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A Comparative Analysis of Agency Monitoring Cost and Financial Performance of Financial and Non-Financial Companies in Nigeria

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Abstract
Corporate governance is vital for transparency, accountability, and efficiency in organizational management. A key aspect of corporate governance is agency monitoring, which entails costs incurred to oversee managerial actions and align them with shareholders' interests. However, the impact of agency monitoring expenses on financial performance varies across sectors. Financial institutions, subject to strict regulatory oversight, require intensive monitoring, whereas non-financial firms may experience less scrutiny. Understanding these differences is crucial for policymakers, investors, and corporate managers aiming to enhance financial performance while maintaining strong governance. This study employs a correlational research design to examine the relationship between agency monitoring cost and financial performance in listed financial and non-financial firms in Nigeria. Based on market capitalization, the analysis covers 20 firms—10 financial and 10 non-financial—selected from 157 companies listed on the Nigerian Exchange Group (NGX) between 2011 and 2020. Data were sourced from the firms' annual reports and analyzed using panel regression estimates. Findings indicate that agency monitoring costs significantly enhance financial performance in financial firms, while their impact on non-financial firms is minimal. These results align with agency theory, which stresses the necessity of stringent oversight to mitigate managerial opportunism. The study underscores the sectorial differences in agency monitoring effectiveness and recommends that financial institutions prioritize monitoring expenses to improve governance and performance by strategically investing in efficient oversight mechanisms that align managerial actions with shareholder interests. These insights contribute to corporate governance literature and provide practical guidance for firms seeking to balance monitoring costs with financial efficiency.

Keywords: Agency Agreement, Monitoring Cost, Financial Performance, Financial and Non-Financial Companies, Nigerian Exchange Group.

1. Introduction

Since the onset of the industrial revolution in the nineteenth century and the establishment of joint-stock corporations, many investors have had little to no direct involvement in the management of their companies. Yet, the only way they were involved was by choosing the board of directors, who had the responsibility of overseeing the business. The management group that are not owners was given responsibility for overseeing the day-to-day operations of the joint stock enterprises. The principle (owner)-agent (management) relationship was born as a result of this. The agency relationship, according to Jensen and Meckling (1976), is a contract where one or more people (the principal(s)) hire another person (the agent) to carry out a task on their behalf and grant the agent some decision-making authority. Thus, Jensen & Meckling (1976) argued that there is a solid basis for suspicion that an agent won't always behave in the principal's best interests if both sides to the connection are utility maximizers. By giving the agent the right incentives and incurring monitoring costs intended to rein in the agent's atypical behavior, the principal can reduce deviations from his interests. All costs incurred by businesses to ensure that agents or managers are acting in the best interests of the principals or shareholders are referred to as monitoring costs (Jensen and Meckling, 1976). These costs include, among other things,

paying independent auditors, carrying out internal audits, examining financial records, and setting up internal controls. These costs are crucial for ensuring that agents act in the best interests of principals and for minimizing the agency costs that result from a difference in the principals' and agents' interests.

Agency monitoring costs can be used to evaluate the quality of financial reporting and the efficacy of an organization's internal control systems in the context of financial performance (Leuz and Wysocki, 2008). For instance, large monitoring expenses could be an indicator of a company's effective internal control systems, which are intended to spot and stop fraud and financial misstatements. High monitoring expenses may also be an indication that a company values accountability and openness, which might boost the firm's reputation and increase investor trust. Numerous studies have looked at the connection between the cost of monitoring and financial performance. For instance, Beasley et al. (2000) discovered that companies with more monitoring expenses had better standards for financial reporting. In a similar vein, Gul et al. (2003) shown that companies with more robust internal control frameworks saw lower rates of financial restatements. On the other hand, other researches contend that high monitoring expenses might stress businesses and harm their financial performance (Leuz and Wysocki, 2008). The efficacy of internal control systems, the caliber of financial reporting, and the overall business strategy of the company are just a few examples of the many variables that influence the intricate link between monitoring costs and financial success. Even yet, monitoring expenses are still a crucial part of corporate governance and are crucial to ensure that agents behave in the principals' best interests.

There is paucity of evaluation and comparative studies of the impact of agency monitoring costs on the financial performance of listed companies in the financial and non-financial sectors of the Nigerian Exchange Group in the body of existing literature. Therefore, this study investigates how monitoring costs affect the financial performance of enterprises that are listed on the Nigerian Exchange Group, both financial and non-financial. The study's specific goals are to:

i. Examine the effect of agency monitoring costs on financial performance of listed financial companies in Nigeria;
ii. Examine the effect of agency monitoring costs on financial performance of listed non-financial companies in Nigeria; and
iii. Ascertain whether significant difference exists in the effect of agency monitoring costs on financial performance of listed companies on the financial and non-financial sectors of the Nigerian Exchange Group.

The remaining parts of the article comprises of section two, which is the review of conceptual, theoretical, and empirical literature; section three, which describes the methodology employed; section four, which contains results and findings; and section five, which presents the paper's conclusions and recommendations.

2. Literature Review and Hypotheses Development

In order to provide insight into the study, this part discusses the ideas that are pertinent to the phenomena of interest. These ideas include keeping an eye on agency monitoring costs and financial performance. Also, it evaluated the supporting theory and pertinent empirical investigations.

Agency Monitoring Cost

One of the components of agency expenses, according to Jensen and Meckling (1976), is the expense expended by the principal in keeping an eye on the agent's management of the estate. It is assumed in

the agency relationship that the agent won't always behave in the principal's best interests (Jensen & Meckling, 1976; Bortych, 2017). The principal applies checks and balances to the agent's operations in order to restrict the divergences of the agent from the principal's interest; this has a financial consequence known as monitoring expenses (Bortych, 2017). Staffing expenses, budget control costs, auditing costs, compensation costs (cash and equity), additional layers of management costs, directorship costs, indenture costs, and contract enforcement costs are just a few of the costs associated with monitoring (Bortych, 2017). The principal and agent connection results in a particular category of agency charges called monitoring costs. Monitoring costs are incurred by the principals when they make an effort to control or monitor the activity of agents. As a result, expenses spent for overseeing and monitoring agent activity are classified as monitoring costs. The costs of auditing, adding layers of administration, paying directors, enforcing contracts, and preparing and producing financial statements are only a few of the monitoring expenses (Agrawal, 1996).

Financial performance

Financial performance serves as a comprehensive measure of how effectively a company utilizes its resources to generate value through its core business activities. It is not limited to profitability but encompasses a broader scope of evaluating a company's overall financial health and sustainability. A company's financial performance offers valuable insights into its operational efficiency, strategic decision-making, and potential for long-term stability. Unlike profitability, which focuses on short-term earnings, financial performance reflects a company's ability to maintain consistent revenue streams, manage costs, and optimize asset utilization in the pursuit of sustained growth. From an analytical perspective, financial performance provides a critical lens for comparing companies within the same industry or sector, facilitating benchmark assessments and industry comparisons. Investors and analysts rely on these comparisons to gauge a company's competitive position and future growth prospects. In addition, it allows stakeholders to assess how well a company adapts to changing market conditions and maximizes its financial potential over time.

In the literature, various financial performance indicators are widely utilized to measure these aspects, with key metrics including Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Return on Capital Employed (ROCE), and Earnings Before Interest and Taxes (EBIT), among others. These indicators offer a diverse approach to evaluating a company's operational effectiveness and profitability, with each serving to highlight different facets of financial health. ROE, for example, measures how efficiently a company generates profit from its equity, while ROA evaluates asset utilization. ROI and ROCE are essential for assessing how well investments are generating returns relative to capital employed. In more recent studies, the scope of financial performance evaluation has expanded to include metrics that account for environmental, social, and governance (ESG) factors, recognizing their growing importance in modern business performance. Studies by Boubaker et al. (2020) and Sweeney and O'Malley (2021) suggest that integrating ESG considerations with traditional financial metrics provides a more comprehensive view of a company's long-term performance and sustainability.

Furthermore, advanced financial performance models have emerged, which incorporate data analytics, machine learning, and AI-based techniques to predict financial outcomes and optimize decision-making. These innovative approaches have been explored by scholars like Kaur and Singh (2021), who argue that leveraging technology can lead to more precise and actionable financial performance assessments. Thus, financial performance extends far beyond mere profitability, offering a nuanced perspective of a company's financial stability and potential. The combination of traditional financial metrics and

emerging analytical tools provides a well-rounded approach to evaluating the efficiency, effectiveness, and sustainability of a business.

Theoretical Review

The agency theory, which Jensen and Mecklings (1976) articulated, serves as the foundation of this article. The idea describes the contractual arrangement in which the principal hires the agent to carry out his instructions (Eisenhardt, 1989). Jensen and Meckling (1976) suggest that when both the principal and the agent are utility maximizers, the agent is unlikely to consistently act in the principal's best interests. There would be a conflict of interests, an agency issue if both parties had divergent interests (Jensen & Meckling, 1976). According to Nur (2014), there is a significant likelihood that the principal and agent will have conflict of interests since the agent may not always aim to increase shareholder value due to the separation of ownership and control in a contemporary organization.

The agency conflict, according to Smith (1976), occurs when professionals are hired to manage the businesses of other people and do not put as much effort into managing those enterprises as the real owners would; instead, they are less keen, negligent, and profuse. Agency conflicts can be reduced in two main methods, according to the research. Initially, the principal will watch the agent's behavior to make sure that they act as the contract requires and will compare their performance to expectations based on the results (metering). Agency costs result from the principal's inability to keep track of the agent's actions or measure his performance without incurring costs (Sharma et al, 2001). According to Wanyonyi (2018) and Khalid and Rehman (2014), appointing independent directors and using auditors are just a few ways to oversee or measure the acts of agents. Allowing managers to own a portion of the company they oversee is the second strategy. According to the agency hypothesis, agency costs may be decreased if insiders—managers, directors, and other executive officers—became more invested in the company. This could assist to better match the interests of managers and shareholders (Jensen & Meckling, 1976). The agency hypothesis claims that management ownership is a bonding mechanism that harmonizes managers' interests with those of the principal and maximizes performance.

Empirical Review

The empirical review explores the relationship between agency monitoring expenses and financial performance across various sectors and regions. The study by Ahmed, Bahamman, and Abdulkarim (2020) analyzed the connection between agency expenses and business performance, using data from 19 of the 28 insurance companies listed on the Nigerian Exchange Group between 2012 and 2017. The study employed panel regression modeling, using monitoring costs (audit fees) as proxies for agency costs and ROA as a proxy for financial performance. The results indicated a significant positive relationship between monitoring expenses and financial performance. Similarly, Serem, Fwamba, and Alala (2020) examined the impact of agency fees on the financial performance of Deposit-Taking SACCOs in North Rift, Kenya. The study utilized ROA as a measure of financial performance and audit fees as a measure of monitoring expenses. Data were collected from 266 staff members from 16 SACCOs, and the findings showed that monitoring expenses significantly improved the financial performance of the SACCOs.

In Nigeria, Abdullahi, Norfadzilah, Umar, and Lateef (2020) investigated how agency expenses impacted the financial performance of listed companies on the Nigerian Exchange Group. Using a sample of 84 NSE-listed businesses with 756 observations from 2010 to 2018, the study found that audit fees, as monitoring expenses, had a small but positive impact on financial performance, measured by ROE. Similarly, Ugwu et al. (2020) explored the relationship between agency expenses and the financial performance of Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group. The study used

monitoring expenses (audit fees) to quantify agency costs and POA to measure financial performance. Based on a pooled OLS regression model, the study found a negative but insignificant impact of monitoring expenses on financial performance over the period from 2011 to 2017.

Armstrong and Gyimah (2019) focused on the impact of agency expenses on the financial performance of banks listed on the Ghanaian Stock Exchange. Over five years (2013-2017), the study found that monitoring expenses (audit fees) significantly and positively impacted financial performance, measured by both ROA and ROE. In the same vein, Wanyonyi (2018) investigated the effect of agency costs on the financial performance of Kenyan commercial banks. Using data from 26 DMBs from 2013 to 2017, the study found that monitoring costs, including director's salary and audit fees, had a significant positive effect on financial performance, as measured by ROA. Moreover, Khalid and Rehman (2014) examined the relationship between agency fees and business performance in 70 Pakistani companies listed on the Karachi Stock Exchange between 2007 and 2011. Using director compensation as a proxy for monitoring costs and ROA as a measure of performance, the study found that monitoring costs had a small but positive impact on financial performance, based on a fixed effects model.

Finally, Miyienda, Oirere, and Miyogo (2013) analyzed the link between agency costs and firm performance using data from 57 firms listed on the Nairobi Securities Exchange between 2006 and 2010. The study showed that monitoring costs, measured by director compensation, had a significant positive impact on financial performance, with the relationship being influenced by firm size

Based on the studies reviewed and the fact that this study comparative in nature, the following null hypotheses are formulated, related to each of the objectives set out in section one:

H1: Agency monitoring costs have no significant effect on financial performance of listed financial companies on the Nigerian Exchange Group.

H2: Agency Monitoring costs have no significant effect on financial performance of listed non-financial companies on the Nigerian Exchange Group.

H3: There is no significant difference in the effect of agency monitoring costs on financial performance of listed financial and non-financial companies the Nigerian Exchange Group.

3. Methodology

The correlational research design was chosen for this investigation. The 157 financial and non-financial companies that have consistently been listed on the floor of the Nigerian Exchange Group for ten years up to the year 2021 make up the study's population. There are 107 companies in the non-financial sector compared to 50 in the financial sector. The study used a minimum sample size of 10% as suggested by Balsley and Clover (1988) quoted in Tapang, Bessong and Ujah (2015) and Bassey and Tapang (2012) as the ideal sample size in research. As a result, 10 businesses were chosen, based on market capitalization, from the financial and non-financial sectors. Data for the study were collected from the sampled firms' annual reports and accounts. Earnings per share (EPS), which serve as a proxy for financial success, serves as the dependent variable. Agency monitoring expenses, assessed in terms of audit fee, serve as the independent variable. Apart from agency expenses other than agency monitoring costs, the article also includes managerial ownership (MOWN) and free cash flow (FCF) as control variables. The panel correlation and regression procedures, as well as the paired sample t-test, are used to analyze the data. The following is the panel regression model for the study:

$$EPS_{it} = \beta_0 + \beta_1 AUDF_{it} + \beta_2 MOWN_{it} + \beta_3 FCF_{it} + e_{it.} \quad \text{---------- (1)}$$

Where:
EPS_{it} = Earnings per share of firm i for time period t;
$AUDF_{it}$ = Audit Fee of firm i for time period t;
$MOWN_{it}$ = Managerial Ownership of firm i for time period t; and
FCF_{it} = Free Cash Flow of firm i for time period t.

The article also used the T-test to assess the ways that financial and non-financial list firms on the Nigerian exchange group check costs. The following is how the T-test model is presented:

$$t = \frac{\bar{x} - \mu}{s/\sqrt{n}}$$

Where t = the t Statistics
$\overline{X}$ = mean
μ = error term
S = Sample standard deviation
N = Sample size

The *a priori* expectation of the study is that agency monitoring cost has a positive relationship with financial performance as expressed by EPS.

4. Results and Discussion

Descriptive statistics

The mean, standard deviation, maximum, and minimum values for the dependent and independent variables make up the descriptive statistics in this study. The value displays the data set's average value, the standard deviation depicts the range of the data, and the maximum and minimum values, respectively, reveal the highest and lowest values in the data set. Table 1 below displays the results of the study's descriptive statistics.

Table 1: Results of Descriptive Statistics

Variable	Mean	Minimum	Standard Deviation	Maximum	Observations
EPS	1.76	-7.43	3.48	22.83	200
AUDF	79,005.43	3,500.00	125,719.58	607,500.00	200
MOWN	15.20	0	21.65	85.29	200
FCF	23,554,857.94	646,000.00	92,320,518.44	1,062,313,891.00	200

Source: STATA (13.0) Output, 2022.

According to Table 1, the average EPS for the sampled firms during the course of the study had a mean value of N1.76. The EPS was always at least -N7.43. The EPS standard deviation was N3.48, Moreover, the selected firms' highest EPS was N22.83. The mean value of AUDF, which represents the average audit fee paid by the examined firms throughout the research period, is ₦79,005,000.43. During the research period, the AUDF also had a minimum value of ₦3,500,000.00, a standard deviation value of ₦125,719,000.58, and a high value of ₦607,500,000.00. The mean value of MOWN is 15.20%, which represents the typical level of management ownership in the selected businesses during the course of the research. Throughout the research period, MOWN also has a minimum percent of 0%, a standard deviation value of 21.65%, and a maximum value of 85.29%. The mean value of FCF for the research

period was ₦23,554,857,000.94, with lowest and highest values of ₦646,000.00, ₦92,320,518,000.44, and ₦1,062,313,891.00 respectively.

Three tests are conducted in this study to ensure that data meet the requirements for analysis through the regression technique. They include data normality tests, multicollinearity and heteroscedasticity tests**.**

Normality Test

As shown in Table 2, skewness and kurtosis were used to evaluate for data normality in this study. The results show that all of the study's variables have skewness and kurtosis values between -1 and +1, which indicates that the variables are regularly distributed.

Table 2: Result of Skewness and Kurtosis for Normality Test

Variable	Observations	Skewness	Kurtosis
EPS	200	0.0000	0.0000
AUDF	200	0.0010	0.0000
MOWN	200	0.0000	0.0000
FCF	200	0.0000	0.0000

Source: STATA (13.0) Output, 2022.

Multicollinearity Test

Multicollinearity arises where a single explanatory (independent) variable is highly correlated with a given set of other explanatory variables (Hair, Hult, Ringle & Sarstedt, 2017). The most common ways of testing multicollinearity are correlation analysis and variance inflation factor/tolerance levels, which are presented in Tables 3.

Table 3: Results of Pearson Correlation and Variance Inflation Factor

	AUDF	MOWN	FCF	VIF	1/VIF
AUDF	**1.0000**			**1.05**	**0.948636**
MOWN	**-0.1975**	**1.0000**		**1.04**	**0.957532**
FCF	**0.1036**	**0.0381**	**1.000**	**1.01**	**0.985702**

Source: STATA (13.0) Output, 2022.

The outcome of the Pearson correlation study shows that AUDF and MOWN have the greatest correlation coefficient (-0.1975 between the independent variables). According to the correlation matrix's findings, there is no evidence of multicollinearity between the study's independent variables. In a similar vein, Table 3's VIF varies from values of 1.01 to 1.05 with a mean of 1.04, below the threshold of 10, suggesting the lack of multicollinearity among the study's variables. The tolerance level, on the other hand, is over the threshold of 0.1 and varies in values from 0.948636 to 0.985702, demonstrating the lack of multicollinearity among the variables in this research.

Heteroscedasticity test

The Breusch-Pagan test was used to determine if heteroscedasticity existed in this study. The results indicated a Chi^2 of 63.3 and a P-value of 0.0000, indicating that heteroscedasticity was present. In order to address the heteroscedasticity, the robust regression test was then carried out.

Regression Results for Financial Sector Results

The results of Hausman specification and Breusch and Pagan Lagrangian Multiplier (LM) tests are presented in Table 4.

Table 4: Result of Hausman Specification Test for Financial Sector

Test Summary	Chi Square Value	Probability Value
Hausman Specification	0.90	0.8258*
Lagrangian Multiplier	186.43	0.0000**

Source: STAT (13.0) Output, 2022.

Note: **Ho: Random effect model is preferable to fixed effect model.*
***Ho: Pooled OLS regression model is more appropriate than random effect model.*
***H_o: Pooled OLS regression model is more appropriate than random effect model.*

According to Table 4, which uses the panel regression approach, the Hausman specification has a Chi^2 of 0.9 and a p-value of 0.8258, indicating that the random effect model is preferred to the fixed effect model. The Breusch and Pagan Lagrangian multiplier test for random effects must also be done in order to pick between the outcome of the pooled OLS and the random effect model after the Hausman specification test selects the random effect model. A Chi^2 of 186.4 at a p-value of 0.0000 was also shown in Table 4, suggesting that the random effect model is preferred to the pooled OLS model for interpreting the study's findings for the financial industry.

According to Table 5's regression results, the independent variables may account for 36% of changes in the dependent variable (EPS) of the selected enterprises throughout the relevant time with an R-square value of 0.3554. The regression model is statistically significant at the 5% level, as shown in Table 8 by an F-statistic value of 37.37 and an accompanying p-value of 0.0000. This suggests that the specified regression model offers a better fit than the intercept alone model and may be used for statistical inference.

Table 5: Random Effect Regression Result for Financial Sector

EPS	Coefficient	Z-Statistic	Probability
AUDF	1.857151	5.15	0.000*
MOWN	-0.000816	-0.13	0.896
FCF	0.0501901	2.58	0.010*
C	-7.644734	-4.48	0.000
R^2	0.3554		
F-Statistic	37.37		
Probability (F-Statistic)	0.0000		
Observations	100		

Source: STATA (13.0) Output, 2022.

*Note: *= 1% level of significance*

Also, Table 8 demonstrates that AUDF has a coefficient of 1.857151 and a corresponding p-value of 0.000, demonstrating that the audit fee, used as a proxy for monitoring costs, has a substantial positive impact on financial performance as measured by EPS at the 5% level of significance. At the 5% level of significance, MOWN's coefficient of -.000816 and related P-value of 0.896 for the control variables show that management ownership has an insignificantly negative impact on financial performance as measured by EPS. Free cash flow, however, has a coefficient of .0501901 and an associated p-value of

0.010, showing that it significantly improves financial performance as measured by EPS at the 5% level of significance.

Regression Results for Non-Financial Sector

Table 6 presents the panel regression technique for the non-financial sector, which showed that the Hausman specification has a p-value of 0.0468 implying that the fixed effect model is preferable to the random effect model.

Table 6: Result of Hausman Specification and Wald Tests for Non-Financial Sector

Test	Statistic	Probability Value
Hausman Specification Chi^2	7.96	0.0468*
Wald F-Statistic	24.04	0.0000**

Source: STATA (13.0) Output, 2022.

*Note: *Ho: Random effect model is preferable to fixed effect model.*

***Ho: Pooled OLS regression model is more appropriate than fixed effect.*

The Wald test must also be performed in order to choose between the results of the pooled OLS and the fixed effect model, which are presented in Table 6. The Wald test's choice of the fixed effect model results in an F-statistic p-value of 0.0000, indicating that the fixed effect model is preferable to the pooled OLS model in inferring the study's result for the non-financial sector. Table 7 displays the outcomes of the fixed effect model.

Table 7: Fixed Effect Regression Result for Non-Financial Sector

EPS	Coefficient	T- Statistic	Probability
AUDF	0.6757802	0.32	0.751
MOWN	0.0557308	3.36	0.001*
FCF	0.001806	0.00	0.998
C	-1.593009	-0.17	0.864
R^2	0.1231		
F-Statistic	4.07		
Probability (F-Statistic)	0.0093		
Observations	100		

Source: STATA (13.0) Output, 2022.

*Note: *= 1% level of significance*

The regression result in Table 7 had an R-square value of 0.1231, suggesting that the independent variables could account for 12% of the variations in the dependent variable (EPS) of the sampled firms across the study period. The regression model is statistically significant at the 5% level, as shown by Table 7's F-statistic value of 4.07 and associated P-value of 0.0093. This means that the specified regression model offers a better fit than the intercept only model and can be used for statistical inference. In addition, Table 7 demonstrates that AUDF has a coefficient of.6757802 and a corresponding P-value of 0.751, indicating that the audit fee, as a proxy for monitoring costs, has a negligibly positive impact on financial performance as measured by EPS at the 5% level of significance. At the 5% level of significance, MOWN, the control variable, has a coefficient of.0557308 and an associated P-value of 0.001, indicating that managerial ownership significantly improves financial performance as measured by EPS. The regression findings also revealed that FCF has a coefficient of.0001806 and an associated P-value of 0.998, indicating

that at the 5% level of significance, free cash flow has a negligibly positive impact on financial performance as measured by EPS.

Test for Equality of Means (T-Test)

The test for equality of means was adopted in testing hypotheses three of this study. The test for equality of means (t test) was used to compare the means of agency monitoring cost among non-financial and financial listed companies on the Nigerian Exchange Group and the result is presented in Table 8.

Table 8: Result of T-Test for Comparison of Differences in Agency Monitoring Cost among Listed Financial and Non-Financial Companies in Nigeria

Variable	Non-Fin. Companies Mean	Fin. Companies Mean	Mean Difference	P-value	% of Change
Monitoring Cost	44,239.58	113,771.28	69,531.70	0.000*	61.1%

Source: STATA (13.0) Output, 2022.
*Note: *Significant @ 1%.*

The test for agency monitoring cost equality between listed financial and non-financial enterprises in Nigeria is shown in Table 8 of the article. The means for financial firms, non-financial companies, and the mean difference—the distinction between financial and non-financial companies—are all shown. In Nigeria, the difference in agency monitoring costs between financial and non-financial enterprises is assessed using the mean difference. The test is conducted under the general null hypothesis of the t-test, which holds that the means of agency monitoring costs in Nigeria's financial and non-financial sectors are the same. According to Table 8, the mean monitoring costs for the non-financial and financial sectors are N44,239.58 and N113,771.28 respectively, while the mean difference between the two sectors is N69,531.70, or 61.1% more for the financial sector than the non-financial sector. The difference in monitoring costs between listed financial and non-financial businesses in Nigeria is statistically significant at the 5% level, according to monitoring cost equally, which has a p-value of 0.000.

Discussion of Findings

The outcome of the data analysis for hypothesis one showed that the financial performance (EPS) of listed financial institutions in Nigeria is significantly positively impacted by monitoring costs. This implies that enhanced oversight reduces managerial opportunism; It signifies more rigorous oversight of managerial activities. This enhanced oversight helps mitigate the risk of managerial opportunism, ensuring that managers act in the best interest of shareholders. As a result, the financial performance of the firm, reflected by EPS, improves. This conclusion is in line with those of Ahmed et al. (2020), Wanyoyni (2018), and Serem et al. (2020), who discovered a favorable and substantial relationship between monitoring expenses and financial performance. The outcome, however, conflicts with Ndeto's (2019) research, which showed that monitoring costs had a sizable but detrimental impact on financial performance. The agency hypothesis, which holds that managers act as agents and will only engage in lucrative initiatives that improve the performance of the firm, is supported by this finding. On the other hand, the result of data analysis for hypothesis two revealed that monitoring cost has an insignificant positive effect on financial performance (EPS). The result of hypothesis one of this study support the study of Rashidah and Siti (2005) which revealed that monitoring cost has a positive but insignificant effect on financial performance.

The data analysis for hypothesis three also showed that there is a notable variation in the impact of monitoring costs on the financial performance of the listed financial and non-financial sectors of the Nigerian Exchange Group. The scarcity of earlier empirical research on the degree of difference between the influence of monitoring cost on financial performance of the financial and non-financial sectors in Nigeria demonstrates the lack of prior empirical studies on this topic, which is why this study adds to our body of knowledge.

5. Conclusion and Recommendations

According to the research's findings, monitoring costs have a positive and significant impact on the financial performance (EPS) of listed financial companies on the Nigerian Exchange Group, but only to a minor extent for listed non-financial companies on the Nigerian Exchange. The study also finds that there is a considerable disparity in the financial performance of listed financial and non-financial sectors on the Nigerian Exchange in terms of the impact of monitoring costs. Since agency cost has an impact on financial performance in the financial sector, the research recommends financial sector organizations to give priority to agency cost in the form of monitoring cost. This can be achieved by strategically investing in efficient oversight mechanisms that align managerial actions with shareholder interests. This study contributes to corporate governance literature and provides a practical guidance for firms seeking to balance monitoring costs with financial efficiency.

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