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Corporate Governance And Firm Performance: A Study Of Conglomerates In Nigeria

[1]Ndum, Ngozi B. & [2]Oranefo, Patricia

Department of Accountancy
Nnamdi Azikiwe University, Awka, Nigeria
[1]Mail: ngodona71@gmail.com ; [2]Mail: rollandchi@yahoo.com

ABSTRACT
This study assesses corporate governance and firm performance: a study of conglomerates in Nigeria. *Ex-post Facto* research design was adopted. The population constituted the conglomerate firms in Nigeria. Data for this study were sourced from annual reports and accounts of the firms. Regression analysis was used in testing the hypotheses. From the analysis, our findings revealed that audit committee and board composition diligence have positive insignificant effect on return on assets of conglomerates firms in Nigeria. the study recommended that it is necessary for listed firms to consider an appropriate and competitive compensation level of board's members. The compensation will provide a better link between shareholders and firm's management and this link will enhance firm's performance to maximize shareholders' value
Keywords: Audit committee, Board composition diligence and Return on asset

INTRODUCTION

It is a global position that the robustness or otherwise of governance structure is significant in making or marring the existence of entities. In general term, corporate governance is the way and manner entities are managed with transparency and honesty by those charged with responsibilities (Sanusi, 2003). Investigations into previous corporate failures indicated that corporate unrest is a direct consequence of lack of good corporate governance in firms; invariably one of the sources of instability in companies is lack or inadequate practice of corporate governance (Awodiran, 2019). Corporate governance is concerned with the way assets of the company are meticulously utilized towards achieving the overall objectives of the company (Tukur & Bilkisu, 2014).

Today, corporate governance has become a determinant and a means of identifying company's strengths, weakness and performance. One of the most important functions that corporate governance can play is in ensuring and encouraging the quality of the financial reporting process (Cohen, Krishnamurthy & Wright, 2004).

Corporate governance as a concept is viewed merely as being concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction (Rwegasira, 2000). Corporate governance focuses on the structures and processes for the business direction and management of firms. It involves the relationships among company's controlling system, roles of its board directors, shareholders and stakeholders. Williamson (1988) considered that the corporate governance has relation with transaction cost and, in turn, enhances firm performance. In addition, weak corporate governance reduces investor confidence and discourages outside investment.

Corporate governance is a mechanism that is employed to reduce the agency cost that arises as a result of the conflict of interest that exists between managers and shareholders. The conflict emanates, almost naturally, because the separation of ownership from control of the modern day business places the

managers at a privileged position that gives them the latitude to take decisions that could either converge with or entrench the value maximization objective of the firm. Thus, managers can use their control over the firm to achieve personal objectives at the expense of stakeholders.

Corporate governance describes the structure of rights and responsibilities among the parties that have a stake in a firm (Aguilera and Jackson, 2003).A corporate governance system can be a set of processes and structures used to direct a corporation's business. A key objective of a corporate governance system should be the enhancement of shareholder wealth. Once implemented, an effective corporate governance system can help to ensure an appropriate division of power among shareholders, the board of directors, and management (Mcconomy et al. 2000). Bairathi, (2009) reported that corporate governance is not just corporate management; it is something much broader to include a fair, efficient and transparent administration to meet certain well-defined objectives. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. When it is practiced under a well-laid out system, it leads to the building of a legal, commercial and institutional framework and demarcates the boundaries within which these functions are performed. Well-functioning corporate governance mechanisms in developing economies are crucial for both local firms and foreign investors interested in the tremendous opportunities that such economies provide.

Financial reports serve as a mirror through which a firm's performance is viewed by all its stakeholders. The quality of these reports is contingent upon its reliability in making investment decisions by investors and other interested parties to the firm. Since financial statements reflect performance as well as managerial competence, it is not unlikely that managers will engage in manipulating earnings within the regulatory framework to insinuate that they are good managers. This aggressive accounting practice becomes even more prominent when managerial compensation, such as option and stocks, is tied to firm performance (Bergstresser and Phillippon, 2006; Cornett, McNutt and Tehranian, 2008).

The global corporate scandals and the recent collapse of renowned multinational firm and institutions around the world posed very big challenge to economists, corporate and economic managers, the effects were far reaching in that almost every country in the world felt them due to a globalized economy. Global corporate scandals that took its toll with the collapse of once prestigious companies such as Enron and Worldcom reiterated the need for an investigation into the quality of financial reports and increased the clamoring for a better governance mechanism worldwide. It has been observed by accountants and financial economists that central to these corporate failures is that "there are systematic deficiencies in accounting standards and governance systems that generate financial information" (Bowen, Rajgopal and Venkatachalam, 2003). In a bid to prevent such future failure of companies, most nations across the globe introduced new codes of best governance practices to align manager's interest with the wealth maximization objective of the shareholders. An effective governance mechanism should therefore be capable of converging managers' decisions (both operating and investment) with that of the shareholders. But, despite the introduction of the codes of best governance practices in Nigeria in 2003 and its continuous modifications, the results that it has achieved can be said to be minimal as there are fresh cases of governance malpractices that threaten the survival of quite a number of firms in different sectors of the economy.

The cases of abuse of corporate governance include the recent gross financial misconduct committed by the former managing directors of the Oceanic Bank of Nigeria Plc, Union Bank of Nigeria Plc and the Intercontinental Bank of Nigeria Plc, and other bank in Nigeria which are widely reported in the press. Also reported, are the cases that involved the Directors of the Nigeria Stock Exchange (NSE), especially the Director General, who were found to have committed serious breaches of corporate governance codes in the conduct of the affairs of the Board vis- a-vis the institution they managed.

The motivation for misrepresentation of firm performance arises because of the conflict of interest between managers and shareholders. It is against this backdrop the researcher seek to empirically examine the effect of corporate governance mechanism on firm's financial performance of conglomerates firms in Nigeria.

The main objective of this study is to examine the effect of corporate governance mechanism on firm's financial performance of conglomerates firms in Nigeria.

The specific objectives are:

1. *To determine the extent to which Audit Committee has effect on return on assets of quoted conglomerates firms in Nigeria.*
2. *To determine the extent to which Board Composition diligence has any effect on return on assets of conglomerates firms in Nigeria.*

Review of Related Literature

Corporate Governance

Corporate governance is concerned about accountability, boards, disclosure, investor involvement and related issues which suggests that the performance of an entity is to a large extent is determined by the composition of board. Corporate governance is therefore concerned with the creation of a balance between economic and social goals and between individual and communal goals (Udeh, Abiahu & Tambou, 2017). To achieve this, there is the need to encourage efficient use of resources, accountability in the use of power and the alignment of the interest of the various stakeholders, such as, individuals, corporations and the society. The recent financial crisis that hit the globe in the twenty-first century necessitated the move for good corporate governance practices in corporations. Nielson (2000) opines that the common denominator of these monumental failures was poor corporate governance culture. While, Ajagbe (2007) put forward that in poor corporate management, fraud and insider abuse of power by management and board of directors is commonly placed. There is however, a unanimous agreement that the key outcome of poor corporate governance is earnings smoothing. However, poor corporate governance practices invariably result to failure of firms (Enofe & Isiavwe, 2012). Such significant failures have brought to the fore the need for a deeper understanding of the impact of corporate governance on firm performance. The most important aspect to structure the firm appropriately whether it's in Asia, Europe, Africa is to implement the right governance mechanisms in order to help businesses in the process of decision making (Ahmed & Hamdan, 2015).

Okeaholam and Akinbode (2003), defined corporate governance as the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission.

Studies in the past such as Coram, Mock and Monroe (2006); and Chua (2006) held the view that healthy governance structure facilitates achievement of corporate goals, ease of raising funds; as it brings about investors" confidence. International financial world is experiencing systemic changes in the areas of finance and economy; these developments have been evolving for some time, and presently, the emergence of innovative technologies across industries globally has created challenges and necessity to regulate global business world. The above have mandated nations to institute quality governance structure to enable them in the ever-changing business environment (Faisal & Abdul, 2015).

Corporate governance is concerned with ways in which all parties interested in the well-being of the firm (the stakeholders) attempt to ensure that managers and other insiders take measures or adopt mechanisms that safeguard the interests of the stakeholders. Such measures are necessitated by the separation of ownership from management, an increasingly vital feature of the modern firm. A typical firm is characterized by numerous owners having no management function, and agers with no equity interest in the firm. Shareholders, or owners of equity, are generally large in number, and an average shareholder controls a minute proportion of the shares of the firm. This gives rise to the tendency for such a shareholder to take no interest in the monitoring of managers, who, left to themselves, may pursue interests different from those of the owners of equity. For example, the managers might take steps to increase the size of the firm and, often, their pay, although that may not necessarily raise the firm's profit, the major concern of the shareholder.

2.1.2 Performance

Performance is a multi-dimensional construct which varies depending on whether the measurement objective is to assess performance outcomes or behaviour (Akintonde, 2013). Nnabuife (2009) believed that performance is not only a team work but also as an individual efforts resulting into a specific end result that will be matched with expected reward by managers. Armstrong in Akintonde, (2013) described performance as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions. Performance could be regarded as behavior i.e. the way in which organizations, teams, and individuals get work done. Hornby, Michael, Joanna, Diana, Dilys, Patrick and Victoria (2010) see performance as the act or process of performing a task, an action that involves a lot of effort, or how well or badly you do something or something works.

In this study ROA have been selected as proxies for firm performance from the accounting based measures. Return on assets is an indicator of how profit a company is or how efficient is the management as using its assets to generate earning, and is sometimes referred to as Return on Investment. It is calculated by dividing a company net income by its total assets:

Return on Assets (ROA) = (Net Income) / (Total Assets).

The financial information that related to ROA variable was extracted from the financial statements.

Board of Directors and Audit Committee

Various attributes of the board and audit committee may influence their effectiveness as corporate governance process participants. For example, the Blue Ribbon Committee (1999) recommendations looked at strengthening both the independence and expertise of audit committees. In this section, we examine the research of various characteristics of the board and audit committee which include the

(1) composition,
(2) Independence,
(3) Knowledge and expertise,
(4) Effectiveness,
(5) Power,
(6) Duties and responsibilities and
(7) The association between board characteristics, earnings manipulation and fraud.

Composition of Board Members

The composition of board members is also proposed to help reduce the agency problem (Weisbach, 1988; Hermalin and Weisbach, 1991). A positive relationship is expected between firm performance and the proportion of outside directors sitting on the board.

Unlike inside directors, outside directors are better able to challenge the CEOs. It is perhaps in recognition of the role of outside directors that in the UK a minimum of three outside directors is required on the board; in the US, the regulation requires that they constitute at least two-thirds of the board (Bhagat & Black, 2001).

Unlike the preceding argument in support of board structures, Laing and Weir (1999) play down their importance, stressing instead the importance of business experience and entrepreneurship. According to them, firms managed by dynamic CEOs tend to perform better than other categories of firms. On the assumption that foreign firms are managed by more experienced CEOs, Estrin et al. (2001) test whether foreign firms perform better than domestic ones in Bulgaria, Romania and Poland. Using panel data for the three countries for the period 1994–1998, they find x˙at irrespective of the estimation technique, foreign firms perform better than private domestic firms. They attribute this finding to the possibility that foreign firms might have some superior knowledge, which leads them to be more efficient. A common theme running through the two studies is the important role that the experience and skills of chief executives could play as a means for improving firm performance.

According to Hannifa and Cook, (2002) in Muhammed, (2014) board composition is defined as the proportion of outside directors to the total number of directors.

Board composition has given rise to two different views – Those who contend for more non-executive directors in the board and those who argue against more non-executive directors in the board. Those who argue for more non-executive directors in the board used agency theory and resource dependency to support their arguments. The inclusion of outside directors increases the board ability of efficiency in monitoring top management and ensures no expropriate of stakeholders wealth by top management as an incentive to develop their reputation as experts in decision control (Fama and Jensen, 1983 cited in Muhammed, 2014). This is so because the non-executive directors comprises of independent directors that are appointed based on their experience and competence and do not have any interest in the shareholding of the firm but to maintain their reputation so they always strive to maximize the firms value (Yousef, Nur & Kharil, 2014). It is believed that the independency of board of directors depends on the number of outside directors that is, the board of directors are more independent as the proportion of outside directors' increases

Empirical Study

Ovbiebo, Ukori and Vincent (2019) investigated the effect of corporate governance mechanisms on the performance of Nigerian quoted companies. Secondary data was used for the study. The data was sourced from the annual reports of companies listed in the NSE. The study adopted the ordinary least square regression technique. The findings suggest that board characteristics have a negative impact, while audit committee characteristics have a positive impact on firm performance. Awodiran (2019) ascertained the effect of corporate governance surrogates on financial performance of quoted consumer goods firms in Nigeria from which 16 companies were randomly selected. The study used data gathered from financial statements (2008-2017). Descriptive and inferential statistical methods were employed in analyzing the data gathered. Hausman test was also conducted to make a choice between random and fixed effect models of panel least square regression; which favoured random effect model. The study found that board composition and ownership concentration positively influenced profitability while size of the board and the status of Chief Executive Officer exerted negative but significant influence on profitability. Odunayo (2019) determined the extent to which board size, board independence, ownership structure, and board gender diversity affects firm performance for the periods covered 2013 to 2017. Data were sourced from Annual report and statement of financial accounts of the selected companies. Panel Data econometric technique which included least squares dummy variable (LSDV), random effect model and Hausman tests were employed. The study found that board independence (BIND) has positive effect on return on asset while Ownership structure (OWNSTR), Board size (BSIZE) and Board gender diversity (BGD) on return on asset. The study further revealed that all the explanatory variables that is, Ownership structure (OWNSTR), Board independence (BIND), Board size (BSIZE) and Board gender diversity (BGD) have significant and positive effect on return on equity. The study concluded that corporate governance have significant effect on return on equity and it was recommended that size of the board (membership) should be increased but not exceeding the maximum number specified by the code of corporate governance for banks. Adeoye, (2015) studied the impact of institutional characteristics of corporate governance on corporate governance system in sub-Saharan Africa Anglophone countries. The sample consist of chief executive officers, executive directors, non-executive directors, accountants/auditors company employees and regulatory agencies of one hundred and fifty firms listed in Ghanaian stock exchange (GSE), one hundred firms listed on Nigerian stock exchange (NSE) and seventy one firms in South Africa. Primary data were collected with the use of questionnaire based on international corporate governance norms. The result shows that Ghanaian and Nigerian firms' have large concentration of ownership therefore preferential treatment to large shareholders has influence on the rules and laws of corporate governance practices and thus recommend for the need for general reform of corporate governance of firms in Nigeria by the issue of only one corporate governance code of best practices for each industry which should follow international standard, that Ghana should have financial reporting council in order to have more regulatory and supervisory bodies on corporate governance practices for financial and non-financial firms. Iwora and Lesley (2014), researched on an analysis of the characteristics and quality of corporate boards of listed deposit collecting banks in Nigeria. They compare the characteristics of corporate boards

of Nigerian banks with ten largest banks of the world in terms board size, number of females in the board, number of meeting per annum, age of directors, duality of chairman and chief executive officer position. The research question was to what extent does the characteristics of corporate board of Nigerian banks compared with the ten largest bank globally in terms of the above five mentioned criteria. The sample consists of the ten world largest bank in 2012 and fifteen Nigerian banks published in the official website of Nigerian central bank in 2013. T-test was used for data analysis and the result shows that the governance structure of Nigerian banks is similar with that of the ten largest banks in the world. Omoye and Eriki, (2014) classify Nigerian quoted companies into high and low earnings management levels and also to investigate how corporate governance mechanisms relate to these categories of earnings management levels. A sample of 130 companies were drawn from quoted companies on the Nigerian stock exchange over the period of 2005 to 2010 and to identify the unique firm's corporate governance characteristics and control variables that influence firms' decision to engage in earnings management, descriptive statistics, correlation matrix, diagnostic test and binary regressions analyses of the data were conducted. The study revealed that, quoted companies in Nigeria prefer to use high earnings management practices; Board independence had a positive and significant influence on the probability of Nigerian companies adopting absolute high earnings management, Audit committee independence had a negative and significant influence on the probability of Nigerian companies adopting absolute high earnings management, Board gender representation had a negative and significant influence on the probability of Nigerian firms adopting absolute high earnings management and also Board size and CEO shareholding were found to be statistically not significant in influencing the likelihood of Nigerian quoted companies adopting high earnings management levels. Ijeoma and Ezejiofor (2013) determined whether corporate governance contributes significantly in ensuring accountability and transparency in order to improve performances of an enterprise and to determine the extent at which corporate governance can facilitates the organizations in achieving their social responsibilities to the environment. Data for the study were collected from both primary and secondary sources. Hypotheses were analyzed and tested with the Two Way ANOVA for opinion differences, using the Statistical Package for Social Sciences (SPSS) version 17.0 software package. The study concluded that corporate governance assists in provides structure through which the objectives of the SMEs are set and means of attaining those objectives and monitoring performances all to ensure effectiveness in operations and efficiency in their services. Abbas, Bashir, Manzuor and Akram (2013) assessed the determinants of firm's financial performance, using the textile sector of Pakistan for their study, and found that firm's performance is significantly affected by short – term leverage, size, risk, tax and non – debt tax shield. Valentin (2012) examined the determinants of corporate financial performance, is of the opinion that a company's financial performance is directly influenced by its market position. The study identified risk and growth as important factors influencing a firm's financial performance. Safarova (2010) evaluate the factors that determine firm performance of New Zealand listed companies discovered that size is the most important factor determining firm performance, followed by growth and leverage, while other factors such as tangibility, corporate governance, cash on hand and risk appeared to be marginally related to firm operating performance. The study of Syed, Nousheen, Tahir, (2009) on empirical evidence from Pakistani listed companies examines the relationship between Board Composition and Earnings Management. A set of listed Companies have been investigated to analyze the relationship for the year 2003 to 2007. Board Composition has been measured by Board independence, and Institutional ownership, whereas, earnings management has been quantified by discretionary accruals. Modified Cross Sectional Jones Model (1995) has been used to determine the Earnings management. Common effect model indicates the presence of negative relationship between institutional ownership and earnings management while we did not get statistically significant relationship between Board independence and earnings management.

Corporate governance is the system by which firms are directed and controlled. It deals with the ways suppliers of finance can ensure that they will get a return on their investment. Because the literature includes several definitions to clarify the meaning of corporate governance from different perspectives and understandings, this chapter defined corporate governance from two perspectives: shareholder and stakeholder. With a view to the objective of the thesis to investigate the impact of corporate governance

on firm performance, the narrow definition is more relevant since it provides direct link between corporate governance and financial performance. This chapter reviewed stakeholder's theory, resource dependence theory and stewardship theory. The study used the stakeholder's theory as the main theory for this study to explore the relationship between corporate governance and firm performance. The objective of reviewing these theories is to find how corporate governance mechanisms are explained from the perspective of every theory.

METHODOLOGY

The researcher adopted the *Ex-Post Facto* research design as it is concerned with cause-and-effect relationships. This design adopted since it establishes relationship of already existing events with no room for manipulation by the researcher.

The population of the study is made up of companies quoted on the Nigerian Stock Exchange (NSE) as at 2019. The companies are as follows: A.G Leventis Nigeria plc, John Holt plc, Chellarams Plc, SCOA Nigeria Plc, Transnational Corporation Plc, UACN Plc **.**

Data on return on asset was extracted from the Annual Reports and Accounts of the firm for the period 2012-2019. These data have been deemed valid by standard body regulating capital market and the financial accounting regulatory body in Nigeria. This data were subjected to another calculated as explained in the description of variable in conceptual framework of the study which led to calculation of the Return on Asset (ROA).

Methods of Data Analysis

Data were analyzed using regression analysis technique. Regression analysis is a method to quantify the relationship between a variable of interest and explanatory variables with the aid of E-view ver. 9.

Model Description:

Financial Performance (X) **= *f*** **(**Corporate Governance = **AC, BC)**

Where:

$ROA = a + \beta_1 AC + \beta_2 \boldsymbol{BC} + B_3 FSZ + \mu_{it}$ ……*i*

Variable Description

Dependent Variable:

Return on Assets (ROA) = (Net Income) / (Total Assets).

Independent Variables:

Audit Committee (***AC***): Measured as the number of meetings held in a year.

Board Composition (***BC***): Measured as the percentage of membership of the board constituted of by non -executive directors

Control Variable:

Firm Size (***FSZ***): We proxy for firm size using log transformation of total assets.

μ_{it} = Error term /unexplained variable(s) for firm i, in period t.

Decision

The decision rule is to reject the null hypothesis and accept the alternate hypothesis where P value is less than 0.05 or to accept the null hypothesis (Ho) and reject the alternate hypothesis (Hi) where P value is equals to or greater than 0.05.

DATA ANALYSIS AND INTERPRETATION OF RESULT

Descriptive Statistics

Table 1: Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Committee	70	0	7	3.61	1.595
Board Composition	75	0	8	5.40	1.946
ROA	20	-.0370229100 -0328990102 -0339994001	.2718344270 .1234993920 .074433643	.091173591300 .037773782303 .01086644353	.0788401386340 .0837728837741 .0756324234555
Firm Size	70	0	984720531000	84938157049.75	151508661530.782
Valid N (listwise)	15				

Source: Spss Ver. 20

It is indicated in Table 1 that the average Board Size for the sample is approximately 11 members. The maximum is 16 members while the minimum is 5. Also, the average of Audit Committee is approximately 4, the maximum is 7 while the minimum is 0. From the descriptive statistics we find that Board Composition Size has a mean value of approximately 5, a minimum value of 0 and maximum value of 8. The Returns on Assets (ROA) shows a mean score of .091173591300, a minimum value of -.0370229100 and a maximum value of .2718344270.

Normality Test

Table.2: One-Sample Kolmogorov-Smirnov Test

		Board Comp	Audit Com	ROA	Firm Size
N		70	75	15	70
Normal Parameters[a,b]	Mean	5.40	3.61	.091173591300	84938157049.75
	Std. Deviation	1.946	1.595	.0788401386340	151508661530.782
Most Extreme Differences	Absolute	.484	.200	.099	.288
	Positive	.291	.142	.099	.252
	Negative	-.484	-.200	-.064	-.288
Kolmogorov-Smirnov Z		4.325	1.793	.441	2.572
Asymp. Sig. (2-tailed)		.000	.003	.990	.000

a. Test distribution is Normal.
b. Calculated from data.
Source: SPSS ver. 20

Tests of Hypotheses

The following models specifications were used to test the research hypotheses:

Hypotheses One

Ho_1: Audit Committee has no significant effect on return on assets of conglomerates firms in Nigeria

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.755[a]	.570	.416	.0702140845323

a. Predictors: (Constant), Firm Size, Audit Com,
b. Dependent Variable: ROA
Source: SPSS ver. 20

Interpretation

Table above table shows that the Model revealed that the value of R^2 of 0.570 and Adjusted R^2value is .416 this suggests that the model explains about 45% of the systematic variations in the dependent variable.

Table 4: ANOVATable[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.067	5	.013	3.715	.030[b]
	Residual	.051	14	.004		
	Total	.118	19			

a. Dependent Variable: ROA
Source: SPSS ver. 20

Interpretation

Table 4 reveals that the F-stat (3.715) and p-value (0.030) indicates that the hypothesis of a Statistically significant linear relationship between the dependent and independent variables cannot be rejected at 5% level.

Table 5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.063	.076		-.826	.423
	ACS	.005	.004	.235	1.189	.254
	Board Comp	-.012	.015	-.252	-.749	.466
	Firm Size	-9.824E-014	.000	-.296	-.489	.632

b. Predictors: (Constant), Firm Size, ACS, Board Comp,
Source: SPSS ver. 20

Interpretation

The regressed coefficient correlation result in table 5 shows that an evaluation of the performance of the explanatory variables (Beta Column) shows that Audit committee is negative and significant (Sig. = .254). Therefore Audit Committee has no significant effect on return on assets of conglomerates firms in Nigeria

Hypotheses Two

Ho_1: Board Composition diligence has no effect on return on assets of conglomerates firms in Nigeria

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.755[a]	.650	.510	.0402140111873

b. Predictors: (Constant), Firm Size, BOD Comp,
b. Dependent Variable: ROA

Interpretation

Table above table shows that the Model revealed that the value of R^2 of 0.650 and Adjusted R^2value is .510 this suggests that the model explains about 49% of the systematic variations in the dependent variable.

Table 7: ANOVA Table[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.075	5	.014	3.715	.021[b]
	Residual	.060	16	.006		
	Total	.125	21			

b. Dependent Variable: ROA
Source: SPSS ver. 20

Interpretation

Table 7 reveals that the F-stat (3.715) and p-value (0.021) indicates that the hypothesis of a Statistically significant linear relationship between the dependent and independent variables cannot be rejected at 5% level.

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.063	.076		-.826	.423
	ACS	.005	.004	.235	1.189	.254
	Board Comp	-.012	.015	-.252	-.749	.466
	Net Income	2.077E-012	.000	.961	1.554	.143
	Firm Size	-9.824E-014	.000	-.296	-.489	.632

b. Predictors: (Constant), Firm Size, ACS, Board Comp
Source: SPSS ver. 20

Interpretation

The regressed coefficient correlation result in table 8 shows that an evaluation of the performance of the explanatory variables (Beta Column) shows that Board Comp is positive and non-significant (Sig. = .086). Therefore board composition diligence has effect on return on assets of conglomerates firms in Nigeria.

DISCUSSION OF FINDINGS

From the analysis, our findings revealed that audit committee and board composition diligence have positive insignificant effect on return on assets of conglomerates firms in Nigeria. This is contrary to study by Yermack (1996), but in support of the study by Adeusi, Akeke, and Aribaba (2013) the study show that the lager the size of the board, the better the performance. According to Adeusi, Akeke, and Aribaba (2013) larger boards are better for corporate performance because members have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate and that the larger the size of the board, the better the performance.

CONCLUSION

This study provides empirical evidence for listed firms in enhancing their understanding in relation to the development of a corporate governance mechanism. The results revealed that there is a insignificant relationship between Audit committee and return on assets of quoted firms in Nigeria. However, our Pearson Correlation showed a positive value. The study also found that board composition diligence has effect on firm performance of conglomerates firms in Nigeria. As a result, listed companies are now provided with evidence to set up a flexible, dynamic and efficient. As the debate rages, the ultimate decision as to the appropriate corporate governance mechanism mixed that would enhance performance, stakeholder must have an unwavering gaze at performance (quantitative and qualitative), both monetary and non-monetary, and both accounting and non-accounting measures. At the end of the day it is not just good corporate governance or credible financial statement that stakeholders are interested in, but rather in a company whose performance can be quantified in terms of improved and improving benefits for the stakeholders.

RECOMMENDATIONS

The study makes the following recommendations for policy regulators and corporate organizations:

1. There should consider many members on the board committee because a larger audit committee tribute positively to firm's performance. However, corporate organizations are encouraged to appoint board members based on expertise, character and professional qualifications.
2. As a result, it is necessary for listed firms to consider an appropriate and competitive compensation level of board's members. The compensation will provide a better link between shareholders and firm's management and this link will enhance firm's performance to maximize shareholders' value

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