita GDP growth in the current period. The value of the coefficient of 1.61 implies that an increase in corporate governance (CGOV₁) by 1 percent will result in a decrease in per capita GDP growth by 1.61 percent. The p-value indicates that CGOV₁is statistically insignificant after the current period. This simply means that the audit report does not have a significant effect on per capita GDP development in Nigeria in the short run. Furthermore, a negative relationship exists between corporate governance (CGOV₂) and per capita GDP growth inthe current period and is statistically insignificant. This is inconsistent with the theory. A one percent increase in the second corporate governance variable (CGOV₂) which is the risk management committee will lead to a reduction in per capita GDP by 5.23 percent. The relationship between corporate governance (CGOV₃), which is measured by the policy on insider trading, and per capita GDP growth is positive and consistent with a priori expectations at the current period. Therefore, a 1 percent increase in adherence to the policy on insider trading will lead to a rise in per capita GDP by 2.43 percent. Hence, the stricter the compliance with the policy on insider trading, the better the strength of corporate governance and hence economic development of the country. The relationship between corporate governance (CGOV₄), which is measured by disclosure and transparency, and per capita GDP growth is positive and consistent with a priori expectations. The relationship between corporate governance (CGOV₅) which measured shareholders'rights is negative in the short run, and statistically insignificant inthe current period. A one percent increase in the analysis of capital market performance will lead to a decrease in per capita GDP by 4.14 percent. Government

expenditure (GEXP) and per capita GDP growth are positive in the short run, and statistically significant in the current period. This is consistent with economic theory. The magnitude of the coefficient shows that a 1 percent increase in the exchange rate in the short run will lead to a 0.015 percent decrease in per capita GDP (PCGDPR), *ceteris paribus*. Gross domestic investment (GDI) and per capita GDP growth are negatively related in the short run, but statistically significant. This is contrary to economic theory. Hence, a one percent rise in gross domestic investment will lead to about a 0.32 percent decrease in per capita GDP growth. The magnitude of the coefficient shows that a 1 percent increase in the labour force in the short run will lead to a 0.30 percent rise in per capita GDP (PCGDPR).

The error correction mechanism (ECM) has the correct sign and size. The ECM coefficient of -0.810035 indicates that it takes about 81 percent for the quick state to adjust to “the prolonged state of balance within the year”. The adjusted R-squared of 0.593 indicates that about 59 percent of the total variation in the PCGDPR is explained by the various indices of corporate governance, government expenditure, exchange rate, gross domestic investment, labour force, and about 41 percent was unexplained which may be accounted for by another process not enclosed in the theory. The F-statistic of about 12.81 shows that all the variables in the model are together as a group statistically significant which means that the model has a good fit. Therefore, the results can be used for forecasting and economic simulation.

(Insert Tables 2 and 3)

4.3 Monetary Policy, corporate governance, and economic growth

The long-run results of monetary policy, corporate governance, and per capita GDP is reported in Table 4. From the results and in tandem with theoretical expectations, a positive relationship exists between the broad money supply (M2) and per capita GDP development (PCGDPR) in the country. The value of the coefficient of 0.068 implies that a rise in broad offer by one percent will result in per capita GDP growth of 0.068 percent. The p-value indicates that M2 is statistically insignificant. This simply means that M2 has no significant impact on per capita GDP growth in Nigeria in the long run. However, a negative relationship exists between inflation rates (INFLA) and per capita GDP growth. This is consistent with economic theory. A 1 percent increase in the inflation rate will lead to a 0.144 percent decrease in per capita GDP growth, all things being equal. The magnitude of the coefficient shows that a 1 percent increase in the exchange rate, in the long run, will lead to a 0.0077 percent fall in per capita GDP (PCGDPR), *ceteris paribus*. The prolonged state results of the monetary policy, corporate governance, and economic development equation show a positive relationship between corporate governance (CGOV₁), (CGOV₂), (CGOV₃), (CGOV₄), and per capita GDP with coefficients of 5.60, 12.49, 7.69 and 1.64 percent, respectively. The relationship between corporate governance (CGOV₅) and per capita GDP growth is negative and inconsistent with a priori expectations. Therefore, a 1 percent rise in (CGOV₅) will result to a low in per capita GDP by 9.500 in the long run. The long-run results of the monetary policy, corporate governance, and economic development equation show a positive relationship between gross domestic investment, labour force, and per capita GDP with coefficients of 0.55 and 0.11 percent, respectively. Therefore, a 1 percent rise in gross

domestic investment and labour force will lead to an increase in per capita GDP by 0.55 and 0.11 percent respectively in the long run.

The short-run results of monetary policy, corporate governance, and per capita GDP is reported in Table 5. The relationship between broad money supply (M2) and per capita GDP growth in the short run is positive at the current period, but statistically insignificant. Hence, a 1 percent increase in broad money supply will lead to a 0.052 percent rise in per capita GDP growth at the current period in the interactive equation. However, the relationship between inflation rate (INFLA) and per capita GDP growth in the short run is negative at the current period, and statistically insignificant. This is consistent with the theory. Corporate governance (CGOV₁), (CGOV₂), (CGOV₃), (CGOV₅) were positively related to per capita GDP growth in the current period with coefficients of 4.31, 9.60, 5.91 and 7.30, implying that an increase in these variables by a 1 percent will result in increase in per capita GDP growth by 4.31, 9.60, 5.91 and 7.30 percent, respectively. However, a negative relationship exists between corporate governance (CGOV₄) and per capita GDP growth. This is inconsistent with theory.

The error correction mechanism (ECM) has the correct sign and size. The ECM coefficient of -0.769152 indicates that it takes about 77 percent for the short-run disequilibrium to adjust. The R-squared value of 0.5919 and the value of R-squared adjusted of 0.5849 indicates that about 58 percent of the total variation in per capita GDP is explained by the monetary variables and the various indices of corporate governance, leaving about 42 percent for those variables not captured in the model. The F-statistic of about 12.376 shows that all the variables in the equation are together as a group statistically significant. The Durbin-Watson (D-W) statistic of 1.827 indicates no autocorrelation in the model.

(Insert Tables 4 and 5)

5. Summary, Conclusion and Recommendations

The study investigated the interaction among monetary policy, corporate governance, and economic development in Nigeria from 1980-2019 by specifying and estimating the autoregressive distributive lag model. The bound test result shows that a long-run relationship exists among the variables in the estimated equations. Therefore, the null hypothesis of the absence of co-integrated is rejected while the alternative hypotheses are retained. This signifies the relevance of these variables in stimulating economic development in Nigeria. The statistical significance of the monetary policy and corporate governance variables implies that their role in the promotion of sustainable development in both the short and long run is relevant, but comparatively corporate governance has a greater effect on development than monetary policy in Nigeria given their coefficients both at current and lag periods and their t-values. Hence, corporate governance has a greater impact on economic development than monetary policy in Nigeria.

The estimated outcome of the monetary policy and economic growth equations indicate that monetary aggregates, such as broad money supply and exchange rate, affect economic growth positively, while the inflation rate has a negative impact on economic development. Corporate governance was found to have contributed positively to all

dimensions of the growth of the nation. The various measures of corporate governance ranging from audit; the risk management committee; policy on insider trading, trading in securities and market abuse; disclosure and transparency as well as shareholders' rights have a significant impact on the economic development of the country, given their coefficients and statistical plausibility. The error correction coefficients met the three criteria for its acceptability given that each is negative, fractional, and significant. Consequently, the estimated results confirm the existence of prolonged state relationships among the variables in the models. It also shows that the speed of adjustments is high in all the estimated equations. The adjusted R-squared values imply that the equations have a good fit, indicating that the independent variables have high explanatory powers. The study, therefore, accepts the null hypothesis of no serial correlation in the equations. This further implies that the error terms of different periods were not serially correlated.

The study found that changes in monetary policy and the inculcation of effective corporate governance in firms' management structure affect economic growth in Nigeria. Moreover, the study also indicates that a positive relationship existed between broad money supply, exchange rate, and government expenditure, implying that these variables influence economic growth in Nigeria. Results have also shown that in Nigeria, corporate governance variables such as audit activities; risk management committees; policy on insider trading, trading in securities and market abuse, disclosure, and transparency as well as shareholders rights relatively have more impact on economic growth than monetary policy in Nigeria.

In line with the findings of the study, the following recommendations are made: an effective monetary policy framework should be implemented. The findings show that while there is a positive relationship between M_2 and PCGDR, the impact is abysmal. There is a need for the monetary authority in Nigeria to revisit the monetary policy framework and adopt a more effective framework. The findings indicated that there was a negative relationship between CGOV1, CGOV2 and CGOV5, and PCGDR. Largely, it means that corporate governance variables were detrimental to economic growth in Nigeria. Therefore, in addition to statutory and regulatory compliance to the code of corporate governance, shareholders should be concerned with the long-term sustenance of the firm through effective monitoring and active engagement in governance. Governance in any country requires transparency so that the people can effectively judge whether their interests are being served. Good corporate governance must also act in a transparent manner so that owners of companies and investors can make informed decisions about their investments. The role of government in providing an enabling environment that is conducive for banks to perform optimally cannot be overemphasized. Hence, a political will and institutional framework, including a legal system should be put in place. Such an institutional framework will facilitate the enforcement of laws and ensure the speedy resolution of conflicts of interest. The government should establish an Institute of Corporate Governance to teach and promote good corporate governance. Banks should impose stiffer sanctions for non-compliance with codes/laws of corporate governance. In another vein, a situation whereby DMBs are owned by a family or a few individuals leading to unrestrained influence on the organization's activities should be discouraged.

Authors' individual contribution: Conceptualization: J.U.N, F.A.E, M.O.O. and Methodology: J.U.N, F.A.E, I.C.E and C.S.O Formal analysis: J.U.N, I.C.E and F.N.O. Investigation: C.S.O., M.O.O. and F.N.O.

Funding: No funding was received for this study

Declaration of conflict of interest: The authors declare that there is no conflict of interest.

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List of Tables

Table 1
ADF and Philip-Perron unit root test results

Variables	ADF Level	1 st Difference	Order of integration	Level	PP 1 st Difference	Order of integration
PCGDPR	-3.520353**	-	I(0)	-3.593916**	-	I(0)
M2	-3.429467**	-	I(0)	-3.179244**	-	I(0)
INFLA	-3.010752**	-	I(0)	-2.879179	-11.9359**	I(1)
GEXP	-0.731870	-4.734095**	I(1)	-3.23986**	-	I(0)
EXR	1.926486	-9.149078**	I(1)	1.338609	-8.88925**	I(1)
LAB	-2.104498	-6.044737**	I(1)	-2.046803	-6.28174**	I(1)
CGOV ₁	-1.304470	-6.164414**	I(1)	-1.231031	-6.16479**	I(1)
CGOV ₂	-1.561473	-6.343130**	I(1)	-1.526752	-6.36302**	I(1)
CGOV ₃	-0.474080	-6.343131**	I(1)	-0.401306	-6.36302**	I(1)
CGOV ₄	-1.142141	-6.164413**	I(1)	-1.142114	-6.16417**	I(1)
CGOV ₅		-6.34310**	I(1)	-0.485556	-11.6476**	I(1)

Source: Authors computation, 2022

Note: Mackinnon critical values for ADF and PP at 1, 5 and 10% levels are -3.67, -2.96 And -2.62 respectively. *, ** and *** means significant at 1, 5 and 10 respectively.

Table 2
Corporate Governance and Economic Growth: Long-run result
Dependent variable: PCGDPR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CGOV1	-1.993461	7.036207	-0.283315	0.7790
CGOV2	-6.460935	9.394139	-0.687762	0.4973
CGOV3	3.005715	9.673051	0.310731	0.7583
CGOV4	2.088774	4.220032	0.494966	0.6245
CGOV5	-5.147672	8.440498	-0.609878	0.5469
GEXP	0.012702	0.356158	0.035664	0.9718
EXR	-0.019408	0.029805	-0.651162	0.5203
GDI	-0.402630	0.164308	-2.450453	0.0208
LAB	-0.381819	0.766702	-0.498002	0.6224
C	22.605965	12.476771	1.811844	0.0807

Source: Authors computation, 2022

Table 3
Corporate Governance and Economic Growth: Short-run result
Dependent variable: PCGDPR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(CGOV1)	-1.614774	5.551763	-0.290858	0.7733
D(CGOV2)	-5.233585	7.168493	-0.730082	0.4714
D(CGOV3)	2.434736	7.702164	0.316111	0.7543
D(CGOV4)	1.691980	3.420203	0.494702	0.6247
D(CGOV5)	-4.169796	6.797770	-0.613406	0.5446
D(GEXP)	0.010289	0.288500	0.035664	0.9718
D(EXR)	-0.015721	0.024324	-0.646321	0.5233
D(GDI)	-0.326144	0.108729	-2.999597	0.0056
D(LAB)	-0.309287	0.628686	-0.491958	0.6266
CointEq(-1)	-0.810035	0.170145	-4.760863	0.0001
R-squared	0.601251	F-statistic	12.814047	
Adjusted R-squared	0.593126	Durbin-Watson stat	2.224477	

Source: Authors computation, 2022

Table 4
Long-run relationship between monetary policy, corporate governance, and economic growth
Dependent variable: PCGDPR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
M2	0.068350	0.061950	1.103316	0.2796
INFLA	-0.144003	0.075647	-1.903626	0.0677
EXR	-0.007790	0.025519	-0.305254	0.7625
CGOV1	5.607033	8.175448	0.685838	0.4987
CGOV2	12.494139	10.314855	1.211276	0.2363
CGOV3	7.691048	10.513275	0.731556	0.4707
CGOV4	1.641766	4.992719	0.328832	0.7448
CGOV5	-9.500287	8.799072	-1.079692	0.2898
GDI	0.553877	0.192161	2.882359	0.0077
LAB	0.117453	0.736908	0.159386	0.8746
C	35.833032	15.035959	2.383156	0.0245

Source: Authors computation, 2022

Table 5

Short-run relationship between monetary policy, corporate governance, and economic growth

Dependent variable: D (PCGDPR)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(M2)	0.052572	0.044029	1.194018	0.2429
D(INFLA)	-0.110760	0.052847	-2.095886	0.0456
D(EXR)	-0.005992	0.019843	-0.301953	0.7650
D(CG0V1)	4.312662	5.816451	0.741459	0.4648
D(CG0V2)	9.609896	6.934567	1.385796	0.1771
D(CG0V3)	5.915588	7.641930	0.774096	0.4456
D(CG0V4)	-1.262768	3.831045	-0.329615	0.7442
D(CG0V5)	7.307168	6.541087	1.117118	0.2738
D(GDI)	0.426016	0.107823	3.951066	0.0005
D(LAB)	0.090339	0.569475	0.158636	0.8751
CointEq(-1)	-0.769152	0.162019	-4.747299	0.0001
R-squared	0.591929	F-statistic		12.37655
Adjusted R-squared	0.584937	Durbin-Watson stat		1.827535

Source: Authors computation, 2022