International Journal of Innovative Finance and Economics Research 12(2):80-94 April-June, 2024
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Corporate Governance and Financial Performance of Quoted Non Financial Firms in Nigeria.

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ABSTRACT
This study sought to investigate the relationship between corporate governance and financial performance of quoted non-financial firms in Nigeria from 2007 – 2016. Corporate governance was proxied using Board working experience, Board Educational level and Board size, while financial performance of the firms was measured by return on assets, return on equity, dividend per share, Tobin's Q, and earnings per share. The data set were obtained from the annual reports for the period 2007 – 2016. The reason for this study was to find out the effect of corporate governance on financial performance of firms and to establish new empirical findings to bridge the identified gaps in the review of literature. Ex-post facto research design was employed. The population of study is 124 non-financial firms listed on the Nigeria Stock Exchange (NSE) as at 31st December, 2016. The multiple regression models were applied to test the significance of corporate governance and financial performance. The result showed that there is a significant positive relationship between corporate governance and return on assets, earnings per share, and return on equity; a non-significant negative relationship between corporate governance and dividend per share; a significant negative relationship between corporate governance and Tobin's Q. The study recommended amongst others that there is need to strengthen managerial policies such as code of conduct, recruitment policy and health and safety policy, so that financial performance can be improved upon, which will enhance the firms value.
Keywords: Corporate governance, Boards educational level, Boards size, Return on equity, Tobin's Q, Return on assets.

INTRODUCTION

Corporate governance has become a topical issue which has attracted the attention of academic scholars and practitioners. Revelations of corporate fraud all over the world in the past years have clearly shaken investors' confidence and historical antecedents in financial practices have indicated that financial crisis is the direct consequence of poor corporate governance (Akingunola, Adekunle & Adedipe, 2013). It is believed that the steering agent for the survival and the growth of a company is primarily its 'Corporate Governance' policies. Corporate governance refers to the code of conduct through which companies are directed and controlled. Whether the company follows the stakeholder model (where all the stakeholders are considered equally important) or follows the shareholder model (where more importance is given to shareholders as they are the owners of the company), the practice of corporate governance is increasingly becoming vital. Charreaux & Desbrières (2006) discuss this very crucial point of difference between stakeholder value and shareholder value. The increase in financial and managerial scams has led the investors to increasingly look for transparency and professional management in handling the company's

business. The concept of corporate governance has been in existence for a long time but it was formalized in UK in the early 1990's. It all started with Cadbury Committee Report (1992) which was a committee formed in UK due to a large spate of financial scams and corporate failures in the 1980s. It was formed by the London Stock Exchange, the Financial Reporting Council and the accountancy professionals. The main aim of the committee was to discuss about financial aspects of Corporate Governance. This report was followed by Greenbury Report (1995) which was a study on Director's remuneration; Hampel Report (1998) was a committee on Corporate Governance and Turnbull Report (1999) which talked about obligations of directors. Corporate governance practices dictate the means through which performance is achieved and measured. According to Yacuzzi (2005), in every organization there are always forces that oppose change. Corporate governance ensures that there exist policies that can encourage performance. It is the work of the governing body to ensure that corporate performance is measured appropriately. This involves putting in place the measures that the organization will adopt in measuring or evaluating the level of performance.

Statement of the problem

In recent decades, particularly since the 90's, the study of corporate governance has seen an unprecedented impulse: it is, indeed, a subject in the news. Scandals such as Enron's gave further strength to an existing wave. In the past few years, however, the interest in corporate governance has spread to smaller organizations (Steger, 2004 as cited in Ndungu, 2013). In the wake of recent financial crisis, corporate governance practices in non-financial sectors in Nigeria have received heightened attention. Anecdotal evidence suggests that corporate governance in non- financial firms were ineffective at preventing detrimental corporate practices, leading to an extremely vulnerable financial system. The global economic impact of the financial crisis and the alleged role played by corporate governance signify the need for more empirical research on the role of corporate governance (such as Board's working experience, board's educational level, board size, board independence, board composition, female board member) on financial performance measurements captured with liquidity, return on investment, return on capital employed, return on assets, return on equity, dividend per share and so on. There is no gainsaying that the present economy deserves a sound, stable and better corporate performance following the causative factors, such as unethical and unprofessional practices, poor management quality among others which contributed to low level of financial performance, poor returns and sometimes lead to failure of firms. The bitter experiences of Asian financial crisis of the 1990s underscore the importance of effective corporate governance procedures to the survival of the macro economy. This crisis demonstrated in no unmistakable terms that "even strong economies, lacking transparent control, responsible corporate boards and shareholder's right can collapse quite quickly as investor's confidence collapse (Sullivan, 2000). On the other hand, Ammar, Asif, and Ammar (2013) explored the actual effect associated with corporate governance measures and financial performance of textile sector in Pakistan, for a period of 2007 to 2011 by applying regression analysis. The empirical findings of research unveiled a positive association between board size and firm performance, while non executive director's percentage and Chief Executive Officer duality have negative association with firm performance. Consequently, in view of the above empirical findings there is an established gap owing to the divergent views of the various authors which could result from different measurement of variables, period of study, control variables used or not used and the number thereof, methodology, data type and statistical tools.

Objectives of the study:

The specific objectives amongst others are;

1. Evaluate the relationship between corporate governance components and Return on Asset (ROA) of quoted Non-Financial firms in Nigeria.
2. Determine the relationship between corporate governance components and Return on Equity (ROE) of quoted Non-Financial firms in Nigeria.
3. Assess the relationship between corporate governance components and Tobin's Q of quoted Non-financial firms in Nigeria.

1.2 Hypotheses:

The following Null hypotheses are formulated:

Ho_1: There is no significant relationship between corporate governance components and Return on Asset (ROA) of quoted Non-Financial firms in Nigeria.

Ho_2: There is no significant relationship between corporate governance components and Return on Equity (ROE) of quoted Non-Financial firms in Nigeria.

Ho_3: There is no significant relationship between corporate governance components and Tobin's Q of quoted Non-financial firms in Nigeria

2.0 LITERATURE REVIEW:

2.1 Conceptual Review

2.1.1 Corporate governance:

Corporate governance is the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders (Abdo & Fisher, 2007). Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and include the rules and procedures for making decisions in corporate affairs (Alabdullah, Yahya & Ramayah , 2014). Corporate governance includes the processes through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment. Governance mechanisms include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. Corporate governance practices are affected by attempts to align the interests of stakeholders. Interest in the corporate governance practices of modern corporations, particularly in relation to accountability increased, following the high-profile collapse of a number of large corporations during 2001–2002, most of which involved accounting fraud; and then again after the recent financial crisis in 2008 (Kang & Kim, 2011).

2.1.2 Board Educational level:

The role of a board is the internal corporate governance of a firm, (Fama, 1980). A board is also a control system in a business, (Fama & Jensen, 1983). A board of directors supervising management decisions in an efficient manner will improve firm's performance. Doing so requires each board member to be fully equipped with management knowledge such as finance, accounting, marketing, information systems, legal issues and other related areas to the decision making process. This requirement implies that the quality of each board member will contribute significantly and positively to management decisions which are then translated into the firm's performance (Adams and Ferreira, 2007).

2.1.3 Board size:

Board Size is total number of inside and outside directors on the board of the directors (Doğan & Ve-Yildiz, 2013). The board is responsible to the shareholders and is supposed to govern a company's management.. But in many instances, the board has become a servant of the chief executive officer (CEO), who is typically also the chair of the board. The role of the board of directors has increasingly come under scrutiny in light of corporate scandals such as those at Enron, WorldCom and HealthSouth, in which the directors failed to act in investors' best interests. Although the Sarbanes-Oxley Act of 2002 made corporations more accountable, investors should still pay attention to what a corporation's board of directors is up to. There is no universal agreement on the optimum size of a board of directors. A large number of members represent a challenge in terms of using them effectively and/or having any kind of meaningful individual participation. According to the Corporate Library's study, the average board size is 9.2 members, and most boards range from 3 to 31 members. Some analysts think the ideal size is seven (Gill & Mathur, 2011). In Nigeria, Section 2.1 of the Corporate Governance Code states that every company shall be headed by a Board that shall govern, direct and be in effective control of its affairs and every Board shall have a Charter setting out its responsibilities. The Board shall include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive

directors) such that no individual or group of individuals can dominate the Board's decision-making. There is no such provision under the Companies and Allied Matters Act (CAMA). The composition of the Board shall not be less than eight (8) and the number of directors shall not be more than a third of the Board.

2.1.4 Return on assets:

The performance of deposit money banks can be surrogated by return on assets (ROA). The ROA, defined as net income divided by total assets, reflects how well a company management is using the company real investment resources to generate profits. ROA is widely used to compare the efficiency and operational performance of company as it looks at the returns generated from the assets financed by the company. The higher ROA and ROE reflects higher managerial efficiency of the company's and vice versa (Amahalu, Abiahu, Nweze & Obi 2017).

2.1.5 Return on equity:

The return on equity (ROE) is a measure of the profitability of a business in relation to the book value of shareholder equity, also known as net assets or assets minus liabilities. ROE is a measure of how well a company uses investments to generate earnings growth. The return on equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each naira of common stockholders' equity generates. So a return on 1 means that every naira of common stockholders' equity generates 1 naira of net income. This is an important measurement for potential investors because they want to see how efficiently a company will use their money to generate net income. ROE is also an indicator of how effective management is at using equity financing to fund operations and grow the company (Liang, Xu, & Jiraporn, 2013).

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholder Equity}} \times 100$$

2.1.6 Tobins Q:

The Tobin's Q ratio is a ratio devised by James Tobin of Yale University, Nobel laureate in economics, who hypothesized that the combined market value of all the companies on the stock market should be about equal to their replacement costs. The Q ratio is calculated as the market value of a company divided by the replacement value of the firm's assets.

$$\text{Q Ratio} = \frac{\text{Total Market Value of Firm}}{\text{Total Asset Value}}$$

For example, a low Q (between 0 and 1) means that the cost to replace a firm's assets is greater than the value of its stock. This implies that the stock is undervalued. Conversely, a high Q (greater than 1) implies that a firm's stock is more expensive than the replacement cost of its assets, which implies that the stock is overvalued. This measure of stock valuation is the driving factor behind investment decisions in Tobin's model (Farlex 2012 in Amahalu & Ezechukwu, 2017). The formula for Tobin's Q ratio takes the total market value of the firm and divides it by the total asset value of the firm. For example, assume that a company has $35 million in assets. It also has 10 million shares outstanding that are trading for $4 a share. In this example, the Tobin's Q ratio would be:

Tobin's Q ratio = total market value of firm / total asset value of firm = $40,000,000 / $35,000,000 = 1.14.

An undervalued company, one with a ratio of less than one, would be attractive to corporate raiders or potential purchasers, as they may want to purchase the firm instead of creating a similar company. This would likely result in increased interest in the company, which would increase its stock price, which would in turn increase its Tobin's Q ratio. As for overvalued companies, those with a ratio higher than one, they may see increased competition. A ratio higher than one indicates that a firm is earning a rate

higher than its replacement cost, which would cause individuals or other companies to create similar types of businesses to capture some of the profits. This would lower the existing firm's market shares, reduce its market price and cause its Tobin's Q ratio to fall (Bhagat & Black, 2002).

2.2 Theoretical Review

2.2.1 Agency Theory:

The Agency theory was first proposed by Jensen and Meckling (1976) in a theory of the firm based upon conflicts of interest between various contracting parties such as shareholders, corporate managers and debtors. However since then, the finance theory has developed both theoretically and empirically to allow a fuller investigation of the problems caused by divergences of interest between shareholders and corporate managers. The Agency theory indicates that agency problems arise because of the impossibility of perfectly contracting for every possible action of an agent whose decisions affect both his own welfare and the welfare of the principal, Brennan (1995). The main challenge that arises from the agency conflict is how to induce the agent to act in the best interests of the principal. Jensen and Meckling (1976) suggest that this can be achieved through incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders. McColgan (2001) also argued that the scope of each type of agency conflict will differ from one firm to another, as will the effectiveness of governance mechanisms in reducing them. As has been proved, and then often questioned again, each type of governance mechanism can be important in reducing the agency costs of the separation of ownership and control. What is required is a more detailed understanding of what makes these mechanisms important for some firms and ineffective for others. Managerial awareness of the threat of takeover perhaps leads to entrenchment at lower levels, as does the potentially ineffective market for corporate control in disciplining management.

2.3 Empirical Review:

Several, qualitative and quantitative studies have examined the relationship between accounting for climate change and operational performance of firms in different countries and sectors over the last few decades.

Wanyama and Olweny (2013) investigated the effects of Corporate Governance on the financial performance of listed insurance companies in Kenya. Specifically, this study examined board size, board composition, CEO duality and leverage and how they affect the financial performance of listed insurance Companies in Kenya. Firm performance was measured using Return on Assets (ROA) and Return on Equity (ROE). This study adopted a descriptive research design. The study population was all those insurance Companies which were quoted on the Nairobi Securities Exchange as at December 2012. The primary data were collected through the administration of questionnaires to the staff in these listed insurance firms. Stratified random sampling technique was used to obtain the sample staff for the purpose of administering questionnaires. Secondary data were collected using documentary information from Company annual accounts for the period 2007 to 2011. Reliability test was carried out using Cranach's alpha model. Both descriptive and inferential statistics were used. Data was analyzed using a multiple linear regression model. The study found that a strong relationship exist between the Corporate Governance practices under study and the firms' financial performance. Board size was found to negatively affect the financial performance of insurance companies listed at the NSE. There was a positive relationship between board composition and firm financial performance. However, the most critical aspect of board composition was the experience, skills and expertise of the board members as opposed to whether they were executive or non executive directors. Similarly, leverage was found to positively affect financial performance of insurance firms listed at the NSE. On CEO duality, the study found that separation of the role of CEO and Chair positively influenced the financial performance of listed insurance firms.

Adekunle and Aghedo (2014) examine the relationship between corporate governance and financial performance of randomly selected quoted firms in Nigeria. It investigates corporate governance variables

and analyses whether they impact on firm performance as measured by return on asset (ROA) and profit margin (PM). Based on the review of existing literature, four corporate governance variables were selected namely: composition of board member, board size, CEO status and ownership concentration which served as the independent variables. The ordinary least square regression was used to estimate the relationship between corporate governance and firm performance. Findings from the study show that there is positive and significant relationship between composition of board member and board size as independent variables and firm performance. CEO status also has positive relationship with firm performance but insignificant at P<0.05. However, ownership concentration has a negative relationship with return on asset (ROA) but positive relationship with profit margin (PM). The relationships are not significant at 5%. The study recommends among other things that companies' board should be majorly dominated by independent directors and board size should be in line with corporate size and activities.

Karpoff, Malatesta& Walkling (1996), study corporate governance and shareholder initiatives: Empirical Evidence. The study reveals that firms attracting governance proposals have poor prior performance, as measured by the market-to-book ratio, operating return, and sales growth. There is little evidence that operating returns improved after proposals. The proposals also have negligible effects on company share values and top management turnover. Even proposals that receive a majority of shareholder votes typically do not engender share price increases or discernible changes in firm policies.

Abdul-Qadir & Kambo (2012) examine corporate governance and financial performance of Banks in the post consolidation era in Nigeria. Twelve banks were found to be in substantial compliance with the code of corporate governance and therefore considered healthy. The study has the objective of studying the impact of compliance with corporate governance code on the performance of the banks considered healthy by the Central Bank. The twelve banks considered healthy are the study sample. Data covering the period 2006-2010 were extracted from their financial statements. The study employed two techniques (t-test and ANOVA) to test for the three hypotheses formulated from the mathematical model outlined for the study. Findings revealed an impact of dispersed equity on the profitability of banks. However, for board size, findings are mixed; a large board size relates to profitability but does not significantly impact on financial performance. It is recommended that there is the need to strengthen managerial policies so that both operational and financial performance can be improved.

Gupta & Sharma (2013), the impact of corporate governance practices on firm performance Indian and South Korean Companies looked at various Corporate Governance practices followed by companies in India and South Korea. This includes parameters such as Board Constitution, Board Structure, Different Committees, Independent Directors and their roles, Conflict of interest and Disclosure of information. The objective is to determine if there is a relationship between corporate governance and firm performance. The study tries to see whether higher and better corporate governance leads to better performance of the companies. It is found in the study that corporate governance practices have limited impact on both the share prices of the companies as well as on their financial performance.

Alen (2011) examine the relationship between ownership structure and firm performance using a sample of firms listed on the Zagreb Stock Exchange in period 2003-2009. The results obtained using panel estimation with fixed effects show a significant negative relationship between the existence of a block holder owning more than 30% of the equity and the value of the firm's Tobin's Q. However, if there is a family-type second block holder, the effect disappears. Further, the study gives evidence of the negative impact of the fraction of equity owned by management on labour efficiency confirming the quiet-life hypothesis from Bertrand and Mullainathan (2003). Finally, it is shown that foreign ownership is not significantly better than domestic.

Waseem, Saleh & Fares (2011), attempt to provide evidence on whether or not the corporate governance & performance indicators of the Jordanian industrial companies listed at Amman Stock Exchange (ASE) are affected by variables that were proposed and to provide the important indicators of the relationship of corporate governance & firms' performance that can be used by the Jordanian industrial firms to solve the agency problem. The study population consists of (96) Jordanian industrial firms' governance of the Jordanian firms listed at Amman Stock Exchange (ASE). (44) Firms were selected randomly to be used in

the study. The study found that there is a direct positive relationship between profitability -measured either by Earnings per share (EPS) or Return on assets (ROA), and corporate governance, also a positive direct relationship between each of liquidity, dividend per share, and the size of the company with corporate governance, finally the study found a positive direct relationship between corporate governance and corporate performance.

Duo & Thuy (2013), sought to quantify the relationship between corporate governance and the performance of firms in Vietnam. As part of this study, the authors undertook an intensive review of literature to identify a range of elements that contribute to overall corporate governance. In this study, corporate governance is considered to consist of the following elements: (i) the size of the board; (ii) the presence of female board members; (iii) the duality of the CEO; (iv) the education level of board members; (v) the working experience of the board; (vi) the presence of independent (outside) directors; (vii) the compensation of the board; (viii) the ownership of the board; and (ix) blockholders. Using the flexible generalized least squares (FGLS) technique on 77 listed firms trading over the period from 2006 to 2011. The findings of this study indicate that elements of corporate governance such as the presence of female board members, the duality of the CEO, the working experience of board members, and the compensation of board members have positive effects on the performance of firms, as measured by the return on asset (ROA). However, board size has a negative effect on the performance of firms. This study also presents that ownership of board members has a non-linear relationship with a firm's performance

Awan & Jamali (2016), in their study, the impact of corporate governance on financial performance of listed companies on Karachi Stock Exchange Pakistan. Data were collected from forty-two companies from different sectors such as Insurance, banking, Investment banking and Sugar industries. The study includes variables such as Profit Margin (PM) and Return on Equity (ROE) as dependent variables (Profitability) and board size, Audit committee, Annual General Meetings and Chief Executive Officer (Corporate Governance). Using Pooled OLS, the result of the study proved those board size and Audit committee have positive relationship with Profit Margin and Return on Equity. If any independent variable changes, it also stimulates the positively changing impact on Return on Equity and Audit committee. This research offers imminent guidelines to the policy and decision makers in any type of firms to take good decision to set their firms hierarchy system.

Maher & Anderson (1999), corporate governance and its effect on corporate performance and economic performance. It first recapitulates and builds on previous work undertaken by DSTI, for example, it gives a more explicit exposition of the shareholder and stakeholder models of corporate governance. It then goes on to address some of the underlying factors that promote efficient corporate governance, and examines some of the strengths, weaknesses, and economic implications associated with various corporate governance systems. In addition to providing data not presented in the previous work, it also provides newly available information on ownership concentration and voting rights in a number of OECD countries. The paper also provides a survey of empirical evidence on the link between corporate governance, firm performance and economic growth. Finally, several policy implications are identified

3. METHODOLOGY

This study which explored the effect of corporate governance on financial performance of quoted non-financial firms in Nigeria, used *ex-post facto* research design. With *Ex-post facto,* attempts are made to explain a consequence based on antecedent conditions, determine the effect of a variable on another variable and test a claim using statistical hypothesis testing technique. The population of this study is 124 quoted non financial firms in Nigeria as at 31st December, 2016. These companies were quoted under ten (10) sectors as at the end of the year. (See Appendix A for the ten sectors and the respective firms under each). In choosing an appropriate sample for this study, Krejcie and Morgan sample percentage where a minimum of 5% of a defined population was considered appropriate sample size in making a generalization was adopted.

3.1 Variable Description / Operationalisation of Variables

Variables (code)	Operational Definitions
Dependent Variable (Financial Performance)	
Metrics:	
Return on Asset (ROA)	Net income/Total Assets
Return on Equity (ROE)	Net Income x 100 Shareholder Equity 1
Dividend per Share (DPS)	Ordinary share dividend No. of ordinary share
Tobin's Q (TQ)	Total market value of company Total assets (or book) value
Earnings per Share (EPS)	= Net Income - Dividends on Preferred Stock / Average Outstanding Shares
Independent Variable (Corporate Governance)	
Proxies:	
Board Working Experience (BWE)	Average working age of all the directors on the board
Board Educational Level (BEL)	Number of directors holding Post graduate degrees
Board Size (BOS)	Logarithm of total number of directors on the board
Control Variables	
Firm Size (FSZ)	Natural logarithm of total asset
Leverage (LEV)	Total liabilities/Total Asset

3.2 Model Specification

The model of this study was adapted from the model of Koutsoyiannis, (2001). The model used for this study is as below.

$Y_{it} = \beta o + \beta_1 G_{it} + \beta 2 C_{it} + e_{it}$

Where,

Y_{it}: represents financial performance of firms at time t.

G_{it}: is a vector of corporate governance variables.

C_{it}: Control variables.

e_{it}: the error term which account for other possible factors that could influence Y_{it} that are not captured in the model.

Based on the above linear model five regression equations are developed based on the objectives of this study to do the desired analysis. These models are:

Model 1: $ROA_{it} = \alpha_0 + \beta_1 BWEit + +\beta_2 BELit + B_3 BOSit + \beta_4 FSZit + \beta_5 LEVit + \varepsilon_{it}$

Model 2: $ROE_{it} = \alpha_0 + \beta_1 BWEit + +\beta_2 BELit + B_3 BOSit + \beta_4 FSZit + \beta_5 LEVit + \varepsilon_{it}$

Model 3: $TQ_{it} = \alpha_0 + \beta_1 BWEit + +\beta_2 BELit + B_3 BOSit + \beta_4 FSZit + \beta_5 LEVit + \varepsilon_{it}$

Where:

α_0 = Constant term (Intercept)

$B_1 - \beta_5$ = Coefficients to be estimated

ε = Error term that are not captured in the model

ROA_{it} = return on assets of individual firm í at time t

ROE_{it} = return on equity of individual firm í at time t

TQ_{it} =Tobin's Q of individual firm í at time t

BEL_{it} = Board Educational Level of individual firm í at time t

BOS_{it} = Board Size of individual firm í at time t

FSZ_{it} = Firm Size of individual firm í at time t

LEV_{it} = Leverage of individual firm ί at time t
ί: individual firms
t: time periods

3.7 Decision Rule

Accept the alternative hypothesis, if the Prob(F-stat) of the test is less than 0.05. Otherwise reject.

4.1 Data Presentation

The panel data collected from the firms' financial statements and report for the ten year period between 2007 and 2016 are presented Appendix C.

4.2 Data Analysis

The Panel Analyses of Variables are contained in Appendix C.

Table 4.1 Descriptive Statistics

	ROA	ROE	DPS	TQ	EPS	BWE	BEL	BOS	FSZ	LEV
Mean	0.043	0.122	0.740	0.594	0.955	0.554	0.610	9.328	7.242	11.752
Median	0.045	0.120	0.775	0.715	0.715	0.300	0.670	5.240	7.295	11.795
Maximum	0.070	0.160	0.980	0.840	1.950	0.680	0.730	13.408	7.780	12.240
Minimum	0.010	0.090	0.230	0.160	0.230	0.110	0.290	6.140	6.530	11.100
Std. Dev.	0.019	0.023	0.268	0.257	0.625	0.242	0.844	0.238	0.424	0.353
Skewness	0.351	0.663	-0.105	0.411	0.562	0.722	1.527	1.470	0.363	-0.449
Kurtosis	2.133	2.633	2.513	2.240	1.756	2.145	4.282	3.445	1.919	2.326
Jarque-Bera	15.518	10.789	1.464	1.625	11.171	1.173	14.572	13.682	0.706	0.525
Probability	0.002	0.019	0.481	0.444	0.014	0.556	0.002	0.029	0.702	0.769
Sum	0.430	1.220	7.400	5.940	9.550	3.540	10.100	3.280	72.420	117.520
Sum Sq. Dev.	0.003	0.005	0.646	0.595	3.513	0.528	6.410	0.512	1.618	1.124
Observations	10	10	10	10	10	10	10	10	10	10

Source: E-Views 9.0 output, 2018

4.2.1 Multicollinearity Test

Multicollinearity occurs if there is a strong relationship between two or more independent variables in a regression model. To test whether the level of multicollinearity in the estimated models could be tolerated, Variance Inflation Factor (VIF) was used. The rule of the thumb is that a value of VIF that is less than 10 means that the level of multicollinearity can be tolerated (Robinson & Schumacker, 2009). Since multicollinearity test is only applicable for multivariate regressions, only VIF statistics are reported since the regressions involve more than one independent variable.

4.3 Test of Hypotheses

4.3.1 Test of Hypothesis 1

Ho_1: There is no significant relationship between corporate governance components and Return on Asset (ROA) of Non-Financial firms in Nigeria.

H_1: There is significant relationship between corporate governance components and Return on Asset (ROA) of Non-Financial firms in Nigeria.

Table 4.4 Multivariate Regression Analysis between Corporate Governance components and Return on Assets of Non-Financial firms in Nigeria

Dependent Variable: ROA
Method: Panel Least Squares
Date: 03/26/18 Time: 18:20
Sample: 2007 2016
Periods included: 10
Cross-sections included: 47
Total panel (unbalanced) observations: 470

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.302608	10.18865	-4.595519	0.0101
BWE	0.003822	0.044202	2.986470	0.0311
BEL	1.352032	1.872457	2.722063	0.0406
BOS	0.187584	1.985545	3.094475	0.0248
FSZ	1.156814	1.061069	3.090234	0.0262
LEV	-0.000534	0.005231	-4.538060	0.0105

R-squared	0.897482	Mean dependent var	3.721308
Adjusted R-squared	0.768246	S.D. dependent var	43.60174
S.E. of regression	0.003770	Akaike info criterion	10.40698
Sum squared resid	0.000331	Schwarz criterion	10.46000
Log likelihood	37.39618	Hannan-Quinn criter.	10.42784
F-statistic	5.796730	Durbin-Watson stat	0.558189
Prob(F-statistic)	0.000726		

Source: E-Views 9.0 Regression Output, 2018

Interpretation of Multivariate Regression Result

In table 4.4, a multiple regression analysis was conducted to test the influence among predictor variables. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table, the value of adjusted R squared was 0.768, an indication that there was variation of 76.8% on the financial performance (ROA) of quoted non-financial companies due to changes in BWE, BEL, BOS, FSZ and LEV. This shows that only 76.8% changes in return on assets of non-financial companies could be accounted for by corporate governance components and control variables. The Durbin-Watson Statistic of 0.558189 suggest that the model does contain serial correlation problem. The F-statistic of the ROA regression is equal to 5.796730 and the associated F-statistic probability is equal to 0.000726, so reject the null hypothesis and accept the hypothesis. As a result, there is linear relationship of ROA to the independent variables.

Decision

Since the result of the Prob (F-statistic) of 0.000726 is less than the critical value of 5% significance level, leading to the conclusion that there is a significant positive relationship between corporate governance components and ROA at 5% significant level, hence, H_1 is accepted.

1.3.2 Test of Hypothesis II

Ho_2: There is no significant relationship between corporate governance components and Return on Equity (ROE) of Non-Financial firms in Nigeria.

H_2: There is significant relationship between corporate governance components and Return on Equity (ROE) of Non-Financial firms in Nigeria.

Table 4.6 Multivariate Regression Analysis between Corporate Governance components and Return on Equity of Non-Financial firms in Nigeria

Dependent Variable: ROE
Method: Panel Least Squares
Date: 03/27/18 Time: 22:52
Sample: 2007 2016
Periods included: 10
Cross-sections included: 47
Total panel (unbalanced) observations: 470

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.241598	0.348339	-4.173287	0.0140
BWE	0.000426	0.001511	3.281656	0.0213
BEL	0.093410	0.064017	4.459133	0.1242
BOS	0.014149	0.067884	3.208430	0.0250
FSZ	0.108433	0.036277	2.989037	0.0029
LEV	-0.000102	0.000179	-0.571481	0.5680

R-squared	0.627199	Mean dependent var	0.655902
Adjusted R-squared	0.516716	S.D. dependent var	1.508002
S.E. of regression	1.495345	Akaike info criterion	3.655275
Sum squared resid	1037.530	Schwarz criterion	3.708288
Log likelihood	-852.9895	Hannan-Quinn criter.	3.676132
F-statistic	4.594630	Durbin-Watson stat	1.744541
Prob(F-statistic)	0.004962		

Source: E-Views 9.0 Regression Output, 2018

Interpretation of Regressed Result

Table 4.6 showed the results of regression of model ROE. The coefficients of BWE has a t – statistic equal to 3.281656 and a p – value equal to 0.0213; BEL has a t – statistic equal to 0.093410 and a p – value equal to 0.1242; BOS has a t – statistic equal to 0.014149 and a p – value equal to 0.0250; FSZ has a t – statistic equal to 0.108433 and a p – value equal to 0.0029; LEV has a t – statistic equal to -0.000102 and a p – value equal to 0.5680. This implies that BWE, BEL, BOS FSZ positively and significantly relate with ROE, while a non-significant relationship exist between LEV and ROE. The R-squared statistic measures the success of the regression in predicting the values of the dependent variable. The adjusted R –squared of the ROE model is equal to .517, which indicates that 51.7% of the variation in ROE is explained by the regression variables. Hence, the explanatory variables included in this regression are good predictors of ROE. The Durbin-Watson value of 1.744541 is an indication of the absence of auto-correlation problem in the model of this study. The value for the F-statistic is 4.594630 with a significant p-value of 0.004962 endorses the validity and stability of the model relevant for this study.

Decision

Based on Prob (F-statistic) value of 0.004962, which is less than the critical significance level of 5%, this invariably means that there is a significant positive relationship between corporate governance components and Return on Equity (ROE) of Non-Financial firms in Nigeria.

Table 4.10 Multivariate Regression Analysis between Corporate Governance components and Tobin's Q of Non-Financial firms in Nigeria

Dependent Variable: TQ
Method: Panel Least Squares
Date: 03/27/18 Time: 22:57
Sample: 2007 2016
Periods included: 10
Cross-sections included: 47
Total panel (unbalanced) observations: 470

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.260357	0.202950	6.210186	0.0000
BWE	-0.000810	0.000880	-5.919500	0.0000
BEL	-0.095381	0.037298	-2.557279	0.0109
BOS	-0.057770	0.039551	-2.460654	0.0111
FSZ	-0.057170	0.021136	-2.704891	0.0071
LEV	-8.81E-06	0.000104	-5.084528	0.0000

R-squared	0.727817	Mean dependent var	0.640883
Adjusted R-squared	0.617341	S.D. dependent var	0.878874
S.E. of regression	0.871221	Akaike info criterion	2.574841
Sum squared resid	352.1877	Schwarz criterion	2.627854
Log likelihood	-599.0875	Hannan-Quinn criter.	2.595698
F-statistic	6.005267	Durbin-Watson stat	1.276903
Prob(F-statistic)	0.000043		

Source: E-Views 9.0 Regression Output, 2018

Interpretation of Multivariate Regression Result

Table 4.9 shows the regression results of TQ model. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table, the value of adjusted R squared was 0.617, an indication that there was variation of 61.7% on the financial performance (TQ) of quoted non-financial companies due to changes in BWE, BEL, BOS, FSZ and LEV. This shows that corporate governance and control variables altogether explain only 61.7% of the variation in TQ. The coefficient estimates of all the explanatory variables associate negatively with TQ, however statistically significant at 5% significant level. The Durbin-Watson Statistic of 1.276903 suggest that the model does contain serial correlation problem. The F-statistic of the TQ regression is equal to 6.005267 and the associated F-statistic probability is equal to 0.000043, so the null hypothesis was rejected while the alternative hypothesis was accepted. As a result, there is linear relationship of TQ to the independent variables.

Decision

Since the result of the Prob (F-statistic) of 0.000043 is less than the critical value of 5% significance level, leading to the conclusion that there is a significant negative relationship between corporate governance components and TQ at 5% significant level, hence, H_1 is accepted.

DISCUSSION OF FINDINGS

The regression results of this study were presented in tables 4.4 to 4.13, for the regression results of ROA model. The evaluation of the slope coefficients of the explanatory variables revealed the existence of positive relationship between corporate governance components, control variable (FSZ) and return on assets with the exception of leverage that associate negatively with ROA, though, statistically significant at 5%. The value of adjusted R squared was 0.768, an indication that there was variation of 76.8% on the financial performance (ROA) of quoted non-financial companies due to changes in BWE, BEL, BOS, FSZ and LEV. This shows that only 76.8% changes in return on assets of non-financial companies could

be accounted for by corporate governance components and control variables. The Durbin-Watson Statistic of 0.558189 suggest that the model does contain serial correlation problem However, the overall significance of the model is statistically significant at 5% level (prob. F-statistic= 0.000726<0.05). Invariably, BWE, BEL, BOS, FSZ and LEV are major determinants of ROA in non-financial firms in Nigeria. In the case of return on equity (ROE), the results of regression of return on assets (ROE) model revealed that the coefficients of BWE has a t – statistic equal to 3.281656 and a p – value equal to 0.0213; BEL has a t – statistic equal to 0.093410 and a p – value equal to 0.1242; BOS has a t – statistic equal to 0.014149 and a p – value equal to 0.0250; FSZ has a t – statistic equal to 0.108433 and a p – value equal to 0.0029; LEV has a t – statistic equal to -0.000102 and a p – value equal to 0.5680. This implies that BWE, BEL, BOS FSZ positively and significantly relate with ROE, while a non-significant relationship exist between LEV and ROE. The adjusted R –squared of the ROE model is equal to .517, which indicates that 51.7% of the variation in ROE is explained by the regression variables. However, the overall significance of the relationship is statistically significant at 5% level Prob (F-statistic)=0.004962<0.05), Hence, the explanatory variables included in this regression are good predictors of ROE. The findings in the Tobin's Q showed the value of adjusted R squared to be 0.617, an indication that there was variation of 61.7% on the financial performance (TQ) of quoted non-financial firms due to changes in BWE, BEL, BOS, FSZ and LEV. This shows that corporate governance and control variables altogether explain only 61.7% of the variation in TQ. The coefficient estimates of all the explanatory variables associate negatively with TQ, however statistically significant at 5% significant level. The Durbin-Watson Statistic of 1.276903 suggest that the model does contain serial correlation problem The F-statistic of the TQ regression is equal to 6.005267 and the associated F-statistic probability is equal to 0.000043, so reject the null hypothesis and accept the alternative hypothesis. As a result, there is linear relationship of TQ to the independent variables.

CONCLUSION

This study determined the relationship between corporate governance and financial performance of non-financial sector in Nigeria by adopting certain corporate governance measures (BWE, BEL, BOS) and financial performance indicators (ROA, ROE, DPS, TQ and EPS) over a period of 10 years spanning from 2007-2016, while FSZ and LEV served as control variables of this study. On the overall, the study discovered that there is association between measures of corporate governance (BWE, BEL and BOS) and financial performance indicators (ROA, ROE, TQ and EPS); while a non-significant negative relationship was found between the independent variables and DPS of non-financial firms in Nigeria. The conclusion reached in this study is that corporate governance has a statistically significant relationship with ROA, ROE, TQ and EPS of non-financial firms in Nigeria at 5% level of significance.

5.3 RECOMMENDATIONS

The recommendations were made amongst others:

Non-financial firms in Nigeria should focus on improving their corporate governance practices, since it was found significant in determining return on assets, which will enhance their firm's value. The audit committee must be well constituted to increase its independence and with the right size. There is need to strengthen managerial policies so that financial performance (Tobin's Q) can be improved upon, in order to effect the negative relationship between corporate governance and Tobin's Q. non-financial firms in Nigeria should endeavor to provide shareholders with periodic reports on changes affecting the shareholders in the company, and hold regular meetings with members of the Board of Directors

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