"Corporate governance quality, corporate life cycle and investor confidence in commercial banks: Evidence from Nigeria"

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CORPORATE GOVERNANCE QUALITY, CORPORATE LIFE CYCLE AND INVESTOR CONFIDENCE IN COMMERCIAL BANKS: EVIDENCE FROM NIGERIA

Abstract

A dominant strand of literature advances a positive association between corporate governance quality and investor confidence. However, the corporate life cycle may influence the relationship. Therefore, this study investigated the moderating role of the corporate life cycle in the association between corporate governance quality and investor confidence in the Nigerian banking industry. Corporate governance quality was proxied using a composite measure of board characteristics comprising board size, board meeting, independence, and board gender diversity, while investor confidence was proxied using the price-earnings ratio. Secondary data were obtained from the audited annual financial statements of 12 banks from 2006 to 2021. The study adopted a pooled regression model based on the results of Hausman, and the Breusch and Pagan Lagrangian multiplier test. The results showed that corporate governance quality positively and significantly impacted investor confidence at the introduction (coef = .318, p = 0.017) and decline (coef = 383, p = 0.011) phases of the life cycle. Banks at the introduction and decline phases of the life cycle were characterized by a narrow resource base, low profitability, and higher risky investments sufficient to attract investor confidence. The study concludes that corporate governance quality enhanced investor confidence at the introduction and decline phases of the banks' life cycle.

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INTRODUCTION

The banking industry worldwide has attracted much criticism and has been a subject of academic and professional discourse because of the many financial scandals that have bedeviled the industry and wiped off shareholders' funds. One of the profound consequences of these scandals is the erosion of investor confidence in the industry. Consequently, economies worldwide have implemented corporate governance codes to restore investor confidence, amongst other reforms. The importance of investor confidence cannot be over-emphasized; the investment of funds is a function of the level of confidence in the sector. Therefore, the extent to which corporate governance quality has impacted investor confidence continues to dominate discourse because of its relevance to the development of the financial sector and the economy.

Previous studies on the effect of corporate governance quality on investor confidence (e.g., Alnaser et al., 2014; Li et al., 2016) failed to examine the moderating effect of corporate life cycle on the association

between corporate governance quality and investor confidence. This study, therefore, contributes to the empirical literature by examining the moderating effect of the corporate life cycle on the association between corporate governance quality and investor confidence. The study is motivated by Kumar and Zattoni's (2014) call for further studies on the role of corporate governance in enhancing investor confidence in diverse international contexts. This study is carried out within the context of the Nigerian banking industry. The industry has been subjected to different corporate governance codes to correct the weakness in corporate governance characteristics, stabilize the industry, drive healthy competition, restore investor confidence, and improve the industry's competitiveness globally.

1. LITERATURE REVIEW

The theoretical and empirical literature on the association between corporate governance quality and investor confidence is limited. From the theoretical perspective, the agency theory is a dominant theory that underlies the association between corporate governance quality and investor confidence. The theory posits that corporate governance aligns the managers' interest with that of the shareholders, such that the managers engage in positive net present value (NPV) projects that will positively impact the firms' value (Jensen & Meckling, 1976; Shleifer & Vishny, 1997). This decision will improve a firm's value and attract investor confidence (Klapper & Love, 2004). Other theories applied to the governance-confidence relationship include agency theory, signaling theory, legitimacy theory, institutional theory, resource-based view, and stakeholder theory (Akbar et al., 2016; Berle & Means, 2017; Jensen & Meckling, 1976; Zaidirina & Lindrianasari, 2015).

From the empirical literature perspective, the consensus finding is a positive association between corporate governance and investor confidence (Claessens et al., 2002; Shleifer & Vishny, 1997), which indicates that investor confidence is improved because high corporate governance curbs self-serving managers from engaging in managerial opportunism. Durnev and Kim (2005) examined the corporate governance quality of firms in 27 countries. Corporate governance quality was proxied using the Credit Lyonnais Securities Asia (CLSA) and Standard and Poor's (S & P) indices based on disclosure, board structure, ownership structure, and accountability. The study applied cross-sectional country random-effect regression to analyze the data. The study found that firms with higher corporate governance quality attract investor confidence in weak legal regimes.

Huang and Tompkins (2010) examined the role of corporate governance on investor confidence via reactions to seasoned equity offerings. The study was conducted in publicly traded US firms from 2002 to 2004. A cross-sectional regression model was used to analyze the data. The results showed that investors react positively to firms with effective corporate governance structures.

Alnaser et al. (2014) examined the effect of an effective corporate governance structure on investor confidence. A survey instrument was administered to 50 Amman Stock Exchange Market traders in Jordan in 2013. The reliability of the research instrument was carried out using Cronbach's alpha. The findings indicated a positive association between corporate governance and investor confidence.

Cheng et al. (2015) examined the effect of corporate governance on investor interest during the global financial crisis in 976 companies listed on the Hong Kong Stock Exchange between 2008 and 2009. The corporate governance variable was proxied using chairman characteristics, board structure, board independence, and ownership structure, while investor confidence was proxied using share performance. The results show that a good corporate governance structure can constrain huge executive compensation, and excessive risk-taking, which are necessary for enhancing investor confidence.

Li et al. (2016) investigated the effect of corporate governance on investor confidence in A-share companies listed on the Shanghai Stock Exchange of China between 2011 and 2013. Investor confidence was proxied using a substitution index of the Price-Book (P.B.) ratio, while corporate governance was also proxied using an index. The fixed effect regression model was used to analyze the data. The findings indicated a positive association between corporate governance and investor confidence.

Shahid and Abbas (2019) investigated corporate governance's impact on investor confidence of 230 non-financial firms in Pakistan and Bombay Stock Exchanges from 2008 to 2017. Investor confidence was measured using the investor sentiment index (ISI), while corporate governance was measured using board size, board independence, and an internal audit committee. The findings indicated that corporate governance enhanced investor confidence.

Hammond et al. (2022) examined the relationship among corporate reporting, corporate governance, going concern, and investor confidence. Data comprising 350 firm-year observations were extracted from listed banks in Ghana, Nigeria, and South Africa between 2011 and 2020. Corporate governance practice was proxied using board size, board independence, and board gender diversity, while investor confidence was proxied using deposits, total equities, and total share capital. The Partial Least Square-Structural Equation Modelling (PLS-SEM) was used to analyze the data. The results showed that corporate governance positively impacted investor confidence as investors regard firms with good corporate governance practices.

Empirical studies depicting a negative association between corporate governance quality and investor confidence are not common, though possible. Shank et al. (2013) assessed investors' benefits from good corporate governance. They argued that an attempt to improve corporate governance structure has positive and negative implications. While investors benefit from good corporate governance, the cost of improving governance mechanisms will result in additional agency (monitoring and bonding) costs.

A review of these studies shows three critical gaps. First, most empirical studies have been conducted in developed economies with effective corporate governance structures and consequences for violations of governance codes (Nguyen et al., 2022). However, the corporate governance structure and the regulatory framework in developing economies are not well-developed, and the results in developed economies cannot be generalized to developing economies (Amin et al., 2021). Second, studies have been restricted to individual elements rather than a composite measure of corporate governance (Al-Gamrh et al., 2020). The quality of corporate governance, measured on a composite level, is more relevant than

individual elements. The board of directors, being the apex authority, is now regarded as an ideal proxy for corporate governance quality on the bases of many theories, such as agency, resource dependence, dynamic capability, and dynamic managerial capability theories (Agarwal & Helfat, 2009; Crisostomo et al., 2020; Fama & Jensen, 1983; Finkelstein et al., 2009; Hilman & Dalziel, 2003; Teece, 2007, 2016). Third, most empirical studies have been underpinned by the 'static' theories (e.g., agency theory, legitimacy theory), which are considered outdated to accommodate the complexity of the business environment. Thus, given the dynamism in the marketplace, companies can no longer be static but adapt to changing contingency factors, such as the life cycle, that may impact performance. Therefore, companies need to enact a dynamic and adaptive corporate governance structure that reflects alignment with the varying stages of the firm life cycle (Bakarich et al., 2019; Habib & Hasan, 2019; O'Connor & Byrne, 2015).

Therefore, three theories adopted in this study to complement existing theories are the corporate governance life cycle theory, dynamic resource-based theory, and contingency theory. According to Esqueda and O'Connor (2020, p. 1), the corporate governance life cycle theory postulates that "*the role of corporate governance serves different purposes along the life cycle, suggesting an optimal level of corporate governance at each life cycle stage.*" The dynamic resource-based theory posits that a firm's resource base develops and transits over the life cycle phases (Helfat & Peteraf, 2003). The contingency theory postulates that there is no best governance structure, but the structure's design should consider critical contextual factors for which the structure is designed (Donaldson, 2001). Thus, within the context of this study, the governance structure should be designed to align with the realities of the life cycle phases. Furthermore, the contingency theory argues that the corporate governance structure, primarily the board, performs monitoring and strategic roles (Aguilera et al., 2008). However, a firm has to switch between corporate governance's monitoring and strategic roles to align with environmental dynamism's realities.

This study differs from prior literature by adopting a composite measure of corporate governance quality based on the board characteristics and analyzing the

effect of corporate governance quality on investor confidence at different stages of the banks' life cycle. Thus, this study examines the moderating role of the corporate life cycle on the association between corporate governance quality and investor confidence. The study's hypothesis in the null form is as follows:

H_i: *The effect of corporate governance quality on investor confidence is moderated by all the phases in the corporate life cycle.*

2. METHODS

The study adopts a longitudinal research design comprising data at both time and cross-sectional levels. The sample consists of 12 publicly quoted deposit money banks (also known as commercial banks) on the Nigerian Exchange Group (NGX), with complete information for the period between 2006 and 2021 and whose reporting currency is the Nigerian currency. This study adopts previous studies' selection of 2006 as the first year to control the impact of corporate governance codes that became operational in 2006 for banks (Ayoola et al., 2022). The data were winsorized at 1 and 99

percent at the upper and lower tails to reduce the effect of outliers which may bias the results. To ensure that the model does not suffer the problem of over-and under-fitting, the study applies the Least Absolute Shrinkage and Selection Operator (LASSO) to appropriately select control variables and improve the robustness of the model using the STATA 18 command (pdslasso) of Ahrens et al. (2020). This study also follows the recommendation of prior research (e.g., Aguinis et al., 2017; Busenbark et al., 2022; Brambor et al., 2006; Gardner et al., 2017) by adopting one model where the coefficient of the focal variable (CGQ) is examined in isolation with the interaction term included; and the marginal effects technique, which involves a simultaneous analysis of the parameter estimates for CGQ (β_1) and the interaction term (β_3) from the model. The model is as follows:

$$CONF_{it} = \beta_0 + \beta_1 CGQ_{it} + \beta_2 CYC_{it} + \\ + \beta_3 CGQ \cdot CYC_{it} + \beta_4 \beta_6 SIZ_{it} + \beta_5 LEV_{it} + \quad (1) \\ + \beta_6 CIMP_{it} + \beta_7 IFRS_{it} + e_{it},$$

where *CONF* represents investor confidence, *CGQ* is an index that represents corporate governance

Table 1. Definitions of variables of the study

Source: Authors' compilation from previous studies.

Variables & Coding	Definitions
Dependent variable	
Investor confidence (CONF)	This is proxied by the price-earnings (P.E.) ratio, which is the ratio for evaluating the over-and-under valuation of firms. An increasing P.E. ratio suggests increasing investor confidence
Independent variables	
Corporate governance quality (CGQ) is measured as a composite index comprising four elements of the board of directors as follows: $$CGQindex_{it} = \beta_1 BSIZ_{it} + \beta_2 BMET_{it} + \beta_3 BIND_{it} + \beta_4 BDIV_{it} + e_{it}$$ where *BSIZ* represents board size, measured as the total number of the members of the board; *BMET* represents board meeting, measured as the number of board meetings per year; *BIND* represents board independence, measured as the total number of independent directors to the total number of directors; and *BDIV* represents board gender diversity, measured as the percentage of women on the board	
Firm/Corporate life cycle (CYC) is measured based on a 5-phase cash-flow pattern as follows: (i) **Introduction (CYC_Intro)**: if CFO < 0, CFI < 0, and CFF > 0 (coded as 4) (ii) **Growth (CYC_Growth)**: if CFO > 0, CFI < 0, and CFF > 0 (coded as 2) (iii) **Maturity (CYC_Maturity)**: if CFO >0, CFI < 0, and CFF > 0 (coded as 3) (iv) **Decline (CYC_Decline)**: if CFO < 0, CFI > 0, and CFF > 0 (coded as 1) (v) **Shake-out (CYC_Shake)**: if CFO < or > 0, CFI < or > 0, and CFF < or > 0 (coded as 5), where CFO represents cash flow from operating activities; CFI represents cash flows from investing activities; and CFF represents cash flows from financing activities. Shake-out phase is the reference point for assessing other life cycle phases	
Control variables	
Firm size (SIZ)	This is measured as the logarithm of the client's total assets
Leverage (LEV)	This is measured as the total liabilities divided by the total assets
Client importance (CIMP)	This is measured as the Central Bank of Nigeria's classification of banks into banks with international operations (measured as one) and banks with regional operations (measured as zero)
International Financial Reporting Standards (IFRS)	This is measured as the year of adoption of International Financial Reporting Quality as one, and zero otherwise

quality, and *CYC* represents the firm life cycle. *CGQ · CYC* represents the interaction between corporate governance quality and firm life cycle, *SIZ* represents the bank's size, and *LEV* represents the bank's leverage. *CIMP* represents client importance, *IFRS* represents the adoption of International Financial Reporting Standards, and e_{it} represents the stochastic error term.

The model is subjected to the Hausman specification test (Hausman, 1978) to determine the suitability of either the fixed or random effect regression model. The results of the Hausman test (chi2 = 12.60, p = 0.2469) favor the random effect regression model. Furthermore, the Breusch and Pagan Lagrangian multiplier test (Breusch & Pagan, 1980) for random effects is conducted, and the results favor the pooled regression model. Table 1 shows the definitions of the variables of the study.

3. RESULTS

This section focuses on descriptive statistics, correlation, diagnostic tests, and regression results. The study conducts initial tests (univariate and bivariate) to gain insights into the nature of the data. It also conducts robustness tests to ensure that the data fits the model. Subsequently, the study applies pooled regression to achieve the objective and conducts post-regression analyses. In the initial test analysis, Table 2 shows the descriptive statistics of the variables. The results show the mean and median values of all the variables. On the analysis of the life cycle phases, the results show that the growth stage (CYC_Growth), with a value of 75.9%, is the most prominent phase of the life cycle, while the shake-out stage (CYC_Shakeout), with a value of 42.1% is the least prominent. Table 3 also shows the correlation among the variables. The results show an absence of multicollinearity, as no correlation exceeds a benchmark of 0.7.

Table 4 shows the diagnostic tests to ensure the model fits the data. First, the Breusch-Pagan test for heteroskedasticity is undertaken, and the results (chi = 1.942, p = 0.163) show that the model does not suffer the problem of heteroskedasticity. Second, the Linktest for a correctly specified model is conducted, and the results (t = 1.031, p = 0.304) show no specification error. Third, a test for

the appropriate functional form using Ramsey's regression specification error test (RAMSEY) is undertaken, and the results (F (3, 118): 1.476, p = 0.225) show pooled regression model as an appropriate functional form. Fourth, an outlier test using Cook's distance measure is also conducted; the results show the absence of any influential observation, as no distance is above the cut-off point. Finally, a multicollinearity test using the variance inflation factor (VIF) is also conducted, except for the interacting variables (with a VIF of 10.8), none of the other variables is above a cut-off point of 10. According to Aguinis et al. (2017, p. 7), "*any apparent multicollinearity created by the interaction does not cause problems for moderation tests, provided such tests include the focal variable and the moderator along the interacting variables as a predictor in the regression.*" Finally, a power analysis is also conducted to confirm if a sample size of 192 has sufficient power to detect an interaction (Aguinis et al., 2017); the results show that a sample of 60 is needed to achieve a statistical power of 0.90 and above. The low sample size aligns with the arguments of prior studies (e.g., McClelland & Judd, 1993) that the power for testing an interaction effect is generally low. However, the sample size adopted in this study is above Shieh's (2009) recommendation that a sample size between 137 and 154 is required to detect a significant effect with a statistical power of 90%.

Table 2. Descriptive statistics

Variable	Mean	Std. dev.	Min	Med	Max
Conf	2.129	0.745	0.000	2.079	3.714
Cgq	2.796	1.269	−0.189	2.699	6.608
Cyc	2.856	1.243	1.000	3.000	5.000
CYC_Intro	0.455	0.504	0.000	0.000	1.000
CYC_Growth	0.759	0.432	0.000	1.000	1.000
CYC_Maturity	0.627	0.488	0.000	1.000	1.000
CYC_Decline	0.475	0.506	0.000	0.000	1.000
CYC_Shakeout	0.421	0.500	0.000	0.000	1.000
Ifrs	0.500	0.502	0.000	0.500	1.000
Siz	13.552	1.006	11.577	13.651	15.391
Lev	0.843	0.182	0.856	0.856	1.366
cimp	0.735	0.443	0.000	1.000	1.000

Table 5 shows the regression results of estimating Eq. (1) using the pooled regression model. Panel A shows the baseline results using the pooled regression model, while Panels B and C show alternative estimating techniques that serve as robustness

Table 3. Correlation matrix

Variables	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)
(i) CONF	1.00	–	–	–	–	–	–	–	–	–	–
(ii) CGQ	−0.24	1.00	–	–	–	–	–	–	–	–	–
(iii) CYC_Shakeout	0.15	0.07	1.00	–	–	–	–	–	–	–	–
(iv) CYC_Growth	0.31	0.13	−0.33	1.00	–	–	–	–	–	–	–
(v) CYC_Maturity	−0.09	0.13	−0.21	−0.49	1.00	–	–	–	–	–	–
(vi) CYC_Intro	−0.08	0.29	−0.08	−0.18	−0.12	1.00	–	–	–	–	–
(vii) CYC_Decline	−0.21	0.25	−0.16	−0.39	−0.25	−0.09	1.00	–	–	–	–
(viii) IFRS	−0.51	0.31	−0.12	−0.18	0.06	0.09	0.30	1.00	–	–	–
(ix) SIZ	−0.21	0.39	0.18	0.13	0.14	0.27	0.17	0.38	1.00	–	–
(x) LEV	0.06	0.05	0.08	0.43	−0.01	0.38	0.42	−0.12	0.15	1.00	–
(xi) CIMP	0.12	0.14	−0.34	−0.27	−0.25	−0.52	−0.53	−0.02	0.52	−0.24	1.00

Table 4. Diagnostic tests

SN	Test	Method	Results
1	Heteroskedasticity	Breusch-Pagan test	Chi = 1.942, p = 0.163
2	Correctly specified model	Linktest for specification problem	t = 1.031, p = 0.304
3	Functional form	Ramsey's regression specification error test (RESET)	(F (3, 118): 1.476, 0 = 0.225)
4	Outlier	Cook's distance	No distance is above the cut-off point of 1
5	Multicollinearity	Variance inflation factor	No variable is above a cut-off point of 10
6	Power analysis	Shieh's (2009) power and sample size method	A sample of 60 is needed to achieve a statistical power of 0.90 and above.

tests for the baseline results. The results in Panel A show a significant negative and main effect between corporate governance quality and investor confidence (coef = −0. 217, p = 0.013) and a significant negative and primary effect of corporate life cycle on investor confidence (coef = −0.355, p = 0.006). However, the marginal effect is only significant for the introduction and decline phases and insignificant for the growth and maturity phases of the life cycle. The interacting variables (corporate governance quality at the life cycle's introduction and decline stages) were positively associated with investor confidence (coef = 0.318, p = 0.017; coef = 0.383, p = 0.011), respectively. In respect of the control variables, client importance (CIMP) showed a positive association with investor confidence (0.463, p = 0.013), while adoption of IFRS (IFRS) and client size (SIZ) showed a negative association with investor confidence (−0.499, p = 0.000; −0.164, p = 0.017), respectively. Given the fact that the confidence interval bands of the introduction (CI: 0.057, 0.578) and decline (CI: 0.090, 0.676) phases of the life cycle do not have '0', the marginal effects are deemed to be significantly different from zero at the 5% significance level. The results in Panels B (using the random slope regression) and C (using the generalized estimation technique) are substantially the same as those of the main regression results.

Concerning the control variables, evidence shows that larger banks have poor corporate governance quality, given the negative and statistically significant coefficient of bank size (SIZ; coef = −0.163, p = 0.046). The results also show that adopting IFRS negatively impacted investor confidence (coef = −0.499, p = 0.000). On the other hand, the coefficient of client importance (CIMP) is positive and significantly related to investor confidence (coef = 0.463, p = 0.006), presumably on the ground that banks with international operations are subjected to pressure from local and international investors to adopt corporate governance best practices.

Table 6 presents the results of pairwise comparisons of the average marginal effect. The results show that the confidence interval for the difference between the mean of the decline phase and that of the shake-out, growth, and maturity phases do not contain zero, which indicates that these means are significantly different from zero. In addition, the confidence intervals for the difference between the mean of the introduction phase and that of the shake-out, growth, and maturity phases do not contain zero, indicating that these means significantly differ from zero. The results show that the average marginal effect of corporate governance quality is 0.066 higher for banks in the decline phase than the introduction phase;

Table 5. Regression results of the interaction effect of the corporate life cycle and corporate governance quality on investor confidence

Dep. var	CONF	CONF	CONF
Model	Pooled	Random slope model	GEE
	A	B	C
Intercept	4.815***	4.815***	4.760***
	(5.71)	(5.18)	(5.18)
CGQ	−.217**	−.217**	−.216**
	(−2.52)	(−2.20)	(−2.20)
CYC	−.355***	−.355***	−.353***
	(−2.82)	(−3.14)	(−3.12)
Interacting variables			
$CGQ \cdot CYC_{Introduction}$	.318**	.318**	.316**
	(2.41)	(2.45)	(2.44)
$CGQ \cdot CYC_{growth}$	.106	.106	.106
	(1.62)	(1.42)	(1.41)
$CGQ \cdot CYC_{maturity}$	.158*	.158	.157
	(1.71)	(1.60)	(1.59)
$CGQ \cdot CYC_{decline}$	.383**	.383**	.380**
	(2.59)	(2.42)	(2.40)
Control variables			
IFRS	−.499***	−.499***	−.501***
	(−3.86)	(−3.84)	(−3.86)
SIZ	−.164**	−.164**	−.160**
	(−2.43)	(−2.09)	(−2.06)
CIMP	0.463**	0.463***	.457***
	(2.52)	(2.88)	(2.88)
LEV	0.661*	0.661*	.663*
	(1.76)	(1.93)	(1.94)
N	192	192	192
P-value	0.000	0.000	0.000

Note: The dependent variable is investor confidence (CONF), measured as the price-earnings ratio. CGQ represents corporate governance quality, while CYC represents the corporate life cycle. In the regression results, the indicator for the shake-out stage is the reference point used to assess the other life cycle stages. It is therefore omitted. The t-statistics are shown in parentheses, while the signs ***, **, and * reflect the significance level at 1, 5, and 10%, respectively.

0.226 higher than the maturity phase; 0.277 higher than the growth phase; and 0.383 higher than the shake-out phase of the life cycle. The average marginal effect of corporate governance quality is 0.160 higher for banks at the introduction phase than the maturity phase, 0.211 higher than the growth phase, and 0.318 higher than the shake-out phase of the life cycle.

Table 6. Pairwise comparisons of average marginal effects

Phases	Mean difference	Standard error	95% Confidence interval		Decision
			Lower	Higher	
2 vs. 1	.106	.066	−.023	.236	insignificant
3 vs. 1	.158	.092	−.025	.341	Insignificant
3 vs. 2	.052	.054	−.056	.159	insignificant
4 vs. 1	.318	.132	.057	.578	significant
4 vs. 2	.211	.093	.027	.396	significant
4 vs. 3	.160	.071	.020	.300	significant
5 vs. 1	.383	.148	.090	.676	significant
5 vs. 2	.277	.108	.064	.490	significant
5 vs. 3	.226	.079	.068	.383	significant
5 vs. 4	.066	.069	−.070	.201	insignificant

Note: 1 = shakeout; 2 = growth; 3 = maturity; 4 = introduction; and 5 = decline phases of the life cycle.

4. DISCUSSION

The results of the main empirical analysis show that corporate governance quality had a positive and significant effect on investor confidence at the introduction phase of the life cycle. This result corroborates the findings of Habib and Hassan (2017), and Miller and Friesen (1984), which posit that firms at the introduction phase are characterized by a fluid resource base that enables them to invest heavily in massive projects, irrespective of the attendant risks. The massive investments in risky projects to gain market share aligns with the interests of investors, who are wealth creators and experts in risk diversification (Faccio et al., 2011). This result also supports the results of Filatotchev et al. (2006) and O'Connor and Byrne (2015) that a firm at the introduction (immature) phase of its life cycle will require a dynamic resource and strategic roles of corporate governance structure to attract external funding from investors who have confidence in the firm.

The results also show that corporate governance quality had a positive and significant effect on investor confidence at the decline phase of the life cycle. This result support the results of Filatotchev et al. (2006), Habib and Hasan (2017), and Richardson (2006), which argue that in the decline phase of the life cycle, where firms may desire to reinvent themselves, the resource and strategy roles of corporate governance may be invoked to reposition the firms for new value-creation opportunities. This finding also supports the notion that banks in the decline phase of their life cycles have adaptive governance structures for massive investments, which brightens their prospects and ultimately sustains the investors' confidence.

The results also suggest that the moderating effect of the corporate life cycle is a buffering (compensatory) interaction because the negative impact of corporate governance quality on investor confidence is weakened by the introduction and decline phases of the life cycle (Cohen et al., 2014; Richardson et al., 2015). The results of the positive effect of corporate governance quality on investor confidence at the introduction and decline phases of the life cycle may be attributed to management's massive investment in projects irrespective of the level of risks, to achieve market share, expand the resource base, build up capacity, and attain high profitability. This decision by management aligns with the interest of the investors, who are wealth creators and experts in risk diversification (Faccio et al. 2011).

The results reject the hypothesis that the effect of corporate governance quality on investor confidence is moderated by all the phases in the corporate life cycle. These results also lend credence to the multi-theoretical underpinnings of the study. The results support the contingency, dynamic resource-based view, and the corporate life cycle theories, which argue that firms' performance is a product governance structure, resources, and environmental factors along the life cycle stages.

CONCLUSION

This study investigates the moderating role of the corporate life cycle in the association between corporate governance quality and investor confidence in the Nigerian banking sector. The results reveal that at the 5 percent level of significance, corporate governance quality positively and significantly enhanced investor confidence at the introduction and decline phases of the life cycle, and not at the maturity and growth phases. The moderating effect of the corporate life cycle compensated for the negative effect of corporate governance quality on investor confidence. Thus, the corporate life cycle acts as a variable that moderates the effect of corporate governance quality on investor confidence. The findings of this study suggest that the life cycle phases influence the effect of corporate governance quality on investor confidence in line with the contingency, dynamic resource-based, and corporate governance life cycle theories. The practical implication of the findings is related to bank governance; bank management should have a dynamic and flexible structure that will harness the capabilities and resources of the bank along its life cycle to create value and attract investor confidence.

AUTHOR CONTRIBUTIONS

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