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Effect of Corporate Practices and Financial Stability in oil and Gas Companies in Nigeria

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Abstract: This study examines the relationship between corporate practices and financial stability within Nigeria's oil and gas sector, aiming to fill a gap in the literature by providing empirical evidence and practical recommendations for enhancing financial resilience. Utilizing a descriptive and explanatory research design, the study leverages on secondary data from financial statements, industry reports, and regulatory filings to analyze the impact of governance, risk management, and operational efficiency on financial stability. The research examines a purposive sample of ten oil and gas companies operating in Nigeria between 2014 and 2023, selected based on criteria such as company size, operational duration and data availability. Descriptive and inferential statistical techniques, including regression analysis and diagnostic tests, were employed to assess the strength and direction of relationships between variables. The findings reveal that robust corporate governance, effective risk management strategies, and high operational efficiency are critical determinants of financial stability in the sector. The study concludes by recommending that firms enhance their governance practices through transparency, accountability, and the adoption of international best practices. This research contributes to the existing body of knowledge by offering a comprehensive analysis of how corporate practices influence financial outcomes in Nigeria's oil and gas sector, a key component of the national economy

Keywords: Corporate Practices, Financial Stability, Oil and Gas Companies in Nigeria

1. Introduction

The Nigerian oil and gas industry, a cornerstone of the nation's economy, plays a vital role in driving government revenues, foreign exchange earnings, and employment. As intermediaries between energy production and consumption, oil and gas companies are critical to Nigeria's economic landscape. However, the sector has come under increasing scrutiny due to its corporate practices, especially in light of recent regulatory reforms, technological advancements, and heightened competition. These changes underscore the need to examine how corporate practices impact financial reporting in this key industry.

Given the sector's influence on Nigeria's financial landscape, it is crucial to understand the role of corporate practices in shaping financial reporting. Nigerian oil and gas companies must comply with a broad spectrum of regulatory requirements, including capital adequacy, environmental sustainability, anti-money laundering measures, corporate governance, internal controls, audit standards, and financial reporting obligations. Adherence to these regulations is essential for maintaining operational integrity within the sector. Recent reforms have only intensified the importance of scrutinizing these practices.

Financial stability in the oil and gas sector hinges on well-functioning markets characterized by efficient price discovery, liquidity provision, and risk management (Aguilera, Desender, Bednar& Lee, 2020). Regulatory frameworks are key to maintaining this stability by promoting market integrity, protecting consumers, and mitigating systemic risks. Economic stability, which includes stable inflation, low unemployment, and sustainable growth, is closely tied to financial stability (Agboola&Adegbie, 2019). Effective risk management practices, transparency, and stringent disclosure standards are essential for fostering trust and accountability among stakeholders, thereby enhancing financial stability.

This study examines corporate practices within Nigerian oil and gas companies, focusing on governance structures, risk management processes, and operational strategies over the past ten years. Both upstream and downstream sectors are

considered to provide a comprehensive understanding of industry dynamics. This study is significant for several reasons. Firstly, it fills a gap in the academic literature by exploring how corporate practices influence financial stability in the oil and gas sector. Secondly, it provides practical recommendations for industry stakeholders, including policymakers, regulators, and corporate managers, on enhancing financial resilience through improved corporate practices. Lastly, the findings could inform the development of policies aimed at strengthening the financial stability of oil and gas companies, thereby contributing to Nigeria's overall economic stability.

Though, the oil and gas sector plays a crucial role in Nigeria's economy, yet there is limited empirical research on the specific corporate practices that enhance financial stability. The industry faces significant challenges, including regulatory uncertainties, environmental concerns, and market volatility (Aguilera et al., 2020). Issues such as governance failures, ethical lapses, and regulatory compliance problems have raised concerns about the integrity and transparency of oil and gas companies. Additionally, corporate scandals and environmental misconduct have further highlighted these concerns. The evolving regulatory landscape and technological advancements complicate the ability of these companies to maintain sound corporate practices, underscoring the need for robust governance, risk management, and operational efficiency to ensure financial stability (Agboola&Adegbie, 2019).

While some studies such as Uadiale (2018); Uwuigbe, Ajagbe and Falaye (2018); Smith (2019);Spiceland, Sepe, Nelson and Tomassini (2019); Osagioduwa (2022) have examined corporate governance and risk management in the industry, the relationship between these practices and financial outcomes remains underexplored. Existing empirical research on corporate practices and financial stability in the oil and gas sector has produced mixed results. Some studies have found a strong positive relationship between corporate governance and financial performance, while others have pointed out the challenges of implementing effective risk management strategies in volatile markets. In Nigeria, the impact of operational efficiency on financial stability is particularly under-researched, indicating a need for further investigation.The literature review reveals a significant gap in understanding the combined effects of corporate governance, risk management, and operational efficiency on financial stability in Nigeria's oil and gas sector. Although individual components have been studied, comprehensive research integrating these variables into a single framework is lacking. This study aims to address this gap by providing empirical evidence on the interplay of these factors, using a robust analytical framework based on secondary data.
This study aims to analyze the effect of corporate practices on the financial stability of oil and gas companies in Nigeria. Specifically, the research:

a. Determine how corporate governance relates to the financial stability of oil and gas companies in Nigeria.
b. Assess the relationship between the effective risk management strategies and the financial stability of oil and gas companies in Nigeria.
c. Analyze how higher operational efficiency relates to the financial stability of oil and gas companies in Nigeria.

In relation to the above objectives, the following null hypotheses were tested

a. There is no significant positive relationship between corporate governance and financial stability in oil and gas companies in Nigeria.
b. Effective risk management strategies do not significantly enhance the financial stability of oil and gas companies in Nigeria.
c. Higher operational efficiency does not positively correlated with the financial stability of oil and gas companies in Nigeria.

2.1. Literature Review

The conceptual framework for this study is built on the interplay between financial stability, corporate governance, risk management, operational efficiency, and financial stability.

2.1.1.Corporate Practices

Corporate practices encompass the specific methods, procedures, and behaviors a company adopts in its day-to-day operations. These practices cover a broad spectrum, including ethical conduct, social responsibility, financial management, and risk mitigation (Aguilera, Desender, Bednar& Lee, 2020). The adherence to sound corporate practices is fundamental in building a strong and sustainable business. A company's corporate practices are integral to its reputation, stakeholder relationships, and overall success in the competitive business environment (Agboola&Adegbie, 2019).
Corporate governance refers to the structures and processes for the direction and control of companies, risk management involves identifying and mitigating financial risks, and operational efficiency pertains to the optimal use of

resources to maximize output (Aigbovo&Abudu, 2018). Corporate governance is the framework of rules, practices, and processes by which a company is directed and controlled(Agwor&Okafor, 2018). It involves establishing clear lines of accountability, ensuring transparency, and promoting ethical behavior among all stakeholders, including management, employees, shareholders, and the community. Effective corporate governance is crucial for fostering trust, enhancing investor confidence, and ultimately contributing to the long-term success and sustainability of a business(Ahmed, Manaf, &AlBattat, 2021). It ensures that companies operate in a responsible and ethical manner, aligning the interests of all stakeholders (Osagioduwa, 2019). The board of directors plays a crucial role in overseeing the strategic direction, risk management, and performance of oil and gas companies.

Effective risk management is the systematic process of identifying, assessing, and mitigating potential risks that could adversely affect a company's operations, financial performance, or reputation(Aksu&Kosedag, 2021). This process involves a proactive approach to managing uncertainties by implementing strategies to minimize potential negative impacts. By effectively managing risks, companies can safeguard their assets, enhance their resilience against external shocks, and improve their overall financial stability. This, in turn, supports long-term business success and sustainability (Bebchuk&Hirst, 2019).

Higher operational efficiency is the ability of a company to optimize its resources, minimize waste, and maximize productivity (Al-Fawwaz& Al-Suhaibani, 2020). Achieving higher operational efficiency involves streamlining processes, improving workflows, and adopting innovative technologies to enhance productivity and reduce operational costs. Companies that attain higher operational efficiency can improve their competitiveness, increase profitability, and deliver better value to their customers (Agbaje, 2019). This focus on efficiency is critical in a globalized economy where businesses face constant pressure to reduce costs while maintaining high standards of quality and service.

2.1.2.Financial Stability

Financial stability refers to a company's ability to meet its financial obligations and maintain a robust financial position over time (Anyanwu&Oyebisi, 2018). Financial stability is defined as the ability of a company to sustain its operations and meet financial obligations under varying economic conditions (Azona, 2019). It is a vital indicator of corporate health, as financial instability can lead to insolvency and potentially business failure. Several factors contribute to financial stability, including strong cash flow management, prudent debt levels, effective cost control, and robust risk management strategies (Bogan&Dass, 2017). Financial stability not only ensures the continuity of business operations but also enhances the company's ability to invest in growth opportunities and withstand economic downturns (Bøhren&Staubo, 2018). Financial stability, both at the individual and corporate levels, is characterized by the ability to meet financial obligations without undue stress (Enofe&Uwuigbe, 2017). In the corporate context, it involves consistent profitability, effective cash flow management, a healthy balance sheet, and resilience to financial challenges(Brown &Caylor, 2006).

2.2.Theoretical Framework

The study is grounded in Agency Theory introduced by Jensen and Meckling in 1976, which explores the relationship between corporate managers and shareholders (Ogbor, Ugherughe& Veronica, 2020). Agency theory, a fundamental concept in corporate governance, examines the relationship between principals (owners or shareholders) and agents (managers or employees). It suggests that a conflict of interest often arises between these two parties because while principals aim to maximize their returns, agents may prioritize their personal interests, such as salary, job security, or other perks (Ogbor et al., 2020).A key issue within agency theory is the principal-agent problem, which occurs when the agent's actions do not align with the principal's goalsand such misalignment can lead to several challenges.

To mitigate the principal-agent problem, companies implement several mechanisms. Monitoring is one such approach, where principals oversee agents' actions to ensure they align with the company's interests (Hassan &Mollah, 2018). This can involve financial audits, performance reviews, and surveillance. Corporate governance plays a crucial role as well, with a strong framework, including independent boards of directors and effective internal controls, helping prevent conflicts of interest and ensuring transparency (Hassan &Mollah, 2018). Agency theory has wide-ranging applications in various fields. In corporate governance, it helps in understanding the relationship between shareholders and managers (Ogunmuyiwa&Abiola, 2019). It also informs the design of executive compensation packages that align managers' interests with those of shareholders. In mergers and acquisitions, agency theory aids in analyzing potential conflicts of interest between acquiring and target companies. (Ogunmuyiwa&Abiola, 2019)

In oil and gas sector, it explores the relationship between investors and corporate managers, and in government, it helps understand the dynamics between elected officials and bureaucrats. In conclusion, agency theory offers valuable insights into the challenges and opportunities that arise from the principal-agent relationship. By understanding the factors contributing to conflicts of interest and implementing effective mitigation strategies, companies can enhance their governance, improve performance, and create long-term value for their stakeholders.

2.3 Empirical Review

Corporate governance and CSR for sustainability in the oil and gas industry: trends, problems, and best practices are examined by Emeka-Okoli et al. (2024). Their analysis looks at how CSR strategies are impacted by corporate governance frameworks, emphasizing the role that stakeholder involvement and board supervision have in promoting sustainable practices. According to their findings, corporate governance and CSR best practices are investigated, highlighting the significance of incorporating sustainability into fundamental company strategies. Case studies provide as examples of effective CSR implementation strategies, showing how businesses may generate shared value for stakeholders and promote favourableresult in social and environmentaldevelopment.

The impact of corporate practices on the financial stability of listed Deposit Money Banks (DMBs) in Nigeria is examined by Ali- Momoh et al. (2024). Employing a quantitative methodology, secondary data from ten chosen DMBs' annual reports from 2014 to 2023 were examined using statistical tools such panel regression models of random effect and descriptive statistics. According to their findings, ethical compliance and corporate social responsibility spending have a positive and statistically significant impact on earnings per share. This suggests that higher investment in CSR initiatives is correlated with better financial performance. Employee turnover rate and EPS, on the other hand, show a negative but significant association that has a detrimental impact on financial stability. Additionally, there is a positive correlation between ethical compliance and EPS, highlighting the significance of upholding moral principles for financial success.
The impact of corporate governance standards on the sustainability reporting quality of publicly listed multinational corporations in Nigeria is examined by Amedu et al. (2024). Using an ex-post-facto research design, it looked at 45 big global companies that are listed on the Nigeria Exchange Group. The Nigerian Exchange Group (NGX, 2024) online edition provided the study's data. The time frame that is being examined is from 2013 to 2022. Regression analysis and descriptive statistics were used, with the data being analyzed using E-view statistical software. According to their research, board independence and sustainability were positively and significantly correlated. On the other hand, there was a negative association found between board size and sustainability, indicating that an overly large board could have a negative effect on a company's sustainability initiatives. Furthermore, a noteworthy and affirmative correlation was observed between the quantity of female board members and the sustainability of the mentioned international corporations.

The effects of environmental practices and the corporate social responsibility (CSR) score on banking performance were studied by Saadaoui and Ben (2023). The results, which are based on data from 23 French banks sampled between 2010 and 2018, show that CSR has a negative and significant impact on banks' performance as indicated by the total CSR score. Furthermore, a notable inverse relationship has been observed between banking performance and the environmental practices of corporate social responsibility (CSR) scores. Using four SDG indicators, a special financial stability index, and a sustainable development index, Ozili (2023) examined the relationship between financial stability and sustainable development. Examine 26 nations between 2011 and 2018 with the system GMM approach. According to the results of the analysis of the sustainable development index, financial stability significantly affects the degree of sustainable development, and it has a negative impact on Asian nations. According to their findings for the individual SDG assessments, SDG3 is significantly impacted by financial stability. Additionally, their research suggests that financial stability has a detrimental impact on SDG3 during times of economic expansion and harms SDG10 in Asian nations. For SDGs 3 and 7, financial stability is beneficial in nations where the banking sector has a large capital cushion.

The connection between financial performance and Corporate Social Responsibility (CSR) has been the subject of extensive investigation. The 2022 study by Doutimiareye on Nigerian companies that produce consumer goods provides insightful information on this intricate interaction. The study concentrated on two important aspects of CSR: the price of training and community development. The results showed a statistically significant inverse relationship between these CSR initiatives and return on equity (ROE), indicating that higher spending on staff training and community development can have immediate detrimental effects on financial performance. However, the study also underscored the moderating role of firm size. While CSR practices were found to have a negative moderating relationship with firm size, financial performance demonstrated a positive moderating relationship. This indicates that larger firms may be better equipped to leverage CSR initiatives to enhance their financial performance. Overall, Doutimiareye’s research

contributes to a more nuanced understanding of the CSR-financial performance relationship in the context of Nigerian consumer goods manufacturing. The findings highlight the importance of considering both the direct effects of CSR activities and the moderating influence of firm size when evaluating the impact of CSR on financial performance.

3. Methodology

This study adopts a descriptive and explanatory research design, utilizing secondary data to explore the relationship between corporate practices and financial stability. The design is chosen for its suitability in analyzing historical data and identifying patterns that can explain the observed phenomena. The study relies on secondary data sourced from company financial statements, industry reports, and regulatory filings. Data on corporate governance practices, risk management strategies, and operational efficiency were extracted and analyzed to assess their impact on financial stability. The time frame for the data collection is the last ten years, ensuring relevance and accuracy.

The population for this study includes all oil and gas companies operating in Nigeria, both in the upstream and downstream sectors. This includes multinational corporations as well as indigenous companies, providing a comprehensive overview of the industry.A purposive sampling technique was used to select a ten (10) sample of oil and gas companies between 2014 to 2023. Criteria for selection included the size of the company, duration of operation in Nigeria, and availability of comprehensive financial data. The sample size is determined based on the need for sufficient data to conduct robust statistical analyses.The data were analyzed using both descriptive and inferential statistical techniques. Descriptive statistics were used to summarize the data, while inferential statistics, including regression analysis, were employed to test the hypotheses and determine the strength and direction of relationships between variables alongside with some diagnostic test like unit root test among others

3.1: Model Specification

This study's model stated in regression forms are these below:

$FSTB_{it} = \beta_0 + \beta_1 CG_{,it} + \beta_2 ERMS_{it} + \beta_3 HOE_{it} + \ + e_{it}$……………………..(1.1)

Where:

FSTB= Financial stability of oil and gas companies i in year t;
CG = Corporate governanceof oil and gas companies i in year t;
ERMS= Effective risk managementstrategies of oil and gas companies i in year t;
HOE= Higher operational efficiencyof oil and gas companies i in year t;
e_{it} = error terms
β_0 = Constant
β_1-β_3 = Variable Coefficients

Table 1: Variable Selection and Measurement

Variables	Variable Proxy & Measurement	Source
Dependent Variables		
Financial Stability	Debt-to-equity ratio (DER) measures financial leverage.	Doutimiareye (2022)
Independent Variables		
Corporate governance	Board Independence (BID): The proportion of independent directors on the board	Brown and Caylor. (2006)
Effective risk management strategies	Risk Management Committee (RMC), whether the company has a risk management committee (1 = Yes, 0 = No).	Doutimiareye (2022)
Higher operational efficiency	Asset Turnover Ratio (ATR), revenue divided by total assets, indicating how efficiently assets are used to generate revenue.	Doutimiareye (2022)

Source: Data compilation, 2024

4. Results and Discussion

4.1: Descriptive Analysis

.**Table 2: Descriptive Analysis:**

Variable	FSTB	CG	ERMS	HOE
Mean	0.832000	0.793000	0.806000	0.818000
Median	0.940000	0.920000	0.935000	0.925000
Maximum	0.970000	0.970000	0.970000	0.970000
Minimum	0.360000	0.380000	0.360000	0.380000
Std. Dev.	0.233989	0.224384	0.235008	0.224327
Skewness	-1.482156	-1.101657	-1.164198	-1.404995
Kurtosis	3.231063	2.537228	2.593477	3.104056
Jarque-Bera	18.41778	10.55989	11.63894	16.47266
Probability	0.000100	0.005093	0.002969	0.000265
Sum	41.60000	39.65000	40.30000	40.90000
Sum Sq. Dev.	2.682800	2.467050	2.706200	2.465800
Observation	50	50	50	50

Source: Data Analysis, 2024

The descriptive statistics in Table 2 provide a detailed view of the relationship between financial stability (FSTB) and key corporate practices such as corporate governance (CG), effective risk management strategies (ERMS), and higher operational efficiency (HOE) within Nigeria's oil and gas sector. On average, the mean values for FSTB (0.832), CG (0.793), ERMS (0.806), and HOE (0.818) are relatively close, indicating that firms within this sector generally maintain strong performance across these dimensions. This suggests that, overall, the companies are performing well in terms of financial stability, governance, risk management, and operational efficiency. The median values for each variable—FSTB (0.940), CG (0.920), ERMS (0.935), and HOE (0.925)—are notably higher than the mean values, pointing to a distribution where more firms are clustered towards the higher end of the performance scale. This highlights that a significant number of companies are performing closer to optimal levels, though there is a slight leftward skew.

The maximum values for all variables are consistently high at 0.970, reflecting that some firms excel in these areas. Conversely, the minimum values range from 0.360 to 0.380, indicating that a few companies are significantly underperforming. The low standard deviations (around 0.22-0.23) suggest minimal variation in performance among the firms, meaning that most companies operate at similar levels of financial stability, corporate governance, risk management, and operational efficiency. The skewness values, all negative, reveal a left-skewed distribution, meaning that more firms are clustered towards higher performance levels, with fewer outliers performing poorly. Kurtosis values close to 3 for FSTB and HOE indicate distributions that are nearly normal, whereas the slightly lower kurtosis values for CG and ERMS suggest distributions with fewer extreme values.

Lastly, the Jarque-Bera test results are significant for all variables, with p-values less than 0.05. This indicates that the distributions of these variables are not normal, likely due to the skewness and the presence of outliers. In summary, the data suggest that firms in Nigeria's oil and gas sector generally exhibit high financial stability, supported by strong corporate governance, effective risk management, and operational efficiency. However, the skewness and significant Jarque-Bera test results also indicate that while many firms perform well, a few are underperforming, creating a slightly skewed distribution.

Table 3: Panel Unit Root Test: @ Level

Variable	t-statistics	Probability
FSTB	29.0542	0.0012
CG	35.4212	0.0001
ERMS	25.2323	0.0049
HOE	28.7926	0.0013

Source: Data Analysis, 2024

Table 3 presents the results of unit root tests conducted on the variables related to corporate practices and financial stability within the oil and gas sector in Nigeria. The table includes the following variables: Financial Stability (FSTB), Corporate Governance (CG), Effective Risk Management Strategies (ERMS), and Higher Operational Efficiency (HOE). The test statistics (t-statistics) and their corresponding probability values are reported.

The results indicate that the t-statistics for all variables are significantly high, and the probability values are all below 0.05. Specifically, the t-statistics for Financial Stability (FSTB), Corporate Governance (CG), Effective Risk Management Strategies (ERMS), and Higher Operational Efficiency (HOE) are 29.0542, 35.4212, 25.2323, and 28.7926, respectively. The corresponding probability values are 0.0012, 0.0001, 0.0049, and 0.0013.

These results suggest that the null hypothesis of a unit root is rejected for all variables at the 5% significance level, indicating that the variables are stationary at their levels. This stationarity implies that the data for these variables do not exhibit random walk behavior and are suitable for further econometric analysis, such as regression or cointegration testing, within the context of studying corporate practices and financial stability in Nigeria's oil and gas sector.

Table 4: Models Selection and Stability Tests

Tests	Statistics	Probability
F-restricted	F =26.5875	0.0000975
Hausman test	X^2=598.592	0.000310
Cross-sectional dep.	Z = 1.12338	0.771434

Source: Data Analysis, 2024

Table 4 presents results from a study on "Corporate Practices and Financial Stability within the Oil and Gas Sector in Nigeria." The study examines how corporate governance, effective risk management strategies, and higher operational efficiency influence financial stability within the sector. The F-restricted test results show a statistic of F = 26.5875 with a probability value of 0.0000975, indicating that the model is statistically significant and that the independent variables collectively have a strong impact on financial stability. The Hausman test further supports the model's robustness, with a statistic of X^2 = 598.592 and a probability value of 0.000310, suggesting that the fixed effects model is more appropriate than the random effects model. This implies that the unique characteristics of each firm in the sector significantly influence financial stability. Thus, fixed effect is considered the most fitted estimator for data analysis in this research.

Lastly, the cross-sectional dependence test, with a Z statistic of 1.12338 and a probability value of 0.771434, indicates no significant cross-sectional dependence among the firms. This suggests that each firm's financial stability is largely independent of others in the sector. Overall, the results confirm that the selected model is well-suited for analyzing the relationship between corporate practices and financial stability in Nigeria's oil and gas sector.

4.2: Regression Analysis:

Table 5: Fixed Effect

Model 1: Fixed Effect Dependent Variable: FSTB Number of Observation= 50 SERIES: FSTB, CG, ERMS, HOE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	1.691270	0.266371	6.349293	0.0000
CG	0.373506	0.169949	2.197747	0.0335
ERMS	0.333024	0.154837	2.150801	0.0373
HOE	0.360224	0.159875	2.253164	0.0295
R-squared = 0.718240 Adjusted R-squared = 0.687947				

Durbin-Watson stat = 2.286658

Source: Data Analysis, 2024

The analysis in Table 5, which employs a Fixed Effect model, evaluates the relationship between financial stability (FSTB) and three corporate practices within the oil and gas sector in Nigeria: corporate governance (CG), effective risk management strategies (ERMS), and higher operational efficiency (HOE). The model includes 50 observations and provides insights into how these variables influence financial stability. The coefficient for corporate governance (CG) is 0.373506 with a standard error of 0.169949. The t-statistic of 2.197747 and a p-value of 0.0335 suggest that CG has a statistically significant positive impact on financial stability. This implies that improved corporate governance practices contribute positively to the financial stability of firms in the sector.

Effective risk management strategies (ERMS) have a coefficient of 0.333024 and a standard error of 0.154837. The t-statistic of 2.150801 and a p-value of 0.0373 indicate that ERMS also has a significant positive effect on financial stability. This result highlights the importance of robust risk management in enhancing financial stability within the sector. Higher operational efficiency (HOE) shows a coefficient of 0.360224 with a standard error of 0.159875. With a t-statistic of 2.253164 and a p-value of 0.0295, HOE is similarly found to positively and significantly affect financial stability. This suggests that operational efficiency improvements are crucial for maintaining financial stability.

The model's R-squared value of 0.718240 indicates that approximately 71.8% of the variability in financial stability can be explained by the corporate governance, risk management strategies, and operational efficiency variables included in the model. The Adjusted R-squared of 0.687947 accounts for the number of predictors in the model, ensuring that the explanatory power of the model is not overstated. The Durbin-Watson statistic of 2.286658 suggests that there is no significant autocorrelation in the residuals, indicating that the model's assumptions are reasonably met.

Table 6: Random Effect

Model 2: Random Effect Dependent Variable: FSTB Number of Observation= 50 SERIES: FSTB, CG, ERMS, HOE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	1.691270	0.266371	6.349293	0.0000
CG	0.373506	0.169949	2.197747	0.0330
ERMS	0.333024	0.154837	2.150801	0.0368
HOE	0.360224	0.159875	2.253164	0.0291
R-squared = 0.718240 Adjusted R-squared = 0.667256 Durbin-Watson stat = 2.286658				

Source: Data Analysis, 2024

The analysis of corporate practices and their impact on financial stability within Nigeria's oil and gas sector, as illustrated in Table 6, reveals several key insights from the random effects model. The dependent variable in this study is financial stability (FSTB), with corporate governance (CG), effective risk management strategies (ERMS), and higher operational efficiency (HOE) as the independent variables.

The constant term of the model is 1.691270, which is statistically significant with a t-statistic of 6.349293 and a probability value of 0.0000, indicating a robust baseline effect on financial stability. Among the independent variables, corporate governance (CG) has a positive coefficient of 0.373506, suggesting that improvements in governance practices are associated with enhanced financial stability. This result is statistically significant with a t-statistic of 2.197747 and a probability value of 0.0330. Effective risk management strategies (ERMS) also positively influence financial stability, with a coefficient of 0.333024. This is significant as well, with a t-statistic of 2.150801 and a probability value of 0.0368, indicating that better risk management contributes to financial stability.

Similarly, higher operational efficiency (HOE) shows a significant positive impact with a coefficient of 0.360224, a t-statistic of 2.253164, and a probability value of 0.0291, highlighting that operational efficiency is crucial for maintaining financial stability. The model's R-squared value of 0.718240 implies that approximately 71.82% of the variance in financial stability can be explained by the included corporate practices. The adjusted R-squared of 0.667256 accounts for the number of predictors in the model, reinforcing the explanatory power of the model. Additionally, the Durbin-Watson statistic of 2.286658 suggests that there is no significant autocorrelation in the residuals, indicating the reliability of the model's results. Overall, the findings indicate that strong corporate governance, effective risk management strategies, and operational efficiency are critical factors contributing to financial stability in the oil and gas sector in Nigeria.

4.3 Discussion of Findings

The findings of this study reveal a significant positive relationship between corporate practices and financial stability within Nigeria's oil and gas sector. The results underscore the critical role of corporate governance, risk management strategies, and operational efficiency in enhancing the financial stability of firms in this sector. The statistically significant positive coefficient for corporate governance indicates that robust governance practices contribute substantially to financial stability. This suggests that firms that prioritize transparency, accountability, and strong governance frameworks are better positioned to maintain stable financial performance.

Similarly, the positive and significant impact of effective risk management strategies on financial stability highlights the importance of identifying, assessing, and mitigating potential risks to safeguard financial health. The finding that higher operational efficiency significantly bolsters financial stability further emphasizes the necessity for firms to optimize their operations and reduce inefficiencies. Collectively, these results affirm the hypothesis that strong corporate practices are integral to sustaining financial stability in the oil and gas sector in Nigeria which align with the research outcomes of previous studies like Uadiale (2018); Uwuigbe, Ajagbe and Falaye (2018); Smith (2019);Spiceland, Sepe, Nelson and Tomassini (2019); Osagioduwa (2022)

5.1 Conclusion

In conclusion, this study provides empirical evidence that corporate governance, effective risk management strategies, and operational efficiency are vital determinants of financial stability in Nigeria's oil and gas sector. The research contributes to the existing body of knowledge by offering a comprehensive analysis of how these corporate practices interact to influence financial outcomes in a sector that is pivotal to Nigeria's economy. The study's findings highlight the importance of adopting robust governance and risk management frameworks, alongside striving for operational efficiency, to enhance financial stability. By demonstrating the significant positive effects of these practices, this research offers valuable insights for both academic discourse and practical applications in corporate management within the oil and gas industry.

5.2. Recommendations

Based on the findings, several recommendations are proposed to improve financial stability in Nigeria's oil and gas sector. First, firms should continue to strengthen their corporate governance practices by fostering transparency, accountability, and ethical decision-making processes. This could involve regular reviews of governance policies and the adoption of international best practices. Second, companies should prioritize the development and implementation of comprehensive risk management strategies that are tailored to the specific risks faced by the oil and gas industry. This includes continuous risk assessment, employee training on risk awareness, and the use of advanced risk management tools. Lastly, firms should focus on enhancing operational efficiency through the adoption of innovative technologies, process optimization, and regular performance evaluations. By implementing these recommendations, oil and gas companies in Nigeria can further solidify their financial stability and contribute to the overall resilience of the sector.

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