BOARD DYNAMICS AND FIRM PERFORMANCE: THE CASE OF NIGERIA

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BOARD DYNAMICS AND FIRM PERFORMANCE: THE CASE OF NIGERIA

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Project paper submitted to Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, in Fulfillment of the Requirement for the Degree of Master of Science (International Accounting) 2013
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ABSTRACT

This study examines the relationship between board characteristics and company performance in Nigeria. The paper uses secondary data from 90 companies listed on the Nigerian Stock Exchange over a period of three years from 2010 – 2012. Conceptual framework was developed based on extensive review of literature and hypotheses postulated to examine the relationship between board size, board composition, board equity, women on board, board age and board higher educational qualification. Firm performance is measured by Turnover and Return on equity. Empirical analysis was undertaken using multiple regressions. The findings of the study show that board size, board age and board equity were negatively significant measured by ROE. However, when measured by Turnover board education and board size were significant and positively correlated with firm performance, while board women are negatively significant. On the other hand, board composition was found to be insignificant. The study recommends legislation mandating companies to appoint at least 30 – 35% of women on board of directors.

Keywords: board characteristics, board size, board composition, board higher educational qualification, firm performance.
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vi
TABLE OF CONTENTS

TITLE PAGE........................................................................................................... i
CERTIFICATION OF THE STUDY........................................................................... ii
DECLARATION........................................................................................................ iii
PERMISSION TO USE.............................................................................................. iv
ABSTRACT.............................................................................................................. v
ACKNOWLEDGEMENT............................................................................................ vi
TABLE OF CONTENTS............................................................................................ vii
LIST OF TABLES..................................................................................................... xi
LIST OF FIGURES................................................................................................... xii

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study.................................................................................... 1
1.2 Problem Statement............................................................................................. 4
1.3 Research Questions......................................................................................... 7
1.4 Research Objectives....................................................................................... 8
1.5 Significance of the Study............................................................................... 8
1.6 Scope of the Study........................................................................................... 9
1.7 Organization of the Project............................................................................ 9

CHAPTER TWO
LITERATURE REVIEW

2.1 Corporate Governance in Nigeria................................................................... 11
2.2 Firm Performance.............................................................................................................................................13
2.3 Code of Corporate Practice....................................................................................................................................14
2.4 Duties and Responsibilities of the Board..........................................................................................................................15
2.4.1 Responsibilities of the Board........................................................................................................................................15
2.5 Board Size.......................................................................................................................................................................16
2.6 Composition of the Board....................................................................................................................................................20
2.7 Age Diversity......................................................................................................................................................................23
2.8 Board Educational Qualification........................................................................................................................................24
2.9 Director Equity Ownership...................................................................................................................................................26
2.10 Gender Diversity.................................................................................................................................................................26
2.11 Theories in Relation to Board Characteristics..................................................................................................................28
2.11.1 Agency Theory.................................................................................................................................................................29
2.11.2 Resources Dependency Theory........................................................................................................................................29
2.12 Summary.............................................................................................................................................................................31

CHAPTER THREE
RESEARCH METHODOLOGY
3.1 Introduction........................................................................................................................................................................34
3.2 Research Framework.................................................................................................................................................................34
3.3 Hypotheses Development...........................................................................................................................................................35
3.3.1 Board Size.............................................................................................................................................................................35
3.3.2 Board Composition/Independence......................................................................................................................................36
3.3.3 Age Diversity...........................................................................................................................................................................37
3.3.4 Board Higher Educational Qualification.................................................................................................................................37
3.3.5 Directors' Equity Ownership................................................................................................................................................38
CHAPTER THREE

3.3.6 Gender Diversity ..................................................................................38
3.4. Research Design......................................................................................39
3.5. Measurement Of Variables......................................................................40
3.6. Data Collection.........................................................................................41
  3.6.1 Sampling..............................................................................................41
  3.6.2 Sample Size..........................................................................................41
  3.6.3 Data Collection Procedures.................................................................42
3.7. Data Analysis Techniques.........................................................................42
  3.7.1 Descriptive Statistics...........................................................................43
  3.7.2 Correlation............................................................................................43
  3.7.3 Multiple Regression Analysis..............................................................43
3.8 Summary.......................................................................................................44

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction..................................................................................................45
4.2 Sample Profile..............................................................................................45
4.3 Descriptive Analysis....................................................................................46
4.4 Correlation Analysis...................................................................................47
4.5 Regression Model.........................................................................................49
4.6 Multiple Regressions..................................................................................49
4.7 Summary.......................................................................................................61
CHAPTER FIVE
SUMMARY AND CONCLUSION

5.1 Introduction ........................................................... 62
5.2 Summary of Findings .............................................. 62
5.3 Research Contributions ......................................... 63
5.4 Limitations of the Study .......................................... 64
5.5 Conclusion ............................................................. 64
5.6 Recommendation ................................................ 65
5.7 Recommendation for future studies ....................... 65
REFERENCES ............................................................. 66
APPENDIX ................................................................. 77
LIST OF TABLES

Table 2.1 Summary of Selected Published Empirical studies on Corporate Governance..................................................................................................30
Table 3.5.1 description of variables................................................................................37
Table 4.1 Industrial Classification.................................................................................44
Table 4.2 Descriptive Statistics......................................................................................45
Table 4.3 Correlation Result..........................................................................................46
Table 4.4 Model Summary of ROE............................................................................48
Table 4.5 ANOVA ROE.................................................................................................49
Table 4.6 Regression result of ROE..............................................................................50
Table 4.7 Model Summary of Turnover......................................................................50
Table 4.8 ANOVA Turnover.........................................................................................52
Table 4.9 Regression result of Turnover...................................................................52
Table 4.10 Summary of Hypotheses.............................................................................56
LIST OF FIGURES

Figure 3.1 Proposed Model of Board Characteristics.......................................................33
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Nigeria is one of the African Countries that is endowed with so many natural resources as well as human resources yet the country is often counted among the poor developing countries in the world today, characterized by lack of infrastructures and high rate of business failures. Besides this, is the recent crisis in the Nigerian banking sector which has exposed the inadequate and poor practice of corporate governance (Ademakun, 2010). According to Laioso and Semiu (2002), corporate governance failure create problems that could negatively influence investor’s funds and consequently deteriorate the stability of the companies. Failures and scandals in the corporate organizations in today’s world have created attention within the academic literature and research in the corporate governance domain with particular attention on the principles and codes that emphasizes on the practices that would enhance and improve the performance including the survival of the corporate organizations (Akhalumeh & Ohiokha, 2011).

Several steps, frameworks including concepts have been advanced at both international and national levels with a view to ensure corporate organization survival as well as guarantee the interest of the shareholders (Sanusi, 2002). In Nigeria for example, the issue of corporate governance and its best practices is still generating heat among the practitioners particularly since the financial crisis and public corporation collapse. Even though, the Structural Adjustment Programme (SAP) which advocates private business
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REFERENCES


73


74


