THE EFFECT OF BOARD CHARACTERISTICS AND FOREIGN OWNERSHIP ON FIRM PERFORMANCE IN NIGERIA

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ABSTRACT

The global economic crisis has increased the focus on the role of board of directors in ensuring integrity and transparency in corporate reporting of companies world-wide. Board characteristics are crucial in an organisation saddled with the responsibility of making decisions and determining the ability of monitoring management in carrying out its responsibilities efficiently and effectively. Hence, this study aims to investigate the effect of board characteristics and foreign ownership on firm performance of non-financial listed companies in Nigeria. ROA and ROE are used to measure financial performance while the independent variables include: board size, board independence, audit committee size, audit committee independence, risk management committee and foreign ownership. The study used 122 firms listed on Nigerian Stock Exchange (NSE) for the year 2014 and 2015. Regression analysis was used to analyse the data. The results of the study revealed that larger board size affects ROA and ROE, while a higher proportion of independent directors has a positive impact on the performance of firms' in Nigeria. Meanwhile audit committee size has a negative impact on ROA, but it is positively and significantly related to ROE. Independent audit committee shows a negative impact on ROA and ROE. Further, companies with a higher proportion of foreign investors and having a separate risk management committee are performing better and with higher returns. Therefore, the study recommends that policy makers and regulatory bodies should interpret this evidence as motivation for them to strengthen corporate boards' practices to effectively deal with the unique features of corporate governance in emerging economies such as Nigeria

***Keyword**:* board size, board independence, audit committee size, risk management committee, foreign ownership, firm performance, Nigeria

ABSTRAK

Krisis ekonomi global telah meningkatkan tumpuan kepada peranan lembaga pengarah dalam memastikan integriti dan ketelusan dalam laporan korporat syarikat-syarikat seluruh dunia. Ciri-ciri Lembaga adalah penting dalam sesebuah organisasi yang dibebani dengan tanggungjawab untuk membuat keputusan dan menentukan keupayaan memantau pihak pengurusan dalam melaksanakan tanggungjawab mereka dengan cekap dan berkesan. Oleh yang demikian, kajian ini bertujuan untuk menyiasat kesan ciri-ciri lembaga pengarah dan pemilikan asing ke atas prestasi syarikat-syarikat bukan kewangan yang tersenarai di Nigeria. ROA dan ROE digunakan untuk mengukur prestasi kewangan manakala pembolehubah bebas termasuk: saiz lembaga pengarah, kebebasan lembaga pengarah, saiz jawatankuasa audit, kebebasan jawatankuasa audit, jawatankuasa pengurusan risiko dan pemilikan asing. Kajian ini menggunakan 122 firma yang tersenarai di Bursa Saham Nigeria (NSE) bagi tahun 2014 dan 2015. Analisis regresi digunakan untuk menganalisa data. Hasil kajian ini mendedahkan bahawa saiz lembaga yang lebih besar memberi kesan kepada ROA dan ROE, manakala bahagian kebebasan lembaga pengarah yang lebih tinggi mempunyai kesan positif ke atas prestasi firma di Nigeria. Sementara itu saiz jawatankuasa audit mempunyai kesan negatif terhadap ROA, tetapi ia mempunyai kesan positif dan signifikan dengan ROE. Jawatankuasa audit bebas menunjukkan kesan negatif ke atas ROA dan ROE. Di samping itu, syarikat yang mempunyai pemilikan pelabur-pelabur asing yang lebih tinggi dan mempunyai jawatankuasa pengurusan risiko berasingan mempunyai prestasi yang lebih baik dan pulangan yang lebih tinggi. Oleh itu, kajian ini mencadangkan bahawa para penggubal dasar dan badan-badan kawal selia perlu menggunakan bukti ini sebagai motivasi untuk memperkukuh amalan korporat lembaga pengarah supaya efektif berurusan dengan ciri-ciri unik tadbir urus korporat dalam ekonomi yang sedang pesat membangun seperti Nigeria.

Kata kunci**:** saiz lembaga pengarah, kebebasan lembaga pengarah, saiz jawatankuasa audit, jawatankuasa pengurusan risiko, pemilikan asing, prestasi syarikat, Nigeria

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LIST OF ABBREVATIONS

ACINDP	Audit Committee Independence
ACSIZE	Audit Committee Size
ANAN	Association of National Accountant of Nigeria
BODINDP	Board independence
BODSIZE	Board Size
BOFIA	Banks and Other Financial Institutions Act
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CIBN	Chartered Institute of Bankers of Nigeria (CIBN)
FIRMSIZE	Firm Size
FOREIGN P	Foreign Ownership
ICAN	Institute Chartered Accountant of Nigeria
IFRS	International Financial Reporting Standard
IOD	Institute of Directors
LEV	Leverage
NCCG	Nigerian Code of Corporate Governance
NSE	Nigerian Stock Exchange
OECD	Organisation for Economic Co-operation and Development
RMC	Risk Management Committee
ROA	Return on Assets
ROE	Return on Equity
NSEC	Nigerian Security and Exchange Commission

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The effect of the worldwide financial scandals has led to the economic failure and collapse of some giant companies in the United States (US) such as Enron, Lehman Brothers, WorldCom, and many companies have demonstrated the need for improved corporate governance in the present global markets (Tarraf, 2011). These financial scandals have spread to other regions all over the world such as Europe, Southeast Asia and African countries which have attracted more consideration on the side of regulators and academicians in the field of accounting and finance Baydoun, Maguire, Ryan, & Willett, (2012). The word corporate governance refers to the standards, frameworks, and the governance of the commercial enterprise or company toward agreements with its stockholders, lenders, workers, clients, suppliers, and government of a nation (Tricker & Tricker, 2015).

The concept of corporate governance has received significant attention, locally and internationally in the last two decades. Recent surveys indicate that firms with appropriate governance mechanisms perform better than firms with weaker governance in different ways, such as enhancing the firm's value in developing nations and modern financial markets (Ghabayen, 2012). Nevertheless, the relationship that occurs between corporate governance mechanism and the performance of companies in a developing and that of developed countries may differ in financial securities, industries and corporate governance structure resulting from different conditions like social, economic and regulatory frameworks in these nations

(Floriniţa 2012). To deliver effective and efficient free market operation in an emerging country, it is imperative to have fundamentals of accountability, ethics, responsibility and transparency (Friedman & Friedman, 2010).

Studies on global corporate governance consist of a broad group of motivating and complex issues on composition of board of directors in company like board independent, board size, foreign ownership, gender, audit committee, risk management committee, COE duality among others to the matter of transparency, responsibility, and accountability. Ownership is on the basis of conflict among the principal(s) and agent(s) a topic which has taken a large extent of the primary gesture of corporate governance studies (Jensen & Meckling, 1976). In addition, Young, Peng, Ahlstrom, Bruton, & Jiang (2008) stressed that more studies were conducted on the conflicts among owners or shareholders and agents which attracted more attention in the recent gesture of governance and firm performance studies globally. Researchers have studied the effects of ownership along the firm performance in relation to the company and its performance in general (Demsetz & Villalonga, 2001); the diversification plan (Banalieva & Eddleston, 2011); corporate social responsibility investments (Graves & Waddock, 1994; Cruz, Larraza-Kintana & Berrone, 2014), and flexibility to the most modern financial scandal (Crespi & Martin-Oliver, 2015).

Governance is an authority or power vested in a body of appointed members that have responsibilities to oversee the activities and serve the interests of the organization instead of their individual best interests or those of the business associates Organisation for Economic Co-operation and Development (OECD, 2004). Corporate governance has turned to be the most critical performance measurement politically, economically and in terms of skilled workers in different nations round the world.

Under capitalist justification, corporate governance is being considered as a medium for development and economic growth of any country (OECD, 2004). Furthermore, looking at corporate governance in relation to the public representation of organizations is of interest to both the management of an organization and government at large. Basically, identifiable measures, good examples and processes have been taken globally to completely guarantee not only the continuity of the line of work, but also to ensure the involvement of all the stakeholders.

Corporate governance has become a major area of concern by the authorities in both developed and developing nations because of the economic and financial scandals which has affected many companies in the 2008 such as Enron and World Com as well as economic crisis, which is known and is demanding for improvement in corporate organization practices (Waweru, 2014). A well monitored and controlled corporate governance has possessed the capacity to be the key for redesigning and improving firm performance, ensuring shareholders' rights, providing an attractive environment for investors and encouraging economic development in a country (Price, Roman & Rountree, 2010; Braga-Alves & Shastri, 2011).

Corporations in the emerging nations experienced some abominable effects of deficiency of lack of good corporate governance as no or little attention given by the appropriate authorities in such countries (Ekanaakey, Perera & Perera, 2010). On this line, corporate governance has paled in shock as there are fewer works in relation to corporate governance especially in developing nations which have called for intensive academic research in the area (Weir & Laing, 2001; Reed, 2002; Mallin, Mullineux & Wihlborg, 2005; Solomon & Solomon, 2004; Clarke, 2004 and Sternberg 2004).

Corporate governance failure may take place due to the circumstances related to particular nation's government and regulatory policies, objectives and financial strengths. Some of these grounds may include failure to implement effective governance that the end result is inefficiency in decision making on the code of corporate establishment by government (Kariyawasam, 2011). An investigation by the World Bank in less developed countries recognized absence of transparency, disclosure and corruption between firms in emerging countries as the major problems for firm performance in developing nations such as Nigeria (OECD, 2014). Corporate governance allows the composition of boards of directors during which company's aims' and strategies are set, accomplished and offers a way of checkmating the problems. Corporate governance in organisations stipulates the sharing of rights and responsibilities between various members, defining the regulations and measures for making decision that serves as a way of encouraging accountability, corporate fairness, and transparency in a company. According to Adekoya (2011), corporate governance also accounts for the board composition and system for managing the company by which executives are held responsible to those who have a justifiable stake in the organisations.

However, corporate governance in developed countries can best be understood using different theories to explain (Solomon, 2010). As built on agency theory, the reason for having corporate governance in an organization is to alleviate the differences that exist between agents and that of shareholders' interests (Jensen & Meckling, 1976). Freeman (1983) opined that agency theory plays a significant function in relation to governance formation in an organization because businesses protect the pursuit of both the shareholder and its stakeholders. Donaldson and Preston (1995) contended that agency theory has been able to assist in maximising firms' performance and the mutual payback of all the stakeholders by bearing in mind the well-being of all stakeholders.

The firm performance usually replicates the quality of its boards and their efficiency. Nicholson & Kiel (2004) postulated that an active board and its managerial team would lead to positive firm performance. Consequently, ineffective boards and weak management team will definitely lead to inefficiency and poor performance. Adequate scrutiny into the complex trap of standards which allows boards of directors to be active in steering their responsibility and in due course generating returns to shareholder has not been extensively explored by scholars.

Firm performance as explained by Wachira (2014) is associated with the efficiency of the firm as many of internal performance is normally an end result of more efficient processes and other external actions that is linked with planning which normally larger than expected result, most at times and is having relationship to the economic evaluation which could either be assessed by directors and other stakeholders' in terms of corporate social responsibility Wachira (2014). He further stated that firms can evaluate and measure its performance in different ways which can either be firm social duty, monetary performance, even worker stewardship and customer service.

Prior studies describe the term firm performance in several ways and aspects. For instance, Johnson and Greening (2009) viewed performance as the process of quantification of the capability and efficiency of earlier actions as well as evaluation of how good the organizations are being managed and the value they delivered to clients or consumers and other stakeholders. Likewise, Lewis (2004) classified the main indicators of firm performance in the financial services or industries into; quantitative indicators like number of branches and outlets and qualitative indicators which is unquantifiable used in predicting the future outcome of a process and lastly financial indicators sometimes called operating index.

These forms of variables (board size, independence, audit committee size, audit committee independence, risk management committee and foreign ownership) are important issues to be discussed because of problems that normally occurred at various levels in companies, for instance corruption, lack of accountability, integrity, and legal enforcement but to mention a few, are problems of corporate governance and failure of companies in Nigeria (Bakare, 2011). The latest scandal which is linked up to political and corporate level in Nigeria indicates that it is really difficult to separate these variables from corporate governance and firm's performance. Conversely, it is commonly famous that at the company's stage, the corporate ownership structure in the majority of the developed markets play a significant function as a governance mechanism than in developing countries or markets (Buchuk et al., 2014; De Jong et al., 2010).

Theoretical aspects of corporate governance can be eminent by the level of ownership, control and the behavior of controlling shareholders Solomon (2010), While few frameworks are described by widespread ownership, others have a disposition to be keyed out by strong control (insider frameworks or composition of the board of directors in its size, independence, committees among others). In some cases, these dissimilarities are additionally established because of variances in nations' legitimate, administrative, and institutional situations, and in addition to that is recorded social factors. In this manner, strategies that advance the appropriation of particular cases of governance ought to endeavor to represent the detail and variable business sector settings, and other institutional variables, in which they are being mulled over Organization for Economic Cooperation and Development (OECD 2004).

The shortfall in the implementation of the code of corporate governance by some companies are definitely the major factor that results in the failure of some of these companies in Nigeria and this could be due to lack of proper implementation, accountability, conflict of interests among the agents and principals (Bakare 2011). In summation to the above problems, deficiency of confidence that the majority of Nigerians have of the companies due to absence of transparency and accountability, paired with the inconsequential contribution that the companies has been contributing to the economic system, and there are uncertainty that if the code of Corporate Governance reform (2011) by the Nigerian Stock Exchange and the companies in Nigeria, and other relevant bodies will address the predicament confronting corporate governance in Nigerian companies.

1.2 Problem Statement

Recently, there a lot of both private and public companies in Nigeria those have been engrossed by unethical practices, which put the integrity of their company image in question. Due to that, many companies have been bedevilled with problems arising from customers' grievance of manipulations of managers by using contract staff as aligned with direct engagement of employees that would be compensated based on their terms of service (Olayiwola 2010). Past studies into these problems has passed to light the unfortunate and poor governance of several corporation with indebted financial records in the Nigerian economy and the companies' accounting practices did not reveal their real financial positions (Bakare 2011). An emblematic example is the financial scam of Oceanic and Intercontinental Bank after the consolidation of the banking industry in Nigeria, manufacturing and oil gas industries (Sanusi 2010). Most administration and control of such companies were not accountable to stakeholders of the companies. In addition, the judiciary and other regulatory agencies did not exert much authority, corruption and kickbacks were order of the day in running the companies (Obeten, & Ocheni, 2014). Those poor governance practices resulted in the collapse of so many companies in Nigeria (Akinlabi, 2011; Akinlo, 2004).

Given the various interventions by various regulatory bodies and government by introducing and applying different policies, the corporate governance practice in Nigeria is still at its weak point. Several problems have been recognized as the cause of weak corporate governance mechanism in Nigeria (Obeten & Ocheni, 2014).

These problems include corruption, poor regulatory and enforcement mechanisms, disclosure and transparency issues, weak shareholder activism, weak institutional arrangement. Also, the inactive attitude of government and the multiplicity of codes accounted for the problems as pointed out by Osemeke & Adegbite (2016); Adegbite, Amaeshi & Amao (2012); Adegbite & Nakajima (2011); Okike, Adegbite, Nakpodia, & Adegbite (2015) and Ogbeidi (2012). Therefore, the impact of these problems has been plain in the business environment.

The weak concern in implementing corporate governance mechanism in Nigeria had a great impact on the overall economy of the country, leading to the foremost problems of companies in Nigeria to operate on losses and which forced majority of them close operation. The companies should therefore pay much attention to good corporate governance that will make a stable foundation for improvement to get out from this crisis (Al-Najjar, 2013).

In the context of Nigeria, the prevalence of corporate scandal had spread to the financial services, oil and gas sub-sector as well as the manufacturing sector. Issue of window-dressing in the income statement and statement of financial position had led to an overstatement in profit by Cadbury Nigeria PLC. Also, the proof for the manipulation of share price at financial institutions and oil & gas industries such the Forte Oil PLC led to that the industries to became the most well-known cases of unethical practices in Nigeria since independence (Bello, 2016).

Nigeria recognized that right from the structure of the board of directors and unethical behaviours in governance as its main weaknesses in the existing corporate governance practices in Nigeria (Adewuyi, et. al 2013). Despite the fact that, developed nations and other developing countries, particularly the Sub-Saharan region, where the reforms in institution of corporate governance had helped to significantly increase the number of studies in the area. However, the region had received a little consideration in terms of explanatory and empirical studies, despite the supposed attractiveness of the concept (Adeyemi and Fagbemi, 2011, Duke and Joe Duke, 2011).

The independent board of directors played a significant role in ensuring high-quality governance and has been documented in all corporate governance codes, laws and corporate guidelines that have been endorsed globally. The prevalent adoption of boards attributes as one of the key mechanism of governance reform as at late 1980's, which changed the nature of the empirical and theoretical investigation away from issues with regards to its formation and this necessitate the need to focus studies on board characteristics and its impact on the firm's performance in developing nations, particularly Nigeria (Uadiale, 2010).

The Audit Committee is considered one of the key functional aspects of the board with different subcommittees under it due to its role in protecting shareholder interests, supervision of the company's finance and control (Contessotto & Moroney, 2013). The primary role of the Audit Committee is to supervise and checkmate the financial reporting process of a firm, reviewing all financial reports, internal control processes, the audit process and risk management practices (Klein, 2002). It also enhances the reliability of financial statements of a firm as well as reducing the audit risk. Doing so will enhance the quality of annual reports, attract foreign investors and in effect, enhance firm performance, return on investment to the shareholders and firm value in general (Contessotto & Moroney, 2013).

An independent board has a significant role to play in helping management to make strategic decisions (Kemp, 2006). In addition to the function of boards, it also acts as a device of internal control, monitoring, supervising and checkmating management toward accomplishment of organisational goals and enhancing firm performance (Shleifer & Vishny, 1997). By performing these responsibilities, an independent board is likely to facilitate the firm's achievement of targeted performance (Gompers et.al., 2003). The performance of any firm usually reflects the eminence of its composition of directors in terms of size, independence, and its efficiency in managing risk. By having a high number of non-executive directors as board members, it will have a positive impact on the firm's performance. Nicholson and Kiel (2004) posited that an effective board and management team has great impact on firm performance.

Foreign ownership has its own advantage to companies as it will give direct access to foreign financial market with less financial costs of reorganizing the companies, thereby increasing firm value and performance (Al Manaseer et al. 2012). It is important to note that if the greater part of the company's shares is held or controlled by foreign investors or shareholders, it indicates that foreign shareholders have confidence in the companies in a particular country and this will enhance firm value and financial performance (Anum, 2010).

One of the advantages of having risk management committee in a company is to assess and manage any potentially catastrophic risks and operational risks. This has created a proper communication channel relating to risk assessment and avoidance whether horizontal or vertical. It provides guidelines and policies to govern the processes by which evaluation and supervision is handled by having an expert with experience in identifying, assessing and managing risk coverage oversight, and complicated organisational risk committee. This help to avoid any likely risks which have portent and undesirable effects on the corporation's performance.

This research looks into the problems of organisational failure caused by the carelessness of the top executives, the shortcoming of corporate governance codes in Nigeria and corruption in providing high-quality governance and its effects on firms' performance on the Nigerian listed companies. Corporate governance impact on firms' performance is an exceptionally basic issue subsequent to the last economic crisis that upsets over the world.

1.3 Research Questions

Research questions of the study are as follow:

i. Does board independence significantly affect firm performance?
ii. Does board size significantly affect firm performance?
iii. Does audit committee independence significantly affect firm performance?
iv. Does audit committee size significantly affect firm performance?
v. Does the risk management committee significantly affect firm performance?
vi. Does foreign ownership significantly affect firm performance?

1.4 Objectives of the Study

The aim of this study is to explore the association between board characteristics (board size, board independence, audit committee size, audit committee independence, risk committee) and foreign ownership on performance of firms listed on the Nigerian Stock Exchange (NSE).

The specific objectives of this study are:

i. To examine the effect of board independence on firm performance.
ii. To examine the effect of board size on firm performance.

iii. To examine the effect of audit committee independence on firm performance.

iv. To examine the effect of audit committee size on firm performance

v. To examine the effect of the risk management committee on firm performance.

vi. To examine the effect of foreign ownership on firm performance.

1.5 Significance of the Study

This study has several contributions both in theory and practical aspect of the existing literature on board attributes and firm performance in developing nations, especially Nigeria. It examines the Board characteristics and firm performance of Nigerian non-financial listed companies on NSE. Various scholars have conducted numerous studies on governance mechanism in both developed and emerging economies. Also, the relationship between Board characteristics and firm performance in industrial countries, but with less concentration given to developing countries such as Africa, with the inclusion of the foreign ownership and risk management committee as independent variables where the existing literatures have not considered before and other variables include Board independence, size, Audit Committee independence and Audit Committee size and their significance on the firm performance. For that reason, the study will be of importance to the existing literature on corporate governance in Nigeria and developing countries as a whole.

Theoretically, this study will contribute to the existing discussion on the suitable model of governance in an emerging nation like Nigeria. There is argument as to whether the Agency and Resource Dependence Theory would be the suitable model for developing nations. Though the result of this study found that the Resource

Dependence viewpoint is more suitable for some emerging countries, especially African because the existence of foreign investors in a country will lead to economic growth and development. Therefore, the recommendations of this study if implemented, will offer useful insight for regulators concerning the need to put into action a good corporate governance structure that will serve as a guide for stakeholders of companies under consideration. It also examines the responsibility of the board of director's practices in persuading of firm performance companies listed on the NSE in developing countries in general.

The findings from this study can give a better picture on the compliance level of the company executives towards the corporate governance codes as provided in the country. The findings of the study will also be of benefit to regulators such Corporate Affairs Commission (CAC), the Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC), Association of National Accountant of Nigeria (ANAN) , Chartered Institute of Bankers of Nigeria (CIBN), Institute of Chartered Accountants of Nigeria (ICAN), Institute of Directors (IOD), the policy makers in both public and private sectors of the economy, the general public mainly at this stage where banking industry is undergoing reforms and reorganization. Finally, the result will of relevance to students as a guide in their future studies.

1.6 Scope of the Study

The scope of this study is narrowed down to board characteristics (board size, board independence, audit committee size, audit committee independence, risk committee) and foreign ownership of non-financial listed companies in Nigerian. The populations from which the sample will be drawn are from companies listed on the (NSE). The sample under this study encompass 122 non-financial companies for the 2014 and 2015 years to enable us to examine the effectiveness of the revised code of corporate governance in the country by excluding financial service firms because of the differences in accounting practices, methods, and structure (Bøhren & Strøm, 2010). The study uses Krejcie and Morgan (1970) sampling method in determining the sample size. The researcher uses STATA software. The software was adopted for the reason that it will take care of various test to be conducted in the study which includes; multicollinearity, linearity, homoscedasticity, and normality assumption according (Haniffa & Hudaib, 2006).

1.7 Summary of Chapter

This chapter is an introductory aspect of this study. It started with discussing the development of crisis that affected some many companies and the importance of board compositions in the todays corporate governance settings. The chapter has various sections that encompass the background of the study, the main aims of the study as well as the research objectives at a glance, which the study seeks to address in solving existing problems, and the contribution of the study in creating an understanding of a country's regulator on the role of the boards. The last aspect of this chapter gives an overview of the outline of the thesis.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter deals with the related reviewed literatures from prior studies on boards characteristic and firm performance. The literatures have been divided into different sections as follows. The first section will present the summary review of theoretical perspectives related to boards attributes and firm's performance and to identify the specific board characteristic and finally, to know the relationship between the variables and firm performance.

2.1 Concept of Corporate Governance

There is no single and acceptable definition of the term corporate governance globally, this is because of the enormous number of variations in the corporate governance codes among nations (Solomon, 2010). The meaning may differ as results of dissimilarities in contextual and cultural circumstances of the nation under concern (Armstrong & Sweeney, 2002). These variations in the definitions can be viewed due various viewpoints from diverse perceptions of legislators, academicians, expert, and scholars (Solomon, 2010). The word "corporate governance" was first used in the last three decades around 1980s to generally define "the universal ethics through which companies and executive of organizations were directed and controlled" accordingly (Dor et al. 2011). According to O'Donovan (2003 p.32) corporate governance refers to "internal system that guides the activities of an organization which includes, processes and policies individuals which serves the requirements of providers of capital and some stakeholders by overseeing, controlling, running, and checkmating the activities of company with confidence, objectivity and honesty".

Corporate governance normally deals with the way and manner in which the management of corporation assured themselves of being paid on their service they provide in the organization (Voeller, et., al., 2013). Corporate governance is designed to give details on how management should perform in an efficient and effective way and also to reduce agency dilemma between the principal and agent in business (Latif, Shahid, Waqas & Arshad 2013; Kamardin & Haron, 2011). Corporate governance could also be seen as a mechanism that comprising of all the individuals with steps and actions to guarantee stewardship over the company's assets (Lin & Hwang, 2010).

The interests of minority shareholders are normally protected by strong and governance structure in place and the availability resources in the company that will be employed to the greater understanding of the top executive and board of directors. Hence, the aim of corporate governance is to obey the ethical code or regulations in all aspects such as compliance with the Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS) in financial reporting process and maintaining the credibility of financial statement of the corporation (Lin & Hwang, 2010). Nevertheless, corporate governance mechanisms could be developed in order to increase financial performance credibility because its offer good quality in guaranteeing financial reporting process.

It also defines the manner in which firm's activities should be conducted taking into consideration both moral and ethical values of a corporation for the purpose of safeguarding the interest of its stakeholders. The main objective of corporate governance is to manage the companies for best interests of all stakeholders' (Ahmed, Alam, Jafar & Zaman 2008). This is more concern on publicly listed companies in which most of the providers of capital are not part of the daily operation and management of the company; while, it can also be relevant to other categories of firms such as companies with the minority number of shareholders and a majority group of non-controlling interest (i.e. minority shareholders), in public establishments (i.e., all citizens are stakeholders) or where partner-owned companies and companies owned by private individuals i.e. where the ownership come through inheritance over several generations (Ahmed et. al., 2008).

Another core of corporate governance is the establishment of transparency and accountability all over the organization, which is possible to attain if the corporate governance system is practiced on a strict separation of ownership, control and responsibilities amongst the shareholders, the executive management the board of directors and the auditors via the annual general meeting (Kyereboah-Coleman et. al., 2008).

Corporate governance tools or mechanism as a group also act as an imperative mission in upsetting the healthiness of an organization in some developing financial markets. These mechanisms are important perimeter which complements and improve the performance and creating wealth for shareholders in totality and also decreasing agency cost that was created by the principal-agent conflict (Heinrich, 2002). The internal and external instruments of corporate administrative mechanism all combined together ought to decrease the insignificant cost and enhancing the significant benefits of each other, and in due course adding to shareholders’ value.

Some scholars view corporate governance as a complete set of procedures taken within an organization to help managers and other stakeholders to take part in the managerial decisions (Kyereboah-Coleman et. al., 2008). Corporate governance is a set of procedures that is being aspired to direct the administrative/managerial decisions and also to enhance performance (Jarboui et al. 2015), whereas to Vintila and Gherghina (2012) corporate governance mechanisms is a machinery used to ease the agency dilemma among managers and that of directors by aligning the interests of the two parties (the principals and the agents) with those of the shareholders. Previous studies of various scholars have examined the ability of corporate governance mechanisms in reducing the amount of conflicts of interest among shareholder and executives and by proving means of improving firms' performance (Ongore, 2011). Though, the results of their studies are conflicting and inconclusive. The uncertainty in the nature of the research as it is more about measuring whether a relationship does exist among firm performance and corporate governance is been working.

Corporate governance also stipulates the procedures and set of laws for the directors to consider while taking decisions with regards to the company at both national and international relationships (Masdoor, 2011). Corporate governance also integrates the company's interaction with a variety of stakeholders. Although, Clarke & Chanlat (2009) defined corporate governance as the mean by which company encourages the executive to manage the processes/operations of the company in accordance with the interests of its stakeholders, and also to generate revenue by increasing their profits, shareholder values and attract new investors as well as corporate growth.

Adegbite (2011) disagrees that, the collapse of some banks in Nigerian was as a result of fraudulent practices and lack of commitment by the owners' and the management of the banks who had arranged unsecured loans to their family members, friends and themselves. This resulted in far above the ground levels of the amount outstanding and a loss of liquidity. The study also recognised the collapse to maintain a very strong capital base and the unrestrained misappropriation of funds in some cases. In relation to the collapse of some banks in Nigerian, the CBN established that the executives of the unsuccessful banks acted conducted their relationship that is unfavourable to the interests of their shareholders, creditors, government and the depositors.

According to Julius (2011), stated the following mutually dependent causes and accountable for the downfall of corporate governance in the organisations which include: lack of overseas investors (foreign investors) and customer complexity, lack of transparency as to the economic circumstances of the banks and poor disclosure of information by the banks, lack of strict adherence to the regulatory framework and regulations which created a wider gap in the irregular supervision, implementation and enforcement, poor governance and institutional processes at the Central Bank of Nigeria and within the commercial environment.

2.2 The Nigerian Code of Corporate Governance

It has been agreed by majority of studies on corporate failure in Nigeria that it is because of poor corporate governance system and its implementation by the Security and Exchange Commission (SEC) in Nigeria in developing and issuing several corporate governance codes for the purpose controlling and monitoring the behavior of management and its board members (Idemudia, 2011; Adegbite et al., 2012).

The commission are held with the responsibilities of issuance and revelation of any weaknesses in the corporate governance code 2003 and 2008 and arrive at revised codes of corporate governance 2011 which is assumed will guarantee uppermost ethics of good governance mechanism and which will enhance transparency and accountability in operations of corporations in Nigeria. The code was developed particularly to be applied by the public limited companies; however, the board of the commission (SEC) has included all other business venture such as private corporations, small and medium industries to implement the new set standards and ethics. The board committee members have to determines the degree to which its obligation, function besides the duty they should carried out as set in commission code via its' committees. The board could, notwithstanding have an audit committee as suggested by Companies and Allied Matters Act (CAMA 1990), similarly they can constitute governance/compensation committee, risk management committees and other recommended committees as believed by the board of directors that would enhance the entity's value depend on the sitting of the organisations (Adegbite & Nakajima, 2011).

2.3 Corporate Governance Regulation in Nigeria

Corporate governance has encountered different problems and was ignored for a long period of time, in both government regulatory bodies and the academicians in Nigeria (Ranti, 2011). For each company being incorporated in Nigeria, whether public or private liability companies, quoted on the Nigerian Stock Exchange (SEC) and International Stock Exchange Markets (ISEM) globally, or not listed at all but in accordance with the provisions and also in conformity with the (CAMA 1990).

There are many arrangements or provisions in CAMA 1990 that set a guideline for good corporate governance, these incorporate among others, the rights of shareholders, the responsibilities and rights of the board of directors, board attributes and its composition, the capabilities of the organization besides lifting of the covered provision.

The Corporate Affairs Commission (CAC) is another body of regulation in Nigeria that charged with the responsibility of incorporating companies and giving rules to the best possible operation of the incorporated organizations. Investment and Securities Act (ISA 1999) is likewise one of the regulation in Nigeria that permits SEC to control the activities of all incorporated firms in Nigeria, the outcome of these bodies on corporate governance includes among others the Code of corporate governance for public incorporated companies (2003 and 2011). Furthermore, every financial institution in Nigeria is liable to the direction of Banks and other Financial Institutions Act (BOFIA 1991). BOFIA 1991 gives the Central Bank of Nigeria power to enrol and manage Banks and other Financial Institutions (Ranti, 2011). Since 2011 there have been numerous controls and implementation of corporate governance by NSE and CBN. The last adjustment of International Financial Reporting Standards in Nigeria is additionally another effort in attempting to improve the effectiveness corporate governance.

2.4 Firm Performance and its Measurement

Dixon et al. (1990) supposed that proper performance measures allow corporations to coordinate their activities to accomplishing their vital goals. Considering the appropriate measurement to be applied which can either be market-based or accounting-based measure for the purpose of evaluating firms' performance is also an essential point in this regards since the executives are directly in charge of the operations of the company and the application and use of the company's assets. The accounting base mode of firm performance measurement is often the most essential and recognized sources of information in all aspects of organizations as it includes both tangible and intangible part of companies' activities. It provides management, analyst and other stakeholder with information that are timely and reasonably accurate for decision making which are in line with their organizational goals.

Moreover, return on assets (ROA) permits analyst and all stakeholders a means to evaluate the performance and corporate governance system of an organisations in securing and motivating efficient governance of the corporation. Therefore, ROA is defined as net income generated before interest expenses for the fiscal year divided by total assets for that same year. One of the purposes of establishing a corporation is to generate profit for all stakeholders' (Epps and Cereola, 2008) as such the stakeholder may be interest in firms' that are performing better looking at operating activities and return on each individual asset. While ROE is a measure that discloses a financial performance of a firm on how much profit an organisation generated i.e. income generated before interest charges divided by the total shareholders' equity for the same period. However, ROE is characterised as the salary before intrigue cost for the monetary period isolated by aggregate shareholders' value for that same period.

Klein (1998) applied return on assets (ROA) while Lo, Wong & Firth (2010) used return on equity (ROE) as an indicator of measuring performance or performance indicators. Brown and Caylor (2009) they applied ROE and ROA as their two measures of performance indicators. We can measure firms' performance through the

ROA proportion which shows the amounts of income have produced from assets or capital invested (Epps and Cereola, 2008).

Reid and Ashelby (2002) paused that firms' performance could either be measured by subjective or objective standards or principles or measures. The arguments for subjective measures are incorporate with difficulties in gathering qualitative performance information from companies and with a trustworthiness of such information or data evolving from dissimilarities in accounting approaches employed by individual companies. With a specific adjacent objective to continue and succeed in a very competitive market, companies must pay attention on profit maximisation or they will inevitably be driven bankrupt or out of the market (Dutta and Radner, 1999). Furthermore, Francis, Hasan, John, & Song (2011) supported this claim by saying that only companies that have effective measures that remain in the market, and that firms with less focus will in the long run exit markets. Therefore, performance measures offer a device for the organisations to accomplish its both financial and non-financial performance objectives. This study focuses on financial performance because the information disclosed in the annual report of the companies are based on facts and accountability that was used to improve and heightened projects support for the executive strategy, better services and satisfaction are being provided to a customer.

Wilks and bellman (2004) discovered that performance objective measures incorporate indicators such as revenue growth of a firm, profit growth, and return on capital employed (ROCE). Financial consultant specialists Stern Stewart and Co. made Market Value Added (MVA), as a measure of the excess value an organisation has given to its existing shareholders over the aggregate sum of their investment (Francis, et. al. 2011). This stance depends on some traditional parts of financial performance including net margin, profit growth, total return, return on equity and sale growth. Dwivedi (2005) contends that other financial measures should incorporate the long-term value of investment, monetary dependability, and usage of firms' resources. Francis, et. al. (2011) had an examination about accounting based performance and used three indicators which include return on equity (ROE), return on assets (ROA), and return on sales (ROS). Each of the measures is computed by dividing the net income by aggregate assets or total assets, total equity, and total net sales, respectively.

2.5 Theoretical Perspectives

According to Kiel and Nicholson, (2003) and Thi (2011) there is high number of literature with regard to the role and impact of boards on firms' performance by different scholars from various disciplines such as Accounting, Economics, Finance, Law, Management and Sociology. Kiel and Nicholson (2003) and Thi (2011) further argued that the major reason for the continuation of huge number of study in the area is to link the board's task of designing the manner in which corporate organization are built through its vision, missions, strategies, cultures and by providing a conducive working environment that leads and boost shareholder's investments, and at the same time enhance stakeholders' participation.

The existing literatures have been extensively concentrated mainly on the boards characteristics and its affects firm performance (Daily, Dalton, & Canella, 2003). The four major theoretical perspective viewpoints reviewed in this study on boards and governance changing aspects that are under consideration in this research are namely: agency theory, stakeholder theory, stewardship theory, resource dependence theory.

2.5.1 Agency Theory

One of the underpinning theory and principle with regard to the problem of corporate governance is the agency theory developed by Jensen and Meckling in 1976 which come to be as a result of the segregation of ownership and control among the principal(s) and the agent(s). Investors have many resources to invests but as a result of technical control such as insufficient knowledge and administrative expertise to control/handle the finances, thereby employing the services and technical know-how of agents (managers) in order to invest their capital with the expectation of return of investment and the managers then be pleased for their service through incentives and bonuses (Uwuigbe, 2011 & Habbash, 2010).

Agency theory also defines the effectiveness and efficient monitoring of the board as prescribed in the code of governance with regards to its size and the independence of the board. However, the theory advocates or argues that a considerable raise in number of board size can result and will lead to delay in the decision-making process, which could also increase administrative cost of governance. (Callen, Klein and Tinkelman, 2003; Yermack, 1996, O'Regan and Oster, 2005). The independence of directors guarantees their neutrality when overseeing, monitoring the top management team, as a result, it will cut the manager's opportunistic behavior and rising or enhancing the organization's effectiveness (Habbash, 2010).

Agency problem occurs in an organisation as the behavior of (agents) or managers always in conflict with the interests of shareholders, as their decision sometimes is for their on interest which is unfavourable to the principal or financiers' interests (Ogbechie, 2012). Hence, the agency issue as explained by Jensen and Meckling

(1976) that centred on the use of privilege by executives and another category of domain house (La Porta et al., 2000). Shleifer and Vishny (1989), argued that managers can outsmart shareholders by establishing themselves and will continue with the task even if they are no longer capable to run the company. Decision-making expropriation of resources will lead to more complex forms than just taking cash out, like transfer pricing, transfer of organisational assets (Shleifer and Vishny, 1997).

Furthermore, corporate governance could also be seen at a different level or form, for instance, changing or distraction of corporate opportunities from the company, employing incompetent family members into the major administrative location and position, using company's resources to benefit themselves rather than investing in the company interest to increase investors' wealth or increase the firm's value (La Porta et al., 2000). Because of the awareness of the chances, managers are self-interested, as such an agency cost which is the amount to which returns to the outstanding claimants, the shareholders' fall below what they would be if they have direct control over the firm (Jensen and Meckling, 1976 & Ogbechie, 2012).

The way out to this issue of agency problem within corporate organization includes making contract on certain 'agency costs' which can either be in terms of incentives, bonuses or sanctions that will maintain executive self-interest with that of the shareholders' interest, or cost incurred in controlling the executive conduct in order to reduce their opportunism (Ogbechie, 2012). However, the principles of corporate governance are used for both internal and external control entrenchment practices of the management via internal and external control mechanisms which could either be associated with the interest of management and the shareholders or supervising them directly (Rosenstein, et., al., 1990; Walsh et al., 1990, Gibbs, 1993; Boyd, 1994).

2.5.2 Stewardship Theory

Another theory in the area of corporate governance is stewardship theory which was developed and founded by Donaldson and Davis (1991), based on the postulation that the shareholders interest and that of managers are aligned together and administrative or management of the firm are encouraged to take decisions that would enhance firm's performance in order to maximise shareholders' wealth and the entire value of the firm.

The theory believes that by stewardship there is better utilisation of company's resource in an understandable way rather than individualistic performance and for this reason, whilst the decision of the executive would be maximising the wealth of its shareholder, as well as meeting their individual needs. The managers are there to safeguard the interest and at the same time maximise shareholders' wealth by improving firm performance (Ranti, 2011). He further stated that, to accomplish this objective and harmonising the shareholders interest then there is need to set up an appropriate governance mechanism in terms of boards' composition, information and authority to ease the independence of management to make decisions and to take advantage of achieving organisational objectives rather than self-serving interest. For instance, for those Chief Executive Officers' who are (in charge) stewards, their managerial experience and performance are being applied when the governance mechanism give them high a level of independence and prudence (Donaldson and

Davis, 1991). There five machinery or components of the managerial viewpoint of stewardship as identified by Davis et al., (1997) which include: long-term orientation, trust, empowerment, open communication and enhancing firm's performance.

Clarkson (1994) Defines stakeholders' theory as an organisation with stake holders functioning within the big system of the host civilized society that provides the essential legal and marketable infrastructure for the business activities. The main objective of any firm is to create capital or value in return for its stake holders by converting their ventures or wealth into goods and services'. Blair (1995) also support the view as to him the goal of top management of any organization is to maximizing total wealth creation by the firm. The means to achieving is by to enhancing the voice of and give ownership-like, bonuses, incentives to those that are participating actively in the firm who contribute or control critical areas, particularly in terms of inputs and aligning the interests of these key stakeholders with the interests of majority and minority shareholders and outsider.

2.5.3 The Resource Dependency Theory

This theory was developed by Pfeffer (1973) and Pfeffer and Salancik (1978) with the idea of highlighting the significant responsibility take part in by the board members in giving equal access to the available resources which could enhance firm's performance and protecting the company from any external factors. Companies need resources to achieve its targeted strategic objectives in some areas like finance, human, information, communication and technology, technical, and also for its functioning properly.

Daily et al. (2003) hypothesis that the access to company resources is flexible, it will enhance organisational performance, function, and survival. However, Hillman et al. (2000) disagree with that, on his view the theory mainly focuses the responsibilities that the managing directors collaborate in providing or protecting the wealth of the company via their relationship with the environment or society. They argue that directors or managements increase or bring resources or opportunities for the company in the form of skills he is providing, giving vital information and admittance to key constituent such as customers, legislatives, suppliers, social groups, and community as well as government authorities. Most companies depend on each other for other transaction because they form the largest percentage of the company's customer base, meaning the performance of one organisation can greatly affect the financial performance of each of the companies' either positively or negatively.

Consequently, the need for companies to establish relationships at all board levels. Johnson et al. (1996) established that the theory gives more focus on the appointment of representatives of independent organisations as a means of gaining accessibility to resources critical to the organisation's success.

Pfeffer and Salancik (1978) argued that boards usually are to provide advice, counsel and technical know-how, legitimacy and reputation, communicating channel, information asymmetries for both internal and external decision processes and preferential access to commitments or support from key external factors to the firm. However, boards perform these responsibilities in the course of a social and professional system (Johannisson and Huse, 2000) and linking directorates, (Lang and Lockhart, 1990). While Abdullah and Valentine (2009) categorised directors/executive into four groups which include: business experts, community influential insiders, and support specialists. Zahra and Pearce (1989) hypothesis that the diverse background or skill of the directors will improve the quality of their decision making. The theory favours the majority of the boards (Pfeffer, 1973; Provan 1980, and Dalton et al., 1999; Booth and Deli, 1996).

2.5.4 Stakeholder Theory

This theory is a continuation of the agency theory that view managers as those overseeing the affairs of the company's and protecting the interest of the shareholders to avoid conflict of interest. However, this shaped focus on providers of capital has experienced a disparity and boards are now made-up to take into cognises the interests of various group of stakeholders (Freeman et al., 2004). The debate among scholars is whether to take a wide or narrow focus on stakeholders. Freeman et al. (2004) proposed a comprehensive view whilst Bathala (2008) offers a narrow view suggesting voluntary stakeholders shoulder some form of risk.

Despite its plead, the stakeholder theory as developed by Jensen has not been exposed to much in empirical evaluation by researchers. At least there two are factors that might have led to the gap between the theory and evidence. The first issue was the prevalence of externalities and control circumstances. The second factor is measurement problem, especially in scrutinizing the problem associated with getting an accurate measure of the long-term value of the firm. The stakeholder theory therefore proposes that the importance of managerial activity should be on the growth and maintenance of all stakeholder relationships, not just that with shareholders (Jensen, 2001).

2.5.5 Integration of different theories

Each of the theories reviewed in this study give predominance to a specific view on how boards would deal with decisions. The table summarizes the four theories discussed above.

S/No	Theory	the board role	Implication for board
1	Agency	Managerial control	The independency of boards will serve as a mechanism to the shareholders in order to retain the rights to control, ownership, and as well as monitoring performance of the company.
2	Stewardship	Managerial empowerment	The board that is controlled by executive is empowered and accomplishes its corporate responsibly and utilisation of organisational resources.
3	Stakeholder	Protect and sustains the interest of all the stakeholders of the company	the main objective of this theory is to protect the interest of all stakeholders equally rather than protecting shareholders' interest and returns on their assets.
4	Resource dependence	Co-optation	Board with strong external links or relationship is a co-optation mechanism for firms to access external resources from its external environment.

Table 2.1 Integration of different theories

Based on the above summary, agency theory mainly focuses on the conflict of interests between the (owners') principals and agents (manager') while stewardship theory sees managers as overseers or stewards and proposes alignment or it integrate all the conflicted interest among the shareholders, steward and firms' objectives. Conversely, stakeholder theory discovers the predicament concerning the interests of various groups of stakeholders. Resource dependency theory highlights the importance of boards as a resource and foresees its role above their traditional as regulating, monitoring and controlling responsibilities considered from the agency theory perspective.

Among the theories discussed above, the perspective of agency theory was the most familiar and has received high attention from regulators, practitioners and academics (Fama & Jensen, 1983; Jensen & Meckling, 1976). It provides the origin for governance codes, standards, and principles which was developed by many organisations and institutions such as (International Corporate Governance Network (ICGN), 1999, 2005, OECD, 1999, California Public Employees' Retirement System (CalPERS, 1999; 2004). Shareholders appointed boards to monitor and control management decision making and protect the interest of shareholders'. This monitoring role to be performed effectively through independent non-executive directors and the Chairman and CEO should be held by different individuals (Combined Code, 2006 ICGN, 1999; OECD, 1999 and Cadbury, 1992). However, other theories which could be applied in corporate governance are stewardship theory, resource dependency theory and stakeholder theory have been developed and become prominent over the recent years.

Boyd (1995) argues that the contrasting perspectives of both theories (agency and stewardship) can be correct by using different environmental circumstances, using a contingency approach. Hillman and Dalziel (2003) integrated the agency and resource dependency perspectives and argued that each member of the board has board responsibility and it affects both board monitoring (agency perspective) and the provision of resources (resources dependency perspective) and that board incentives moderate these relationships. Hendry and Kiel (2004) explain that the choice of a particular theoretical perspective depends on 'contextual factors' such as board power, environmental uncertainty and information asymmetry. Though there are different perspectives regarding the firm, "many of these theoretical perspectives are intended as complements to, not substitutes for, agency theory" (Daily et al., 2003, p. 372).

Review of different perspectives clarifies that there is need to take an integrated approach rather than a single perspective to understand the effect of corporate governance on firm performance. While agency theory places primary emphasis on shareholders' interests, stakeholder theory places emphasis on taking care of the interests of all stakeholders, and not just the shareholders. In line with this, Jensen (2001) suggests enlightened value maximization, "which utilizes much of the enlightened stakeholder theory, but accepts maximisation of the long-run value of the firm as the criterion for making the requisite trade-offs among its stakeholders and therefore solves the problems that arise from multiple objectives that accompany traditional stakeholder theory".

To gain a greater understanding of board process and dynamics, as discussed in this section, there is a need to integrate different theories rather than consider any single theory. Such an approach was supported by Stiles (2001) who calls for multiple theoretical perspectives and Roberts et al. (2005) who suggests theoretical pluralism. The next section utilizes the above four theoretical perspectives to identify specific board characteristics and their influence on firm performance.

2.6 Empirical Review of Board Characteristics and Foreign Ownership on Firm Performance

This section would cover related literature reviewed on board characteristics and its impact on firm performance. Various scholars have investigated several surfaces of corporate governance changes intensively in terms of regulations, disclosures such as audit committee, financial reporting, board characteristics, ownership structure and the overall independence of board, and found that the variables have significant influence on firm performance (Boyd, 1994; Yermack, 1996; Eisenberg, et.al, 1998; Vafeas, 1999;). This study would focus mainly on the relationship between board characteristics and firm performance. These characteristics include board independence, board size, audit committee, foreign ownership and risk management committee.

Corporate governance has received much high consideration as on its effects of endurance of a firm have been renowned after the corporate scandals and failure of giant companies such as Leahman Brothers (2010), World Com (2002), Adelphia (2002), Enron (2001), and the Commerce Bank (1991). The downfall of these companies has emphasis on the inefficiency role played by the directors and failure of corporate governance processes (Ghabayen, 2012). Prior studies show that each movement of company's scandals in the years it happened would lead to fresh argument on corporate governance mechanism. For example, the Asia financial crisis in 1990 which exposed the issue of weak governance practices to serve as checks and balances in an organisation. The second trend of scandals on the inception of the new millennium connecting companies like Enron(USA), WorldCom (USA), Parmalat (Italy) HIH (Australia), and Air Newze land (Australia). The failure of these companies brought to the face the collapse of the governance mechanism and procedure and this led to the prominence on the role of boards such as audit committee and external auditors (Lockhart 2005; Kasyoki (2016).

Prior studies (Rosenstein & Wyatt, 1990; Byrd & Hickman, 1992; Weisbach, 1988; Akhtaruddin, Hossain, Hossain, Yao 2009; Williams, 2000; Drobetz et al., 2003; Gemmill & Thomas, 2004;) they all institutes a positive association between good and well-practiced corporate governance standards and firm performance. Though, (Bathala & Rao, 1995; Hutchinson, et al., 2004) have recognized a negative link between the corporate governance and firm performance. However, other researchers such as Erickson, et., al., (2005); Singh and Davidson, (2003) was unable to establish any correlation or association. The contradiction in results by various scholars could be recognized to the uncertainty in the nature of data. Notwithstanding, even with these inconsistent in their findings, the literature commonly shows no reservation as to the implication of a well implemented corporate governance in pleasing to the eye of potential investors which will also enhance firm's performance. This information is made known by the meticulous consideration that attached to the problems of corporate governance from various segments of the society which includes regional bodies, governments, and private institutions.

As a result of the financial scandal of 2007, that affected all aspects of corporate governance, which financial experts look at it as the genesis of the scandal that mainly caused failures and weak points in the area of corporate governance implementation which could not give out their rationale to protect against tremendous risk averting by the financial institutions OECD (2009).

2.6.1 Board Size and Firm Performance

The term board size refers to the total number of directors that represents the board members of a company has an impact on its performance either positively or negatively. According Jensen (1993) one of key aspects of boards in a company is its size. But the problem with large number of board is that, it is very difficult to decide on the exact number of boards as there are certain factors which are usually to be considered in decide on the number directors in a company. However, Lipton and Lorsch (1992), argued that the optimal board size is ranging from seven (7) to nine (9) directors, which will guarantee a good coordination, harmonization, responsibility, accountability, avoiding rides of conflict and faster decision making that will enhance firm's performance. However, (Sanda et al., 2005; Yermack, 1996; Eisenberg et al., 1998) they supported this view indicating that the value of financial market of firms with moderately less board sizes will easily avoid clash or conflict of interests in making decisions. While, larger board size would offer the company the chance of pooling more endowment individuals or talents and ideas from expertise which will help in making good decision and will reduce the power of CEOs to dominate the decision process in the company. Though, Jensen (1993), and Lipton and Lorsch (1992) they are upset with that view and their ream is that larger boards size the less effective and easier for CEOs power to have control.

Kiel and Nicholson (2003) they had examined the relationships among the board size and firms' performance of the 348 publicly quoted companies in Australia and they established a positive link among the variables for large size firms. Adams & Mehran (2005) found a positive relationship among board size and firm performance in the banking sector in the US. Latif et al. (2013) investigated the impact of board size on the performance of Pakistan' firm quoted on the SEC from 2005 to 2010 and found a significant and positive link among the variables. These outcomes also are supported by Zahra and Pearce's (1989) where they concluded that there is a link between firm performance and board size.

Chaghadari, (2011) examined the importance of size in boards of companies quoted on Bursa Malaysia and where he used linear multiple regression as the essential tools for the statistical test. The result shows no significant relationship among the variables this result is in line with Kajola (2008), who investigated the relationship among the corporate governance machinery or tools and performance of 20 Nigerian firm quoted on NSE with sample year of 2000-2006. The result showed a negative correlation between board size and performance of these firms'. This result supports other researchers, which discovered that a larger board size can lead to the free-rider problem (Loderer & Peyer, 2002; Conyon & Peck, 1998; Eisenberg, Eisenberg, Sundgren & Wells 1998; Yermack, 1996).

2.6.2 Board Independence and Firm Performance

The Independence board is a strategic mechanism used in corporate governance. The board independent is said to be independent when the number of independent non-executive directors has no any relationship with top executives or management of the firm. It is used to determine proportion of member of the committees or board of directors in an organisation which are normally being classified as outside and inside directors (Baysinger & Butler, 1985). Board independence is measured as the proportion of independent directors to inside executives or directors on the board of an organisation (Goergen & Renneboog, 2000). It is used to determine proportion of member of the committees or board of directors in an organisation which are normally being classified as outside and inside directors (Baysinger & Butler, 1985). The directors are either hired or employed by the management is regarded as inside director, while outside directors refer to those independent directors that are not employed by the top management of the organisation which includes affiliated or independent directors called non-executive and they do not have any direct personal relationship the activities of the organisation (Ogbechie, 2012).

2.6.3 Audit committee size and firm performance

The audit committee size globally has been given more attention and considered as a sign showing the existence of control in a company and mostly emphasizes on the value of enhancing the performance of a firm. The audit committee size has been considered as one of the most vital aspect of audit committee characteristics used to determine the firm performance. It is measured or calculated by the determining the amount of serving audit members on the audit committee of a particular firm (Hsu & Petchsakulwong, 2010; Obiyo & Lenee, 2011; Nuryanah, Islam & Armstrong 2011). Due to the failure and scandals in various companies such Enron, WorldCom among other, which directed the establishment of Sarbanes-Oxley Act to serve as control to corporate disclosure and internal control, particularly in terms of assigning responsibility to audit committee members. As suggested by the Blue Ribbon Committee (BRC) in order to improve firms' audit committee effectiveness the firm should strengthen its audit committee dependence, accountability and effectiveness with a minimum size of three (3) members the chairman of the committee should be independent and one of the members should have finance and accounting knowledge which will help board of directors in internal financial information, revising audit scope, including preparation of financial reports (Al Matari, Al Swidi & Fadzil, 2014. Similarly, Saibaba and Ansari (2011) viewed audit committee size as supportive to board in implementing, maintaining and monitoring corporate governance practices in a company that will benefits both the firm and the stakeholders.

Conversely, the larger audit committee would result in control being managed inefficiently, as a result generating unnecessary audit committee meetings (Vafeas, 1999). The relationship between the audit committee size and firm performance has been examined through the work of Abbott, Parker and Peters (2004), with the conclusion drawn that the audit committee size does not have an impact on the firm's performance. The study by Chan and Li (2008) found a negative relationship between firm value (Tobin's Q) and audit committee size. Very few researchers have analysed the effects of the audit committee size on the performance of the firm. In this regard, the audit committee size is seen to increase the number of meetings, thus delivering greater efficiency in the monitoring and thus achieving greater firm performance (Raghunandan & Rama, 2007). With this in mind, the suggestion has been made that in a context, there is a shortage of research carried out in the field of audit committee size Al-Ghamdi (2015).

2.6.4 Audit Committee Independence and Firm Performance

Auditing is one of the most significant aspect of corporate governance mechanism to be considered among the committees in any organisation. Apart from making it compulsory as requirements by regulatory bodies, it could also be regarded as a mediator and moderator of conflicts in the agency problem in terms of information asymmetries (Watts & Zimmerman, 2014; Voeller et al., 2013; and Cohen, et., al., 2011). An audit committee is part of the tool used as an internal control of corporations that build up corporate governance. Ilaboya, et. al. (2015) reached the assumption that audit committee independence generally reduces the percentage rise in development inclination of the corporation. They had assurance that the audit committee independence might weaken the development potentials of the concerned companies as the internal auditors and the managers focuses more on meeting the requisites of the committee members along these lines affecting other consideration from the central activities of the company. The essence of having an internal audit is to serve as a mechanism of corporate governance which is used in controlling corporations (Abiola, 2012) they found no any significant or supportive relationships among audit committee and firm performance.

Krishnan (2005) contended that audit committee independence and members of board with expertise will boost internal control of corporations in general. Even though, the weakening may not really change into long-term development (Hsu, 2008). Hamdan, Sarea and Reyad (2013) they studied firms listed on the Amman Stock Exchange Market and they found significant association among the value of the firm on the independent audit committee. Similarly, Khanchel (2007); Dey (2008); Yasser et al. (2015); Nuryanah & Islam (2011) also had positive correlation between the independent audit committee and performance of firms. However, Hutchinson and Zain (2009) studied 60 Malaysian firms and found no significant association between the independence audit committee and performance of the firm. Other scholars that are in line with this are Al-Matari et al. (2012); Ghabayen (2012), Dar et al. (2011). On the other hand, Dar et al. (2011) found negative association between the variables.

2.6.5 Risk Management Committee and Firm Performance

Risk Management (RMC) was created by COSO in 2004 to address risk management problems identified with corporations. The area encloses all parts of internal control framework work, yet includes additionally the segments of target setting, instance familiar proof and risk reaction (Rittenberg, 2005). COSO (2011) emphasizes the significance of objective background on the organisations and relates it to risk appraisal as a precondition. It has been known that both the shareholders and companies are depending on the corporate governance mechanism as a way of mitigating or reducing risk and as a direction to enhancing value; a weak risk committee would turn into persistent throughout the organisation and which eventually leads to poor share price performance (FTSE and Institutional Shareholder Services (ISS, 2005). The Nigerian Code Corporate Governance (2011) stipulates that any board in an organization should form a Risk Management Committee to assist the executive in checkmating the risk profile, the dimension of risk or risk structure and also the risk-rewarding system which to be formulated by the Board of Directors (BOD) of the entity. It is one the committees that the Corporate Governance code has recommended to be part of the board of directors (BOD).

2.6.6 Foreign Ownership and Firm Performance

The structure of ownership and firm performance relationship has received much higher concentration in both scholarly and academic literatures (Jiang, 2004; Karaca & Eksi, 2012). Among the brand of the modern firm is the separation of control from the owners (Uwuigbe & Olusanmi, 2012).

Foreign ownership normally is a percentage of foreign ownership investment or venture to the amount of shareholding the foreign investors hold in the company (Al Manaseer et al., 2012, Chari et al., 2012 and Uwuigbe and Olusanmi 2012). The influence of foreign ownership has upon firm or company profitability is linked to the following motives (Al Manaseer et al., 2012); the first reason is the amount of capital contributed by the foreign investors, which reduces the financial costs of reorganizing the companies (Tang, Zoli & Klytchnikova, 2000). Secondly, the foreign financial institutions, individuals or company may provide a technical know-how in risk management to the company and a greater compliance with ethics and corporate governance culture, resulting in further efficiencies in the companies (Bonin et al., 2005).

Finally, the existence of international institution may lead to an increase in competition and advocate national owned firms to reduce costs and improve their competence (Claessens & Fan, 2002). Additionally, but if considerable part of the company's shares is being held by foreign, it is a sign that foreign shareholders have confidence in the companies which enhance its value (Nazli Anum, 2010). In addition, the introduction of state economies to foreign trade and investment has great importance on the corporate governance practices in the contemporary world (Kim & Yoon, 2007). The inclusion of foreign financial organizations into developing economies is linked to implications in two aspects; first, foreign financial establishments, as they are managed and run by privately owned individuals, have greater motivations to monitor the behaviour of management to guarantee higher returns on investment as compared to public financial institutions. The second point is the institutions that have high expertise to monitor managers compared to their local counterparts in developing countries (Khanna & Palepu, 2000; Mutize, Aspeling & Mugobo 2016).

2.6.7 Control Variables

2.6.7.1 Leverage

Leverage commonly used as a control variable by various researchers for instance, Habbash, (2010); Elayan et al. (2008); Adelopo, (2011) and Kyereboah-Coleman & Biekpe, 2006. Leverage is used as control variables because of it is important to control the chances of the spurious relationship among the variables (board independence, board size, foreign ownership, audit committee independence, audit committee size and firm performance). Higher level of debt can increase agency costs, and therefore decreases managerial cost that could be induced to provide a greater level of disclosure in annual reports and enhances firm performance (Mangena and Pike, 2005). Support for this relationship was found in Spanish companies (Wallace et al., 1994) and in the Dutch study (Deumes and Knechel, 2008). Other studies that found leverage to be positively related to the presence of an audit committee are (Collier, 2005; Adams, 1997). Investigation the correlation between board characteristics and firm performance by attempting to validate their investigation using leverage as a control variable they found out that the firm debt or leverage has a negative effect on the firm's performance if the debt profile is high. While, Habbash (2010) found a positive relationship if the leverage is controlled to a minimum level and it is measured as total debts divided by the total equity.

2.6.7.2 Firm Size

Prior literature predicts that company size is measured as expected logarithm of total assets on average linked with financial reporting quality (Meek et al., 1995). Pincus et al. (1989), find evidence that financial prudence exists with the formation and functioning of audit committees. Therefore, larger firms are commonly associated with higher quality management, better monitoring, increased accounting services and higher incentive to lower earnings (Watts & Zimmerman, 1978).

2.7 Chapter Summary

This chapter provides an overview of the literature regarding the effects of board size, board independence, audit committee size, audit committee independence, risk management committee, foreign ownership on firm performance as well as an overview of corporate governance and its regulation in Nigeria. The results of previous studies have shown that the effectiveness of the board and its committee members to monitor the management is associated with firm performance. The evidence also showed that board characteristics are associated with corporate reporting transparency and quality financial information. Further, several studies have revealed that strong board governance is associated with the presence of independent boards, board size, and foreign ownership. Many studies found and argued that board characteristics has no effect on firm performance.

Based on this literature, the following chapter research hypotheses are developed in the following chapter. In addition, research design and methodology for this study are discussed in the following chapter.

CHAPTER THREE

RESEARCH FRAMEWORK AND METHODOLOGY

3.0 Introduction

This chapter describes the techniques used in collecting and analysing data in this study. These comprises of research design, the data collection method, population and determination of sampling size, measurement of variables, the method of data analysis, specification of model, and finally diagnostics tests conducted.

3.1 Conceptual Framework

The main theory adopted in the study is agency theory as underpinning theory with other supporting theories. Agency theory also defines the effectiveness and efficient monitoring of the board as prescribed in the code of governance with regards to its size and the independence of the board. However, the theory advocates or argues that a considerable raise in number of board size can result and will lead to delay in the decision-making process, which could also increase administrative cost of governance. A conceptual framework is normally used to validate the relationship between the dependent and independent variables in the research (Mugenda & Mugenda, 2003). In addressing that, the associated conceptual framework is applied to examine the effects of internal corporate governance mechanism, i.e. board characteristics (such as board independent, board size, audit committee size and independence, risk management committee and foreign ownership) on firm performance. The Board characteristics are the independent variables, whereas ROA and ROE are used as a proxy for firm performance which is based on accounting measure. The framework is shown diagrammatically as follow:

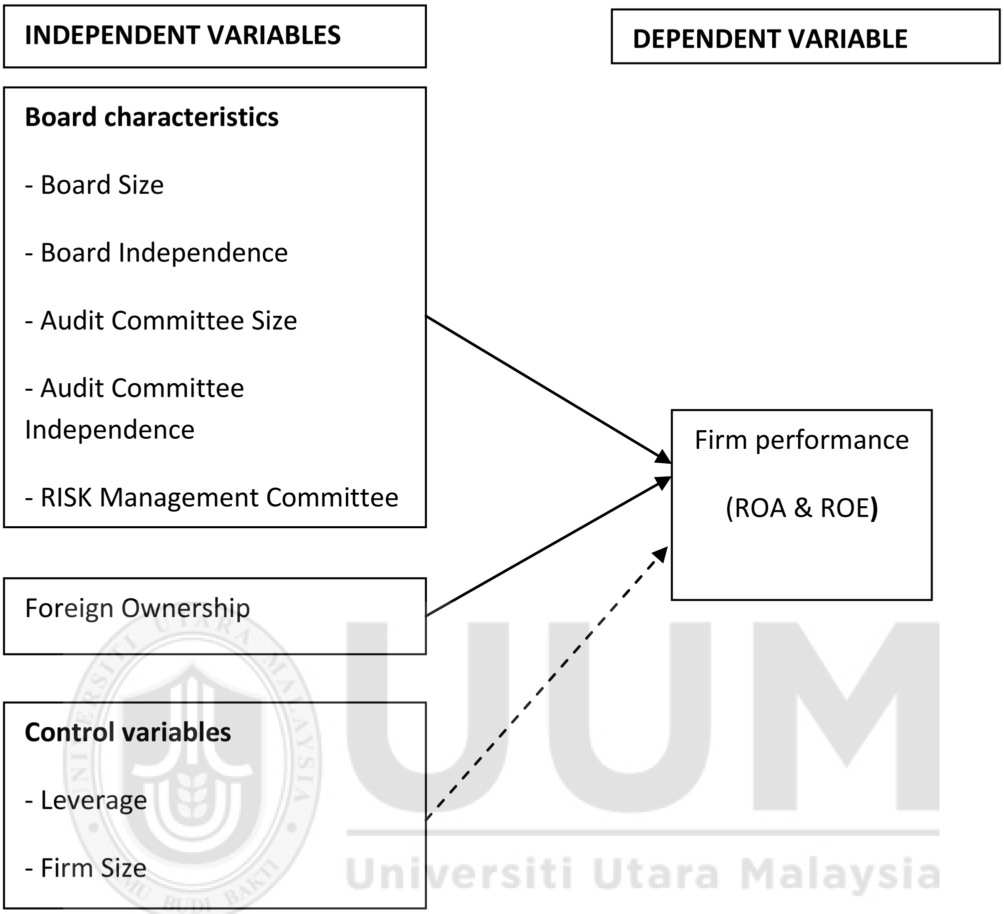

Figure 3.1 Research Framework

3.3.0 Hypothesis Development

3.3.1 Board Size and Firm Performance

From agency theory point of view, it could be disputed that a board with high member are more likely to be vigilant for agency problems for the reason that most well-known number of individuals will be checkmating the management movements. Furthermore, agency theory recognizes that there is a greater limit to boards for control purpose. Jensen and Meckling (1976) advocates that the utmost number of boards in an entity to be around eight directors, as any more significant number will interfere with company growth and obstruct board performance. Then again, it has strengthened the argument that it is not the number of the board matters, basically, is the most judicious of the board, but the number of non-executive directors on the board as members (Davies, 1999). In the significant literatures reviewed, there have been so many researchers who have examined either relationship exist between the firm performance and board size or their conclusions turned up to be mixed.

Yokishawa and Phan (2004) examined this association of quoted companies in Japanese and they institute a negative relationship between the board size and firm performance. Likewise, Shakir (2008) institute a negative correlation between board size and the performance of firms investigated and this maintain the judgement reached by Jensen (1993) where he postulated that for a company to be successful in its examining, supervising and monitoring its activities, then it should establish a small number of boards of directors in that case. In line with that view is Haniffa and Hudaib (2006) argued that, a larger size of board would offer the firm a chance of a pool of endowment or capabilities and different ideas from the expertise which will help in making good decisions and will reduce the power of CEOs to dominate the decision process in the company. Al-Matari et al. (2012) they have drawn conclusions of study they conducted on the publicly listed companies in Canada. Their result supported that the large size of the board has a negative association with firm performance in which they applied return on sales, sales growth and return on assets (ROA) as a measurement.

However, previous scholars regarding the board size that supported a significant and positive link between the size of the board of directors and the firm's performance.

Some are of the view that larger board size will give rise to a better firm performance because of the diversity in skills, experience, talent to present for the purpose of making decision and monitoring the behaviour of the management in relation to firm performance. Also, the results on the link between the size of the board and performance firm are undefined. For instance, Ranti (2013), Tornyeva and Wereko (2012b), Uadiale, O. M. (2010), Abidin, Kamal, & Jusoff, (2009), Adams and Mehran (2008) found a significantly and positively link between the size of the board and firms' performance. However, Bennedsen et al. (2008) and Cheng (2008) they found a negative and insignificant connection between board size and firm performance. More so, Pathan and Skully (2010) they institute an insignificant association between board size and firm's performance. Moreover, Sanda et al. (2010) found a significant and negative link among the size of the board and firm's performance.

In line with that view Adams and Mehran (2005) they established a positive association among board size and performance of firm in the U.S. financial services industry. Likewise, Rechner and Dalton (1991) which testified that high number boards are connected to firm performance. Their findings were in support with the results of Pfeffer (1972) and Zahra and Pearce (1989) with regards to the association between the size of the board of directors and firm performance. Based on the above justification deduced from both theoretical and empirical studies below is a developed hypothesis to be tested as follows:

H_1: There is a negative relationship between board size and firm performance of listed companies in Nigeria.

3.3.2 Board Independence and Firm Performance

Based on Agency theory, which argued that the outside or non-executive director should have a greater proportion than the executive directors because it would enable them to checkmate and monitor the management effectiveness and it will also reduce the conflict of interest between the agents and shareholders (Fama, 1980; Fama & Jensen, 1983). Some researchers have gone outrageously and recommended that apart from just the CEO, the board should encompass non-executive or outside directors as part of the member of the board members (Liang, 1999). Conversely, the supporters of stewardship theory embrace that firm's performance is essentially accomplished while the board are being dominated by the inside directors; and their reason is that executive directors have a better understanding of the organizations as they oversee, control the operations more than the non-executives (Donaldson & Davis 1990). So also, the Nigeria code of corporate governance stipulated that; boards should comprise of non-executives as greater part and at least one independent non-executive director (SEC, 2011).

Sanda et al. (2010), Dimitropoulos and Asteriou (2010), Uadiale, (2010), Kim and Lim (2010), and Tornyeva and Wereko (2012b) found a significant and positive correlation between board independent and firms' performance. Nevertheless, He (2008) found significant, but a negative relationship among the two variables. But the association among them as examined by Duchin et al. (2010) which shows it as complex issue to take decision on the relationship between the composition of the board (i.e. Board independence) and firms' performance relies upon the cost of obtaining the information. Despite what might be expected, Donaldson and Davis (1991), Erickson et al. (2005), Adams and Mehran (2008), and Pathan and Skully

(2010) institute positive but insignificant link between the independence of the board and firms' performance. Based on the above justification deduced from both theoretical and empirical studies below is a developed hypothesis to be tested as follows:

H_2: There is a positive relationship between board independence and firm performance of listed companies in Nigeria.

3.3.3 Audit committee size and firm performance

All Nigerians quoted companies are required law and regulations like CAMA (1990) and corporate governance codes (2012 & 2014) to constitute or form a statutory audit committee that comprises of at least three members who are non-executive directors. On the other hand, section 359 of CAMA (1990) specifies the maximum number of the size of audit committee members in Nigeria to be six but without mention the minimum number. Kalbers and Fogarty (1993) posted that size of the audit committee has a deputy for efficiency due to the fact that the size of the audit committee is taken as control by the firms. Since it serves as a control tool, available information and data on accounting, documentation, auditing and fraud. While Kiger and Scheiner (1997) suggest that outsized numbers of audit committee significantly reduces the possibility for illegal behaviour due to the fact that the plan is made more complicated.

Furthermore, it has been acknowledged that audit committees that a larger number of the will enhances firm performance) and further decrease debt financing costs (Yatim, Kent & Clarkson, 2006 & Anderson et al., 2004). Other researchers from around the globe were able to examine the relationship among the size of audit committee and firm's performance and they found a mixed result. while among scholars that institute a positive relationship includes Premuroso and Bhattacharya (2007), Hsu and Petchsakulwong (2010), Al Matari (2014), Reddy et al. (2010), Bauer et al. (2009), Al-Matari et al. (2012), Swamy (2011), Obiyo and Lenee (2011), while those with a contrary view that there is no association among the variables are: Wei (2007); Nuryanah & Islam (2011); Ghabayen (2012); Mohd, (2011). Based on the above justification deduced from both theoretical and empirical studies below is a developed hypothesis to be tested as follows:

H_3: There is a positive relationship between audit committee size and firm performance of listed companies in Nigeria.

3.3.4 Audit Committee Independence and Firm Performance

Audit committee independence is often considered as the key distinctive function in check-mating the financial reporting process, controlling and supervising the firm performance because it will enhance the ability of director's to efficiently and effectively to monitor a company's firm performance; it can be contended that non-executive directors are in the best place to overseers and report any misguided information in relation to the performance of the company from the management as they have full information about the future stance of the company. Fama and Jensen (1983) contend that the presence of non-executive directors will give active supervision of top executive behavior as result would lead to an anticipation of a positive association between audit committee independence and firm performance.

There are empirical studies that institute both positive and negative relationship between independent audit committee and firm performance for instance Hamdan, Sarea and Reyad (2013) they studied firms quoted on the Amman Stock Exchange Market and they institute a significant link between the value of the firm and its performance on the independent audit committee. Similarly, Khanchel (2007), Dey (2008), Yasser et al. (2011), Nuryanah and Islam (2011) also had positive correlation between the independent audit committee and performance of firms. However, Hutchinson and Zain (2009) studied 60 Malaysian firms and found no significant association between the independence audit committee and performance of the firm. Other scholars that are in line with this are Al-Matari et al. (2012), Ghabayen (2012), Al-Matari et al. (2012). On the other hand, Dar et al. (2011) found a negative association between the variables. Based on the above justification deduced from both theoretical and empirical studies below is a developed hypothesis to be tested as follows:

***H_4*: There is a positive relationship between audit committee independence and firm performance of listed companies in Nigeria.**

3.3.5 Risk Management Committee and Firm Performance

The recent financial scandals have called the attention of authority and regulator to concentrate on corporate transparency that advocate for the establishment of boards in an organization that includes Risk Management Committee to assist the executive in checkmating the risk profile, the dimension of risk or risk structure and also the risk-reward system which to be formulated by the Board of Directors (BOD) of the entity. Under signaling theory, it observes that information asymmetry exists under corporations with higher information transparency will have signal better corporate governance. Previous research also signifies that firm that have a risk management committee will give the signal and they perform better (Chiang, 2005). The signaling theory is the suitable theory to describe the risk management committee. It explains the central behavior where two or more parties involved. The theory also is critical in raising distress wherever there is an information asymmetry (Connelly, et., al., 2011;). This theory is always essential as it is used as a method by the owners to diversify their investments and also used as a means to communicate to the capital market Campbell, Dhaliwal and Steele (2014).

Spence (1974) observed and stated that if there is information asymmetry between the agents and shareholders', the company can offer information to the principal in order to reduce the asymmetry. However, if information asymmetry subsists, there is no any means that the shareholder will understand the real state of affairs of the company's operations. Previous research shows that investors depend on the information presented to them by the management of the company to make any investment decisions (Poitevin, 1990; Ravid & Saring, 1991). Companies with superior functional performance often release information to the general public in order to promote positive impressions of the company.

The firm's performance mainly depends on the mechanism used in handling the risk (Akindele, 2012). The failure of corporation or an entity could also be attributed to poor risk management mechanism (Davies, 2013). There also literatures that shows a positive association among Risk Management Committee and firm performance, for instance (Hoyt & Liebenberg, 2011; Rogers & Graham, 2002, Gordon, Loeb, & Tseng, 2009). However, the following prior studies show a negative relationship between firm performance and risk management committee (Hoyt & Liebenberg, 2011, and Beasley, et., al 2005). Because of the above mixed outcome, there may be need for conducting and testing hypothesis on the risk management committee and firm performance. Based on the above justification deduced from both theoretical and empirical studies below is a developed hypothesis to be tested as follows:

H_5: There is a positive relationship between the existence of the risk management committee and firm performance of listed companies in Nigeria.

3.3.6 Foreign Ownership and Firm Performance

The agency theory was initially developed on its bases of the relationship among owners-managers'. The discrepancies between the principal-agent in the present-day companies offer the current situation of the agency theory purpose. The modern companies are regarded by dispersed or different ownership, with regards to shareholders who does not partake in management of the daily activities of companies'. Furthermore, Jensen and Meckling (1976) proposed that companies can be seen as a system of agreements among different stakeholders which may comprise of shareholders, personnel, customers, suppliers and also the humanity in general. From a resource dependence theory perspective, it could be similarly argued that a larger number of boards attract and opens more door for well-known individuals for connections and subsequently to get more resources from outside financial and capital market around the globe.

Looking at it on the basis of a theory, the resource dependence view as argued by Pfeffer (1972) and Pfeffer and Salancik (1978), they viewed foreign ownership as the major instrument of outsourcing resources that help companies to finance capital project. in addition, foreign investors are the most fundamental aspects that help the segregation of ownership among agents and shareholders and this will assist companies to influences control over managers in the decision-making process. It also provides an established foreign expertise that gives a clear understanding about the foreign investments and finally, to understand how foreign ownership or foreign shareholdings assist in improve firm's performance.

Ghahroudi (2011), Chari et al. (2012), Uwuigbe and Olusanmi (2012), and Al Manaseer et al. (2012), all of the scholars mentioned above have explored on the correlation between foreign ownership and performance of firms in various countries at the end of their investigation they found a positive relationship. However, the following studies found no significant link between foreign ownership and firm's performance in various nations for example Shan & McIver (2011); Millet-Reyes & Zhao (2010); Tsegba & Ezi-Herbert (2011); Gurbuz & Aybars (2010). There is an absence of supportive on this variable in the previous studies but this study has confidence in the foreign ownership as an inspiration that aids and align the relationship among principal-agents and at the same time it eases the agency cost among shareholders and managers. Based on the above justification deduced from both theoretical and empirical studies below is a developed hypothesis to be tested as follows:

H_6: There is a positive relationship between foreign ownership and firm performance of listed companies in Nigeria.

3.4 Research Design

Research design refers to the plan used for conducting a research, with the aim of responding the research questions (Lewis, Thornhill & Saunders, 2007). Cooper and Schindler (2003), an explanatory research applies theories or hypotheses to explain the causes of certain phenomenon to transpire. They further stated that it goes further than description and endeavoured to explain the grounds for the phenomenon. It also specifies the procedures and measures required for exploring the information that is desirable to solve research problems. In a quest to know the effect of board characteristics and foreign ownership on firm performance, a quantitative method would be used to provide empirical evidence.

Additionally, quantitative study is numerical data used to deduce facts from theory. The data used in quantitative research normally are collected from the company's financial reports in the study area (Bryman & Bell, 2007). This study undertakes the state of the fundamental relationship between the dependent variable using (ROA and ROE) as presumed to be correlated with the hypothesised independent variables (board size, board independent, audit committee, risk management committee and foreign ownership).

3.5 Methods of Data Collection

This study focuses on the practices of corporate governance after the revise Nigerian Code of Corporate Governance (NCCG 2012). The data for this study were obtained from the annual accounts and reports of the firms under study particularly data on board attributes were obtained from the companies' information on report on governance as well as the Nigerian fact book obtainable from the Nigerian Stock Exchange (NSE), in addition that, the data was further obtained from the https://markets.ft.com/data/equities/tearsheet/directors, central bank of Nigerian (CBN) gazette, Reuters, http://www.reuters.com/finance/stocks/companyOfficers, and library data stream for firm performance.

3.6 Sample Size and Sampling Technique

The populations from which the sample is drawn are from companies listed on the Nigerian Stock Exchange (NSE). The population under this study encompasses 177 and out of which 122 non-financial companies for the 2014 and 2015 years are used excluding financial service firms and this is because of the differences in accounting practices, methods, and structure (Bohren & Strøm, 2010; Barontini & Caprio, 2006). The technique is adopted for the reason that it will take care of the various test which includes; multicollinearity, linearity, homoscedasticity, and normality assumption according (Haniffa & Hudaib, 2006). The data or information needed for the purpose of this research work were collected from 2014-2015 annual reports of the firms.

This study covers a two-year period (2014 & 2015). The starting year is 2014 and the ending year is 2015. The chosen period applied in this study replicates the time revised corporate governance codes which is effective in regulating the activities of companies, especially those involved in the national and international capital market. The year 2015 was selected as the last year due to the facts that the NSE financial records of companies' availability to be applied in choosing the sampled firms were accessible up to 2016 and cannot go beyond this period to be covered in conducting this study. The sample size in this study will cover the span of the study and satisfy the criteria of having information on all the variables, the researcher will focus on the 122 available firms for the purpose of the research work. The period to be covered is 2014 and 2015. This enables the researcher to obtain adequate and reliable data.

3.7 Variables Measurement

This study makes use of accounting measures in measuring firm performance [Return on Assets (ROA) and Return on Equity (ROE)]. The variables are measured following some previous studies as shown in the table below.

Table 3.1 Measurement of Variables

Variable	**Acronym**	**Variable measurement techniques**	**Sources of measures**
Dependent variable (Firm Performance)			
Return on Assets	ROA	Measured as net profit divided by total assets (NP/TA)	Garba & Abubakar (2014); Makki & Lodhi (2014)
Return on equity	ROE	Net profit after tax divided the Net Equity (NPAT/NE)	Ang et al. (2000); Taghizadeh & Saremi (2013)
Independent Variables			
Board independence	BODIND	The percentage of non-executive directors to total number of directors in the board.	Sanda et al., (2010); Davidson & Rowe (2004)
Board size	BSIZE	Measured as the total number of directors sitting on the board.	Shukeri (2012); Eklund et al. (2009); Garba and Abubakar (2014)
Foreign ownership	FOREIGNP	Measured as percentage of foreign ownership stake to the total shareholding of the company	Al-Manaseer et al., (2012); Chari et al., (2012); Uwuigbe & Olusanmi (2012); Ghahroudi (2011); Sueyoshi et al. (2010)
Audit committee independence	ACIND	Measured as a percentage of non-executive independent	Heenetigala & Armstrong (2011) and Chemweno

		directors on the audit committee	(2016)
Audit Committee Size	ACSIZE	Measured as serving members on the audit committee	Al-Matari, Al-Swidi, & Fadzil (2012)
Risk management committee	RMC	A dummy variable of “1” will be used if a firm sets up a risk management committee, and “0” if otherwise.	Hoyt, R. E., & Liebenberg, A. P. (2011)
Control variables			
Leverage	LEVG.	Total debts divided by total equity	Taghizadeh & Saremi (2013)
Firm size	FIRMSIZE	measured as the natural logarithm of total asset.	Alhaji (2012); Kurawa & Kabara (2014)

3.8 Estimation Techniques and Diagnostic Tests

The study applied panel data estimation method as it has several advantages over time-series data and cross-section sets. The method has a more statistical degree of freedom and smaller amount multicollinearity which will give more and efficient estimates, (Hsiao, 2003) and at the same time gives greater flexibility in displaying differences in behavior throughout the firms under study which will enable researcher to regulate for unobserved heterogeneity.

The panel data analysis technique has two methods, which includes fixed effects model (FEM) which accepts omitted effects exact to cross sectional parts are constant over time and the random effects model (REM) which assumes the omitted effects are random over time.

In order to select between the fixed effects and random effects, a Hausman test will be conducted. It is used to tests whether the exceptional errors are interrelated with the regresses; the null hypothesis is that they are not (Greene, 2008).

3.9 Model of the Study

This section presents the model that guides the research in general, the model is precise that include both the dependent and independent variables to be in line with the main objective of the research purpose. The researcher employed a linear multiple regression testing to know the relationship between the dependent variable firm performance (ROA and ROE) and the independent variables (board size, board independence, audit committee size, audit committee independence, risk management committee and foreign ownership), below is the model for the study.

$$ROA_{it} = \beta 0 + \beta 1BODSIZE_{it} + \beta 2BODINDP_{it} + \beta 3ACSIZE_{it} + \beta 4ACINDP_{it}$$

$$+ \beta 5RMC_{it} + \beta 6FOREIGN\ P_{it} + \beta 7LEV_{it} + \beta 8FIRMSIZE\ it + \varepsilon_{it}$$

$$ROE_{it} = \beta 0 + \beta 1BODSIZE_{i} + \beta 2BODINDP_{it} + \beta 3ACSIZE_{it} + \beta 4ACINDP_{it}$$

$$+ \beta 5RMC_{it} + \beta 6FOREIGN\ P_{it} + \beta 7LEV_{it} + \beta 8FIRMSIZE\ it + \varepsilon_{it}$$

Where:

ROA = Return on Assets

ROE = Return on Equity

BODSIZE = Board Size

BODINDP = Board Independence

ACSIZE = Audit Committee Size

ACINDP = Audit Committee Independence

RMC = Risk Management Committee

FOREIGN P = Foreign Ownership

LEV = Leverage

FIRMSIZE = Firm Size

β_0 is constant for all entities in the time period, X_{it} assumed to be exogenous ε_{it} and ε_{it} error terms.

3.10 Summary of the Chapter

This chapter presents the theoretical framework and hypotheses that were developed in the study. However, to meet the main objective of the study, the researcher employed a quantitative research content of analysis. A sample of 122 non-financial companies listed on the NSE were sampled to see the effect of board characteristics and foreign ownership on firm performance of the companies under study. The board characteristics examined in this study include: board size, board independence, audit committee size, audit committee independence, risk management together with foreign ownership as independent variables.

Board independence, board size, audit committee size and independence, risk management committee represent board governance characteristics, while foreign ownership was presented by the shareholding. To test the hypotheses, this study used Pooled Ordinary Least Square (OLS) regression and multiple regression analysis.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter provides the data analysis and findings of the study in relation to the theory and previous studies. The finding relates to the research objectives that were developed in chapter one as well as research hypothesis presented in the previous chapter. However, using different statistical methods, the research aims to examine deeply the relationship between independent variables (board size, board independent, audit committee size, audit committee independent, risk management committee, foreign ownership and control variables which includes firm size, leverage and dependent variable firm performance proxies (ROA and ROE). This chapter is organized as follows. Section 4.2 presents the descriptive statistics of the variables. Section 4.3 discusses the results of the diagnostics tests of multiple regressions such as outlier, normality and linearity, and multicollinearity. Section 4.4 reports the results of the multiple regressions of the models tested. This is then followed by a discussion of the results in Section 4.5 and finally summary of the chapter.

4.2 Descriptive statistics

A descriptive result as summarized in Table 4.1 shows that the mean of ROA is 4.51% with maximum of 22.68%, and minimum of -17.20 %. The mean value of ROE is 3.37% with maximum of 79%, and a minimum of -118.73% respectively. The mean value of board size is 8.81 with maximum of 14 and minimum of 4. The statistical results relating to the board independence ranges from 54.55% to 90% with a mean score of 72.82%, this implies that the listed companies in Nigeria have comply with the one-third mandatory requirement which state that public listed companies in Nigeria “must have one-third of their directors to be independent” as stated in the revised code of corporate governance.

Meanwhile, the mean of foreign ownership is 35.30% with maximum of 83% and minimum of 0.00%. This indicates that the Nigerian citizens had failed to own the 65% shareholdings in all listed companies as stipulate by CAMA 1990 regulations.

The audit committee size ranges from a minimum and maximum of 2 to 5 with a mean score of 5.41. Furthermore, an audit committee independent has a mean of 0.511 with maximum 0.5 and minimum of 0.60. This indicates that most of the non-financial companies in this study complied with Nigerian Code of Corporate Governance (NCCG) which states that all listed companies should establish an audit committee consisting of at least three members, majority of whom are non- executive directors.

Firm size has a mean value of 16.67 with maximum, minimum value of 20.82 and 13.01 respectively and this indicates that large companies have opportunities than small firms in course of borrowing; this is because they can get external contracting relationships that give rise to better gains and better performance (Booth & Deli 1995). The leverage ranges from 0% to 83% with a mean score of 31%.

Table 4.1 Descriptive statistics

Variable	Obs	Mean	Min	Max	Std. Dev.
ROA	232	4.51	-17.2	22.68	8.09
ROE	232	3.37	-118.73	79.04	32.22
BODSIZE	232	8.81	5	14	2.25
BODINDP	232	72.82	54.55	90	8.59
ACSIZE	232	5.41	4	6	0.85
ACINDP	232	0.51	0.5	0.6	0.03
RMC	232	0.70	0	1	0.46
FOREIGNP	232	35.30	0	83.26	28.55
LEV	232	0.31	0	0.83	0.24
FIRMSIZE	232	16.67	13.01	20.82	1.77

4.3 Diagnostics Test

Before each model was tested, a range of diagnostics tests were conducted to verify the underlying assumptions of multiple regressions in ensuring all of the assumptions are met and also to avoid misleading results. The assumptions are outliers, normality, linearity, and multicollinearity.

4.3.1 Outliers results

The sample in this study was 122 companies listed on the Nigerian stock exchange as at 2014 and 2015 with a total observation of 2452. The data was checked for missing values using SPSS software version 23. It was found that the missing values have no specific pattern (MCAR) and are less than five (5) per cent, therefore were treated using mean replacement as suggested by (Kumar *et al.*, 2013). Thereafter, the study found that there are outliers in the observation which accounted to about 96 observations with a total of six (12) companies as shown in the table below. Outliers are observations that have their own exceptional features that make them unique from other observations (Hair et al., 2006). There are some approaches to check outliers, namely: Standardized residual and Cook's distance were used in this study. These are the most popularly used method world-wide to detection for any outliers. These state that observation(s) with high standardized residual has the possibility to be an influential outlier. Taking into cognise the role of thumb which states that any observation(s) with standardized residual above +3 or -3 are relevant, however, observation(s) that have the possibility to be influential outliers can easily be identified. The influential outliers are whether advantageous or problematic in any of the observation and has to be thoroughly scrutinized to determine whether to use them in the sample or to ignore (Hair, Black, Babin, Anderson, & Tatham, 2006). The research chose to delete them to see its effect on the general observations. After deleting the outliers, multiple regressions were run to see if there are differences in the estimated coefficients.

Table 4.2.1 Sample of study

NSE Main Market Sector Distribution (population)

Industry	Number of Companies	Percentage
Agriculture	5	2.82
Conglomerate	6	3.39
Construction/real estate	8	4.52
Consumer goods	28	15.82
Healthcare	10	5.65
ICT	7	3.95
Industrial goods	19	10.73
Natural resources	6	3.39
Oil and gas	12	6.78
Services	21	11.86
Financial services	55	31.07
Total	**177**	**100**

Table 4.2.2 Analysis of sample

Description	Number of companies
Total number of listed companies	177
Sampled companies	122
Total observations	2320
Companies discarded (outliers)	6
Final observation after removing outliers	2224

The raw data was further screened by Winsorizing data at 5% to detect any outliers' mistakes or missing values in the data entry then a histogram and scatter plot were run to identify most extreme high and low values.

If the difference is not significant no outlier to be eliminated. This study used residuals statistics test and Cook's distance to detect outliers and influential observations. According to the results the maximum and minimum values of standardized residuals did not exceed ±3 (Tabachnick & Fidell, 2007). Further, the result also showed that no case in the data set has a Cook's distance value larger than 1 (Pallant, 2007). Therefore, no case was found to be outliers. after outlier, the observation remains at 2224.

4.3.2 Normality and linearity

The multiple regression is one of the recognised techniques with the assumptions that the residuals should be normally distributed. It is important to note the P values for t-test (of the regression results) should be valid. The diagnostics of normality employs the skewness and kurtosis values. According to Hair et al. (2006), normality is assumed when the skewness and kurtosis for each variable fall between ±1.96 at alpha of .05 and ±2.58 at alpha of 0.10. The diagnostic results show that one independent variable is not normal because the skewness value is more than ±1.96. Therefore, board independence, board size, audit committee size, risk management committee, firm size, return on assets, and leverage were transformed by using Van der Waerden normal score, as suggested by Cooke (1998). Skewness and kurtosis after transformation is in the range of -0.854 and 1.899, and they satisfied the rule of thumb. The normality distribution among individual variables is standardized except audit committee independence. The skewness statistical value of audit committee independence which have more than +1.96 and -1.96, but board size, independent of board of directors, audit committee size, audit risk management committee, foreign ownership, leverage and firm size are normal distributed. Looking at the overall normality distribution using Shapiro Wilk normality test which indicates no significance justifying that the data has been normally distributed among the variables as shown in table 4.3 below.

Linearity is assumed to know the association between dependent variable and the independent variable is linear. Linearity is checked by contrasting the standard deviation of the dependent variable with the standard deviation of the residuals. In regression, non-linearity is not a problem if the standard deviation of the dependent variable is not more the standard deviation of the residuals as shown in table 4.3 below.

Table 4.3 Normality Test

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
e	232	0.96314	6.261	4.252	0.00001

4.3.3 Multicollinearity

An imperative and basic assumption of multiple regression analysis is that collinearity should not exist between two independent variables, also known as multicollinearity (Cheng, Hossain & Law, 2001). If the multicollinearity is high it causes the coefficient of estimated regression to become unreliable and unstable, which might force and change sample or model drastically if little changes occurs (Hamilton, 2008). This problem may affect the entire result of the model tested, as it will be difficult to accurately estimate the coefficient of the model (Cheng et al., 2001). Therefore, the data must be checked for the existence of multicollinearity.

There are two methods of testing multicollinearity. The first is Pearson correlation matrix (r) for the bivariate analysis between independent variables. The correlation between independent variables lead to multicollinearity problem if the correlation values are more than 0.9 (Tabachick, &Fidell, 2007). The second is by using a Variance Inflation Factor (VIF). The VIF for independent variables shows how coefficients' variance and standard errors of other variables increase due to the inclusion of the variable (Hamilton, 2008). According to the role of thumb, a variable whose VIF values are greater than 10 is highly correlated (Gujarati & Porter, 2003; Hair et al., 2006; Ho, 2006). By dropping one of the collinear variables, the problem is solved (Hair et al., 2006; Wooldridge, 2003).

The variance inflation factors (VIF) of variables for all models were examined. Table 4.4 shows that VIF for all variables (i.e. 2014 and 2015) ranges from 1.04 to 1.48. Thus, the VIF values for the two models are found to be around 1.04 to 1.48, which are below the threshold value of 10 as suggested by Gujarati and Porter (2003), Hair et al. (2006) and Ho (2006). Thus, the multicollinearity was not likely to affect the regression analysis.

Table 4.4 Multicollinearity Test

Variable	VIF	1/VIF
BODSIZE	1.48	0.674599
ACSIZE	1.38	0.722786
FIRMSIZE	1.34	0.747582
ACINDP	1.11	0.900439
PRFTBLTY	1.10	0.908486
BODINDP	1.10	0.911388
LEV	1.08	0.927130
RMC	1.05	0.949161
FOREIGN OWNERSHIP	1.04	0.961068

Mean VIF 1.19

4.3.4 Homoscedasticity

Homoscedasticity are assumption that shows the dependent variable as an equal level of variance across the range of independent variables. It is desirable because the variance of the dependent variable should not be concentrated in a limited range of the independent values. The presence of an unequal variance is said to be heteroscedasicity. Heteroskedasticity tends to make the coefficient estimate to be underestimated and sometimes making insignificant variables appear to be statistically significant (Hair et al., 2006).

White General Heteroskedasticity Test and Cameron & Trivedi's tests were used to check the heteroscedasicity problem. The null hypothesis that the variance of the residual is homogenous is tested. Thus, a P value less than 0.05 means we do not reject the hypothesis as the Heteroskedasticity value of 0.2088 as shown in table 4.5 below.

Table 4.5 Heteroskedasticity Test (IM Test)

Cameron & Trivedi's decomposition of IM-test

Source	chi2	df	p
Heteroskedasticity	61.06	53	0.2088
Skewness	11.22	9	0.2610
Kurtosis	8.73	1	0.0031
Total	**81.01**	**63**	**0.0629**

4.4 Correlation Analysis

Correlations analysis is used to explain the level by which one variable is related to another (Asteriou & Hall, 2007). If the correlation ± 1.0 means a perfectly and negatively or positively correlated. Zero (0) means no any relationship and one means a perfect correlation do exist among the variables. In addition, the relationship is seen as small where $r = \pm 0.30$ to ± 0.49 and where $r \geq 0.50$ the relationship strength is thought to be substantial. The Table 4.6 presents the correlation between the variables.

Table 4.6 Pearson Correlation Matrix of the variables

	ROA	ROE	BODSIZE	BODINDP	ACSIZE	ACINDP	RMC	FOREIGNP	LEV	FIRMSIZE
ROA	1									
ROE	0.6332	1								
BODSIZE	0.0695	-0.0639	1							
BODINDP	0.04	0.0455	0.0455	1						
ACSIZE	0.075	0.1362*	0.4468**	0.4468	1					
ACINDP	-0.1111*	-0.0649	-0.2265**	-0.0165	0.1997***	1				
RMC	0.1984***	0.1307*	0.1045	0.0556	0.1955***	-0.1082	1			
FOREIGNP	0.0461	0.1209*	0.0077	-0.1314**	0.1116	0.0273	-0.002	1		
LEV	-0.1996***	-0.1683*	-0.1102*	-0.0905	-0.2092***	0.142**	-0.0466	-0.0118	1	
FIRMSIZE	0.2085***	0.1151*	0.4172**	-0.1838**	0.2987***	-0.0958	0.0569	0.0542	-0.1192*	1

*, **, *** indicates significance levels at 10%, 5%, and 1% respectively

Table 4.6 above shows positively weak and significant correlation between dependent variable (ROA) and most of the independent variables. The correlation between risk management committee and firm size with ROA is 0.1984 and 0.2085 respectively. Furthermore, the ROA is positively correlated with board size, board independence, audit committee size and foreign ownership with weak value of 0.0695, 0.0400, 0.0750 and 0.0461 accordingly. However, a weak negative and significant correlation was found between audit committee independence, leverage and ROA of -0.1111 and 0.1996 respectively.

The table also shows that there is a positive significant correlation between dependent variable (ROE) and the independent variables (audit committee size, risk management committee, foreign ownership and firm size with a very weak correlation value of 0.1362, 0.1307, 0.1209 and 0.1151 respectively at 10% level of significance. However, leverage is negatively and significantly correlated with ROE of (-0.1683). Furthermore, ROE and board independence are positively and insignificantly correlated with a weak value of 0.0455. Besides, board size and audit committee independence shows negative correlation of -0.0639, 0.0649 respectively but both are not significant and with a weaker correlation each.

The findings also show a positive significant correlation between audit committee size and firm size with BODSIZE with a moderate a value of 0.4468 and 0.4172 respectively at 5% level of significance. But the BODSIZE reveals a weak negative significant correlation with audit committee independence and leverage of -0.2265 and -0.1102 value. Board independence, risk management committee and foreign ownership are positively correlated with BODSIZE with correlation value of 0.0455, 0.1045 and 0.0077 respectively and leverage has a very weak negative also insignificant with correlation value of -0.1102.

BODINDP has a positive moderate correlation with audit committee size of 0.4468 and also a positive but very weak correlation with risk management committee of 0.0556 value. Foreign ownership and firm size are significantly and negatively correlated with BODINDP with weak value of -0.1314 and -0.1838 accordingly. Finally, audit committee independence and leverage are negatively and insignificantly correlated with BODINDP by -0.0165 and -0.0905 respectively.

ACSIZE was found to have a positive and significant correlation with audit committee independence, risk management committee and firm size with the following values 0.1997, 0.1955, and 0.2987 accordingly. Furthermore, it has very weak positive and insignificant correlation with foreign ownership of 0.1116. However, it has a weak negative relationship with leverage of -0.2092.

ACINDP has weak positive and significant correlation with audit committee size and leverage with 0.1997 and 0.1420 respectively. Furthermore, it has also been found that there is weak positive and insignificant correlation between foreign ownership and ACINDP of 0.0273. More so, ACINDP is negatively and significantly correlated with board size with a weak value of -0.2265. Meanwhile, the relationship between board independence, risk management committee and the firm size is negative, weak and also insignificant with correlation value of -0.0165, -0.1082 and -0.0958.

Nevertheless, the RMC correlation with audit committee size is weak positive and significant with a correlation value of 0.1955. Although, RMC has a weak positive correlation with board size, board independence and firm size but not significant with the following value 0.1045, 0.0556, 0.0569 respectively. A weak negative and insignificant correlation was found between audit committee independence, foreign ownership, leverage and RMC with correlation 0.1082, 0.0020, 0.0569.

FOREIGNP has a very weak positive and insignificant correlation with board size, audit committee size, audit committee independence and firm size with the relationship value of 0.0077, 0.1116, 0.0273 and 0.0542 respectively and also, it has a very weak significant and negative relationship with board independence with correlation value of -0.1314. However, a very weak negative and insignificant relationship was found between risk management committee, leverage and the FOREIGNP with a correlation value of -0.0020 and -0.0118 accordingly.

The study also found a positive significant relationship between audit committee size and LEV with a weak correlation value of 0.1420. Moreover, it was established that audit committee size is negatively correlated with LEV but insignificant with a correlation value of 0.2092. it is found that leverage is negatively but insignificantly correlated with board size, board independence, risk management committee, foreign ownership and firm size a weak value of 0.1102, 0.0905, 0.0466, 0.0116, and 0.1192 respectively.

FIRMSIZE has weak positive and significant correlation with board size, audit committee size of 0.4172 and 0.2987 accordingly. Risk management committee and foreign ownership are positively correlated but not significantly with FIRMSIZE. However, FIRMSIZE has a weak negative and significant relationship with board independence, but negative and not significant with audit committee independence and leverage.

4.5 Regression analysis

There are two approaches when reporting regression, first way is to use the R square (R^2), and the second approach is to examine the statistical significance of the fit of the regression models. R square provides an indication of the amount of variation in the dependent variable explained by the variables in a model. Thus, the R square is frequently used to determine the goodness-of-fit of the model, and the higher the value of the R square, the greater the fit of the model (Hair et al., 2006; Pallant, 2007). F value is used to evaluate the significance of the fit of the regression model. There are two ways to evaluate the significance of the fit model using the F-value: (1) comparing the F-value to the table value, or (2) using the significant value and comparing it to the alpha value, which is in this study was set at 0.05<0.10. To support the model, the significant value should be less than or equal to 0.10 level of significance (Pallant, 2007). The table below present the summary of the three-regression technique and the researcher chose the most fitted one base on the outcome of the tested results.

Table 4.7.1 Regression Result (ROA)

	Coef.	t-value	P-value
BODSIZE	-0.20	-0.72	0.471
BODINDP	0.06	0.95	0.345
ACSIZE	-0.52	-0.74	0.459
ACINDP	-18.17	-1.07	0.284
RMC	3.24	2.85	0.005***
FOREIGNP	0.01	0.77	0.442
LEV	-5.71	-2.55	0.011**
FIRMSIZE	1.00	3.05	0.003***
_CONS	-3.59	-0.3	0.766
R^2		0.12	
F-value		0.000	
N		232	
Adjusted R^2		0.885	

Note: *, **, *** indicates significance levels at 10%, 5%, and 1% respectively.

4.5.1 Regression Result (ROA)

The result as measured by R^2 which indicates the impact of independent variables on the dependent variable by which, the independent variable explains 12% of the variance in the ROA as shown in table 4.5.1 above. Adjusted R^2 of 8.85% explains the variability between independent variables and dependent variable. However, 8.85% of ROA is influenced by the independent variable in this study while 91.15 % influenced by other variables.

Board size, audit committee independence, audit committee size and ROA are found to be negative and insignificant with coefficient value of (-0.20, -0.52 and -18.17) respectively. This shows that these variables have no any influence on ROA, thus Al-Matari, et.al (2012) drawn conclusions that the large board size has a negative relationship with firm performance in which they applied return on assets (ROA) as a measurement. The result of this study is consistent with prior studies such as (Pathan

& Skully 2010; Dar et al. 2011 & Ghabayen 2012) thus, there is insignificant relationship between board size, audit committee size, audit committee independence and firm performance. While board independence and foreign ownership are found to be positive but not significant with coefficient of 0.06 and 0.01 accordingly. Moreover, RMC has significant relationship with the dependent variable (ROA) at 5 percent level of significant with a coefficient value of (3.24) which shows RMC has an influence on ROA.

Fama and Jensen (1983) argue that the increase in the number of the members of the board slows down the decision-making processes of the firm, causing the board to pass off the problems, thus, leading to a decrease in firm performance and effectiveness. Studies of Lipton and Lorsch (1992) and Jensen (1993), aiming to empirically measure the relationship between the board size and firm performance, suggest that "as size of the board grows, the decision-making processes slow down and this causes communication problems and impacts the firm's performance negatively.

The result of this study is inconsistent with research relating to this issue conducted by Davies (2013).

However, table 4.5.1 also indicates that the two control variables firm size has significant relationship with the dependent variable (ROA) at the level of 5 percent. The coefficient of firm size is (1.00) which shows that there is a positive relationship between RMC and ROA, while leverage has a negative relationship and insignificant relationship with ROA, the coefficient value is (-5.71) and that indicates that it has inverse influence on ROA.

Table 4.7.2 Regression Result (ROE)

	Coef.	t-value	P-value
BODSIZE	-3.24	-2.94	0.004***
BODINDP	0.33	1.31	0.191
ACSIZE	4.68	1.65	0.099*
ACINDP	-50.12	-0.74	0.462
RMC	7.43	1.63	0.105
FOREIGNP	0.13	1.74	0.084*
LEV	-17.48	-1.95	0.053*
FIRMSIZE	2.85	2.16	0.032**
_CONS	-43.23	-0.89	0.373
R^2		0.11	
F-value		0.001	
N		232	
Adjusted R^2		0.731	

Note: *, **, *** indicates significance levels at 10%, 5%, and 1% respectively.

4.5.2 Regression Result (ROE)

The result as measured by R^2 which indicates the impact of independent variables on the dependent variable by which, the independent variable explains 11% of the variance in the ROE as shown in the table 4.4 above. Adjusted R^2 of 7.31% explains the variability between independent variables and dependent variable. However, 7.31% of ROE are influenced by the independent variable in this study while 92.69% are influenced by other variables.

Board size and leverage were found to be negative significant with coefficient value of (-3.24) and (-17.45) respectively, however, this indicates that an increase in number of board of directors in a company will have negative effects on the firm's performance (ROE). The result of this study is consistent with prior studies such as (Pathan & Skully 2010). Meanwhile, board independence and risk management committee were found to be positive but insignificant with coefficient of 4.68, 7.43 and 0.13 accordingly. This shows that an increase in these variables may have a positive impact on return on equity. Moreover, foreign ownership and audit committee size has positive and significant impact on firms' performance. The result of this study is consistent with previous studies (Fama, 1980; Fama & Jensen 1983; Hutchinson & Zains 2009; Pathan & Skully, 2010 & Davies, 2013). While, audit committee independence has a negative influence but insignificant on ROE and this study is consistent with Hutchinson and Zain (2009).

However, the table also indicates that among the two control variables, firm size has positive and significant relationship with the dependent variable (ROE) at the level of 5 percent. The coefficient of firm size is (2.85) which shows that there is a positive relationship with ROE, while leverage has a negative relationship but significant only at 10% with a coefficient value of (-17.48) and that indicates that it has negative influence on ROE.

4.6 Hypothesis Testing

Based on hypothesis developed in chapter three, this section categorizes the result of the hypothesis in order to make decision whether to accept or not. The regression results in table 4.5.1 and table 4.5.2 are used to make judgement of whether the relationship among independent variables such board size, audit committee size, risk management committee, board independence, audit committee independent, foreign ownership, firm size and leverage and dependent variable firm performance (ROA & ROE) is significant or not.

However, the first hypothesis that were developed in this study is that board size has a negative and significant impact on firm performance. The significant value of board size for the dependent variable proxies are 0.471 and 0.004 respectively. The p-value for ROA is greater than 0.10, thus the hypothesis is not supportive while for ROE is less than 0.05 which is supportive.

The second hypothesis in this research is that there is positive and significant relationship between board independent and firm performance. The result shows the significant value for ROA is 0.345 and 0.191 for ROE. As it is noted that the results or p-values are greater than 0.10 that means that this hypothesis is not supported.

The third hypothesis of the study is that there is a positive and significant relationship between firm performance and Audit Committee size. The significant p-value relating audit committee size is 0.459 for ROA while 0.099 for ROE. However, the hypothesis concerning ROA is not supportive because the value is greater than 0.10 while for ROE is supportive as the value is less than 0.10.

The fourth hypothesis states that there is positive and significant relationship between firm performance and audit committee independence. The p-values for ROA and ROE are 0.284 and 0.462 respectively. These results also are not supportive as both figures are above 0.10

However, the fifth hypothesis developed in this study were risk management committee has a positive impact on firm performance. The p-value of risk management committee for ROA and ROE are 0.005 and 0.105 respectively. The value ROA is significant at 1%, thus the hypothesis is supportive while for ROE is marginally significant but it is greater than 0.10 as such is not supportive.

The sixth hypothesis in this research is that there is positive and significant relationship between foreign ownership and firm performance. The result shows that the p-value for ROA is 0.442 whereas 0.084 for ROE respectively. As it is noted in the results for ROA is greater than 0.10 that means it is not supported. Meanwhile, ROE is less than 0.10 which means is supported.

Furthermore, there are two control variable namely firm size and leverage. However, the result demonstrates that firm size has significant impact with (ROA and ROE) at 0.05 level of significance. This means that larger companies have more opportunities than small firms and firm size has positive influence on firm performance and this study is consistent with (Patelli & Prencipe 2007; Watts & Zimmerman 1978). In addition to that leverage has negative significant relation with firm performance which means that any attempt to increase debt finances in the company has negative influence on firm performance and this study is consistent with Eng and Mark (2003).

Table 4.9 Summary of findings

		ROA		ROE	
Independent variables	Predicted Sign	Findings	Significant (Y/N)	Findings	Significant (Y/N)
BODSIZE	-	-	N	-	Y
BODINDP	+	+	N	+	N
ACSIZE	+	-	N	+	N
ACINDP	+	-	N	-	N
RMC	+	+	Y	+	N
FOREIGNP	+	+	N	+	Y
LEV	+	-	Y	-	Y
FIRMSIZE	+	+	Y	+	Y
(+ or -) Predicted Sign					
(+ or -) Findings					
(Y/N) Significant relationship between variables: Y= significant and N = not significant					

4.7 Summary of the chapter

This chapter demonstrated the procedure and results of the data analysis technique earlier proposed in chapter three (STATA). The data was checked for missing values using SPSS software version 23. It was found that the missing values have no specific pattern (MCAR) and are less than five (5) per cent, therefore were treated using mean replacement as suggested by (Kumar *et al.*, 2013). The data were then checked for outliers, normality and multicollinearity using Mahalanobis distance, skewness and kurtesis z-scores and Variance Inflated Factor respectively. The data demonstrated a non-normal distribution. However, there is no evidence of high correlation among the exogenous constructs in the model. Two out of the six hypotheses were accepted each of the two proxies, while four were rejected.

An elaborate discussion of the results of this study on its theoretical and practical contributions as well as its implication to research and suggestion for further study are discussed in chapter five.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this chapter is to discuss and conclude the main findings of the study as well as to suggest some recommendations for the appropriate regulatory bodies, relevant agencies and interested parties to consider. Accordingly, this chapter is organized as follows. First, a summary of the study is presented. This is followed by the implications of the study. Next, limitations of the study and suggestions for future research are offered. Finally, a conclusion is made there off.

5.2 Summary of the Study

The board characteristics is the most significant aspect in corporate governance mechanism that comprises of sub-committee under the main board of directors (Spira, 2003). This sub committees are responsible to remuneration of employees, evaluating risk and overseeing the corporate reporting process and ultimately the quality of financial information disclosed in financial statement and press release for decision making by prospective investors and shareholders'. There is a considerable interest in having an effective and independent board and audit committee rather than having merely board and its sub-committees especially the independent audit committee impact on firm performance.

This effectiveness of an independent board is to ensures that it would competently achieve its oversight responsibilities. In terms of board size, the results indicated that a larger board size has no role in increasing firm performance. The reason behind the insignificant effect of board size may be that larger boards experiences coordination difficulties, lack of cohesiveness, slower decision making, and more directors who free ride. A higher number of directors may be incapable of monitoring the actions of top management. The audit committee generally plays a key function in managing and management monitoring as well as internal control processes. For this reason, an effective audit committee in a company would focus on improving the quality of report, examining and reducing benefits from withholding information. In other words, an effective audit committee is seen as one way to reduce information asymmetries (Tengamnuay & Stapleton, 2009), which in end ensures that the financial disclosures made by the management are complete and accurate (Al-Shetwi, et al., 2011).

Briefly, it can be argued that an effective audit committee is one that results in higher integrity and transparency of financial information and enhancing firm's performances. This study found that audit committee size has no impact on non-financial listed companies in Nigeria and the reason for that is that the larger audit committee size the less effective and easier for CEOs power to have control. Abbott, Parker and Peters (2004), with the conclusion drawn that the audit committee size does not have an impact on the firm's performance. This study also found that audit committee independence plays no essential role in enhancing firm performance in the non-financial listed companies in Nigeria. The reason for this is that they do not have any direct personal relationship the activities of the companies which is consistent with (Ogbechie, 2012).

Risk management committee has impact in enhancing firm performance of non-financial listed companies in Nigeria in performing its oversight responsibilities in assessing, evaluating the risk apatite of the company for the purpose of avoiding unprofitable investment that will give raise to losses which can affect the overall performance and return to the company and the stakeholders in general. It appears that RMC has positive and significant relationship with firm performance because it is effective in strengthening audit committee in overseeing a company's financial reporting processes. Hence, the study provides a clear indication that strong RMC do enhance firm performance. These findings of the current study are consistent with those of and this is in order with (Hoyt & Liebenberg, 2011). Also, Davies (2013) stated that the failure of companies or an entity could also be attributed to poor risk management mechanism. However, this study found that foreign ownership has a positive but not significant relationship with firm performance. To justify this, it is imperative to know that foreign ownership seen as an inspiration that aids and align the relationship among principal-agents and at the same time it eases the agency cost among shareholders and managers through openness to the capital market to access funds to run the activities of the company with the view of higher returns. This is in line with Ghahroudi (2011), Uwuigbe and Olusanmi (2012), Al Manaseer et al. (2012) and Chari et al. (2012) which found a positive relationship among foreign ownership and firm’s performance.

This study was based on the effect of board characteristics and firm performance of non-financial listed in Nigeria. The problem was highlighted by the former president NSE that many boards and audit committees do not function as effective as an oversight mechanisms. It is argued that board characteristics and foreign ownership might be better predictors of firm performance (Lin & Hwang, 2010; PricewaterhouseCoopers, 2011). Furthermore, board effectiveness may depend on the its size, independence and governance structure, where the board of directors is the highest body that governs activities a firm. The board of directors of a firm plays a major role in making up the committee members. Thus, the audit committee effectiveness and its independence could be influenced by board governance that simultaneously operates in the firm (Beasley et al., 2010; Bedard & Gendron, 2010). Indeed, board governance can be regarded as complementary or substitute to the efficiency of any corporate organisation. Therefore, this study investigated the possible effect of board characteristics and foreign ownership on firm performance of non-financial companies listed on the NSE.

Data of this study was based on publicly firms listed on the NSE in the year 2014 and 2015. The year was selected because of the revised Nigerian code of corporate governance for listed firms 2012. From the OLS regression analysis conducted, board size, board independence, audit committee size, audit committee independence only RMC is positively and significantly associated with firm performance (ROA) while (ROE) was found to be negative and significantly influences the firm's performance this means that an increase in the size of the board would have a decrease on the ROE by (3.24%). The control variables leverage significant at 10% and 10% level of significance, but one with positive and other with negative relationship. Neither the audit committee size nor audit committee independence is significantly associated with firm performance. Also, the study found negative relationship between board size, board independence, foreign ownership and the firms' performance of non-financial listed companies in Nigeria.

5.3 Implications of the Study

The theoretical as well as practical implications of the study are discussed in the following sections. COSO (2011) emphasizes the significance of risk management committee on the companies and relates it to risk appraisal as a precondition. It has been known that both the shareholders and companies are depending on the corporate governance mechanism particularly RMC as a way of mitigating or reducing risk and as a direction to enhancing value, a weak risk committee would turn into persistent throughout the organisation and which eventually leads to poor share price performance (Institutional Shareholder Services 2005).

5.3.1 Theoretical implication

This study clearly investigated the effect of board characteristics and foreign ownership on performance of non-financial listed companies in Nigeria. In doing so, this study added value to the existing literature and provides further evidence on the corporate governance attributes that enhance firm performance among public listed firms in Nigeria. Agency theory posits that the relationship between a principal (owner) and agents (managers) may be subject to inefficiencies, due to the divergence of interests, which lead to asymmetric information. In this context, the flow of information is affected which in turn increases the asymmetric information, and thereby reduces disclosure and transparency practices. The board characteristics should be considered seriously as a necessary component of an effective functioning of companies or firms. This study illustrated that board with its committee members that are completely independent of management, and whose has financial accounting expertise significantly enhance firm performance. Fully independent directors and committee members with an efficient means of monitoring the management's financial disclosure practices and thereby reducing associated agency costs and asymmetrical information.

However, Resource dependence theory predicts that foreign ownership can link to its environment by establishing important contacts and providing access to information through personal and professional networks (Cohen et al., 2008). Therefore, firms with foreign investors can have more access to knowledgeable individuals and experts and thereby transforming it in the form of higher integrity of financial reporting. This research shows that audit committee size has a negative and insignificant impact on firm performance. Additional directors on the audit committee may provide of an increased pool of expertise, increase the range of perspectives, and be more capable of monitoring the actions of top management, and subsequently enhanced reporting transparency.

5.3.2 Practical Implications

This study is essential for all companies and shareholders in Nigeria in a numeral way. Foremost, the findings from this research offer important or vital information for stakeholders as well as potential investors and the public in general, in this manner enabling a better indulgent of the effect of board characteristics and foreign ownership that contribute to the performance of companies in the Nigerian context. For shareholders, these results also provide evidence that the board of directors and audit committee, risk management committee enhances firm performance.

After that, to policy makers as well as firms, the study raises an awareness of the need to increase the level of audit committee independence, risk management committee and foreign ownership as they have significant effects on firm performance. Indeed, the empirical studies has shown that a fully independent audit committee is perceived to be useful in improving firm performance. In addition, policy makers should also take cognizance that audit committee completely independent of management is effective in overseeing and monitoring the management reporting process. The weak effect of audit committees on different types of information disclosure, including financial information suggest that audit committee members do not play an active role in explaining all types of disclosure information which can discourage foreign investors to invest in the country. The audit committee members should be aware of all types of disclosure information that might help investors in their decision making. Further, audit committee members should encourage and motivate corporate management to disclose information in a full and accurate manner in order to avoid the biased disclosure reporting. The results presented in this study might be beneficial to corporate management who are concerned with improving financial reporting transparency and corporate governance practices in their firms. It should create awareness for corporate management and shareholders in enhancing the integrity and transparency of their corporate reporting at all levels.

5.4 Limitations and Area for Future Research

While this study has several strong points, it also has a number of limitations. Firstly, the sampled firms for this study were based on non-financial listed companies in Nigeria. The reason for this is the contribution these sector is making toward economic growth and the GDP of the country and with high number of companies listed on the NSE thereby creating a high number of job, they also implemented the corporate governance structure. Therefore, further research is suggested to examine this issue in other sectors by applying different method of data analysis technique. Secondly, this study has only focused on the effect of board characteristics and foreign ownership. There are other factors that could influence firm performance which may include types of ownership structure, corporate management and also to apply other performance measures for instance turbin Q. Future studies can be expanded to include these factors. Thirdly, in addition to examining the effect of board characteristics and foreign ownership as considered in this study, further studies should look into other characteristics of board and audit committee that might affect firm performance, such as foreigners' directors, gender of directors, and tenure of directors. Fourthly, this study does not investigate the interaction of audit committee characteristics on audit committee effectiveness. Prior research has argued that the success of audit committee can be determined and understood if the variables on audit committee are examined together. Related studies should explore the influence arising from the interaction of the audit committee characteristics.

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