CORPORATE GOVERNANCE MECHANISM, CORPORATE DISCLOSURE AND FIRM PERFORMANCE IN NIGERIA

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Abstract

Many corporate governance and disclosure studies in developed countries have established links between corporate governance and firm performance. However, in developing countries like Nigeria, very little attention has been given to transparency and disclosure in relation to firm performance. This study examines the relationship between corporate governance, corporate reporting disclosure and firm performance in Nigeria Stock Exchange (NSE) based on a sample of 62 non-financial companies in Nigeria between the years 2010 to 2013. This study considers the corporate reporting disclosure in three categories which are disclosure of board process transparency, financial process transparency, and ownership transparency. Value added intellectual capital (VAIC) is one of the proxies for firm performance other than return on assets (ROA) and Tobin's Q. The multiple regression analysis with panel corrected standard errors (PCSEs) was used in the analysis. The findings of the study provide empirical evidence that corporate governance mechanism is significant and positively related to firm performance. The study further reveals that there is a significant relationship between transparency and disclosure and firm performance. Thus, it is recommended that disclosure of relevant information should be highly practiced by public companies in Nigeria. This study contributes immensely to the field of corporate governance. Firstly, it introduces Nigerian companies' disclosure and transparency features. Secondly, the study expands the proxy for performance measurement by introducing VAIC method of measuring performance in Nigerian studies. Lastly and most importantly, this study considers the disclosure and transparency and internal corporate governance efficiency in Nigeria and its disclosure in the non-financial sectors of the Nigerian economy.

Keywords: corporate governance, value added intellectual capital (VAIC), disclosure, firm performance, Nigeria.

Abstrak

Banyak kajian tentang tadbir urus korporat dan pendedahan di negara maju telah mengiktiraf hubungan di antara tadbir urus korporat dengan prestasi firma. Walau bagaimanapun, di negara membangun seperti Nigeria, sangat sedikit perhatian yang diberikan terhadap ketelusan dan pendedahan berhubung dengan prestasi firma. Kajian ini mengkaji hubungan di antara tadbir urus korporat, pendedahan laporan korporat dan prestasi firma di Nigeria berdasarkan kepada sampel daripada 62 buah syarikat bukan kewangan di Nigeria di antara tahun 2010 hingga 2013. Kajian ini turut mengambilkira tiga kategori pendedahan pelaporan korporat iaitu pendedahan ketelusan proses lembaga pengarah, pendedahan ketelusan proses kewangan, dan pendedahan ketelusan pemilikan. Nilai tambah modal intelektual (VAIC) merupakan salah satu proksi untuk mengukur prestasi firma selain daripada pulangan atas aset (ROA) dan Tobin's Q. Analisis regresi berganda dengan panel koreksi ralat standard (PCSEs) digunakan dalam analisa data. Penemuan kajian ini memberikan bukti empirikal bahawa mekanisme tadbir urus korporat adalah penting dan berkaitan secara positif dengan prestasi firma. Kajian ini mendedahkan bahawa terdapat hubungan yang signifikan antara ketelusan dan pendedahan dengan prestasi firma. Oleh itu, adalah disyorkan bahawa pendedahan maklumat yang relevan harus dipraktikkan oleh syarikat awam di Nigeria. Kajian ini memberikan sumbangan besar dalam bidang tadbir urus korporat. Pertama, kajian ini memperkenalkan ciri-ciri pendedahan dan ketelusan syarikat di Nigeria. Kedua, memperluaskan proksi bagi pengukuran prestasi dengan memperkenalkan kaedah VAIC untuk mengukur prestasi firma dalam kajian di Nigeria. Akhir sekali dan yang paling penting, kajian ini mengambilkira pendedahan dan ketelusan serta kecekapan dalaman tadbir urus korporat di Nigeria dan pendedahannya dalam sektor bukan kewangan dalam ekonomi Nigeria.

Kata kunci: tadbir urus korporat, nilai tambah modal intelektual (VAIC), pendedahan, prestasi firma, Nigeria.

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List of Abbreviations

AP	African Petroleum
CG	Corporate Governance
CAC	Corporate Affairs Commission
CEO	Chief Executive Officer
CAMD	Company and Allied Matter Decree
CAMA	Company and Allied Matter Act
CESR	Committee of Securities Regulators
CAPM	Capital Assets Pricing Model
EBT	Earning Before Tax
ERM	Enterprise Risk Management
FRT	Financial Reporting Transparency
FRC	Financial Reporting Council
GLC	Government Linked Companies
GAAP	General Accepted Accounting Principles
GEAR	Gearing
IFRS	International Reporting Standards
IAS	International Accounting Standards
ICAN	Institute of Chartered Accountant of Nigeria
MD	Managing director
MVCS	Market Value of Common Shares
NASB	Nigerian Accounting Standard Board
NCCG	Nigeria Code of Corporate Governance
NSE	Nigerian Stock Exchange
OECD	Organization for Economic Cooperation and Development
PLC	Public Limited Company
PBV	Price to Book Value
ROE	Return on Equity
ROA	Return on Accounting
ROCE	Return on Capital Employed
RSKMGT	Risk Management Committee
SAS	Statement of Accounting Standards
SC	Signaling Circle
SEC	Security and Exchange Commission
S&P	Standard and Poor
UN	United Nations
UK	United Kingdom
US	United States
VAIC	Value Added Intellectual Capital

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Firm performance is widely recognized as a description of stages of achievement of the implementation of activities, programs and policies in understanding the goals, purpose, mission and vision of any establishments and presumably as well as efficacy of the firms governance structure (Haniffa & Hudaib, 2006). Firm performance has been centered on firm survival and growth because it is referred as an indicator of managers performance (Zahra & Pearce, 1989) and crucial influence on the investment decision of the executives managers (Jelic & Kingdom, 2001). Globally, there are series of research on firm performance, some of which include Morck, Shleifer and Vishny (1988), Rechner and Dan (1989), Zahra and PearceII (1989), Johnson and Greening (1994), Short and Keasey (1999), Haniffa and Hudaib (2006), Barth and Schipper (2007), Peng, Li, Xie and Su (2009), Durukan, Ozkan and Dalkilic (2012), Atinc and Ocal (2014) and Abdulazeez, Ndibe and Mercy, (2016). All these studies used accounting measure of performance, Return on Accounting (ROA); the following studies such as Al-Matari, Al-Swidi and Fadzil (2014), Gürbüz (2010), Haniffa and Hudaib (2006) Shan and McIver (2011) used market measure of performance, Tobin's Q to test the market performance of companies and managers decisions but with contradictory findings.

Corporate governance is referred to as system, processes and affairs by which organizations are controlled and directed and the processes through which companies' aims and objectives are achieved in the context of the monitoring by the regulatory bodies and market environment (Maury, 2006). Corporate governance mechanisms can be grouped into internal and external controlling mechanisms (Charlie, David, & Phillip, 2002; Kamardin & Haron, 2011). Due to the weak control in the developing market, the internal corporate governance mechanisms play an important role in a developing market (Adetunji & Olaniran, 2009). In Nigeria, there has been renewed interest in corporate governance reforms amongst business organizations (Adekoya, 2012). Scholars have written on the benefits of good corporate governance in Nigeria but very few have drawn attention to the challenges posed by the inadequacy of the corporate governance mechanisms (Adekoya, 2012; Ahunwan, 2002; Akpan & Amran, 2014; Austin Ujunwa, 2012). Thus, in this study, the internal corporate governance variables are examined. These mechanisms are; board of directors' characteristics, risk management committee, managerial shareholding and corporate reporting disclosure.

Internal corporate governance mechanisms role in the emerging countries are stated by Kamardin and Haron (2011). These roles are classified into four as follows; monitoring roles, strategic roles, service role and resource dependency role. The focus on this study is on monitoring role as emphasized by the code of best practice in Nigeria and the need for effective monitoring to avoid expropriation of company's assets by the majority shareholders. The internal corporate governance mechanisms are considered because they tend to have influence on the decisions made by executives (Lemmon & Lins, 2003). The primary determinant of the extent of agency problems between controlling insiders and outside investors is the firm's ownership structure (Kamardin & Haron, 2011).

The main external controlling mechanisms are blockholder ownership and market for corporate control and managerial labour market (Adetunji & Olaniran, 2009). The agency conflicts arises as a result of divergent of interest by shareholders and managers (Jensen & Meckling, 1976; Obembe et al., 2010). The ownership structure is the primary determinant of the extent of agency problem between the managers and outside investors (Denis, Denis, & Saein, 1997; Obembe et al., 2010). Weak corporate governance in Nigeria has resulted in delisting of companies for the following reasons; failure to file their financial statements, failure to regularize their listing status, stock that are issued are not in compliance with the listing requirements of the stock exchange (Ikoh, Nsien, & Tamuno-Inam, 2013; Austin Ujunwa, 2012). Table 1.1 bellow shows the summary of companies delisted for various reasons.

Table 1.1

Summary of the Reasons for Delisted Companies from 2008-2013 in NSE

Year	Regulatory	Nationalization	Voluntary	Absorbed	Merged	Total
2008	20	-	1	-	-	21
2009	11	-	-	-	-	11
2010	1	-	1	-	-	2
2011	11	3	3	1	3	21
2012	3	-	-	-	3	3
2013	2	-	-	-	2	4
Total	49	3	5	1	8	65

Source: Nigerian Stock Exchange Bulletin (2014).

The table above shows that the Companies on regulatory delisting are no longer complying with the listing requirements of the NSE which signifies management problems. Studies by Ehikioya (2009) reveals that firms with good corporate governance mechanisms have higher performance, lesser bankruptcy risk and very high valuation. Thus, NCCG 2011 is expected to enhance firm performance, accountability and higher transparency (Adewuyi & Olowookere, 2013; Austin Ujunwa, 2012).

Additionally, corporate governance explains the legal and established conditions as well as the internal system which influence the company's administration, control and thus have consequences on the business financial performance (Xiaoyan, 2013). Corporate governance is founded on transparency and responsibilities in regard to equity holder's interest. This brings about increased notice of the corporate awareness in respect to their investment decisions. There is potential agency conflicts reduction between management and equity holders as a result of excellent Corporate governance practices which could lead to maximization of shareholders interest (Abiola, 2012; Kamardin, Abdul Latif, Taufil Mohd, & Che_Adam, 2013). However, mismanagement, insufficient monitoring and false financial reporting impair confidence in corporate monitoring and control structures (Adetunji & Olaniran, 2009; Akpan & Amran, 2014). Corporate governance problem is the over concentration of power in the hand of few or the top executive which has led the greatest global economic crisis in 2008 (Blundell-wignall, Atkinson, & Lee, 2009; Cheffins, 2011; Ogbechie & Koufopoulos, 2010).

Nigeria as an emerging economy is no doubt requiring effective corporate governance, which enables establishment to advance business excellence due to the presence of corporate code of best practice. Companies perceived as adopting global best practices of corporate governance practices are more likely to encourage investment from the international community than those whose practices are alleged to be lower than global standards (Gill, Sharma, Mand, & Mathur, 2012; Salaudeen & Chima, 2015).

1.2 Corporate Governance and Corporate Reporting Quality in Nigeria

After 1960 when Nigeria got her independence, the Nigerian accounting environment imitated that of accounting practice in the UK. In 1979, Nigeria adopted the US presidential democratic system and began to create many of the institutions and regulatory frameworks which were presumed to differentiate the US from the UK. One such institution created in 1979 was the Nigerian Securities and Exchange Commission (SEC) (Wallace, 1988). The body was charged with the surveillance and development of the overall securities market, the mobilization and formation of capital and the protection of investors. Also included in its mandate is the power to regulate corporate disclosure by companies seeking quotations for their securities (Wallace, 1988).

However, the SEC has chosen to exercise the right, and has surrendered it (by inaction) to the Nigerian Accounting Standards Board (NASB) founded in September 1982 (Wallace, 1988). In 1979, the Nigerian Stock Exchange (NSE) began to demand that draft annual reports be sent to it for approval before they are printed and circulated by reporting companies to their members for approval at the Annual General Meeting.

The primary source of (mandatory) corporate disclosure rules in Nigeria is therefore the Companies Act 1968. The secondary (obligatory or voluntary) source of company's disclosure rules (including accounting standards) are the NSE and NASB. International Accounting Standards (IAS) and the accounting standards of some developed countries (particularly the UK SSAP) have tremendous influence on accounting practices and standard-settings in the country. On the impact of IAS, the Institute of Chartered Accountants of Nigerian (ICAN) requires its members to ensure that the accounts of their clients (reporting companies) comply with the extant.

In Nigeria, the Security and Exchange Commission (SEC) in association with the Corporate Affairs Commission (CAC) on June 15, 2000 inaugurated a seventeen-member committee. The committee chairman Atedo Peterside N. A., was directed to detect the weaknesses in the corporate governance practices as at then and come out with necessary variations that will strengthen the corporate governance practices. "The terms of reference for the Committee were as follows: to identify weaknesses in the current corporate governance practices in Nigeria with respect to public limited companies; to examine practices in other jurisdictions with a view to adopting international best practices in corporate governance in Nigeria; to make policy recommendations on necessary changes to the current practice; and to examine any other issues relating to corporate governance in Nigeria" (NCCG, 2003, p. 3).

The final report adopted embraces the criticisms and contributions of the various stakeholders and the public and signed by the Chairman, Atedo Peterside on 1 April 2003. The code of best practices on corporate governance in Nigeria (NCCG) was approved by the boards of the SEC and CAC which are the regulatory authority of firms in Nigeria. It universally established that weak corporate governance has been accountable for some corporate draw back in Nigeria.

SEC, in September 2008, set up a National Committee chaired by Mr. M. B. Mahmoud for the Appraisal of the 2003 Code of best practices for Public firms in Nigeria to tackle the flaws in 2003 code of best practice and to advance on the system on the code will be enforceable in Nigeria. In precise term, the committee was given the responsibility to pinpoint loopholes in 2003 NCCG weaknesses and its limitations and also to identify better corporate governance structure and to advise on other corporate issues in promoting good CG mechanism. This good corporate governance to be adopted by public firms in Nigeria. The committee is also mandated to align the CG in Nigeria with global best practices. The board of SEC has confidence in that this new code of CG will guarantee the best standards of transparency disclosure of relevant material information and good CG practices (NCCG, 2008).

The NCCG was further revised in 2011. The public companies in Nigeria are expected to disclose in detail their transactions as required by revised SEC code of 2011. The NCCG is available for use by public limited firms in Nigeria and the SEC advises other corporations to make use the guideline set out in the Code of best practice, where necessary, to direct them in the operation of their business activities. The code of best practices on CG in Nigeria (SEC, 2011) acknowledged three 'main players' in the putting into practice procedure and set the duties for each of them. The main actors are the BODs, the equity holders and the Audit Committees (AC).

The NCCG by SEC in 2011 requires that firm should disclose financial report beyond the statutory requirements and the board is also responsible to conduct risk assessment through the risk management committee of all the business update and its risk management framework. In addition, companies should also have whistle blowing policy to strengthen their performance. The board of SEC has confidence in that the new CG will guarantee the maximum standard of transparency, stewardship and good CG and this will make firms to be innovative in their business operations. The revision of the code of CG in 2011 is deep-rooted in compliance with the corporate global best practice. The SEC code is believed to take care of transparent reporting and presentation of financial statement.

Transparency is the "disclosure of information both in the decision making process as well as revealing the material and relevant information about the company" (Nur, Nurcahyo & Sugiharti, 2013, p. 93). Transparency has been explained as a desirable characteristic of financial reports provided that transparency reduces information risk and information asymmetry (Barth & Schipper, 2007; Mac & Mae, 2011). Transparency in corporate reporting has always been seen from positive stand view of users of financial statement and the depth in which the financial report reveals firm's underlining economies (Barth & Schipper, 2007; Phillips & Luehlfing, 2010). Transparency is also viewed as allowing "those affected by administrative decisions, business operations, or selfless work to know not only the basic issue and figures but also the mechanisms and processes" (Barth & Schipper, 2007, p. 175).

Transparency and disclosure leads to high accountability and reduced risk of expropriation of investor's interest by the managers (Mac & Mae, 2011). Transparency of financial performance information of any company contributes directly to the reinforcement of management and investor trust by lowering principal-agent problems. Such transparency gingers firms internally to select investment projects more diligently and manage their assets efficiently to attain high performance. Enhanced disclosure increases liquidity and reduces the cost of capital (Botosan & Harris, 2000). Researches also link disclosure and cost of capital through reduced estimation of risk (Botosan & Harris, 2000). Transparency also results in increasing investors' confidence and enhances other users of accounting information (Dholakia, 2013; King, Pownall, & Waymire, 1990).

1.3 Problem Statement

Before the introduction of code of best practices, the Nigeria, code of corporate governance (NCCG), corporate governance has been associated with numerous corporate scandals that witnessed across Nigeria. The scandals precipitate concerted efforts at evolving codes of best corporate governance practices for companies (Adegbite, 2012; Salaudeen & Chima, 2015). There have been issues of corporate fraud on the global and local scene, which ultimately led to the failure of big and known firms. The Enron case in the United State, Rank Xerox, WorldCom case and Parmalat sagas in European countries are few examples (Aßländer, 2005; Hermalin & Weisbach, 2012; Jackson, 2003; Sercu, Bauwhede, & Willekens, 2006; Soltani, 2013).

Recently, there were also corporate collapses around the world as a result of sharp practices by the board of directors (BOD). These corporate collapses are as follows; Dynegy an Energy company in US attempted a series of takeover bids, and a finding of fraud in a subsidiary's purchase of another subsidiary in 2012, Banco Espírito Santo (BES) collapsed in 2014 was placed into receivership in Australia in 2014. Similarly, the following accounting scandals were uncovered in companies such as Penn West Exploration in Canada overstatement of profit in the year 2014 and Toshiba Japan over statement of profit in 2015. Similarly, Valeant Pharmaceuticals, Canada overstatement of its revenue in 2015, fraudulent invoice in Alberta Motor Association in Canada, 2016 and the case of Odebrecht, bribery in Brazilian government sector in 2016 (Arens, 2016).

On the local scene, there are notable cases such as the collapse of some Nigerian Banks between 1990 to 2011 as a result of weak corporate governance and vague financial reporting (Akindayomi, 2012), the case of Lever Brothers Plc. (now Unilever) in 1998 where overvaluation of stocks running into several billions of Naira was uncovered. Another example is the African Petroleum (AP) PLC where the company's BOD covered its liability amounted to N22 billion in its offer for sale of its stocks in the year 2000. This case concerning the African Petroleum Plc. share has brought to light the concern of corporate governance and best practices in Nigeria.

Similarly, Cadbury Nigeria PLC's overstatement and false reporting of its audited financial statements in its financial statement between 2002 to 2005 amounted to N13 billion is another case of serious concern about firm's management in Nigeria. After the review of Cadbury's report, the SEC wrote to Cadbury a letter in September, 2006 stating concern about issues from the report in the areas of decreasing return and bad debt ratio, failing cash flow, insufficient disclosure in the annual financial statement and report and non-adherence with relevant corporate governance Code and procurement of loans for the payment of dividend on investment to equity holders conflicting to SEC guidelines and rules (Society for Corporate governance, 2010). As a result of this, the Nigerian SEC has imposed a fine of N22 billion for falsifying its account (SEC bulletin, 2008). This has led to the arraignment of two directors before the court of law and financial crime commission

(Daily Independence, 2008). This scandal has led to loss of company assets and decline of its stock in the capital market.

In another vein, the SEC suspended two companies in 2013 for sharp practices and lack of performance. In Maven Asset Management limited and Falcon Security Limited. Another company, Gosord Security Limited registration was cancelled by SEC due to its inability to meet statutory minimum requirements (SEC, Bulletin, 2014). Furthermore, Cowry Asset Management Limited Failed to honour its underwriting obligation in accordance with Rule 318 (2) of SEC Rules and Regulations by its directors in 2015. Similarly, International Standards Securities Limited non-compliance with security and exchange commission rules, regulations and deficiencies observed in its operations during a target inspection in 2015 is another corporate governance issue in Nigeria (SEC Bulletin, 2016). The suspension of these companies involved in sharp practices is as a result of the corporate governance code of best practice (NCCG) that is put in place by the SEC in collaboration with the CAC for public corporations in 2003 and revised in 2008 and 2011 to take care of the weaknesses of corporate practices and to make sure that companies perform excellently.

The world economic problem has given reason for a better need to promote excellent CG across the world (Adegbite, 2012). The developing countries adopt their standards and codes from the international standards which were mainly determined by US and England (Aina, 2013). The Financial Reporting Council (FRC) prescribes rules such as accounting guidelines and information to disclose in the annual report and release the code of corporate governance to guide the board of directors and management to solve the agency problem between shareholders and management. These rules, standards and codes are meant to improve the quality of financial reports and corporate performance of firms (Bijalwan & Madan, 2013; Maury, 2006). However, firms continue to suffer from problem of instability, poor profitability, insolvency and sometimes liquidation as a result of lack of governance mechanism or complete absence of corporate governance (Chuanrommanee & Swierczek, 2007; Zahra & Pearce, 1989). Consequently, owners of firms will suffer as a result of management lapses and weakness in board of directors operations and corporate governance mechanism (Ikoh, Nsien, & Tamuno-Inam, 2013; Kamardin, Latif, Mohd, & Che-Adam, 2012; Nyor, 2013).

The board of directors (BOD) have been seriously criticized for the deterioration in stakeholders wealth as a result of weak governance structure and high corporate failures (Abidin et al., 2000). The absence or low oversight roles by the BOD are some of the descriptions stated for these corporate failures in Nigeria (Oyewunmi, Olusanmi, Olujobi, & Adegboye, 2017). This happens when the board relinquishes power to the corporate managers who in turn run the affair of the corporation into self-interest instead of the owners interest (Abidin et al., 2000).

In the context of Nigeria, studies on firm performance have not been extensively researched. Notably amongst studies on firm performance in Nigeria include, Oyewunmi, Olusanmi, Olujobi, & Adegboye, (2017), Abdulazeez, Ndibe and & Mercy, (2016), Adegbite, (2015), Akpan and Amran (2014), Adewuyi and Olowookere (2013), Ehikioya (2009), Ujunwa (2012) and Obembe, Adebisi and Adeleye (2010). In all of these studies, firm performance is measured using ROA and Tobin's Q. In addition, previous studies are concentrated in the developed countries but few studies in developing countries like Nigeria. In this context, the current research attempts to provide empirical evidence on the association between corporate governance mechanisms and firm performance in Nigeria.

Most studies proxy ROA for accounting performance and Tobin's Q for market performance. Value Added Intellectual Capital (VAIC) which is yet to be studied in Nigeria as a measure of performance is added in the framework to take care of the weaknesses of the traditional method. Knowledge capital is important in achieving companies goal (Taufik, Widyastuti, & Yam, 2017). Realizing the importance of intellectual capital to a firm's performance, companies have made attempt to report on intellectual capital which includes the preparation of intellectual capital statements that combine "numbering, visualization and narration to account for organizational value creation" because intellectual capital is the conversion of knowledge into something valuable (Abidin et al., 2000; Degroote, Bontis, Chua, & Keow, 2000). Furthermore, literature reveals the link between corporate governance and firm performance of firm and such other factors that can strengthen corporate governance code of best practices and company performance such as the introduction of International Reporting standards (IFRS) (Major & Marques, 2009).

As transparency is one of the requirement in the corporate governance code of best practices released by Nigeria SEC in 2011, it is thus the interest of the current study to examine the influence of transparency and disclosure on firm performance (Rogers, 2008).

Most studies in accounting, economics and corporate governance have been on direct relationship between corporate governance mechanisms and firm performance. The interests of corporate governance research have been concerned with board structure and characteristics. However, mixed results from past studies on corporate governance suggest the possibility of moderating variable in the relationship between corporate governance and firm performance. This moderating variable is to serve as a monitoring role on the activities of BOD. The BOD is expected to perform with diligent if there is a monitoring mechanism in place to check their excesses and likely sharp practices by the board (Mustapha & Ahmad, 2013).

As mentioned above, this study attempts to examine the moderating effect of blockholder ownership on the relationship between CG mechanisms and firm performance. This is because, blockhoder ownership have greater incentives to monitor the activities of management (Haniffa & Hudaib, 2006). Block ownership acts as external monitoring by shareholders in the protection of their right and interest in the firm (Leng, 2004; Sirmans, 2013). No studies in Nigeria have attempted to adopt the blockholder ownership as a moderator to test the moderating effect on internal corporate governance mechanisms to the best of the knowledge of researcher. Owners are interested to get returns from their investments. Thus, efficient management in firm resources is most crucial to owners. Good CG practices also include having transparent disclosure of management decisions on allocation of company's resources (Hla, Hassan, & Shaikh, 2013; Jermakowicz & Gornik-Tomaszewski, 2006; Kasum, 2012; Yeow & Mahzan, 2013).

Precisely, this research attempts to fill the following gap; examining the moderating effect of block ownership by shareholders on the association between corporate governance mechanism and firm performance, examining the influence of corporate reporting transparency on the performance of non-financial public listed firms in Nigeria.

1.4 Research Questions

The research questions of the studies are as follows;

1. Is there any significant relationship between BOD characteristics and firm performance?
2. Is there any significant relationship between management shareholding and firm performance?
3. Is there any significant relationship between corporate reporting disclosure and firm performance?
4. Is there any significant relationship between risk management committee and firm performance?
5. Does blockholder ownership moderate the relationship between board of director's characteristics and firm performance?

6. Does block ownership structure moderate the relationship between managerial shareholding and firm performance?
7. Does blockholder ownership moderates the relationship between the risk management committee and financial performance?

1.5 Research Objectives

The broad objective of this study is to examine the effect of board characteristics and managerial shareholding on firm performance and the moderating effect of block shareholding structure on the relationship between corporate governance mechanism and firm performance in Nigeria.

The specific objectives are as follows:

1. To examine the significant relationship between board of directors' characteristics and firm performance.
2. To examine the significant relationship between managerial shareholding and firm performance.
3. To examine the significant relationship between corporate reporting disclosure and firm performance.
4. To examine the significant relationship between risk management committee and firm performance.
5. To examine whether blockhoder ownership moderates the relationship between board of directors' characteristics and firm performance.

6. To examine whether blockhoder ownership moderates the relationship between managerial shareholding and firm performance.
7. To examine whether blockhoder ownership moderates the relationship between risk management committee and firm performance.

1.6 Scope of Study

This study investigates the association between corporate governance mechanisms corporate reporting transparency, and firm performance among the non-financial public listed companies who have adopted IFRS and the revised code of corporate governance in Nigeria. Specifically, this study investigates some of the BOD characteristics, the shareholding structures and corporate reporting transparency and disclosure of the firm. Generally, all these governance structures in Nigeria are expected to play key role in enhancing organizational financial performance as indicated by previous studies (Al-matari & Al-matari, 2012; Haniffa & Hudaib, 2006; Latif et al., 2013; Ujunwa, 2012; Weisbach, 1991).

The performance measure intended for this research includes Tobin's Q, return on assets (ROA) and Value Added Intellectual Capital (VAIC). The inclusion of VAIC as a measure of firm performance is as a result of the importance of knowledge economics. A firm's intellectual capital is comprised of human capital and structural capital which is translated to performance by companies (Chen, Cheng, & Hwang, 2005). This research covers the population of 136 non- financial public companies on the NSE between 2010-2013 to take care of pre and post adoption of IFRS and the revised corporate governance code as released by SEC in 2011. Out of the total population, 62 companies were selected from all the sectors that consist of non-financial sectors in Nigeria to represent the sample after removing of companies with incomplete information and those without information on selected variables for this research. The reason for the choice of the non-financial institution out of the quoted companies is as a result of regulatory and corporate governance code differences. The corporate governance code of the financial institutions is released by the Central Bank of Nigeria (CBN) while that of the non-financial institutions are released by SEC to govern the activities and operation of management. The non-financial companies in Nigeria are all expected to comply with the revised SEC Code of 2011. Therefore, the non-financial institutions in Nigeria shall form the sample of the study.

1.7 Significance of the Study

This study investigates the moderating effects of block shareholding structure on the association between corporate governance and firm performance is important to both theory and practice as follows:

1.7.1 Theoretical Significance

Theoretically, this study contributes to corporate governance and financial performance literature. Firstly, the present study reveals if corporate governance mechanisms can significantly affect financial performance. IFRS is relevant in enhancing corporate governance code as well as financial prudence and transparency

(Ehikioya, 2009). Therefore, this study will be significant in filling the gap by considering corporate reporting transparency in relation to VAIC as a measurement of firm performance; there are also few studies that consider VAIC as measurement of performance and its relationship to corporate governance code, as this study combines traditional performance measurement and Value Added Intellectual Capital (VAIC). Intellectual capital (IC) performance or VAIC is used as a measure to investigate the efficiency of IC within a firm. Compared to ROA and Tobin's Q, VAIC includes the intangible components which are expected to capture firm performance better (Abidin et al., 2000 Pulic, 2004). This measure makes information available about the efficacy of tangible and intangible assets of a corporation (human capital and fixed capital) which are important to generate value to the company (Kamardin et al., 2013; Pulic, 2004). Secondly, the present study will complement the existing literature by demonstrating the effect of corporate reporting transparency on corporate governance. Previous corporate governance studies were largely conducted in the western contexts, while this one focuses on a developing country to see where the findings are consistent or varied from previous findings. Thirdly, the study proposes CG model for increasing corporate reporting transparency through developing transparency and consideration of block shareholding structure as a moderator. It is predicted that the block shareholding by its voting power is able to monitor managers to make decision that can increase the firm performance. The current study adds to the existing knowledge by demonstrating the moderating effects of block ownership structure on enhancing the effects of CG on firm performance. This is an indication that the block ownership is critical in monitoring the activities of the directors in order to achieve the organizational objectives.

1.7.2 Practical Significance

In addition to theory and literature development, this study is significant in practical perspective. Generally, this study is important to public companies by providing insight into the mechanisms of corporate governance. To business owners, the study shall provide the bases for solving problems associated with shareholder protection, especially in the hand of director. The management decision should disclose statements that will be of owners' interest. To managers, the study shall provide them with better understanding of their roles in corporate governance and how accounting standardization affects this role, thereby, equipping them with adequate information on how to effectively discharge their responsibilities, while balancing competing interests. To the academia, it serves as a contribution to the general body of literature. Specifically, it provides scholarly reference material for studies in the field of accounting, and a basis for further studies in the area of accounting theory and business accounting. For the accounting profession, it serves as basis and background for further research in accounting practices. It also affects future corporate governance code to be issued in Nigerian. To the government and other regulatory and monitoring agencies, the outcome of the study shall serve as a basis for policy formulation on regulation and issue standards that will lead to transparent presentation of accounting report. To the public at large (other stakeholders), the outcome of the study shall provide better information on the nature of accounting standardization and relationships in organization. These shall provide the public with basis to evaluate their stakes in business and to be able to make better judgments on governance, to assist them in appropriate decision-making. Furthermore, the findings from this study also encourage the public listed companies to adhere to the code of best practice that is in operation in Nigeria. In addition, the companies should be willing to attend training and retraining of staff in the line of corporate governance disclosure.

1.8 Study Outline

This thesis is presented in five chapters. Chapter One generally introduces the whole work. The chapter is made up of the background of the study, problem statement, research questions, research objectives, scope of the study, and significance of the study and the outline of the thesis. Chapter Two basically conceptualizes three major constructs of this study: corporate governance, corporate financial transparency and firm performance. This chapter also highlights previous studies on CG, IFRS, disclosure and financial transparency and financial performance. Moreover, the potentialities of IFRS as a new governance code and it relationship between CG and financial performance are discussed. Chapter Three discusses the conceptual framework of the study and the association between the main constructs and hypotheses proposed for this research. Moreover, this chapter states the research methodology employed for the study. The chapter explains the population of the study for the research, sampling technique, method of data collection and method of data analysis. Chapter Four presents the descriptive analysis for this study, empirical results, key findings, test of hypotheses of the study. Finally, Chapter Five provides discussions of findings, limitations of the study, directions for future research, suggestions for practice, and conclusion. Figure 1.1 below explains the summary of the research.

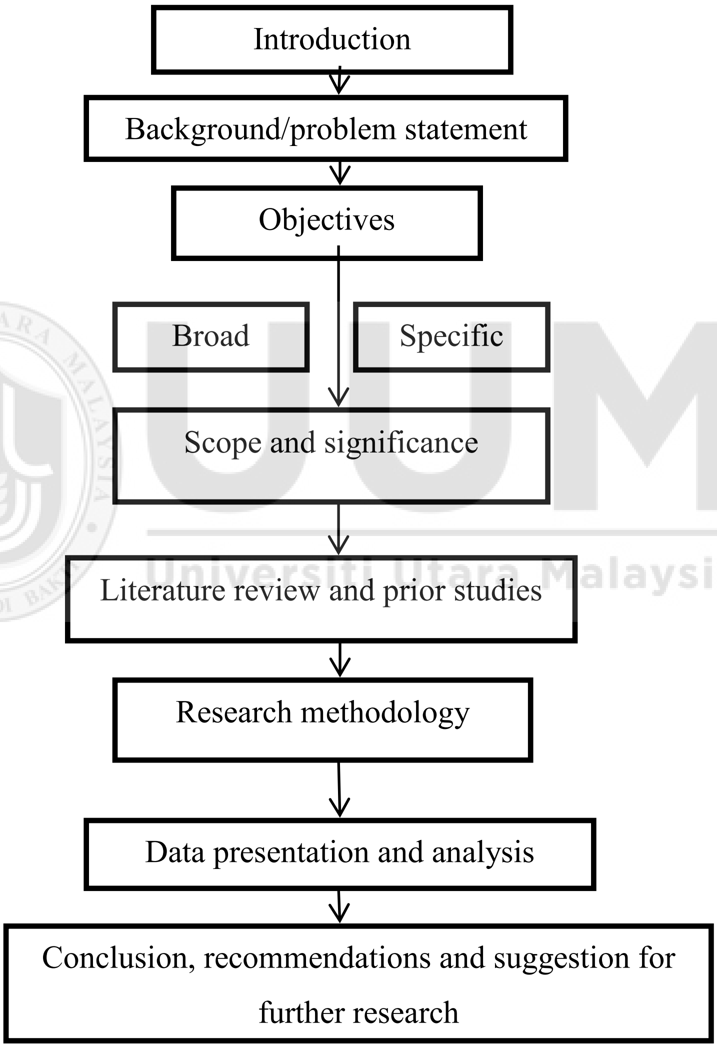

Figure 1.1 Organization of Research

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Earlier chapter has discussed the background, motivation of the study, research questions, and objectives of the study, scope of the study and significance of the study. Chapter two discusses literature review. It begins with corporate governance concepts and followed by corporate governance code of best practice in Nigeria. Empirical review on the corporate governance mechanisms and theories employed for this study are also discussed. The chapter also provides literature review on corporate reporting transparency and its effect on firm performance.

2.2 Corporate Governance

The term corporate governance has been recognized to mean different things to different individuals. Sunday (2008, p. 16) stated that "corporate governance is about warranting that the corporate organizations are run well and stakeholders receive a fair return". Furthermore, The Organization for Economic Co-operation and Development (OECD) (2004, p. 15) provides a more surrounding explanation of corporate governance it defined "Corporate governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence and a set of relationships between a company's management, its board, its shareholders and other stakeholders". The OECD sums up in its definition of corporate governance as the system by which business establishments are directed and controlled. The corporate governance mechanism stipulates the sharing of rights and tasks among different members in the company such as, the BODs, managers and equity holders in business, and states the rules and manner processes for making decisions on company matters (Sunday, 2008). The issue here is the separation of duties among the board members and the monitoring of the outside investors in order to solve possible problem of conflict of interest that may arise between the BODs and the outside investors.

Furthermore, corporate governance is seen as a whole system of governance by which firm leadership is dependent on, this entail directing and controlling the activities of companies (Cadbury Report, 1992). The focal point of corporate governance is the role of the BODs and the shareholders in providing leadership of the company. The issues in corporate governance discussed is the potential conflict between the parties in business due to the separation of owners from control (Jensen & Meckling, 1976). The presence of good corporate governance will be important to instill confidence and trust in the firm.

According to Shleifer and Vishny (1997, p. 737), corporate governance is the "ways in which suppliers of finance to corporations assure themselves of getting a return on their investment". This definition is the extent to which the scope of CG to all the stake holders in business. Similarly, Denis, Mcconnell, Denis and Mcconnell (2003, p. 2) defined corporate governance "as the set of mechanisms-both institutional and market based-that induce the self-interested controllers of a company (those that make decisions regarding how the company will be operated) to make decisions that maximize the value of the company to its owners (the suppliers of capital)".

Furthermore, in countries with high concentration of share ownership, there may be conflict of interest between the controlling shareholders and minority interest, the focus of the corporate governance shall be on the possible conflict that may arise between controlling shareholders and minority interest (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000; Mitton, 2002). The mechanisms of corporate governance is used to protect the minority shareholders for being expropriated by the majority shareholders and the controlling shareholders (Ishak & Napier, 2006; Mitton, 2002). Additionally, Johnson, Boone, Breach, and Friedman (2000) states the essence of legal framework in those countries with concentrated ownership structure (blockholder ownership) which is tailored towards reducing the expropriation of the minority interest by the controlling managers. From the forgoing, the definition by La Porta et al. (2000, p. 4) which states "corporate governance as a set of mechanisms through which outside investors protect themselves against expropriation by the insiders (managers and controlling shareholders)" is therefore adopted for this research.

This study explores disclosure and compliance properties of corporate reporting and financial transparency, corporate governance and financial statement presentation. International financial Reporting Standards (IFRS) adoption and adoption of revised corporate governance code of SEC, 2011 in a cross-section of Nigerian non–financial firms and the effect on firm performance is a strong motivation for this study because the adoption is said to enhance firm performance. Corporate reporting transparency is associated with increasing the degree to which facts are presented in the annual reports and statements discloses fundamental economics and reduction in information asymmetry among stakeholders in business because the information is readily clear and understandable (Barth & Schipper, 2007). Researches supports the notion that corporate financial reports with attributes of transparency such as financial transparency, ownership transparency and board process transparency in the annual report can be of economic value by reducing the cost of capital (Adelopo, 2011a; Aksu & Kosedag, 2006; Barth & Schipper, 2007; Gary Meek, Robert, & Sidney, 1995; Tsamenyi, Enninful-Adu, & Onumah, 2007).

To strengthen the corporate governance practices in Nigeria, IFRS was adopted in line with international best practices. IFRS have been recognized a standard for presentation of accounting which is aimed at increasing the quality financial reporting if the standards are demonstrated properly in practice. Study shows that there are increasing similarities between IFRS and Statement of Accounting Standards in both developed and developing countries (Tefnescu, Alexandrina, 2009; Jermakowicz & Gornik-Tomaszewski, 2006). However, good standards are sufficient to bring about best practices such as reporting quality, transparency and corporate governance statement that are needed to produce quality financial reporting (Daske & Gebhardt, 2006).

In 2010, Nigeria has made IFRS mandatory for registered companies with the aim of improving the quality of financial report and comparability between countries, this is referred as one of the corporate governance issues (Madawaki, 2014). This can be seen that only countries with robust legal implementation that are able to realize substantial capital market benefits (Cuijpers & Buijink, 2005; Sellhorn & Gornik-Tomaszewski, 2006 (Verriest, Gaeremynck, & Thornton, 2012). To date, disclosure topics in Nigeria receive slight attention in this literature, even though disclosure requirements can be significantly increased with the adoption of IFRS (Kasum, 2012; Okpala, 2012).

Regulatory enforcement and corporate governance serve as the two most important dimensions of financial reporting infrastructure (Healy & Palepu, 2001) because they should effectively curb the opportunistic behavior of practitioners to ensure that good accounting standards can be carried out by good accounting practices which lead to increased firm performance (Baysinger & Butler, 1985; Ehikioya, 2009). Similarly, quite a number of corporate scandals worldwide such as the Enron scandal, the Parmalat scandal, Rank Xerox crisis and on the local scene such as the Cadbury scandal, the AP overstatement of financial statement and collapse of several banks in Nigeria which have affected the performance of companies have promoted the importance of corporate governance (Brown & Caylor, 2008; Cheffins, 2011; Erhardt, Werbel, & Shrader, 2003; Sunday, 2008)

Similarly, given the importance of corporate governance around the globe, mandatory reporting practices, the Committee of European Securities Regulators (CESR, 2003) came up with a standard on financial information, with the intention to establish suitable structure in order to attain a high level of management in financial reporting (Daske, Hail, Leuz, & Verdi, 2008; Jermakowicz & Gornik-Tomaszewski, 2006). High quality corporate governance is viewed to be exceptionally essential because it posits that BOD are responsible for the completeness, accuracy and truthfulness of the financial information while the block shareholders are required to act as a leading outside line of defense against false statement (Jermakowicz & Gornik-Tomaszewski, 2006).

Standard originates in three different ways. The one developed or formed by an individual or government to serve as a guide or minimum bench mark for their operations, business associations or standard setting committees and the regulatory agencies. The three sources mentioned above have serious role in setting ammonized standards for business organizations (Kasum, 2012). The following standards are relevant to the firm; performance standards, compatibility standards and measurement standards. These Standards specify the way of doing things, (Kasum, 2012). Standards set the rules to follow at any particular point in time. May, Okoye, and Samson (2013) posit that standard are set in order to conform to basic way of doing things and to ensure uniformity of doing things. Similarly, standards setters and preparers ensure uniformity of operation, compliance with financial reporting standards and protect shareholders interest (Beasley, 2014; Edogbanya & Kamardin, 2014; Madawaki, 2014; Mary et al., 2013).

Furthermore, campaign for the installation of sound corporate governance arises from the expectation that it will result in companies being diligently directed by the boards and management trustees. Consequently, in the United Kingdom, just as in Nigeria, company's legislation has led to the establishment of audit committees. Indeed, independent committees have generated series of reports which include the following:

The Greenbury Committee came into existence in 1995 due to continuing public anxiety against the excessive remuneration and perquisites which directors are paying themselves, out of tune with the operating and financial fortune of companies, and the failure to make adequate disclosure about the former. The Greenbury Committee's recommendation on director's remuneration is included in the Listing Requirements of the London Stock Exchange (Peck, 1998).

Turnbull Report, issued in 1998, the thrust of this report is the institution of efficient and effective system of internal control and its continual review and appraisal. The report, advocates very strongly the safeguard of a company's assets and shareholders' interests. The review activity should embrace all controls such as administration, security, financial, accounting and risk management. The London Stock Exchange includes the installation and nurture of sound internal control system as enunciated in the combined code in the listing requirements of new companies. To buttress this provision, the combined code states that, the directors should at least annually, conduct a review of the effectiveness of the groups' system of internal control and report to shareholders that they have done so (Peck, 1998).

Furthermore, Cadbury report issued in 1992 was to address the lack of public confidence in the financial reports prepared by company boards and the ability of the auditors to attest to their credibility. The reservation held by the public is borne out of the perceived relationship between the boards of directors and auditors. On the other hand, Hampel Report issued in 1998 was to focused generally on bringing improvement to bear on corporate governance. The London Stock Exchange considered the report of the Committee and subsequently published what is known as the 'combined code (Boyd, 1996; Dahya, Garcia, & van Bommel, 2009).

The interim report of Hampel Committee was produced in August 1997 and its finishing report was made in January 1998. Recommendations were made to codify the recommendations of the Cadbury (1992) and Greenbury (1995) reports, to clarify the duties of BODs, internal and outside directors, and to disclose information on management operations (Song & Windram, 2004). The report made the role of stock holder vital and strengthened the role of equity holders in the corporate governance process and the importance of self-regulation in the corporate governance process (Samson, Alalade, Onadeko, & Okezie, 2014).

This research explores how listed companies in Nigeria pursued such corporate governance agenda with their portfolio companies and how possible can corporate governance code and IFRS can lead to firm performance.

2.3 Nigeria Code of Corporate Governance for Public Companies

There are several rules and regulations imposed on Public Limited Company (PLC) in Nigeria. Besides the Nigerian Stock Exchange listing requirement, other major acts that regulate the activities of PLC are company act of 1965, Bank and Other Financial Institutions Act (1991) (BOFIA), Investment and Securities Act 2007 (ISA) and Companies and Allied Matters Act 1990 (CAMA). "The mandatory legal instrument for all incorporated companies in Nigeria is CAMA as it specifies the duties and functions the key players in corporate administration of companies (Adelopo, 2011). The NSE is responsible for enforcement of listing requirements on public companies and its subsidiaries and NSE is under surveillance of the Security and Exchange Commission and the Central Bank of Nigeria (CBN) is responsible for monitoring the activities of financial institutions and insurance companies.

Poor corporate governance has been element accountable for some corporate failure in Nigeria (Society for Corporate Governance, 2010). As a result of corporate scandals in Nigeria, such as African Petroleum crisis in 2000, the case of lever brother PLC now Unilever in 1998 and a case of Cadbury Nigeria PLC false reporting and overstatement of audited financial statement. As a result of the above issues, a number of codes of corporate governance practices have been shaped to be used by various authorities. This has brought the issue and the need to align Nigeria corporate governance practices with the global Best Practices. The SEC in association with the Corporate Affairs Commission (CAC) established a seventeen (17) Committee member on June 15, 2000 in Nigeria. The Committee was led by Atedo Peterside as a Chairman. The members' committees were carefully nominated to cut across all segments of the economy (SEC2003). The objective of the committee is to ascertain weaknesses in the CG practice in Nigeria and to come out with necessary mechanism to improve the practices of corporate governance in Nigeria. The committee concluded that the code shall apply to all the public companies that are listed on the recognized stock exchange market in Nigeria and companies seeking to raise fund for company's operation through the stock exchange market in Nigeria.

In order to improve the 2003 corporate governance code, the Nigeria SEC, in September 2008 inaugurated a national committee overseen by Mr. M. B. Mahmoud for the Review of the 2003 Code of corporate governance (NCCG) for Public firms in Nigeria and to address its weaknesses and to improve the mechanism for its workability In particular, the Committee was given the responsibility to ascertain weaknesses in, and constraints to good corporate governance and to recommend ways of effecting compliance and to advice on other issues that are relevant to promoting corporate governance practices by public limited companies in Nigeria and to be in line with global best practices (SEC 2008, p. 4). The review of the 2003 code of corporate governance was a routine review to identify the weakness of the earlier code. There was low compliance; therefore, the 2008 committee was given mandate to recommend way to enforce the code and compliance by public companies and also to align the Nigerian code with international code of best practice. The committee also advised that those not covered by the code are also advised to use it.

The Board of SEC has confidence that NCCG 2003 would lead to the maximum standards of corporate financial transparency, accountability and good corporate governance. The NCCG is primarily for public firms; however, the SEC would like to inspire private firms to use the 2003 code. The use of the code would assist in guidance of corporate issues and the affair of their business. The code of corporate governance was then further revised in 2011 to tackle global best practice specifically on the matter related to the committees of the BOD and also to take into consideration the new financial preparation regime (IFRS). This is in continuation of compliance of the Code of corporate governance in Nigeria with the code of global best practices (SEC, 2011).

The Code of corporate governance applies to the following bodies: public companies whose stocks are quoted on the NSE market, corporations in quest of to raise capital from the capital market through the selling of stock or looking for listing of security by introduction. The SEC Code will be applicable to the firm listed on the stock exchange market. All listed business that its securities are traded on a known stock exchange market (SEM) need to conform to the guiding principle of the minimum benchmark of their corporate governance. All corporations in quest of and to raise capital from the capital market, through the issuance of securities need to demonstrate adequate compliance with the ethics and requirements of this corporate code suitable to their scope, settings or operational setting (SEC, 2011). Table 2.2 shows chronological and historical of Corporate Governance development in Nigeria

Table 2.1
Historical Development of Corporate Governance in Nigeria

Period	Corporate Governance Development
Pre-1990 era:	Before 1990, the principal Company Law in Nigeria was the Companies Act 1968. This enactment was a comprehensive legislation modelled after the Companies Act 1948 of the UK. It contained elaborate provisions regarding the running of companies in relation to the roles of the board of directors and the members in general meeting. However, this statute was not without its limitations. As a result, criticisms it was repealed and replaced by the CAMD' of 1990.- Statute regulating companies in Nigeria.
1990 to 2003:	The Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004. It contained a lot of innovative provisions such as provisions on greater and more effective participation in, and control of the affairs of a company. The provision of the act is for greater accountability by directors. However, after the coming into force of the statute, some corporate challenges around the world brought the issue of corporate governance to the fore.
2003 to 2011:	The Code of Best Practices on Corporate Governance in Nigeria (2003 SEC Code) issued by the Securities and Exchange Commission in 2003 greatly impacted the corporate governance scene in Nigeria. The 2003 SEC Code was a product of a 17-member committee headed by Atedo Peterside which was set up by SEC in collaboration with CAC in June 2000. All the sectors of the economy were represented in the committee and it was mandated to identify weaknesses in the corporate governance practices in Nigeria and come up with necessary changes that will address the challenges identified and improve the corporate governance practices in Nigeria.
2011 to date:	SEC issued the SEC 2011 Code with commencement date of 1st April 2011 and applicable to all public companies in Nigeria. It is regarded as the minimum standards for public companies in Nigeria. The board of the SEC believes that the 2011 code will ensure the highest standards of transparency, accountability and good corporate governance, without unduly inhibiting enterprise and innovation.

Source: Marshall (2015), Aina and Adejugbe (2015) and Akinkoye and Olasanmi (2014)

2.3.1 The Board of Directors

According to SEC, 2011, code of best practices, the BOD is the uppermost authority in any organization. Boards of directors are charged with overall responsibility for the firm, specifically the oversight of management and control. BODs have a fiduciary or moral duty to represent the equity shareholders' interests and to assure that there is alignment between the interests of the executives and the shareholders (SEC, 2011). In legal terms board of directors have three major important duties:

1. Duty of Loyalty – The responsibility to act in the wellbeing of the firm in general, and not in their own individual interests. A key pre-requisite to fulfill the duty of loyalty is to devote sufficient time to running of the day today operation and be well informed about company affairs.
2. Duty of Care - The duty to pay attention and strive to make good decisions intended to promote and enhance performance of the company.
3. Disclosure Duties - The duty to provide reasonable and complete disclosure to shareholders in two cases: when equity shareholders are asked to vote, and when the organization completes a potential conflict-of interest in transaction. The BOD duties, responsibilities and functions are achieved through monitoring and evaluation of the company's leadership through mechanisms such as reporting, auditing, and setting and reviewing company policies.

Epstein (2012) suggested three primary tasks of the board of directors which includes the following:

1. Corporate accountability - Ensure appropriate financial reporting and disclosures, provide systems for enhancing governance, transparency, and ethical issues, and review policies related to internal controls and check, risk management, and code of conduct, financial and all external regulations and compliance issues.
2. Staffing and evaluation of top management - The selection and compensation of executives setting and performance goals and evaluation of their achievement, and succession planning.
3. Strategic oversight - The review and approval of long term plans, risk management policies, and major investments decision.

The main responsibility of the chairman is to guarantee the process followed by the board to attain the firm's long term objectives (SEC, 2011). The daily running of the firm should be primary obligation of the (CEO) and the executive team and not the responsibility of the chairman of the company. The positions of the chairman and CEO shall be separate and held by separate persons as recommended by the SEC code of 2011 in Nigeria. If the power is concentrated in the hand of few, it could lead to abuse of power and self-interest instead of the interest of the owners (Brickley et al., 1997; SEC, 2011)

The board chairman is responsible for directing the board in its activities and for serving as the principal liaison between management and the BOD. With respect to leading and directing, it is the primary responsible of the chairman, with the input of committee chairman and other directors, for setting board meeting agenda and programme for determining whether and when special board meetings should be held. The essential responsibility of the chairman of the BOD in an entity is to keep the board in an organized and informed manner. There should be some elements of public associations work involved as well, in addition to stand-in as a guide to the CEO. More specifically, the responsibilities of the board chairman include the following attributes as stated by the Nigeria Code of corporate governance 2011.

1. Facilitate or preside over meetings- board chairman is expected oversee over organization executive board meetings. More precisely, the agenda of the meeting is expected to be drawn by the presiding chairman board meeting. The chairman should both encourage constructive discussion and participation BODs members in order to move the company forward. The chairman should also transmit any crucial information regarding issues concerning the running of the company's business. The divergent and professional view of all the board members should be respected by the board chairman as far as it is separated from personal interest. These views could be in form of debate and discussion during the board meeting as it could lead to performance of the firm.
2. Board organization - For fruitful meetings of the board to hold, the composition of the board must be balanced. They must be people of good trait and there must not be minor and their profession and experience should be considered. Furthermore, the board chairman needs to involve older directors to guide and mentor directors who are just being appointed.

3. The board chairman should also serve as Spokesman of the company. The board chairman must have good public relation. The spokesperson role as a chairman largely involves passing the mission statement of the corporation to the general public, along with sufficiently explaining to the public, the strategies of the firm. The board chairman is also responsible for ensuring that the board works as it should in counseling, guiding, and monitoring and sometime directing the CEO. Since the board chairman is expected to perform some crucial control functions, it is often suggested that a different person apart from the CEO should occupy this position (Ehikioya, 2009; Jensen & Meckling, 1976; Reynald & Li, 2009) .

The implications of organizations leadership structure for firm performance have been richly debated in the literature. The market's growing volatility, the demand for evidence on the effect and risks of CEO Duality sparked growing research in this area. The arguments against CEO duality are strongly founded on the agency theory. CEO of contemporary businesses always acts in self favour instead of that of the owners of business. This was the reason for call for separation of the leadership position which results in mitigation of agency problems when there is divorce of ownership from control (Jensen & Meckling, 1976). To backup these self-interest conflicts, this argument proposes the running of the firm becomes more effective and focus when the two roles is separated. Extending this logic, the recommendation Fama and Jensen (1983) on CEO dual role and chairman responsibilities is as follows;

1. The BOD is answerable to overall performance of firm activities. It should explain the firm's long term objectives and guarantee that resources are proficiently organized towards achieving firm's goals.
2. The BOD is to guarantee that the corporation is correctly handled. It is the role of the BODs to manage the resources of the firm to achieve performance so as to protect equity holder interest and to meet the firm's commitments to workers and investors.
3. The board should guarantee that the firm conducts on its affair in accordance with the relevant laws and regulations guiding the company.
4. The delegation of work shall be done by the BOD to the management. The allocation of responsibility to those running the business does not in any way lessen the general duty of the BOD as the board is being held liable for the activities and firm performance.

The BOD of company is crucial in firm performance because they perform monitoring roles which includes the selection of employees for the organization (Xiaoyan, 2013) . The BOD can constitute audit committee as one of the board committees to prevent corporate failures by overseeing the account preparation process and monitoring the management. This could lead to resolving inside problem and reduce agency cost in a firm (Al-matari & Al-matari, 2012).

The member of BODs should also be answerable to the equity holders for every deliberation and resolutions. The SEC code 2008 posits that the BOD consist of two directors: executive directors and the non-executive directors. The bulk or larger percentage of BOD should take rational decisions to increase the worth of the equity holders investment and avoid corporate failures (Bijalwan & Madan, 2013; Lin, 2013; Xiaoyan, 2013).

The role of outside directors is very vital to improve executive function as they can oversee the association and force the executives to take impartial decisions (Xiaoyan, 2013). The selection of the board should be done in a manner that it will consist both the executive and non-executive directors for the value creation and better firm performance (Finegold et al., 2007; Johnson & Greening, 1994).

2.3.2 Officers of the Board in Nigeria

2.3.2.1 The Chief Executive Officer (CEO)

According to the Nigeria corporate governance code released by SEC in 2011, it states that the CEO is the number one ranking officer in charge of the day to day running of a business, and can play crucial functions in firm performance. Executives plays a vital role in improving firm performance because their role could lead to reduction in agency cost of firm by improving the level of information to be disclosed in the annual financial reports. Information asymmetry is also been reduced as a results of CEO effectiveness (Haniffa & Hudaib, 2006). The minority equity holders' rights are intimidated and the actions of the executives mostly favour the majority equity holders in the developing market. However, the executive and the equity holders in these markets seldom use the instrument of aggressive purchase of company and motivations to control the actions of executives, which can help to improve the performance of the organization (Haniffa & Hudaib, 2006; Shan & McIver, 2011; Xiaoyan, 2013).

The CEO is the chief of the executive group and is accountable to the BOD. The chief should be expert and well-informed in crucial areas of the firm's operations. Credibility and integrity should be his watch word. The BOD should have confidence in him and the organization as a whole (Krause, Semadeni, & Cannella, 2013). The CEO and the management team should institute a principles of good CG and relevant statute and laws which should be followed by workers at all levels of the organization (Ikoh et al., 2013; Liedorp et al., 2013; Rogers, 2008; Xiaoyan, 2013).

2.3.2.2 Executive Directors

According to the corporate governance code of SEC 2011, the executive directors are individuals well-informed in important areas of the firm's undertaking, executive director are involved in the daily running of the company's business operations. Specifically, executive director should be in charge of units and should be responsible to the BOD through Managing Director (MD). Their pay determination is the decision of BOD. The component of executive directors' remuneration should include long-term performance linked and bonuses, all this should be disclosed in the annual report of the firm (SEC, 2011).

2.3.2.3 Non-Executive Directors

According to the corporate governance code of 2003, the Non-executive directors (NED) should be crucial members of the board. They should bring autonomous judgment as well as vital scrutiny to the proposals and actions of the management and executive directors especially on issues of policy, performance appraisal and key appointments. NED should be individuals of high personality with broad knowledge, honesty and reliability and proficiency that can increase the level of independence and fairness in corporate decision making (Kamardin & Haron, 2011; Ogbechie & Koufopoulos, 2010).

2.3.6 Meetings of Shareholders

The general meetings of the company shall be the principal avenue for meeting and discussion between the equity holders and all other stakeholders ’in the firm. The BODs shall guarantee that all stockholders are treated equitably and all information about the corporation (Nigerian code of corporate governance, 2011).

The BOD should guarantee that equity holder’s statutory and overall rights are protected at all times (SEC, 2011). In particular, the Board should ensure that equity holders at annual general meeting keep their effective powers to appoint and remove directors of the firm where they maintain equity. The BOD should ensure that all equity holders are given equal treatment. No equity holder, however large or small, institutional or domestic, should be given preferential treatment or superior access to information or other materials. It is the duty of the BOD to ensure that minority equity holders are treated equally at all times and are adequately protected from insulting actions of controlling stockholders (SEC, 2011)

2.3.7 Risk Management

According to the revised code of corporate governance of Nigeria released in 2011, the BOD is responsible for the process of managing the risk of the company (SEC, 2011). Risk management is an integral part of BOD function as stated in the code of best practice. Executives are responsible to the BOD for executing risk management of the firm. The composition should include persons with professional knowledge in the area of risk management. The BOD of any company may inaugurate a risk committee to help it in its risk profile oversight role, risk management mechanism and the risk-reward plan to be determined by the BOD (Ballou et al., 2012; SEC, 2011, Edogbanya & Kamardin, 2015). The Risk management committee functions are as follows:

1. Appraisal and endorsement of the firm's risk management system including risk strategy.
2. Assessing the abundance, efficiency and efficacy of risk controls systems.
3. Oversees of executive's method for the knowing the significance of risks across the firm operations and the sufficiency of avoidance, discovery and reporting systems
4. Appraisal of the firm's level of compliance with applicable regulatory framework availability that may affect the enterprise's risk profile positively".

2.3.8 Disclosures in the Financial Report

Companies should disclose more than is required by the necessary regulatory agency like CAMA 1990 and NCCG 2011. The financial statements must be certified by auditor that it presents a true and fair view of the undertakings of the firm. The board of a public limited firm should state the governance structure in the annual report and all information about the firm strength as per the governance mechanism, policies and practices to shareholders (SEC, 2011).

Given the corporate scandals such as Enron, WorldCom in the global scene and Oceanic Bank management problem, Intercontinental Bank, Afri bank, bank PHB management and margin loan problem and lack of disclosure by these banks in Nigeria that led to four banks to be nationalized by Central Bank of Nigeria (Adelopo, 2011). Restoring public trust is at the top of the plan of today's business frontrunners which can be done through greater disclosure of material information on the enterprise's capital and control structures and strong corporate governance compliance (Beasley, 2014; Beasley, Carcello, Hermanson, & Lapides, 2000).

2.2.9 Transparency and Disclosure of Information

In line with the agency theory, companies are viewed as interconnection of contracts which are vulnerable to information asymmetry and self-interest of the managers and its shareholders (Jensen & Meckling, 1976), transparency and disclosure (T&D) in the annual report as instruments to solve problem that may result from agency problem where the managers may likely put their interest first instead of the interest of owners (Che Haat, Rahman, & Mahenthiran, 2008). Such practices are expected to lower the agency costs, leading to high firm performance which is also indicated in signaling theory as stated in Spence (1973).

Transparency is an essential component of corporate governance and transparency and disclosure reduces the information asymmetry between a company's executive and shareholder's in the firm (equity forms of security and creditors and other interested parties in business) and mitigating the agency issues in corporate governance (Beasley et al., 2000; Sandeep, Balic, & Bwakira, 2002). In Nigeria and most part of Africa, lack of T&D is attributed to the closures of some firms (Rogers, 2008). Transparency in organization is very important as it brings out risk profile in an organization and also report good news and bad news when necessary to give its investors and potential investors confidence in the executives' work. This means there must be public information on firms rules and regulations which shows organizational transparency (Rogers, 2008).

Chen and Cheng (2007) argue that timely incorporation of disclosure of losses in the annual report will lead to the efficacy of CG effectiveness. For example, enhanced and excellence corporate governance mechanism can lead to a reduction in sharp practices by the executives. The measurement of transparency and disclosure includes disclosures of financial accounting of major investors, disclosures of information in good time, communication of information and information completeness (Rogers, 2008).

Firm have incentives to disclose all material information about their business transactions (Yosha, 1993). Corporate information disclosure provides room for firm to influence the perception of potential stakeholder's of the future of the company's performance and firms value. Companies may withhold unfavorable news in a voluntary disclosure because they use their discretion on disclosure policies (Dye, 2014). Deegan (2002) posit that leaving disclosures task to the managers may lead to biased information that gives excellent impression of the company. When the going concern of company is threatened, managers may only disclose all favourable information. The abuse of discretionary disclosure leads to the introduction of mandatory disclosure requirements of detailed information (Suijs, 2005). Mandatory disclosure reduces the agent ability to only report excellent performance, positive results and symbolic information (Mobus, 2005).

The accounting standards will complement existing monitoring mechanisms of disclosure as argued by Burkart, Gromb, and Panunzi (2001). Disclosure and corporate governance mechanism are more often appreciated as closely related concepts - the higher the level of transparency, the more excellent the value of CG practices (Alexandrina, 2007). The lack of financial transparency and disclosure was often viewed as one of the major causes of most corporate scandals and governance failures around the world, adversely affecting self-reliance of public in the reliability of corporate financial reporting (Alexandrina, 2007).

Transparency and disclosure studies are vital considering that academics debated that enhancements in company's transparency through quality disclosures in the financial statements can reduce false reporting by the companies executives (Adelopo, 2011b). The disclosure of information in the annual financial statement and reports should be done in a way that will reflect timeliness, relevance, comparability and understandability (Adelopo, 2011a; Che Haat et al., 2008).

Disclosure assists investors to come closer to the corporation's affairs and hence, reduces the gap between management and stakeholders (Akhtaruddin, Hossain, & Yao, 2009). The agency theory signifies that firm's increases disclosure to prevent potential pressures from monitoring authorities (Akhtaruddin et al., 2009). Voluntary disclosures are information disclosed in excess of the requirement with free choice of the part of firms' management to divulge crucial information to the management to show transparency of their transactions (Meek, Roberts, & Gray, 2014). Those competing for fund in the world market provides wide range of information disclosures beyond the requirements of regulatory authority, however, the availability of crucial financial report is the need to gain entrance into the international scene (Meek et al., 2014). In order to increase the worth of disclosure in financial report and statements, regulatory authorities in Nigeria adopted SEC disclosure requirements for companies.

Information transparency and disclosure practices are an important elements and a solid measurement of corporate governance quality (Aksu & Kosedag, 2006). The

Nigerian firms need transparent and full disclosure of information to sustain the growth rate and to solve agency problem from false declaration of information and majority shareholders expropriating minority shareholder (Adelopo, 2011b; Aksu & Kosedag, 2006; Othman, 2013; Tsamenyi et al., 2007; Zaheer, 2013). Firm with greater corporate governance quality makes more excellent disclosures beyond the regulatory requirements (Al-Razeen & Karbhari, 2004). In Nigeria context, companies are advised to disclose beyond statutory requirements as stated in the code of corporate governance released by SEC in 2011.

2.3.10 Mandatory Disclosure Requirement in Nigeria

Company and Allied Matter Act (CAMA) (1990) section 334(2) states the mandatory disclosure requirements in the annual report includes the following;

> "*A statement of accounting policy, the balance sheet as at the last day of the year, a profit and loss account or, in the case of a company not trading for profit, an income and expenditure account for the year, Notes on the accounts and the auditor's reports*"

Other statutory disclosures required in the annual reports are as follows:

Section 335(1) of CAMA requires that accounts should be prepared in accordance with the accounting standards recommended by the NASB. In terms of comparisons, there are differences between the local accounting standards and the international accounting standards that is the IFRS While there are some standards that are not currently being used in the preparation of account in the country, there are some local standards that are not currently covered by any international standards.

Section 342 of the CAMA (1990) stipulates that the directors should report the activities to the shareholders. The annual report should contain the names of the directors. There are no requirements that the directors should be either independent or not. It provides for a maximum of 20 directors and minimum of 5 directors on the board of directors. It does not provide any guidance on the structure of the board, just as there is no statutory guideline on the duration of their meetings; however, information on members' attendance at meetings should be available for inspection by shareholders at the venue of the annual.

Section 359(3) to (6) (a) to (f) of CAMA, requires that the limited company to constitute an audit committee with membership equally shared between management and the shareholders. The law stipulates a maximum membership of 6 and maximum of 1 executive director on the board. There are no requirements on the structure and characteristics of the committee in terms of its independence, functioning etc. There are also no requirements to have a remuneration or nomination committees. The law also details the expected functions of the audit committees as follows; "To obtain from the general auditor an independent and objective assessment of the adequacy and effectiveness of the controls over (1) financial reporting, (2) effectiveness and efficiency of operations, and (3) compliance with laws and regulations, at such regular meetings and at other times as necessary" By and large, regulatory framework in Nigeria is still developing; however, the NSE has set a strong regulatory structure. Most of the quoted corporations in Nigeria have conformed to the minimum level of disclosure required.

2.3.11 The Importance of Transparency

The principle of disclosure and transparency is viewed by the Nigerian code of corporate governance as an excellent measure in ensuring the protection of the outside shareholder and minority interest in business. This assertion is in line with CAMA which states minimum guideline in preparation and presentation of accounting information. Therefore, transparency in this context is defined by Ariffin (2005, p. 15) as "public disclosure of reliable and timely information that enables users of such information to make an accurate assessment and judgment of an organization financial condition and performance, business activities, risk profile and risk management practices". This explanation identifies that disclosure of accounting information cannot alone guarantee excellent transparency and disclosure of the organization as a whole. To achieve transparency, an institution must provide timely, accurate, relevant and qualitative and quantitative information. this will allows users to make enhanced appraisal of the firms events and risks present in those actions that can leads to the overall firm performance (Ariffin, 2005; Kosedag & Aksu, 2005).

Strong transparency and disclosure keep corporate stakeholders informed about the doing and operations of the corporation and how the firm is governed (Mac & Mae, 2011). Furthermore, research posit that excellent disclosure of relevant information have been proven to have good effect on the effective running of capital markets as it sends signal to the potential investors (Silva & Lubian-lopez, 2013; Stiglbauer, 2010). Specifically, Healy and Palepu (2001) posits that reporting detail financial dealings and disclosure of accounting and non-accounting information voluntarily by executive may lead to the increased pace of innovation, internationalization of trade and have increased the value of depending on information in the security markets.

In the imperfect accounting regulations, managers can be stimulated to make voluntary disclosure for so many reasons. First of all they can be driven by the expectation of cost of capital reduction by reducing the information asymmetry and the uncertainty of return on investment perceived by investors (Lang & Lundholm, 2014) Secondly, managers can voluntarily disclose given the importance of disclosure as an improvement in business transparency (Adelopo, 2011a). This is done through quality disclosure and can greatly reduce information asymmetries (Botosan, 1997).

Similarly, when the shares are in bad situation, the managers may withhold the information which may likely have an adverse effect in the performance of the firm (Dye, 2014). In this case, managers may likely disclose relevant and material information in order to protect themselves from possible legal actions for inadequate or untimely disclosure (Skinner, 1994, 1997). However, brilliant managers may have an incentive to make voluntary earnings forecasts in order to enable the market to appreciate their role and capabilities (Trueman, 1986).

Furthermore, the literatures suggest that it is in the corporation's interest to provide more voluntary disclosures, thereby reducing the information asymmetry component and increasing the state of confidence by the public and the cost of capital firm and increasing the company's stock liquidity (Ariffin, 2005; Lambert & Verrecchia, 2012). Transparency reduces moral hazard and unethical practices by top management and adverse selection and enhances efficiency, credibility and integrity of the markets and strengthens market discipline (Ariffin, 2005).

2.4 Standardization of Accounting Practice

Standards involve formulation of assurance services that are tailored towards controlling and regulating trade activities, contracts agreements and rules and regulation guiding activities of event at any point in time (Ashbaugh & Pincus, 2001; Mary et al., 2013). Standards are developed or formed by an individual or government to serve as a guide or minimum bench mark for their operations, business associations or standard setting committees and the regulatory agencies (Oliveira, Rodrigues, & Craig, 2011). The sources mentioned above have serious role in setting ammonized standards for business organizations (Kasum, 2012; Mary et al., 2013; Oliveira et al., 2011). They also stipulate that three types of standards are relevant which are the performance standards, compatibility standards and measurement standards. The Standards that specify the way of doing things is referred as performance standards. The interface between standards and their relationship between quality and quantity is called compatibility. Standards set the rules to follow at any particular point in time is called measurement standard. Mary et al. (2013) identifies that standard are set in order to conform to basic way of doing things and to ensure uniformity of doing things. In a similar note as stated by

(Adekoya, 2012; Edogbanya & Kamardin, 2014) standards setters and preparers are there to enable the users comply to ensure uniformity of operation.

Oghuma and Iyoha (2006) states that the preparation and presentation and disclosure of financial statement is the responsibility of accountants. BOD are responsible also to see that management comply with all the prescribe rules governing the preparation. The knowledge and skills of accountants must be put together in carrying out these preparation and presentation. The procedures for producing financial statement were not standardized in the past leading to company producing different type of report using the standard set by the individual company and the consequences are that the accounts produced may not be in the interest of the owner of business. This practice was adopted by managers in many part of the world before the introduction of standards by regulating agencies that may be formed by the government of respective country to attend to accounting issues and standards. Different accountant, therefore, can produce different balance sheets for identical firms with similar characters and in the same industry (Oghuma & Iyoha, 2006).

However, the accounting profession needed more transparency, compatibility, accountability and enhanced public confidence in terms of proper record keeping of financial reporting and good corporate governance structure (Kasum, 2012). Standards were developed as guidelines which defines how companies and businesses should display transactions and events in their financial report and statement (Renders & Gaeremynck, 2007). This is to ensure the needed single set of account and practice, enlightenment of users of accounting information and provision of a framework for preparation, presentation and interpretation of accounting information. This standard should be the best interest of the owners of business, creditor, potential investors and the rest users of accounting information (Kasum, 2012; Mary et al., 2013; Okpala, 2012).

The issuance standards guiding accounting presentation report is the International Federation of Accountants (IFAC), The International Accounting Standard Board (IASB) previously known as the International Accounting Standard Committee (IASC) is charged with the responsibilities of developing the standards and the board has been responsible for the issuance of about Standards as IAS and IFRS. In the past, countries of the world chooses between adopting the International Standard directly or adapting their own standard to reflect what the International standards has provided and also consider their own local environment. The measure for the regulation of their accounting and reporting is dependent on whatever the individual country is adopting (Edogbanya & Kamardin, 2014; Kasum, 2012; Oghuma & Iyoha, 2006).

Researches have yield mixed results on whether the adoption of IFRS is favorable to a country. capital-market efficiency can be improved as a result of international harmonization in accounting can improve a common set of international accounting standards can reduce the information processing and auditing costs to market participants (Barth, 2007). On the other hand, Ramanna and Sletten (2009, p. 4) posit that accounting standards “evolve in the context of domestic cultural, legal, and other institutional features (including auditing): international harmonization in accounting, if it is not accompanied by changes to related capital market institutions, can be costly”

2.5 Underpinning Theories

Various theories can explain the dynamics of corporate governance, financial reporting and performance. These theories include, signaling theory (Spence, 1973) agency theory (Jensen & Meckling, 1976), resource dependency theory (Payerle & Pfeffer, 1978) and shareholders theory Hetherington, (2014), however, this study proposes to adopt agency theory, signaling theory and recourse dependency theory to explain the framework proposed for this study.

2.5.1 Signaling Theory

This theory is very important in explaining behavior when two characters are involved. These parties could be individual or organizations. These parties have admittance to different information about the firm. Characteristically, one party the sender which is referred to as signaler must choose the appropriate way to communicate (signal)(Connelly, Certo, Ireland, & Reutzel, 2010).

According to Connelly, Certo, Ireland and Reutzel (2010), signaling theory is highly characterized with reducing false information between associated parties in business. When top management increase stockholding in their organization, they will communicate to the capital market that the method employed in the diversification is in the best interest of stakeholders in business (Connelly, Certo, Ireland, & Reutzel, 2010).

Management researchers have applied signaling theory to support and explain the influence of information asymmetry in a broad of research effort. The observable quality of financial statements by investors is a result of signal sent by CEO of business organization (Spence, 1973). The researcher further states that signaling theory explains how firms or business organization uses their board to communicate to the shareholders about the extent of achievement, disclosure and compliance with relevant CG mechanism and financial reporting. The CEO also provides signal about firms or organization quality to the financial market (Brandes, Hadani, & Goranova, 2006; Spence, 1973; Zhang & Wiersema, 2009).

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Furthermore, Karasek and Bryant, (2012) and Zhang and Wiersema, (2009) postulated that signaling is present in every activities. People provide signal by speaking, carrying themselves and interacting with others. In another way, organization or firm signal through advertisements, recruitment and presentation of annual report and financial statement as well as compliance with relevant corporate governance code and financial reporting standards to reduce information asymmetries (Karasek & Bryant, 2012; Spence, 1973). This study therefore adopt signaling theory to explain the relationship between corporate disclosure, risk management committee and firm performance in Nigeria.

Spence (1973) who did an empirical study on corporate governance structures based his research on signaling theory and information exists between company's manager and those who have interest in the company. The firm therefore removes information asymmetry by providing material information to the stockholders. However, there is no way for investor to understand the real situation of information asymmetry of the transaction of the firm. Previous studies state that information is sent out by company to attract investors. In practical terms, company or organization with good CG normally disclose information to the public to promote good image of the business institutions (Bhattacharya, 2007; Chiang, 2005; Spence, 1973). Figure 2.1 below shows signaling and information environment of the business. The diagram show that the information is sent by the BOD about the performance of the firm and received by the stakeholders of the business including potential investors. There shall be feedback to the company inform reactions by the users of accounting information.

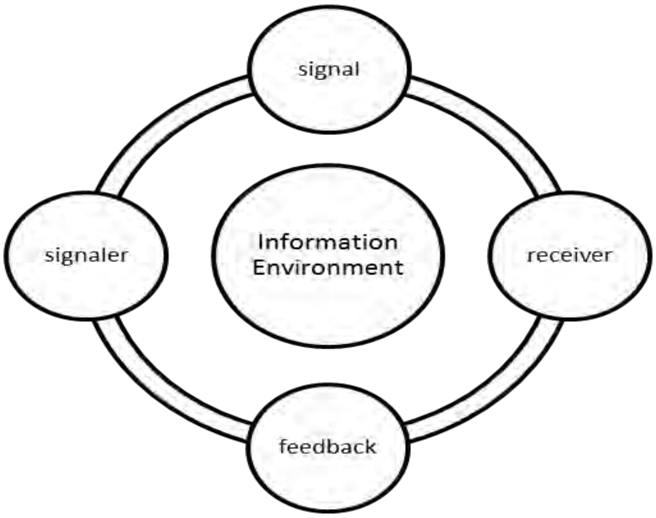

Figure 2.1: Signaling Circle

2.5.2 Agency Theory

Agency theory is an assumption which tends to explain the relationship or association between the owner of business (principal) and those appointed by the owners (agent) in business. The agency problem addresses the problem that can exist in agency association that is between the employee and the employed. The basis of agency theory can be traced to (Jesen & Meckling, 1976). The two main agency issues is the conflict of interest on the part of executive and monitoring cost on the part of principals. This theory is also based on the understanding that the agent have more material information than the principal, hence , this information asymmetry impact on the principals ability adversely to effectively monitor whether if their interests are being properly taken care of (Jesen & Meckling, 1976).

The business value that is to be created, be it for shareholder or whoever, is a result of the effort of the managers. It has been said that the managers have no legal responsibility to shareholders, but to the company. It has, however, been asserted by the courts that the interests of the company are those of the equity holders, making the directors to be thus, responsible to the shareholders (Anderson, et. al; 2007). According to (Charreaux & Desbrières, 2001) "value creation depends on the corporate governance system". A review without that of management here, therefore, may make the work incomplete. The association between the principal in business and agent employed by the owners of a firm is an agency type. Jensen and Meckling (1976) define the agency association as a contract under which one party (the principal) engages another party (the agent) to perform some services as dedicated to him. An agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some services and then delegate decision-making authority to the agents. The primary agency relationships in business are those between stockholders and managers and between debt holders and stockholders.

Agency theory first arose in the 1970s. The concept of agency, however, dates back to the time of first separation of ownership from management. Other scholars involved in agency theory's formative period in the 1970s included Armen Alchian, Harold Demsetz, Michael Jensen, and William Meckling. Specifically, agency theory is directed at a relationship between the principal and agent who performs that work dedicated by the owner. The metaphor of a contract is used to describe agency theory and its relationship with corporate governance (Jesen & Meckling, 1976). Agency theory suggests that the firm can be viewed as nexus resource holders, the owners and contracts intellectual and managerial resources.

Agency topic is usually in focus because of interest asymmetry. Issue of self and divergent interest cannot be overemphasized. Agency hitches arise from conflicts of interest between parties in business, these parties includes the agent and principal (Lockhart & Crow, 2011; Ross, 1973). According to Jensen and Meckling (1976), holds that managers will not act to maximize the returns to equity holders in the large corporation, unless good CG structures are implemented to safeguard the interests of equity holders. Agency loss is the degree to which earnings to the residual claimants, the principal, fall below what they would be if the principals, the owners, exercised direct control over the company (Jensen & Meckling, 1976).

Agency theory raises a fundamental problem of self-interested behavior, on the one hand, in an organization. “A corporation's managers may have personal goals that compete with the owner's goal of maximization of shareholder wealth”. Agency theory proposes that, in an imperfect labour and capital markets managers will seek to maximize their own utility at the expense of principle or stockholder in business. Agents have the capacity to operate in their own self-interest rather than interest of the owners. Evidence of self-interested managerial behaviour can be seen in the consumption of some corporate resources in the form of perquisites and the avoidance of optimal risk positions, whereby risk-averse managers avoid profitable opportunities in which the firm's equity holder would prefer to invest.

Majority of large publicly traded corporations, agency conflicts are potentially quite significant, because the firm's managers generally own only a small percentage of the common stock. Therefore, shareholder wealth maximization could be subordinated to an assortment of other managerial goals. For instance, managers may have a fundamental objective of maximizing the size of the firm. By creating a large, rapidly growing firm, executives increase their own status, create more opportunities for lower and middle-level managers, improve salaries and enhance their job security, because an unfriendly takeover is less likely (Jensen & Meckling, 1976).
More so, it has been said that obtaining resources from the environment and satisfying key shareholders are simply additional aims for the organization. Ideally, therefore, when we speak of firm performance, we should consider a set of outcomes that reflect the different perspectives (Hillier, Linn, & McColgan, 2005). The possibilities of manager's actions on value sharing in particular can be important in a firm that creates a high stakeholder value. He may prefer binding the customers with a reasonable price, guaranteeing a regular supply with a pricing policy favorable to the suppliers or attract his employees with a generous wage policy. Managers involves themselves in these rather than allot created value to the shareholders, whose role, in the process of value creation, they consider as minor for most of the firms, since financial capital does not provide any core competence (Charreaux & Desbrières, 1988).

Checking the perceived excesses of the managers is usually not without its costs. Like any other cost, agency problems will be dealt with by the financial market and be reflected in a corporation’s share price. These costs can be seen as the value or loss to equity holders, arising from divergences of interests between equity holders and agent. Researchers have defined agency cost as those costs undertaken by equity holders to encourage managers to maximize shareholders’ wealth rather than behave in their own self-interests. Jensen and Meckling (1976) defined agency costs as the sum of cost of monitoring, cost of bonding and residual loss. According to encyclopedia of business, the agency costs includes the cost expenditures to monitor managerial activities, such cost of audit; expenditures to structure the organization in a way that will limit unwanted managerial behaviour, such as appointing outside members to the BOD or restructuring the corporation's business units and management hierarchy; and opportunity costs, which business incurs when shareholders imposed restrictions. On the need to monitor the managers, scholars are of divergent opinion that excellent monitoring could be restricted to certain groups or individuals (Pratt & Zeckhauser, 1990). Another study reveals a contradictory view on monitoring, arguing that too much constraint will constrain managerial initiative and will act as deterrent to managerial entrepreneurship (Markus & Sor, 1994). However, (Denis et al., 1997; Denis, Denis, & Sarin, 1999) recommends optimal levels of monitoring of managerial policies that are specific to the individual company’s contracting environment.

How can owners make or encourage managers to work in firms' interest? For any effective governance mechanism, two conditions must be ensured. Firstly, does the device serve to narrow the gap between manager and equity holders' interests? Secondly, does the structure then have a significant impact on firm performance and value? (Himmelberg, Hubbard, & Palia, 1999). Stock-based compensations to the managers could induce to maximize equity holders' wealth. Furthermore, families that are well to do are said to prefer family ownership of enterprise. CG thus becomes the governing of family relationships. However, all the three theories discussed have link with corporate governance mechanism and the interest of protecting equity holders' interest and other interest in an organization. Meanwhile, agency theory is adopted for this study.

2.5.3 Resource Dependency Theory

The board of directors administrative functions can best be described through the lenses of agency theory; the environmental linking functions of the board of directors are best examined through the resource dependency theory (Bryant & Davis, 2012). Resource dependency theory suggests that organizations act in ways associated with their level of dependence upon various resources (Pfeffer & Salancik, 1978). Organizations act upon their environments in attempts to reduce dependency on certain resources and to maintain independence over other resources

Hillman, Cannella and Paetzold (2000) posit that most other research concerning the characteristics of board of directors has historically had biasness on agency theory.

The Consideration is on that agency theory perspective is most appropriate for an administrative function of the board of director's examination. Resource dependency theory states that when the board committee is bigger, a better performance is achieved. Resource dependency theory relate to corporate governance and performance and links them with the intensity of board activity, measured through the board meeting frequency. The resource postulates that the board meeting helps the board to evaluate and pursue a board business from time to time and to solve any problem faced by employees. Hence, when the board meeting frequency increases, the performance of the firm is expected to be more enhanced

Whilst the stakeholder theory focuses on relationships with many groups for individual benefits, the resource dependency theory concentrates on the role of board directors in providing access to resources needed by the firm. Hillman, Canella and Paetzold (2000) posit that resource dependency theory focuses on the role that directors play in providing or securing essential resources for an organization through their linkages to the external environment (Babalola & Adebipe, 2014). Meanwhile, Wanyonyi & Tobias (2013) agreed that resource dependency theorists provide focus on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm success. For example, outside directors who are partners to a law firm provide legal advice, either in board meetings or in private communication with the firm executives that may otherwise be costlier for the firm to secure.

It has been argued that the provision of resources enhances organizational functioning, firm's performance and its survival (Daily et al, 2003) According to Hillman, Canella and Paetzold (2000) that directors bring resources to the firm, such as information, skills, and access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. It is therefore appropriate to adopt this theory for this study as agency theory and the signaling theory may not be adequate to explain the entire variable under this research.

2.6 Firm Performance

Gitman & Vandenberg, (2000) Nuryaman (2012, p. 12) defined "performance as a description of level of achievement of the implementation of an activities / programs / policies in realizing the goals, purpose, mission and vision of the establishments as stated in the formulation and long term schemes (strategic planning) of an institution, can generally be said that the performance is the achievement which can be achieved by firms in a particular period". Kald and Nilsson (2000) and Khanchel (2008) posit that the measurement performance can be explained as a process of measuring the efficacy measures. This measurement is tailored towards identifying weakness of any firm and performance of the companies. The effectiveness and efficiency of any organization activities could be viewed as performance measurement of companies or firm performance (Nanka-Bruce, 2011).

Several measurements of firm performance are used as indices of performance of the management and performance of the board of directors and the main signal for corporate investment decision. This measure of performance is either the accounting measure or the market measure of firm performance (Dowen, 2001; Haniffa & Hudaib, 2006).

The accounting measure of performance is Return on Asset (ROA), Return on equity (ROE) and Return on Investments (ROI) which is indicated by market profit margin on sale and Earning per Share (EPS). The firm earnings and the profit for the year are measured from the amount of capital contributed for the running of the business. The higher the result, the more efficient the management of assets is (Gitman & Vandenberg, 2000). This method of measurement is based on financial information of the company of historical results. This includes operating earnings, revenue and profit. The accounting measurements measure what the firm accomplishes in a particular year (Millstein & Macavoy, 1999).

The impact of agency cost on firm performance is better investigated through the measure based on profitability (Chrisman, Chua, & Litz, 2001) even though the measure is having the limitation of manipulation by the activities of the management and discretionary reporting choices which affect earning level of firm (Wiwattanakantang, 2001). If the company can meet its debt obligation either short run or long run, that organization is said to be performing (Lukviarman, 2004). The ability of firm to settle it short term financial obligation is referred to as liquidity and the ability to meet both debt either long term or short term is called leverage (Solvency) (Gitman & Vandenberg, 2000; Premuroso & Bhattacharya, 2007). The

ROA is in this study is used to reflect the utilization of assets employed by the company in enhancing the wealth of the shareholders. The following weaknesses are identified by Wiwattanakantang, (2001);

(a) The ROA is widely thought that it might not absolutely accurate in measuring firm performance.
(b) In the case of developing countries, where standards are not well established or it is established but the compliance is very poor.
(c) Earning are easily manipulated.
(d) There is biaisness associated with accounting standards regarding advertising expenses and depreciation.
(e) Sales are less affected by firm level of earning management.

Also, the market performance is also added as a proxy for firm performance alongside ROA. Market measure of performance (Tobin's Q) is one of the measures to evaluate the performance of the company (Abdulazeez et al., 2016). This measure is one of the ways to assess the performance of the corporation's activities (Taufik et al., 2017). This is because, the measure take into account, risk and return on investment to the equity holder and other investors (Short & Keasey, 1999). This type of measures considers prices of stock which are considered "forward looking" the economic value of the company's information is reflected by the stock prices. Shareholders wealth creation can be determined by dividends pay out received by the shareholders and the institution stock price appreciation. This is referred to as market indicators of share valuation or firm performance. The prices of the stock, Price to Book Value ratio (PBV) are the market performance measurements indices include which include stock returns and Tobin's Q. Furthermore, Millstein and Macavoy (1999) posit that the use of stock return for the evaluation of corporation performance has the possibility to reflect expected future performance rather than actual performance.

Researchers have used Tobin's Q as performance measurement mechanism. This can be seen in the study by (Roszaini Haniffa & Hudaib, 2006; Hermalin & Weisbach, 2003; Mcconnell & Servaesb, 1995; Morck, Shleifer, & Vishny, 2001; Morck et al., 1988; Nuryaman, 2012). "Tobin Q is the ratio of the market value of the replacement cost of its assets. In the absence of market power, a divergence of Q from one represents the value of assets not included in the denominator of Q such as the value of expected agency cost" (Hermalin & Weisbach, 1991, p. 104). In the country where replacement cost for asset are not available or accessible, an equity market to book ratio that is market value of equity divided by the book value of net assets is used as an alternative proxy (Craswell, Taylor, & Saywell, 1997).

However, Tobin's Q cannot be measured without creating measuring bias. For Q to provide accurate measure of performance, stock prices have to reflect the true value of the firm (Lindenberg & Ross, 1981). Similarly, Khanna and Palepu, (1999) posit that the assumption of Tobin's Q may not meet the case of emerging economies because capital are illiquid and there is lack of timely disclosure. Therefore, it is not clear whether ROA and Tobin's Q is accurate in the case of Nigeria. On this note, the third measurement of performance (VAIC) is adopted for this study.

In addition to the traditional corporate performance measurement discussed above, there is need for measurement using long term which includes firm total resources (physical and intellectual). Intellectual capital is important in knowledge economy. One of the component of intellectual capital is human capital which is heavily relied on by companies to perform (Pulic, 2004). Due to increase importance of intellectual capital to firms, it will be appropriate to adopt value added intellectual capital (VAIC) with other traditional method to measure performance (Abidin et al., 2000; Degroote et al., 2000).

Furthermore, the reasons for adoption of VAIC method are attributed to the following; reduction of information asymmetries, investors react and accurately incorporate any information that has value relevance when making investment decisions, managers can evaluate their investment in in intellectual capital asset (Pulic, 2004). Similarly, Rahim, Atan and Kamaluddin, (2011) posit that external reasons, companies believes that knowledge capital should be measured in order to transmit the real value to the market in order to give the stakeholders comprehensive picture of their asset monetary value and also show the creation of wealth of the organization.

Empirically, VAIC shows a strong positive relationship with some corporate governance code as shown in Goh (2005) and Tseng and Goo (2005). The term "Intellectual Capital" collectively refers to all resources that determine the value of an organization, and the competitiveness of an enterprise. It is also argued that the of intellectual elements inclusion into the measurement of performance provides a long-term measurement of corporate performance (Abidin et al., 2000).

Following the argument on intellectual capital value creation, Pulic (2004, 2000, 1998) develops a useful measuring mechanisms in 1998 called VAIC. This method gives a new understanding to measures of value creation and monitors the value creation efficiency in firms using basic accounting figures. Contrary to the traditional accounting measure that focuses on tangible assets in corporate reporting, Pulic picks interest in the driver(s)/component (s) that create value (Chang & Hseih, 2011). Pulic (2000), provides that there are two key resources that added value. They are: capital employed which consists of physical and financial capital and intellectual capital that consists of human and structural capital (Chang & Hseih, 2011).

VAIC is a composite sum of three indicators formally termed (Abidin et al., 2000): firstly, Capital Employed Efficiency (CEE) is an indicator of value added efficiency of capital employed. This is part of the total asset of company that should not be left when evaluating company performance based on each asset invested by company because of the influence that they can exert on companies' performance (Díez, Ochoa, Prieto, & Santidrián, 2010), secondly Human Capital Efficiency (HCE) is an indicator of value added efficiency of human capital Human capital as an asset expected to create value in upgrading companies' human resource via employee related knowledge, competencies and skill (Kamardin et al., 2013) and thirdly, Structural Capital Efficiency (SCE) is an indicator of value added efficiency of structural capital. This capital provides the structures and procedures within the organization that can be used by the employees to put their knowledge and skill to the best use; and provides the best practice in which human resource can be fully utilized (Bontis, 1998).

VAIC is represented by Formula; VAIC = CEE + HCE + SCE (Abidin et al., 2000). The researcher have adopted to study VAIC alongside other measurement of performance because it takes care of long term performance measurement and other items not fully captured on the balance sheet (Abidin et al., 2000; Degroote et al., 2000; Kamardin et al., 2013; Pulic, 2004).

2.7 Corporate Governance Mechanism and Firm Performance

The importance of corporate governance on the value of the firm has long been recognized as founding work of (Brunner & Meckling, 1976; Jesen & Meckling, 1976) in a link of contracts among various parties in business, this is as result of owners managers conflict in an establishment. Subramanian and Swaminathan (2008) states that stock holder and parties in business interest are very important. Furthermore, La-Porte, Shleifer and Vishny (2014) who research on the significance of external governance mechanism around the globe, posit that nations with uniform laws provide better protection of shareholder (Kasum, 2012). In a comprehensive review on different aspects of internal and external governance systems. Gillan (2006) suggests that the next wave of governance research will broaden the scope of what establishes corporate governance, and address multiple corporate governance mechanisms and their interactions (Lin, 2013; Okpala, 2012).

Corporate governance is a very hot topic as companies around the world are facing corporate problems. Corporate failures in the US and other part of the globe, many of which were caused by corporate governance weaknesses (Bradley, 2004). Various management scholars have defined the concept of corporate governance in various ways. For example, Fourier (2006) states that excellent corporate governance is the tendency of company directors to conduct business within acceptable ethical standards. Corporate governance encourages fair, well-organized and transparent executive of organizations fortune to meet the objectives of the firm through effective practices and well-defined corporate governance structure (Maury, 2006; Rambo, 2013).

Corporate governance is ensuring that the action of management is the best interests of shareholders and the remaining stakeholders in the firm. The protection of shareholder is one of the key and underlining principles of good corporate governance and implementation (Ishak & Napier, 2006; Lin, 2013). The minority equity holder right should also be protected (Gürbüz, 2010). The other parties' interest in business is protected as a result of implementation of best practices by corporation (Gürbüz, 2010; Nuryaman, 2012).

In another opinion, corporate governance is a chain of mechanisms that can protect all parties in business from controlling managers and executives of the firm if the self-interest of manager comes to play. The insider abuse by the controlling or majority shareholder against the minority shareholder could be controlled as result of presence of corporate governance mechanisms (Shleiver and Vishny, 1997). corporate governance is further defined as a "pattern of relationships, systems, and processes used by the organs of the company (Board of Directors, Board of Commissioners) to provide added value to equity holders and owners of company on an ongoing basis in the long term, with due regard to the interests of other stakeholders, based on laws and norms that applies" (Nur et al., 2013, p. 92)

Corporate governance mechanism is basically a system for addressing agency problems of information asymmetry, problem between management and equity holder and monitoring the risk-taking of the firm and financial performance (Tarraf, 2012). The importance of effective and excellent corporate governance in the business environment could be seen from responses to the financial crisis around the globe and ways of instituting corporate governance practices. This includes many initiatives and statements by executives of firms and central banks that emphasize excellent corporate governance (Nur et al., 2013; Peni & Vähämaa, 2011). Hence, it is crucial to evaluate the potential consequences of enhanced corporate governance on firm performance in the era of market turmoil. This assessment is difficult because despite the many studies cited above that inadequate firm governance contributed to the financial crisis, there is little empirical evidence to support these claims (Tarraf, 2012)

Many scholars (Beck & Levine, 2008; Caprio, Laeven, & Levine, 2009; Laeven & Levine, 2007; Mishra & Nielsen, 2000; Sierra, Talmor, & Wallace, 2006) who investigated the role of corporate governance in organizations concludes that effective governance has positive effects on firm financial performance. Moreover, Brown and Caylor (2008); Core, Guay, and Rusticus (2006); Cremers and Nair (2006); Gompers, And, Metrick (2003); Haniffa and Hudaib (2006); Kesten (2011) suggested that good governance is highly associated with strong financial performance, and that good governance practices may constrain managerial opportunism and reduce incentives for excessive risk-taking.

2.7.1 Board Size and Firm Performance

According to NCCG 2011, a company should have at least two set of boards of directors which includes executive and non-executive directors. The NCCG did not specify the maximum number of the appropriate board. The interest of the owners should be reflected by the size of the board. However, the Nigerian code of corporate governance recommends and emphasizes the essence of having effective board.

The board of directors (BOD) size is an important element in achieving firm goals (Abdulazeez et al., 2016). The size should be adequate to represent the size of the firm and density of the firm's operations. The management and the composition should comprise both executive and non-executive directors (NONED) to guarantee different expertise on the board. This will allow compatibility, integrity, independence, and readiness of executives to attend BODs meetings (Roszaini Haniffa & Hudaib, 2006). The BOD members should possess personal characteristics of credibility and integrity and spirit of entrepreneurship (Dowen, 2001). There records should show high level of responsibility and persons who are committed for company advancement and excellent corporate governance and also transparent in the operation of the company (Dowen, 2001).

However, there may not be adequate discussion on the company matters if the numbers of the directors on the board are too few. This will lead decision-making precision on the issues involved to move the company forward (Bijalwan & Madan, 2013; Boyd, 1996; Hughes, 1995; Rossouw, 2005; Xiaoyan, 2013).

Researches reveal mixed opinions on board size and firm performance. resource dependency theory postulates that BOD is beneficial lead the collection of expertise and firm resources so that organization goal can be attained (Daily & Dalton, 1994; Dalton, Daily, Johnson, & Ellstrand, 1999; Johnson, Ellstrand, Dalton, & Dalton, 2005). Larger board's diversity helps companies to secure critical resources and reduce environmental uncertainties. They may also be constructive in their contribution and decision making which could lead to firm performance.

Hermalin and Weisbach (2012) suggest that the BOD number is appropriate between eight (8) and nine (9). This suggestion is in support of large board which states that the long run goal will overweigh the agency cost of BOD. That is, the gain by additional membership will outshine the costs associated with slow decision making, the effort problem and easier control by the CEO. Cohen, Holder-Webb, Nath, and Wood (2011) and Grove et al. (2011) found that companies have larger boards as a result committees. The large board will enable the board to set up some company's committees and some statutory committees as recommended by corporate governance code. These committees are as lending credit committee, audit committee and risk management committees, management committee, remuneration committee and research and development committee as stated by NCCG, 2011.

Furthermore, Hermalin and Weisbach (2012); Jhunjhunwala and Mishra (2009) argues firm performance could be impaired if the BOD is large Jensen, (1993) in another argument, the board ability decreases if the board size increases. This is because the decision-making period of BOD will increase as result of low decision making. In another study, Setia-atmaja, (2008) posits that the composition of larger board may include specialists from various fields; nonetheless, the productivity of the board and its effectiveness and corporate governance mechanisms could be dragged to the mud. As a result of peculiarity of working environment of large firm, it is expected that the company boards to be larger than boards in other industries.

Furthermore, the association of the board becomes negative as a result excessive board size which might impair firm performance (Grove et al., 2011). The agency conflicts will be increased due to a lack of efficient control by the board. The size of the board does matter whether small or large. What matter here is operational effectiveness by the company executive (Monks & Minow, 1989).

On the other hand, researchers argues that small board size are more effective and are good in solving agency problem (Monks & Minow, 1989) , but when the board becomes too large, they began to consider their interest instead of the interest of owners (Hermalin & Weisbach, 2012).

Lipton and Lorsch (1993), Pearce and Zahra (1992) Garg, (2007) and Haniffa and Hudaib (2006), Amran and Ahmad (2009) and Nanka-Bruce (2011) found a significant negative association between board size and firm performance. Performance of firm could be enhanced if the board size is small. The monitoring role of each member is easier. As a result of small number of the board members, decisions can be quickly made (Akpan & Amran, 2014). On the other hand, the diversity required for firm to perform could be seen in a larger board size (Schiehll & Bellavance, 2009).

Haniffa and Hudaib (2006) further found out that the board size is significantly related with both accounting measure of performance and market measure of performance. The result on this study market performance suggest that larger board it seem to have decreased performance compared to smaller board size in monitoring and controlling of company for better performance. When considering accounting measure, larger board seems to be better in terms of diversity of in contracts, expertise and experience needed to enhance performance of the organization in general.

Similarly, (Erhardt et al., 2003) suggest that company board of directors is in charge for controlling and evaluating senior management and the major thing about board effectiveness is the board structure. In another study, board size is relevant in determining the level of compliance with corporate governance code and financial performance of business organization (Grove et al., 2011) he further stated that corporate governance to be prerequisite for organizational performance and greater independence. Rambo (2013) found that that all the code of corporate governance is significantly associated with firm performance.

The following also posit positive significance Kang and Kim (2011), Khanchel (2011) Kyereboah-Coleman (2007) and Premuroso and Bhattacharya (2007). Furthermore, Pearce and Zahra (1992) concluded that the board of directors are the most important instruments of corporate governance variables. Directors can only protect the interest of equity holders by taking decisive decision and good decision that will lead to the benefit of stakeholder in the business (Rebeiz & Salameh, 2006). Expanding the board is believed to provide an increased pool of professional and that will be translated to better decision making for the organization (Shaker, 1989).

The board may likely to face longer reaching timely decision for the organization as the large group may form faction in reaching timely decision as a result of different expertise.

In Nigeria, studies Akpan and Amran (2014) shows a positive significance, this is in line with study by Adams and Mehran (2012) who also found positive association between board size and performance. the following studies also found mixed results (Erah, Samuel, & Izedonmi, 2012; Mande, Ishak, Idris, & Ammani, 2013; Sanda, Mikailu, & Garba, 2005; Augustine Ujunwa, Nwakoby, & Ugbam, 2012).

This section shows that the literature on the board size is broadly established, however, some empirical evidence is mixed and inconsistent notwithstanding in a similar setting. However, it is interesting to examine VAIC as another proxy of firm performance alongside traditional methods such as ROA and Tobin's Q method of firm performance measurement in Nigeria, especially during the period after the adoption of NCCG 2011 and IFRS adoption.

2.7.2 Non-Executive Directors and Firm Performance

The BOD is viewed as a crucial internal corporate governance mechanism. In the corporate form of business institutions, the NONED handle special position in the board as they are expected to serve as check and balances to the operations of the executive directors (Duppati, Sune, & Samanta, 2017). The NONED are also given responsibility whether big or small firm, as suggested by the revised code of corporate governance of 2011. The Cadbury Report (1992) sees corporate board at the midpoint of governance mechanism as inclusion of NONED may enhance performance of the board (Boyd, 1996; Popoola, 2010). Furthermore, the governing and managing of the companies is the responsibility of the executive that are elected by the shareholders who owned the firm. The equity holders and the executive management can therefore be viewed as juxtaposed by the presence of non-executive directors (Leng, 2004).

Haniffa and Hudaib (2006) posit the situation where ownership and management are widely separated, it will be difficult for the owners to have full control of the board or executives, therefore it will be important to employ independent non-executive directors to oversee the activities of the executive directors. More so, Yasser, Entebang and Mansor (2015) posit that NONED are effective monitors of firm's strategic related issues. They are able to offer independent professional judgment when dealing with the executive directors in areas such as pay awards, executive director appointments and dismissals.

Furthermore, Non-executive directors (NONED) play crucial role in the efficacy of board operation of monitoring, management and improving the overall activities of the firm. Their opinion to the board should be characterized as independent and add to the diversity of skills and expertise of the BOD (Aina, 2013; Kamardin, Latif, Mohd, & Che-Adam, 2012; Lei & Song, 2012; Lückerath-Rovers, 2011). The

NONED should also a business ‘watchdogs’, as to the function of ensuring that there is alignment of top executive interest thereby leading to firm value (SEC,2011)

The NONED is crucial that SEC makes it compulsory for reasonable percentage of the BOD must be NONED. Empirically, evidence shows that the relationship between independent directors and firm performance are found to be significant and improve firm value and performance, as measured by accounting and market values measurement (Lorsch, 2011). Furthermore, Garg (2007), Rohald (2009) Schiehll and Bellavance (2009) and Sirmans (2013) argue that non-executive directors ensure monitoring task on the executive director. This indicates that their role can lead to greater firm performance.

On the other hand, the following studies on corporate governance such as Hermalin (2005); Saito and Dutra (2006) Hermalin and Weisbach (1991) and Bhagat and Black (2000) and found that there is no significant relationship between the proportion of outside directors and firm performance. In another study, Adams et al., (2010) reveals that non-executive directors either add or destroy worth corporate performance, this is an indication that there is no consistent evidence using either accounting and market measure of performance.

Lawrence, Banking, & Barney (1999) found that the non-executive directors proportion tends to increase when a company ill performing. Rebeiz and Salameh (2006), state that the effectiveness of board is dependent on the size. This indicates that small boards could be more effective as a result of quick decision making (Lin, 2013). A similar view was advocated by Adams et al. (2010) and Hermalin (2005) who states that the behaviour of the board directors is dysfunctional, this means that board members rarely criticize the policies of the top management.

However, several researchers found that NONED do not affect firm value. Garg, (2007) argues that non-executive directors do not positively affect firm performance as they have failed to perform their monitoring role with utmost care and to improve the performance of the firm. The phenomenon or criteria for eligibility for appointment as NONEDs should be stated in the guidelines on corporate governance code of best practice.

It is argued that lack of NONED and ignorance of the procedures, tasks, and responsibilities expected of them could be reasons for the NONEDs nonperformance as expected on the board. Ming and Gee (2008) examines the relationship between independent directors and pay-performance relationship in government-linked companies (GLCs) in Malaysia where the study is based on 21 selected GLCs. The study states that the NONEDs on a board do not positively affect firm performance.

Evidence from the few researches conducted in Nigeria demonstrated mixed results on the relationship between NONED and company performance. research by Akpan and Amran (2014) on board structure and performance in Nigeria was found to have negative significance. However study by Ogbechie (2011) who studied the banking industries in Nigeria found out that the NONED is found to have positive with performance.

This section shows that the literature on the non-executive directors is broadly established, however, some empirical evidences are mixed and inconsistent using ROA and Tobin's Q as proxies for performance. However, it is interesting to examine VAIC as another proxy of performance alongside other traditional method of performance measurement in Nigeria, especially during the period after the NCCG, 2011 and IFRS adoption.

2.7.3 CEO Duality and Firm Performance

Krause, Semadeni and Cannella (2013) referred CEO dual role as "double-edged sword" because of the unity of command associated with duality role of board leadership and the independent oversight associated with a separate board of director chair. The research literature on CEO duality has taken two different analytical dimensions: creating the theoretical underpinnings of CEO duality role and evaluating the empirical effects of CEO duality on firm financial performance variables. The growing prevalence of CEO duality in CG in America underscores the importance of understanding this leadership structure and its impact on organization performance (Krause et al., 2013).

Larcker, (2016) postulated that the separation of leadership role of management could lead to duplication of responsibilities. This may create internal conflict and confusion in achieving firm goal of wealth maximization in time of crisis. Larcker, (2016) concluded that pressure to separate the chairman and CEO roles seems to center almost wholly on big corporations. More so, (Yasser & Mamun, 2015) stated that strategic decisions of the business can be implemented more efficiently when leaders have better discretion. This greater discretion can be attained by a unitary management structure because it provides a wider control base and locus of control.

In another vein, regulators and equity holder activists across various jurisdictions have strongly discouraged CEO duality function. First, they are concerned that CEO duality function changes the balance of power between the CEO and board of director's members, potentially compromising the board's oversight of management activities (Ghabayen, 2012). Second, CEO duality engenders information asymmetry between the CEO and the board of director's members, thereby weakening the effectiveness and the operation of the audit committee in monitoring reporting and management quality (Dahya, Garcia, & van Bommel, 2009). Simultaneously, the government of several countries has sought more influence over corporations by increasing its role in establishing and enforcing new corporate laws, rules and regulations.

Various stakeholder groups have seriously advocated for different persons to handle the position of the CEO and chairman the board of directors. They believe that this separation of power will improve good decision making and help prevent accounting and financial abuses similar to those experienced at Enron, WorldCom, Adelphia, and others and also can lead to better financial and general performance of the company (Adetunji & Olaniran, 2009). Specifically, investor activists believe the separating the positions is fundamentally essential for ensuring a more deep oversight of the company's strategic decision-making (Kamardin & Haron, 2011).

Further, the shareholder activists believe separating the roles will help neutralize questionable practices and sharp practices such as stock option backdating and excessive risk-taking (Coffee, 1999; Gordon & Pound, 1993). The growing concerns about the potential for abuse of power by combined CEO/Board leadership were propelled in the first decade of this century by the economic climate, abuses of power, and lack of Board control and supervision that led to organization failures and high drops in value (Peng et al., 2009). These concerns continue to drive the quest for separation of roles. These concerns and efforts to eliminate CEO duality role, however, have not been propelled by empirical evidence.

Corporate governance issues in Nigeria have called for separation of the two top positions where the chairman of the board is also the CEO. Coffee, (1999), Gordon and Pound (1993) supports CEO role should not be separated from chairman of the company. Duality helps to improve and quick. This will allow sharper concentration on the firm's objectives and implementation of operational decisions. Similarly, Dahya, Garcia, and van Bommel (2009) and Dahya (2000) believes that if the two top position are not divided, allows for long term vision to come out and achieve the objective of the firm without board interference. The firm performance could be improved as a result of this combined role of the top man (Rechner & Dalton, 1990; Rechner & Dan,1989). However, Duppati et al., (2017) argues that if the two roles are combined, managers may work for self-interest instead of the interest of the owners. There will be essential checks and balances over management's role if the two roles are separated. This could lead to firm performance (Forman & Argenti, 2005; Richard, 2001)

Empirical evidence on CEO role duality on firm performance from researches have showed mixed result; Brickley et al., (1997), Griffith, Fogelberg, and Weeks (2002) found evidence of better positive performance for companies who have separated the role of chairman from that of CEO. However, (Dawna, Paula, & Sundaramurthy, 2001) found firms with a separation of duties of chairman and roles perform better than company with combined role. Study by Vefeas and Theodorou (1998) and Charlie, David and Phillip, (2002) concluded in the same manner which is in consonant with Biao, Davidson and Dadalt (2003) Biao et al., (2003) and Brickley et al. (1997) reveal positive relationship between CEO duality and firm performance.

Duality role of CEO, wherein the CEO is also the chairman of the BOD has been contentious issue that has attracted significant and serious attention among researchers, shareholders, creditors, and policymakers around the world. Despite the lack of consistent empirical evidence indicating the benefits and relationship of separating the CEO and Board Chairman positions, the pressure to do so continues unabated. The practice of CEO duality role has generated considerable controversy and is considered objectionable by many agency theorists, equity holder activists, government officials and policy makers, and corporate watchdogs such as Institutional Shareholder, Shareholders Rights in the operation of the business (Peng et al., 2009).

However, despite powerful objections to the practice of duality, leadership structure literature offers varying conclusions on duality role and its effect firm's performance. Some studies have found an association between firm performance and board leadership. Interestingly, even where studies agree that a relationship exists, they often reach conflicting conclusions. Some have found a positive effect of duality on a company's performance, while others have found a negative effect (Ellstrand et al., 2002; Payne et al., 2009; Rechner & Dalton, 1990) Nevertheless, despite inconclusive empirical evidence there is an increasing convergence of the opinion of institutional investors, labor unions, and equity holder activists who do not support CEO duality role. Furthermore, studies that shows mixed results and negative correlation or relationship are as follows (Dawna, Paula, & Sundaramurthy, 2001; Ellstrand et al., 2002; Payne et al., 2009; Rechner & Dalton, 1990).

In Nigeria, the combine role of the chairman and CEO is not common by companies. It is a recommendation of SEC in Nigeria for companies to have the role of chairman separated from CEO to allow proper monitoring, checks and balances on the company's activities. The NCCG, 2011 state that if the role is put together it could lead to abuse of office by the top man who may be working for self-interest instead of the interest of the shareholders. Nonetheless, despite the empirical coverage of CEO duality role, it is still inconclusive as a result of different results from the past studies. However, it is interesting to examine VAIC as another proxy of performance alongside other traditional method of performance measurement in Nigeria, especially during the period after the NCCG, 2011 and IFRS adoption. The result of this study will show whether there is difference from previous studies.

2.7.4 Board meeting and Firm Performance

Board meeting is referred the frequencies of meetings that the board holds in a year or during the year (Al-Matar, Al-Swidi, & Fadzil, 2014; Mustapha & Ahmad, 2011; Sahu & Manna, 2013; Stewart & Munro, 2007). With the increased clamour for the effectiveness of corporate governance for protecting stakeholders' interests, board meeting has become important elements of corporate governance. It is argued that the firm performance is affected by number of board meeting (Collins Ntim, 2013).

Resource dependence theory suggests that a board with larger composition brings greater opportunities, more links to external environment and thus enhanced access to resources. The board meeting is essential because the efficiency and effectiveness of the board is reviewed and most board decisions on how to move the company forward are taken (Cameron, 2014). Furthermore, another effective way to evaluate performance of any board is through the board meeting and to review the minutes of past board meetings (Craft & Benson, 2006). The researcher further states that if board meetings is not frequently held, it make them ineffective for sharing important information necessary for governance purpose (Craft & Benson, 2006). Frequently held meetings of the board will bring out their expertize towards achieving the goal of the company (Kamardin et al., 2012) and sign of good signal for decisive decision making (Jensen, 1994; Spence, 1973).

The board efficiency is hinged on the frequency of its meetings as this can improve the performance of the company. Hence the following studies found board meeting to have positive relationship with performance; Hsu and Petchsakulwong, (2010), Al-Matar et al., (2014); Kang and Kim, (2011); Khanchel, (2008) and Ntim and Osei, (2013). These researchers demonstrated in their findings that excellent and high quality meeting will lead to firm performance. Additionally, Khanchel, (2008) posit that the board meetings frequency is a significant activity because as the board meetings increase in frequency, the more the operating performance firm will improve

On the contrary, Jensen (1993) argued that board meetings are characterized by daily tasks and hence this limits the external directors' chances to conduct a meaningful oversight over management. Series of researches demonstrated negative significance between board meeting and firm performance. Such studies are as follows; (García-Sánchez, 2009; Lipton & Lorsch, 1992; Vafeas, 1999a). However (Kyereboah-Coleman, 2007) demonstrated that board meeting is not significant with any measure of performance.

However, the code of corporate governance in Nigeria, NCCG, 2011 recommends not less than one meeting a quarter which means a minimum of four meeting of the BOD is recommended a year (Adewuyi & Olowookere, 2013). In line with the discussions above, they seem to be disagreement by researchers on the numbers of meeting to be held by the board of directors. Therefore, it will be appropriate to consider another measure of performance which is VAIC because previous researchers have consistently proxy performance to be ROA or Tobin's Q with inconsistent result.

2.7.5 Board Gender Composition and Firm Performance

Researches on women on the board of the firm have received great deal of research in the recent years and have contributed to legislation in some countries that made reservation for women in the board of listed companies (Adams & Ferreira, 2009; Akpan & Amran, 2014; Erhardt et al., 2003; Lückerath-Rovers, 2011). For example, some country like Norway and Sweden imposed gender quota on board of directors of listed companies which allow women to take some certain percentage of the board position in the company (Akpan & Amran, 2014).

Diversity in the appointment of board members should be encouraged as a result of their strict and trustworthiness of women on board of directors, this trustworthiness of female on the board can lead to increase in effectiveness of board control than their male colleagues (Austin Ujunwa, 2012). Most companies select women into board based on the resource to which they can provide and argue that women are more likely to handled and be placed in leadership position in time of economic downturn as a result of their strict compliance to company's policies and regulatory framework (Ujunwa, 2012).

In the contemporary firm, the BOD has two important role: monitoring role and provision of access to organizational resources (Hillman & Dalziel, 2003). It is postulated that the presence of women on the board enhances the fulfillment of monitoring functions, then it is possible that employment of women to the board increases firm performance (Hillman & Dalziel, 2003). In this case, improvement in BOD monitoring is expected because: "(a) the unique human capital of women brings diversity of skills and experiences to the board (b) women improve decision-making and leadership style (c) women increase board independence and (d) women promote better boardroom behavior" therefore, the following study found positive significance between women director and firm performance; Carter, Simkins, and Simpson (2003), Lückerath-Rovers, (2011), Smith, Smith and Verner (2013) and Chen, Leung, and Goergen, (2017)

On the contrary, some researches posit negative significance Adams and Ferreira (2009), Bøhren (2007), Gregory-Smith et al. (2012) and (Campbell & Mínguez-Vera, 2007). These studies posit that irrespective who is on the board can lead to to company achieving her goal as their finding states that the presence of women on the board lead to inverse relationship given the negative performance.

Culture is an extremely indefinable hypothesis (Haniffa & Cooke, 2002) culture is defined by (Harris, 1987, p. 6) as "learned, socially acquired traditions and life styles of the members of a society, including their patterned, repetitious way of thinking, feeling and acting." Women in Nigerian are treated as minor by many culture even though the Nigerian constitution gives women equal rights as men. This value system is reinforced by religious philosophies that are based on patriarchal thought systems in which the 'God-given' roles of women are that of mother and wife, caring roles and obligations that often extend outside the immediate family (Zakaria, 2001). The asymmetry and ascendancy of males over females in the labour market are clearly seen in patriarchal communities, where as in Nigeria there is a large power distance and high masculinity (Hofstede, 1980) and where customs place the obligation on the male child to be the economic provider, emotional protector and leader (Hofstede, 1980). However, Woldie and Adersua (2004) note, a gradual but significant shift away from these trends and a lessening of gender inequalities are apparent as countries such as Nigeria become more democratic, women still have difficulty challenging the subjugated role society had given them. However, there is no gender composition issues in Nigeria public limited companies.

In Nigeria, there is no agreeable number of women to be on the board of companies yet, because it is not stipulated by SEC NCCG 2011 or any other regulatory body. Consequently, on the general note, there is a campaign for 35% affirmation and representation in the dealings of activities in Nigeria. The Senate of Federal Republic of Nigeria promised to include a Bill seeking to provide 35% affirmative action for women in the Gender and Equal opportunity bill (Vanguard August, 2017). However, this study adopts board gender composition with the inclusion of ROA, Tobin's Q and VAIC to see the different level of performance by companies as previous studies only uses the traditional method with inconclusive results without consideration of intellectual capital measurement of performance.

2.8 Ownership Structure and Firm Performance

The system of monitoring firm is also through the structure of ownership of the firm (Fama & Jensen, 1983). There is divorce of ownership from control which is an absence of the owners from management and control of the firm recourses (Scholten, 2014). The only way the moral hazard that can arise from the absence of the owners from being part of the company is lack of monitoring mechanisms (Kesten, 2011). Shareholders interest is for their interest to be aligned with the management. This is the reasons shareholders are calling for strong monitoring framework and control mechanism which could enhance performance (Boyd, 1996; Daily & Dalton, 1994; Rechner & Dalton, 1990). Furthermore, it's very important to study ownership structure of companies because effective ownership structure will enhance companies value and maximization of owners wealth (Abbasi, Asadipour, & Pourkiyani, 2017).

However, minority equity holder could be affected as the majority shareholders might try to expropriate the corporation's assets capital (Ishak & Napier, 2006). This is actually a cost to the minority shareholders. Furthermore, monitoring strength of the minority in business is very weak due to free-rider problems (Blundell-wignall et al., 2009; Cheffins, 2011; Gill et al., 2012; Grove et al., 2011; Haniffa & Hudaib, 2006; Hermalin, 2005; Rebeiz & Salameh, 2006). The firm risk could be on the increase as a result of the activities of the dominated managerial ownership. This may have serious negative results on the firm performance (Carolina, 1998; Haniffa & Hudaib, 2006; Long, 2000).

Empirical investigation on the association between ownership structure and corporate performance are mixed from the previous research. Haniffa and Hudaib (2006) reveal a positive association between shareholdings characteristics and firm performance. The above result is consistent with the result of Holderness, Kroszner and Sheehan (1999) which also reveal similar result with Haniffa and Hudaib (2006) which posit positive relationship. Under the shareholding structure, managerial ownership is included in the research model to check the possible convergence of interest hypotheses and blockholder ownership to serve as monitoring role, which is proxy for moderator on the activities of the BOD and other corporate governance variables.

2.8.1 Managerial Ownership

Managerial shareholding is one of the shareholding structure which is considered important in determining the performance of company (Abbasi et al., 2017). Information should be provided on dealings between the board's members and the firm with regard to corporate governance. It is of interest for investors to know the stock of the management or executive in the business. This will enable the companies handle conflicts conflict of interests between the owners and management (Haniffa & Hudaib, 2006)

Managerial ownership is also referred as the incentives for those running the affair of the business on behalf of the shareholders to act in line with their interest (Hermalin & Weisbach, 1991). Moreover, the ownerships of shares of the company by executive and supervisory board members shall be conveyed (Boyd, 1996; Chiang, 2005; Gürbüz, 2010; Verriest et al., 2012). If the entire amount held by any members should be more than one percent of the total called up capital of the business. If it so happened, the report of this shall be separate in the annual report and statement.

However, McConnell and Servaes (1995) consider and reveal non-linearity between managerial ownership and firm performance. Morck et al., (1988) report managerial ownership and Tobin's Q to have a positive association. This positive association is for ownership structure levels between 0% and 5% and for levels beyond 25%, and a negative association over the 5–25% managerial ownership structure range. They argue that between 5–25% are refer to as smaller and larger ownership structure ranges. The negative relationship between corporate governance mechanism and managerial ownership is explained by the entrenchment hypothesis

Harold and Kenneth, (1985), Jensen and Fama, (1983) in their research mentioned out offsetting cost of management ownership significance. This study recognized that when agent own only small stake, market discipline and managerial labour market may force him towards wealth and profit maximization. On the opposite, managers with substantial shareholding may have enough voting powers to enable him maintain his office as executive of the company for the long time.

Adams et al. (2010), Hermalin (2005), Morck, Shleifer and Vishny (2001) all reveals that the value of a company rises from a base of low involvement of managerial ownership. Empirical research states that managerial opportunism persists in the absence of equity holder large enough to enforce their own interests of profit and wealth maximization. For instance, large owners in a firm restrict extremely high managerial pay to compensate themselves (Gomez-Mejia, Tosi, & Hinkin, 1987). Similarly, (Cho, 1998) in his study found a significant association between insider ownership and corporate value. This is a research he carried out in 1991 using a cross section of Fortune 500 manufacturing firms. His findings are also consistent with Morck et al. (1988). He found out that managerial ownership affects firm value and can lead to maximization of shareholders' wealth if the interest of the directors are aligned with the owners. Furthermore, managerial shareholdings help to aligning the interests of agent and principal, and firm performance increases as a result in the increase managerial shareholding (Quick et al., 2011).

The measurement of managerial ownership is diverse as different scholars have previously used different measures for managerial shareholding. Bhagat and Black (1999) and Hermalin and Weisbach (1991) use the percentage of share held by the CEO to determine MOWN. Similarly, Craswell et al. (1997) and Haniffa and Hudaib (2006) make use of insider shareholding which includes directors and officers and executive directors shareholdings are commonly used. In Nigeria, executives and directors shareholding are disclosed as it will be appropriate to proxy directors shareholding for this current study.

According to the recommendations of Nigerian code corporate of governance, declaration about the amount held by directors or current changes in this amount and the amount that is available for sale should be declared. This declarations of management interest is also reported in Boyd (1996), Chiang (2005), Gürbüz (2010) and Verriest et al. (2012).

Consequently, this study adopts managerial shareholding because of likely problem of agency type I problem which states which may arise as a result of separation of shareholders from control (Charitou, 2013) and type II which states the conflict of interest between the insider ownership and outside ownership (Jensen & Meckling, 1976). Previous studies only consider the traditional performance measurement but this present study is considering the intellectual capital measurement of performance VAIC alongside traditional method of measuring performance.

2.8.2 Blockholder Ownership

Several studies establish that blockholders ownership with significant equity positions are a common characteristics of public limited liability companies around the world, with reported rates of blockholder ownership presence above 90% (Hadlock & Schwartz-ziv, 2017). One frequently hypothesized advantage of blockholder ownership is the potential for considerable direct monitoring benefits (Shleifer & Vishny, 1986). In addition, for some types of outside blockholders ownership, particularly corporate blockholders, there can be potential product-market relationship synergies that are enhanced by their presence. Similarly, Morck, et al. (1988) posit that large inside blockholder ownership have the potential to motivate the BOD to maximize firm wealth rather than pursuing personal interest. Additionally, Chemmanur (2016) posit that the presence of blockholder may have a favorable effect on executive incentives by affecting how speedily information is put into stock prices and decisive decision making on companies activities.

The controlling mechanisms of moral hazard in business is the problems arising from separation of ownership and control is via block ownership by outside equity holders (Haniffa & Hudaib, 2006). One of the ways to control this hazard in business is through blockholder ownership. These type of ownership structure have greater incentives to align management interest with that of shareholders, this can result in better corporate firm performance and also benefiting minority shareholders (Haniffa & Hudaib, 2006).

Furthermore, Morck, Shleifer, and Vishny (1988) reveal a u shaped relationship between ownership consideration and firm performance. This relationship between concentrated ownership and firm performance is in respect of the research conducted on 371 Fortune 500 firms. Kroll, Walters, and Wright (2008) studies of Chinese firms showed a positive relationship between concentrated ownership and performance of firm. They suggest that the control and monitoring of the management performance lies in the hand of large equity holders and play a substantial role in corporate governance of any organization. Additionally, other studies that shows positive results are as follows; (Joh, 2003; Leech & Leahy, 1991; McConnell & Servaes, 1990; Xu & Wang, 1999) With regard to the association between ownership concentration and firm performance, the following empirical evidence by Demsetz and Lehn (1985), Harold Demsetz and Villalonga (2001), Murali and Welch (1989) found no significant association between ownership concentration and firm performance.

Another study in Malaysia report high concentration of share ownership among public listed companies (Abidin et al., 2000; Haniffa & Hudaib, 2006). They found out that shares are highly owned or concentrated in the hand of few with the mean of 30% and 60% for the largest shareholder and the concentrated respectively. Large shareholders may have a disciplinary effect on the management and thereby can monitor their investment from outside the firm without necessarily be involved in the day to day running of the affair of the firm (Haniffa & Hudaib, 2006; Latif et al., 2013)

On the other hand, minority shareholders might be expropriated by blockholder ownership or controlling owners of the company's assets as they could use their position to their own interest alone, expropriating the minority interest instead of the general interest of the firm (Ishak & Napier, 2006). Similarly, motivations to perform direct monitoring are weaker for dispersed ownership due to free-rider problems as a result of concentrated ownership structure (Grossman & Hart, 1982). Dominance by large equity holders may also damage performance due to large exposure to risk by the firm (Demsetz & Lehn, 1985). Blockholder ownership is associated with firm performance as revealed in the study of Haniffa and Hudaib (2006), Latif et al. (2013) as it is shown that ownership structure of top shareholders are significant with accounting performance and negatively correlated with market performance.

This section of literature review shows that the empirical evidence of the blockholder ownership is well established, it also showed the strong relationship with firm performance and their importance in monitoring the activities of the BOD from the outside the company as a result of their voting right and powers (Kumar & Zattoni, 2017). However, it is interesting to examine the moderating role of blockholder ownership on the relationship between corporate governance mechanism and firm performance in Nigeria in the era of pre and post adoption of NCCG, 2011.

2.9 Risk Management Committee and Firm Performance

Risk management have undergone serious and series of debate in the time past as scholars postulates that good enterprise risk management (ERM) can enhance firm value and greater financial performance (Aldamen, Duncan, & Kelly, 2012). Financial Performances depend largely on risk management mechanism and corporate governance structures of any organizations (McShane, Nair, & Rustambekov, 2011). Risk reporting is the act of signaling to the shareholders of business by the management. The firm uses their board to communicate to the owners the extent of disclosure and compliance with relevant financial reporting and corporate governance code (Al-Matari et al., 2014; Heenetigala, Armstrong, & Clarke, 2014; Khanchel, 2011; Kyereboah-Coleman, 2007; Al-Matari, Kaid Al Swidi, & Fadzil, 2014; Premuroso & Bhattacharya, 2007; Reddy, Stuart, & Frank, 2010).

Risk reporting is the act of signaling to the shareholders of business by the management. The firm uses their board to communicate to the owners the extent of disclosure and compliance with relevant financial reporting and corporate governance code (Al-Matar et al., 2014; Heenetigala et al., 2014; Khanchel, 2011; Kyereboah-Coleman, 2007; Al-Matari et al., 2014; Premuroso & Bhattacharya, 2007; Reddy et al., 2010).

Akindele (2012) posit that firm performance depends largely on risk management mechanism and corporate governance structures of any organizations, better corporate governance can lead to strong risk management. It concludes that risk management has significant effect on general performance and firm's profitability. Similarly, Davies (2013) stated in his study that the global financial crisis revealed several number of governance weaknesses and loopholes that resulted in firms' failure to understand the risks they were undertaking. Akindele (2012) and Davies (2013) reiterates that risk governance committee is very important in the performance of any organization.

In another research conducted by McShane, Nair and Rustambekov (2011) posit that corporate governance failures is as a result in chronic failures of risk management of business establishments. The researcher states that, the appointment of senior management to oversee the risk management department of any business organization indicates positive relationships and strong benefit to the business organizations.

Consequently, McShane et al. (2011) which stipulates that corporate governance failures is as a result in chronic failures of risk management of business establishments. The researchers states that, the appointment of senior management to oversee the risk management department of any business organization indicates positive relationships and strong benefit to the business organizations (Gordon, Loeb, & Tseng, 2009). Therefore, the following studies on the relationship between risk management committee and firm value or firm performance that indicates positive relationship are as follows (Bartram, Brown., and Conrad, 2009; Beasley, Clune, & Hermanson, 2005;. Gordon, Loeb, & Tseng, 2009; Graham & Rogers, 2002; Hoyt & Liebenberg, 2011; Rogers, 2002). However, the following studies shows a negative association between risk management and performance (Guay & Kothari, 2003; McShane et al., 2011.

Furthermore, similar study on risk management, it states that firm should not make effort to manage unavoidable risk called idiosyncratic risk (Guay & Kothari, 2003; McShane et al., 2011). The capital Assets Pricing Model (CAPM) states that the shareholders are only rewarded for bearing non-diversifiable risk but not bearing unsystematic risk (Markowitz, 1952). However, the firm rate of return is dependent on non-diversifiable risk. Furthermore, the CAPM states that company can overcome firm unsystematic risk through diversification (Lintner, 1965; Mossin, 1966). More so, several researches that centers on CAPM states that unsystematic risk does not matter. They states that investors may hold undiversified portfolios (McShane et al., 2011).

The inclusion of this variable in this research is the importance of risk management committee in taken risk decision by the firm. The revised Nigerian Code of Corporate Governance in 2011 suggest companies to report their risk framework in the annual report. Therefore, this study adopts board’s risk management committee to test the different proxies of performance.

2.10 Disclosure and Firm Performance

Empirical evidence suggests that enhanced disclosure has a substantial effect on the cost of capital. Greater disclosure and timely reporting of accounting information is said to lessen the cost of equity through lower transaction costs, reduced error in pays forecasts, or higher demand for a firm's securities (Che Haat et al., 2008). The importance of overall disclosure studies cannot be over emphasized considering that academics have argued that improvements of firm transparency through quality disclosure in the annual report can reduce information asymmetries (Adelopo, 2011b; Botosan & Harris, 2000).

More so, disclosure plays a crucial role in corporate governance. It permits the owners of business and other stakeholders in business to make better and precise decisions (Zaheer, 2013). Previous research posit that firms that discloses in advance tend to experience cheaper cost of capital (Botosan, 1997; Karamanou & Vafeas, 2005; Leuz & Verrecchia, 2001). Information in the annual reports and statements should be disclosed to reflect timeliness, relevance, comparability and understandability (Courtis, 1998; Adelopo, 2011b).

Disclosure of material information in relation to corporate governance mechanism has received great deal and several studies are carried out in both developed countries (Babío Arcay & Muiño Vázquez, 2005; Garcia-Sanchez & Prado-Lorenzo, 2010; Goodstein, Gautam, & Warren, 1994; Marston & Polei, 2004; Vander Bauwhede & Willekens, 2008) and developing countries (Barako, Hancock, & Izan, 2006; Gugler, Mueller, & Burcin Yurtoglu, 2003; Hausin, 2012; Mohd Ghazali & Weetman, 2006). However very few attention is done in Africa (Adelopo, 2011a; Aksu & Kosedag, 2006) in general and Nigeria in particular. The increased level internationalization in the developing countries like Nigeria has called for special attention on corporate governance issues and disclosure of material fact in the annual report. Meanwhile, the adoption of NCCG 2011 by the listed companies in Nigeria and other developing countries can also attract foreign direct investments as reported in (Ahunwan, 2002).

Corporate financial reporting and annual reports are essential avenues for communicating firms financial and non-financial information (Barako, 2007). Disclosure of corporate financial information is seen as any financial information, quantitative or qualitative, that is deliberately released by firm the firm through formal or informal channel (Al-Razeen & Karbhari, 2004). Corporate voluntary disclosure has been the focus of an increasing amount of attention in recent years. Such disclosures can be defined as ‘‘disclosures in excess of requirements, representing free choices on the part of company managements to provide accounting and other information deemed relevant to the decision needs of users of their annual reports’’ (Meek, Robert, & Sidney, 1995, p. 555).

Theoretically, firm’s good news to share with their shareholder and other interest parties in the company will disclose more than firm with losses will do, and thus, a positive association may be expected between better performing companies and disclosure of information by company. Clatworthy and John (2006) provides sufficient evidence to support that could well exist between firm performance and disclosure.

Previous studies have failed to document any significant association between disclosure and company performance. Ahmed (1999) and (Akhtaruddin, 2005) in their research found no significant relationship. However, Wallace and Naser (1995) in their study found negative associations between disclosure and firm performance. In another study, Chou and Gray (2002) found that there is a positive association between disclosure and firm performance. Corporate financial transparency is highly associated with corporate financial performance and company with better corporate governance is said to have very high standard of disclosure and transparency in the company dealings. In a research conducted in Malaysia, Che Haat et al (2008) posit that corporate performance is not linked with the level of disclosure and timely accounting reporting. The researcher results states that disclosure and timeliness are insignificantly contributing factors in the association between CG and Tobin's Q.

Consequently, this study adopts disclosure alongside other corporate governance variables because empirical evidences showed that companies who disclose in detail signal to potential investors which could lead to investment into the company's stock. Che Haat et al. (2008) posit that poor CG, poor investor relations, a low level of transparency in disclosing material fact by corporation and the ineffectiveness of monitoring agencies in enforcing legislation in getting offenders punished and minority shareholder's protection is a reason for adoption of this variable.

2.11 Transparency, Corporate Governance Mechanism and Firm Performance

Chronic poor firm performance could be as a result of absence of transparency in financial dealings; this factor could lead to poor firm performance (Bijalwan & Madan, 2013). The research conducted by Akhtaruddin (2005) identifies that companies that disclose all relevant and material information in their annual financial reports are said to be transparent. He concludes that adherence to the relevant legislation and accounting standards is a sign of transparency in financial reporting. The studies find out that financial transparency have a strongest link with financial performance.

Furthermore, good CG can be referred as a mechanism and system for controlling and curtailing sharp practices of business institutions as stipulated by (Ikoh et al., 2013). The study states that excellent CG enhances corporate financial reporting and can lead to corporate financial performance. The study finds out that financial reporting transparency is as a result of strong internal control compliance and compliance with relevant reporting standards and corporate governance code. In a similar research (Ikoh et al., 2013) provide both empirical and theoretical evidence that market transparency is found to have enhanced productivity of many organizations (Ikoh et al., 2013), these researchers further states that IFRS adoption enhances between performance, transparency and disclosure of material fact about business dealings.

According to Ikoh et al. (2013) reported that performance is higher for early adopters of International Financial Reporting Standards (IFRS).this study in line with (Kosedag & Aksu, 2005) who states in his study in the context of Taiwan that that transparency of ownership structure, financial disclosure and financial transparency and board and management disclosure have serious positive implication on firm performance. He concluded that proper reporting, compliance with the relevant reporting laws and compliance with the corporate governance code will send good signal to investors which on the other hand can lead to financial performance.

Additionally, Ho and Wong (2001) who study the Hong Kong listed company posit that his study is in response to Asian economic crisis and the legislation that is attempted to improve the disclosure and transparency in annual report and also to protect shareholders right especially the minority shareholders. Some of the CG variables considered were proportion of independent directors, audit committee formation. It was found out that there is positive association between AC and voluntary disclosure. The level of disclosure improves as a result of the presence of audit committee. On the other hand, the presence of independent directors did not significantly affect voluntary disclosure. The researcher also documents evidence of a negative relationship between voluntary corporate disclosure in annual report and the proportion of family members on the board.

There is a likelihood of agency conflicts in modern corporation due to the separation of ownership and control, as suggested by Agency theory (Jensen and Meckling, 1976). Thus, managers act in the best interests of the owners if provided with discretionary disclosure (Barako, 2007; Craswell et al., 1997). To reduce agency conflicts with the owners, Managers may therefore, voluntarily disclose material information to reduce information asymmetries.

Stiglbauer (2010) posit that T&D on CG may enable firms to signal quality in management and control. These may have a potential to lower agency costs through monitoring to reduce conflicts of interest and information asymmetries among the party in business. The study sums up that most failed company do not always disclose full information. He concluded that transparency & disclosure on corporate governance has an impact on firm performance, Companies should invest in transparency & disclosure on corporate governance to increase value and cost of capital for future growth.

Nigeria is chosen for this study because of its size in Africa, with over 186 million people. It plays influential roles amongst the sub- Saharan African countries in both political and economy scenes of the area. Importantly, an understanding of the disclosure practices amongst listed companies in Nigeria is important in understanding reporting and disclosure practices in the West African region. Improvements in disclosure practices in Nigeria could influence practices in other neighbouring countries (Adelopo, 2011).

2.12 Summary of Chapter

Literature on corporate governance has been reviewed, and the Nigerian Code of Corporate Governance (NCCG) has been identified as strength to the corporate governance practices and mechanism in Nigeria. The adoption of corporate governance code as released by security and exchange commission and the Introduction of IFRS as a measure of proper financial statement disclosure will enhance corporate performance. This chapter discusses board characteristics, board committees, shareholding structure and their relationship with financial performance. It also highlights the need to introduce VAIC as a long term measurement alongside with traditional measurements of performance. The theory supporting this study is also discussed in this chapter. The next chapter describes the study framework, hypothesis developments, research design, population and sampling technique, method of data collection and analysis.

CHAPTER THREE

RESEARCH FRAMEWORK AND METHODOLOGY

3.1 Introduction

The previous chapter has discussed related and relevant literatures on corporate governance, IFRS, corporate reporting transparency and disclosure and firm performance. This chapter discusses research methodology employed for this study and procedures undertaken by this study. Specifically, theoretical framework, conceptual definitions, and hypotheses development of the research under study, underpinning theory, operational definition and measurement of variables, population of the study, sample size and sampling technique, data collection and method and techniques of data analysis.

3.2 Research Framework

This research adopts agency theory to explain the relationship between corporate governance mechanism and firm performance and also signaling theory and resource dependency theory as supporting theories. The agency theory describes and explains the relationship between principal and agents. The agency theory suggests that in order to protect the shareholders interest from opportunistic behavior, there is need for effective and well-functioning board of directors to enhance the firm performance (Abidin et al., 2000; Ahmad, Ishak, Aziah, & Manaf, 2003; Haniffa & Hudaib, 2006, Jesen & Meckling, 1976). The owner manager drawback is found in most agency problem where the association between the employee and owners is suffering as a result of self interest in business. Various mechanisms and systems may be employed to align the interest of equity holders and that of executives who do business on their behalf. Al-Matari, Al-Swidi, and Fadzil (2014), states that directors must have expertise and be knowledgeable in the field of finance, accounting, information technology, auditing, marketing and others.

Basically, this research attempts to determine the association between Nigeria public listed company's performance and corporate governance code or mechanism which includes; board size, CEO duality role, board gender, block ownership, board meetings, by shareholders, managerial shareholding, and corporate reporting transparency and block ownership as a moderator. Prior studies have looked at the above listed variables except for corporate reporting transparency which is proxied by transparency and disclosure scores as used by Meek et al., (1995), Tsamenyi et al., (2007) and other disclosure scores which is yet to be studied in Nigeria to the best of my knowledge.

Previous studies on the relationship between corporate governance and firm performance have shown inconclusive results. This study has decided to use block shareholding structure as a moderator to see whether it will enhance firm performance because it has been indicated from past studies that block ownership can lead to effective monitoring of the activities of BODs (Schiehll & Bellavance, 2009). Under, corporate governance code, transparency is emphasized to reduce information asymmetry between managers and shareholders and provide information relevant to managers to take decisive decisions (Adelopo, 2011; Tsamenyi et al., 2007). This study therefore extends previous studies by including corporate reporting transparency as independent variable. This study also adopts three measures for performance namely; accounting measures (ROA), market measures (Tobin's Q) and the Intellectual capital measures (VAIC).

The measure drawn from accounting method which is used by companies to track their internal affair is called accounting measures such as ROA. However, the accounting measure does not put into account outstanding liabilities and may indicate higher profitability than actual dividend. Similarly, share prices and dividend stream observed in the activities and an operation of the capital market is referred to as market measures. Also, the market measure is in relation to the total firm's asset and account for outstanding liabilities of the firm. However, only ROA and Tobin's Q are included in this research as dependent variables to measure firm performance as they have been used in prior studies to test the relationship between CG structure and performance of the company (Chen et al., 2006; Haniffa & Hudaib, 2006; Kamardin & Haron, 2011; Latif et al., 2013). In addition to the traditional corporate performance measurement techniques, there is a need to measure firm performance using long term measurement which includes firm total resources (physical and intellectual).

Intellectual capital is important in knowledge economy (Degroote et al., 2000; Kamardin et al., 2013; Pulic, 2004). Furthermore, knowledge economy is about creating value (Pena, 2002). Value is highly related to performance transformation of knowledge to value. Abidin et al. (2000, p. 151) defined "intellectual capital as intellectual material that has been formalized and leverage to produce higher value assets". Therefore, knowledge economy can be viewed as contributions of intangible assets such as knowledge capital to achieving organizational goal. In addition, firm size and leverage is included in the model to control for the sample. Based on the review of relevant literature, prior and empirical studies and theoretical underpinnings, the research framework suitable for the current study is developed in figure 3.1 below

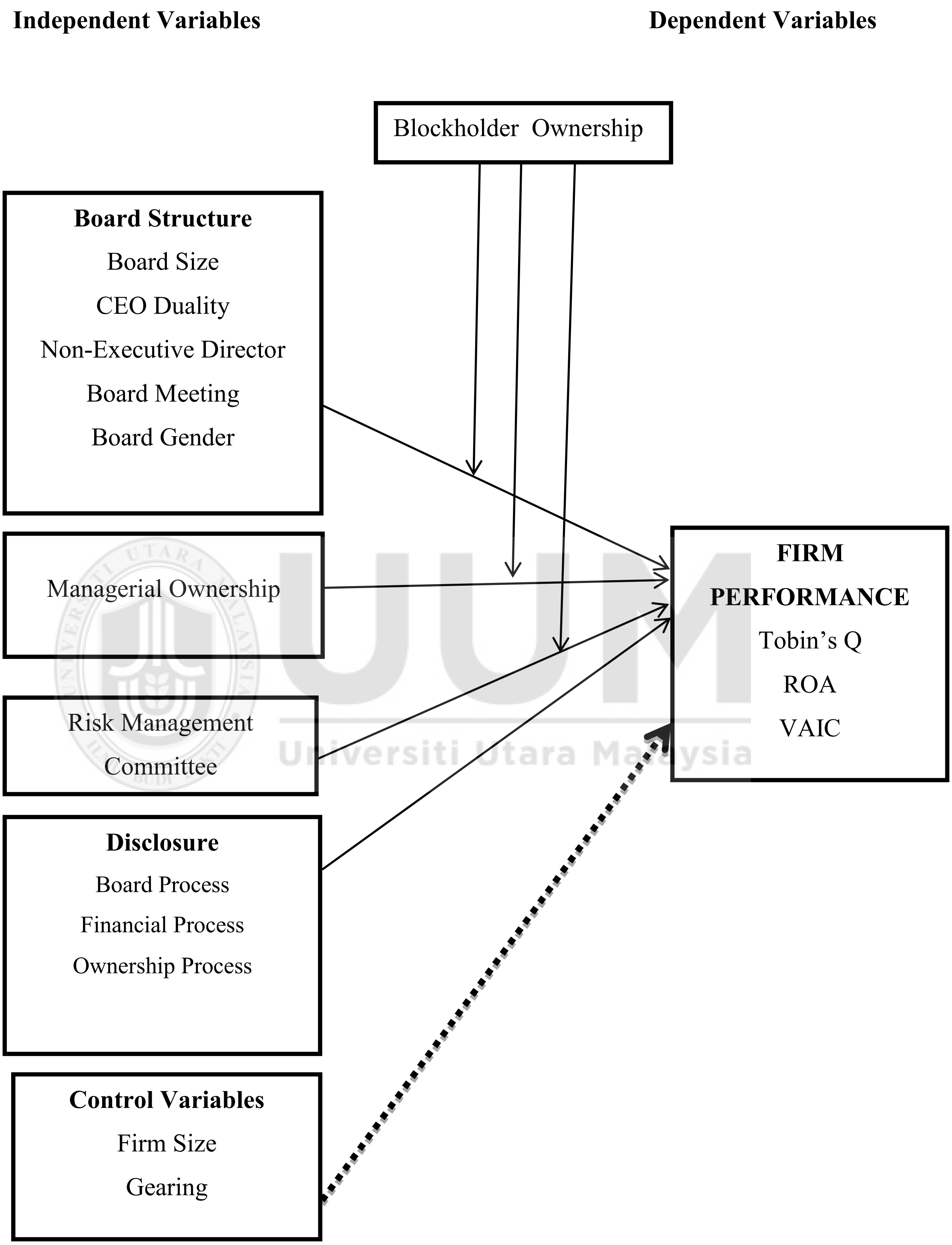

Figure 3.1 Research Framework of the Study

3.3 Development of Hypotheses

With the help of the literature reviewed for this study and theoretical justifications, hypotheses for this research were developed for empirical testing. This study has the following variables which includes board of director's size, CEO duality role, Non-executive directors, block ownership structures, management ownership, board gender and board meeting. These mechanisms are expected to help organization to achieve its performance role to the shareholders. Corporate reporting transparency is seen as disclosure of relevant information which can lead to greater firm performance and return on accounting and Tobin's Q for measure of financial performance as dependent variables as well as two control variables which includes firm size and leverage. Based on the related evidence from previous findings, the hypotheses of the study are developed for empirical testing.

3.3.1 Hypothesis on Board Size

The principal role of the board as stated by agency theory is to monitor the action of agents that is the executives and to ensure the efficacy and to protect the interest of owners (Jensen & Meckling, 1976; Shaker, 1989). The board size is the number of BOD serving on the company's board. Board size is important as either small or large board size affect the extent of monitoring, controlling and company decision making (Haniffa & Hudaib, 2006). Previous studies indicate that big firm possess treat to performance of firm. This is because when board is too big, it become more symbolic rather than been part of management decision process (Hermalin & Weisbach, 1991). However, large board size will be more productive when there diversity and skill are put into use (Goodstein et al., 1994; Payerle & Pfeffer, 1978; Pearce & Zahra, 1992).

Contrary to negative association between board size and firm performance, it was also argued from another perspective that that larger board size or larger board of director's composition is beneficial and will increase the collection of expertise and recourses and accessibility to firm (Al-Matari et al., 2014), this argument is following resource dependency theory. This study shows positive significance which is in relation to Daily and Dalton (1994), Grove et al. (2011) postulates in support of large board of directors as they bring positive association between board size and firm performance. They will also bring expertise to play and diverse knowledge will come to play in times of decision making. Therefore, large board of director led to pay more whether in cost or effect to do the firms. Brickley et al., (1997) argues that the boards are less effective and could result in meaningless discussion that could deter growth and development of the company.

The small board size helps in making the firm more effective by taking quick and decisive decision (Jensen, 1993; Lipton & Lorsch, 1993). This empirical evidence is supported by Goodwin et al. (2009), Haniffa and Hudaib (2006), Lee, Rosenstein, and Wyatt (1999), Vafeas and Theodorou (1998), Yoshikawa and Phan (2013) all these studies demonstrated a negative significant relationship between board size and firm performance. Based on this theoretical and empirical justification regarding board size, the following hypothesis is developed:

H1: There is a relationship between board size and firm performance in Nigeria.

3.3.2 Hypotheses on CEO Duality Role

From the agency point of view, independent leadership of the board is important to prevent managerial entrenchment. The board leadership role is from the perspective of agency theory will provide control, monitoring, checks and balances on the performance of the company. The theory assumes that if one person hold the two top positions, is most likely to pursue self-interest instead of protecting the instead of protecting the interest of owners (Donaldson & Davis, 1991; Shaker, 1989).Chief Executive Officers (CEO) are often called Managing Directors (MD) in Nigeria. They play a crucial role in company's financial performance. The CEO are involved in managing the day everyday affairs of the business enterprises.

The duality role is the situation where the CEO is the chairman of the BOD of the corporation. Evidence regarding the CEO duality role provides the foremost indication of possible association between duality and firm performance. The following scholars posit that companies are more cherished when the function of CEO and the duties of the top man is separated and also that organizations with CEO handling the chairman position seem to be less effective (Donaldson & Davis, 1991; Shaker, 1989). In another study, Haniffa and Hudaib (2006) recommend that if the two role are combined by one person, the financial benefit involved may make the top man put his best for the performance of the company.

The empirical evidence in support of CEO role duality which shows positive significant relationship can be found in Dawna et al., (2001), Peng et al. (2009), Steward (1991). The researcher states in their research that CEO duality role enhances operational decisions. On the contrary, other studies that shows significant negative relationship are conducted by Blundell-Wignall et al., (2009); Cheffins (2011); Gill et al. (2012), Grove et al., (2011), Haniffa and Hudaib (2006), Hermalin, (2005), Rebeiz and Salameh (2006). Based on this theoretical justification regarding CEO duality, the following hypothesis is developed:

H2: CEO duality role has a negative relationship with firm performance in Nigeria.

3.3.3 Hypotheses on Non-Executive Directors

The board dominated by non-executive directors may help in solving agency problems by controlling and monitoring the leadership of the firm on behalf of the shareholders (Dawna et al., 2001; Peng et al., 2009; Steward, 1991). Board effectiveness in protecting the shareholders interest is the function of non-executive director on the board (Lee, Rosenstein, & Wyatt, 1999; Weisbach, 1991).

Also, the resource dependency theory states that the NONED are crucial to the management to provide the needed expertise and the needed resources (Salancik & Pfeffer, 1978). Furthermore, the proportion of outside director was positively related to company performance (Daily & Dalton, 1994). Such board are charged with responsibilities of removing CEO that are not performing and other board member (Dawna et al., 2001; Peng et al., 2009; Steward, 1991). The non-executive directors are viewed as a crucial internal corporate governance mechanism that is rated importance in the administration of company because they serve as monitors on the activities of the executive directors.

Adetunji and Olaniran (2009) and Jesen and Meckling (1976) found that the level of non-executive directors does not forecast a better future of accounting performance, the proportion of NONED tend to increase when the company is poorly performing (Agrawal & Knoeber, 1996; Bhagat & Bernard, 2002). These researchers state that having too many independent directors may be harmful to the company as they may lack knowledge and understanding of the company operations. On the contrary some researchers found the relationship to be positive between independent director and firm performance (Agrawal & Knoeber, 1996; Bhagat & Bernard, 2002). These researchers' states that NONED enhance and boast corporate governance and therefore improve firm performance as measured by accounting measures and economic value added. Based on the above theoretical underpinning, the following hypothesis is developed;

H3: There is a significant positive relationship between non-executive directors and firm performance in Nigeria.

3.3.4 Hypothesis on Board Meeting

Following resource dependency theory, the BOD need to be active to meet their CG commitments, particularly in ensuring high-quality disclosure and transparent reporting in annual reports and statement (Christensen, Kent, & Stewart, 2010).

"Board meeting is the numbers of meetings that the board holds in a year" (Al-Matar, Al-Swidi, & Bt Fadzil, 2014). With the increased clamour for the effectiveness of corporate governance for protecting stakeholders' interests, board meeting has become important elements of corporate governance.

The board attendance at the board will make them bring out their expertize towards achieving the goal of the company (Kamardin et al., 2012) and frequent meeting is a good signal for companies to take decisive decision (Jensen, 1994). Similarly, the code of best practice in Nigeria recommends not less than one meeting a quarter which means a minimum of four meeting of the BOD is recommended a year (Adewuyi & Olowookere, 2013).

Similarly, Jensen (1993) argued that board meetings are characterized by daily tasks and hence this limits the external directors' chances to conduct a meaningful oversight over management. The relationship between board meetings and performance of the company was reported to be positive in such context (Al-Matari et al., 2014; Hsu & Petchsakulwong, 2010; Kang & Kim, 2011; Khanchel, 2008). On the contrary, series of researches demonstrated negative significance between board meeting and firm performance. Such studies are as follows; (García-Sánchez, 2009). Based on this theoretical justification regarding board meeting, the following hypothesis is developed:

H4: There is a significant positive relationship between board meeting and firm performance in Nigeria

3.3.5 Hypothesis on Board Gender Composition

The presence of women on the company board helps the company to execute its long-term plan. This is because their experience is highly aligned with the company needs (Erhardt et al., 2003). However, because of the importance of strategic decision making, it will be logical for company with higher level of board diversity to perform excellently.

Board with women numbers have received great deal of research in the recent years and have contributed to legislation in some countries that made reservation for women in the board of listed companies (Akpan & Amran, 2014). Most companies select women into board based on the resource to which they can provide access and argue that women are more likely to be handled and be placed in leadership position in time of economic downturn (Ujunwa, 2012).

The following study found positive significance between women director and firm performance Carter, Simkins, and Simpson (2003), Lückerath-Rovers, (2011), Smith, et al. (2013). On the contrary, some researches posit negative significance Adams and Ferreira (2009), Bøhren (2007), Gregory-Smith et al. (2012) and (Campbell & Mínguez-Vera, 2007). In Nigeria, there is no agreeable number of women to be on the board of companies yet, because it is not stipulated by SEC or other regulatory bodies. However, on the general note, there is a campaign for 35% affirmation and representation in the dealings of activities in Nigeria. Based on the theoretical and empirical review, the below hypothesis is thus developed;

H5: There is a positive significant relationship between women on the board and firm performance in Nigeria

3.3.6 Hypotheses on Managerial Ownership

The way to make the managers interest to be aligned with shareholder's interest is for the board of directors to own shares in the company (Jensen & Meckling, 1976) . The more shares owned by the top directors, the more decisive decisions consistent with the shareholders interest, wealth and profit maximization of the shareholders (Short & Keasey, 1999). In a similar view, Jesen and Meckling (1976) states that when executives of a firm control small level of company shares, their strategy will be in line with preference of other shareholders.

Adams et al. (2010) Hermalin (2005) Morck, Shleifer & Vishny (2001) posit that the low participation of the director's shareholdings will lead to increase in firm value. The less the ownership of shares by the management the better for the firm's maximization of its value.

On the contrary, it is also established that the interest of shareholder will be protected if there are shareholders large enough to enforce the business to attain certain goal. Mcconnell and Servaes (1995) demonstrated in their study that the association between directors shareholding and firm performance is having a significant and positive association with firm performance. In contrast, Griffith et al., (2002) and Short and Keasey, (1999) found that the relationship could be viewed as either alignment of managerial ownership and shareholders interest. (Singh and Davidson (2003) also states that the alignment of shareholders interest could lead to positive utilization of asset which reflects lower agency cost. However (Morck et al., 1988) report is mixed for both alignment benefit of over the 5%–25% managerial ownership range reveal a positive relationship and entrenchment benefit between 0% and 5% shows a negative relationship with performance. Furthermore, block shareholdings is found to have significant positive with firm performance (McConnell & Servaes, 1990)

However, the empirical evidence explained above showed that the size of the insider ownership does not mean and the effect could either be positive or negative on the relationship between managerial shareholding and firm performance. Based on the above theoretical and empirical explanation, the following is hypothesized;

H6: There is a significant positive relationship between managerial ownership and firm performance in Nigeria.

3.3.7. Hypothesis on Risk Management Committee

Risk reporting is the act of signaling to the shareholders of business by the management. The firm uses their board to communicate to the owners the extent of disclosure and compliance with relevant financial reporting and corporate governance code (Al-Matari et al., 2014; Heenetigala et al., 2014; Khanchel, 2011;

Kyereboah-Coleman, 2007; Mohammed Al Matari et al., 2014; Premuroso & Bhattacharya, 2007; Reddy et al., 2010).

Firm performances depend largely on risk management mechanism and corporate governance structures of any organizations, better corporate governance can lead to strong risk management (Akindele, 2012). The researcher concludes that risk management has significant effect on general performance and firm's profitability. The study reveals that there is a significant positive relationship between risk management and firm performance.

Davies (2013) found that the global financial crisis revealed several number of governance weaknesses and loopholes that resulted in firms' failure to understand the risks they were undertaking. The researcher reiterated that risk governance committee is very important in the performance of any organization. In another research conducted by McShane et al. (2011) which posit that corporate governance failures are as a result in chronic failures of risk management of business establishments. The researcher stated that, the appointment of senior management to oversee the risk management department of any business organization indicates positive relationships and strong benefit to the business organizations. The following studies on the relationship between risk management committee and firm value or firm performance that indicates positive relationship are as follows (Bartram, Brown & Conrad, 2009; Beasley, Clune, & Hermanson, 2005; Gordon, Loeb, & Tseng, 2009; Graham & Rogers, 2002; Hoyt & Liebenberg, 2011; Rogers, 2002). However, the following studies shows a negative association between risk management and performance (Guay & Kothari, 2003; McShane et al., 2011). Based on the above theoretical and empirical explanation, the following is hypothesized;

H7: There is a significant positive relationship between risk management committee and financial performance in Nigeria.

3.3.8. Hypotheses on Disclosure and Firm Performance

Financial transparency is an act of signaling and proper disclosure (Spence, 1973). Management researchers have applied signaling theory to help explaining information asymmetries in the broad of research effort (Karasek & Bryant, 2012). In a similar vein, agency problem is solved when the CEO of business organization reports in a transparent way because information asymmetries adversely impact on the principal ability to effectively monitor whether his interest has been properly taken care of (Abubakar, 2012). This is also in line with resource dependency theory.

Poor financial or firm performance could be as a result of lack of sharp practices and corruption, false financial reporting which could lead to poor firm performance. The research conducted by Rogers (2008) identifies that companies that disclose all relevant and material information in their annual financial and reports are said to be transparent. The study that find out that financial transparency have a strongest link with financial performance (Zhang & Wiersema, 2009).

In a similar research (Kosedag & Aksu, 2005) provide both empirical and theoretical evidence that market transparency is found to have enhanced productivity of many organizations (Goodwin, Ahmed, & Heaney, 2009), these researcher's further states that IFRS adoption enhances between performance, transparent and disclosure score. The performance is higher for early adopters of International Financial Reporting Standards in these studies are in consonant with Chiang (2005) who states in his study in the context of Taiwan that transparency of ownership structure, financial disclosure and financial transparency and board and management disclosure have serious positive implication on firm performance. He concluded that proper reporting, compliance with the relevant reporting laws and compliance with the corporate governance code will send good signal to investors which on the other hand can lead to positive financial performance.

In contrast, Major and Marques (2009) in his research, "the relationship between IFRS and financial performance" states that there is need to give more priority to sound and good corporate governance practices as the research reveals that IFRS convergence and adoption is not linked with higher corporate performance. The level of relationship of IFRS with performance cannot be compared to that of good and strong corporate governance. Based on the above theoretical and empirical explanation, the following is hypothesized:

H8: There is a significant positive relationship between corporate disclosure and firm performance in Nigeria.

3.3.9 Moderating effect of Blockholder Ownership on the Relationship between Corporate Governance and Firm Performance

Baron and Kenny (1986, p. 1173) posit that the "moderator function of a third variables which partition a focal independent variable into subgroups that established it domain of maximal effectiveness in regards to any given dependent variables". To consider block ownership structure as a moderating variable, it must be related to both dependent variable and independent variable. According to the agency theory, block ownership structure will influence firm and board performance. It is suggested that better CG practices will lead to high performance.

Furthermore, under the agency theory, block ownership or concentration of shares by some shareholders may lead to private interest rather than putting interest of all contracting parties into considerations, that is expropriating the minority interest (Garg, 2007; Millstein & Macavoy, 1999; Pearce & Zahra, 1992). Larger shareholder expropriating small shareholder becomes eminent as a result of majority controlling minority shareholders (Garg, 2007; Kamardin & Haron, 2011; Millstein & Macavoy, 1999; Pearce & Zahra, 1992). In another study, Fan and Wong (2002) Ho and Shun Wong (2001) reveal a curvi-linear relationship of Tobin's Q with executive member ownership. Morck et al. (2001), Mcconnell and Servaes (1995), sLeech and Leahy (1991) and Joh, (2003) found a positive relationship and link between block ownership and company performance. Haniffa and Hudaib (2006) shows that ownership structure of top shareholders are significant with accounting performance and negatively correlated with market performance (Haniffa & Hudaib, 2006). However, the following study found no significant association between ownership concentration and firm performance (Harold & Kenneth, 1985). Based on the above explanation, theoretical justification and empirical review, the following hypotheses is developed.

H9: Blockholder ownership structure moderates the relationship between board characteristics and firm performance in Nigeria.

H10: Blockholder ownership moderates the relationship between managerial shareholding and firm performance in Nigeria.

H11: Blockholder ownership moderates the relationship between risk management committee and firm performance in Nigeria.

3.3.10 Control Variable

The following variables are said to be related with firm performance. These variables are; firm size and gearing which are included in this study as control variables. Firm size is used as control variables because firm performance may be affected by factors related to the nature of firm directly or indirectly. The firm size is measured by book value of the total assets of company (Ikoh et al., 2013). Controlling for firm size will be necessary as the percentage of MOWN may be larger in small firm size. Ikoh et al. (2013) state that directors of large firms have wealth of skills because of the complexity of operation of the firm they oversee. It will be appropriate for size to control for board characteristics and shareholding structure. Executive's discretionary control is one of the crucial role debt financing plays in an organization. This discretionary control over free cash flow and their encouragement to engage in non-optimal activities (Stulz, 1990). Debt also forces executives to be productive and become more proficient to avoid insolvency and liquidation, the loss of control as well as loss of name (Stulz, 1990). Enhanced or higher executive performance and reduced cost of outside capital is as a result of debt contracting (Grossman & Hart, 1982).

In short, conflict of interest could arise over risk to be taken by managers and shareholders. This shows the shareholder always want the objectives of the firm of profit maximization are attained. John and Senbet (1998) suggest that when a company is faced with huge debts, shareholders whose share are limited to the amount contributed will inspire the firm to undertake risky projects which may lead to increase in yield on their investment, but this would be detrimental to the other parties with interest in business like creditors. Gearing is used to control for the risk associated with the firm performance.

3.3.10.1 Gearing

Stiglitz and Weiss (2014) reveal that the association between gearing and corporate performance negatively significant. However, Stiglitz and Weiss (2014) found gearing is having positive relationship with profitability. The mean for gearing is marginally above 40% in Malaysian case, indicating that debt financing is not as high (Roszaini Haniffa & Hudaib, 2006). Prior researches also reveal that gearing does affect performance.

3.3.10.2 Firm Size

The risk management horizons of bigger firms are broadened and therefore are regarded as best performers in the market place (Ghosh, 1998). In addition, large firms have more people who are interested in their performance especially the competitors and business analysts. This will put them under more pressure to perform well. On the other hand, smaller firms are said to be more innovative and are ready for change in order to improve corporate value (Hurdle, 1974).

3.4 Research Design

Research design is a principal plan stipulating the processes for collecting and scrutinizing and analyzing the needed information (Zikmund, 2000). There are three types of business research including exploratory, descriptive and explanatory (Zikmund, 2000; Sekaran, 2003, Ezedonmi, 2008, Adefila 2008). The decision about the type of research used depends on an individual's clarity of the problem research under consideration. Exploratory design is conducted to gather information on a particular problem at hand, and thus does not provide conclusive results. Exploratory research is, therefore, to enable understanding of a new phenomenon, which further studies are conducted to gain verifiable and conclusive evidence (Zikmund, Babin, Carr, & Griffin, 2010). Descriptive design is conducted in particular situations where there is just a little knowledge of the nature of a problem. It is conducted, therefore, to provide a more specific explanation of a problem (Zikmund, 2000; Sekaran, 2003).

Hypotheses testing/explanatory design is conducted to further offer precise knowledge and description of the nature of relationships among the variables being investigated (Zikmund, 2000; Sekaran, 2003). This study is considered explanatory in nature because it seeks to explain the relationships between corporate governance structures, financial transparency and financial performance. Thus, hypotheses are formulated to provide explanation of their relationships by demonstrating the relationships as statistically significant. Other aspects of research design to highlight for this study include population of the study, sampling and sampling technique, data collection method and analysis of data. These are discussed in the following sections.

3.5 Population of the Study

Sekaran and Bougie (2010) state that "population of the study is the group of persons, events or things of interest for which an investigator wants to make inferences based on an available sample". This study is focuses on all the 136 non-financial listed public companies currently listed on the floor of NSE as at June, 2014. Below is the population under study. The study covers for pre-adoption for the period of 2010-2011 and post-adoption for the period of 2012-2013 of IFRS adoption and adoption of revised corporate governance code of SEC (NCCG, 2011) in Nigeria. This enabled the researcher to take into account differences in years for both periods.

3.6 Sampling

Sekaran and Bougie (2010) define a sample as a subset of a population. It consists of some members or units selected from population. There are many types of sampling techniques in the field of academic research which are normally classified into probability and non-probability sampling technique. The most commonly used is the probability method which includes “stratified random sampling, simple random sampling, cluster sampling and systematic sampling”. Following Sekaran (2003) the technique of probability sampling is employed in this study for sample selection. This method offers every company in the category equal chance of being selected as the sample item. This method prevents bias selection as every object in the category is given equal chances of being selected which is also one advantage of using this type of method (Salkind, 2003, Cavana, Dalahaye, & Sekaran, 2001). The sample of the firms used for this research is from the population of all the 136 non-financial firms listed on the floor of the NSE as at 2014. It is therefore fair for the researcher to test the effect of the association between variables.

This study draws its samples from all the non-financial organizations listed on the NSE, hence, the need for stratified random sampling to give equal representation of all sample in different categories chances of been elected. The random selection is attained manually using random number table, or by computer, or through online number originator (Hurdle, 1974). However, it is appropriate to use the sampling frame of 62 companies for four years with 248 firm observations after considering companies with incomplete information, companies with no information, delisted and suspended companies and newly incorporated companies. See Table 3.1 for the numbers of delisted companies and companies with incomplete information.

Table 3.1

Sample Selection Method

Non-financial companies identified from Nigerian stock market web page in 2014	136
Less:	
Delisted companies	35
Data not available in any year	39
Final sample	62

Furthermore, stratified random sampling is therefore employed to select from all the sectors. When the subjects are drawn from each section according to a specific percentage which is called proportionate sampling, the subjects are drawn from each stratum without regard to any specific fraction, but number of the elements contained in each stratum is called disproportionate. This study adopts the disproportionate sampling method because they may be missing data in other strata. Table 3.2 provides information about the population and sample used in this study. The explanation of sample profile of the study in percentage is provided in section 4.2 and Table 4.1.

Table 3.1

Sampling Size of the Study

COMPANY TYPE	POPULATION	SAMPLE SIZE
Consumer goods	27	15
Industrial goods	23	10
Oil and Gas	14	5
Financial services	-	-
Health care	10	3
Agriculture	5	1
Services	19	11
Construction/real estate	12	3
Conglomerates	13	9
ICT	9	3
Natural Resources	5	2
TOTAL	136	62

3.6.1 Sample Selection Method

The data in this study consists of publicly available information mainly obtained from the annual reports of the companies listed on the Nigerian Stock Exchange. The use of corporate annual report is categorized as a secondary source of data, which is the interpretation from the primary data. The total initial sample consists of 136 companies in 2014, excluding banking and financial institutions. These types of industry are excluded from the sample since they are governed by other regulatory agencies namely, Bank and other Financial Institutions Act 1991 (Edogbanya, Ekpa, & Kamardin, 2015). However, after dropping 35 delisted companies and 39 companies with incomplete information, the number of companies that remained for analysis became 62. Considering the number of year for the study (2010-2013) with 248 firm observation, it was appropriate to consider the data for panel data analysis (Gujarati, 2010).

3.7 Unit of Analysis

The unit of analysis is very important in determination of sample, instruments and of data collection. Aggregation of the data collected during the succeeding data analysis period is called unit of analysis (Sekaran, 2000). Furthermore, Sekaran (2000) stated that the unit of analysis can be individuals, groups, division, industries, organization or countries. This study uses only non-financial companies (organization) in Nigeria as unit of analysis. The justification for this proposal is as a result of secondary data analysis of non-financial companies listed on NSE is governed by another regulatory body.

3.8 Data Collection Procedures

The method of data collection adopted for this study is the quantitative technique which has the purpose of providing objective and numerical fact about particular phenomenon. Many researchers on corporate governance adopt this method for their data collection (Adams et al., 2010; Ballou et al., 2012; Bhagat & Bernard, 2002; Davies, 2013; Gürbüz, 2010; Haniffa & Hudaib, 2006; Kamardin & Haron, 2011; Latif et al., 2013). Using a cross sectional and panel data study design, this study employs a secondary data for its analysis. Cross-sectional study contains gathering of data for a particular study only once or at one point in time to meet the research intentions (Cavana et al., 2001). The gathering of data for a particular study done once to meet a research intention is referred to as Cross-sectional. Panel data method is chosen for this study to look into the years of observation (Sekaran & Bougie, 2010).

Data gathered from the secondary data of all the public listed on the floor of the NSE of randomly selected companies under study using (Adams et al., 2010; Ballou et al., 2012; Bhagat & Bernard, 2002; Davies, 2013; Gürbüz, 2010; Haniffa & Hudaib, 2006; Kamardin & Haron, 2011; Latif et al., 2013). Balance sheet and income statement were used to calculate the ROA, Tobin's Q and VAIC for accounting measure, market measure of performance and intellectual capital measurements.

3.9 Operationalization of Variables

The variables for this study are divided into three (3), the independent variables, the moderating variable and dependent variables. All these variables are included in the framework designed by the researcher.

3.9.1 Dependent Variables

Firm performance is used in this research as dependent variable. ROA and Tobin Q statistics are proxies for both accounting and market measure of performance for both accounting and market measure of performance respectively, to see whether there are different impacts of corporate governance mechanism on firm performance. ROA refers to Earnings before Interest and Tax (EBIT) divided by Total Assets (TA) of the company (Adams et al., 2010; Ballou et al., 2012; Bhagat & Bernard, 2002; Davies, 2013; Gürbüz, 2010; Haniffa & Hudaib, 2006; Kamardin & Haron, 2011; Latif et al., 2013). EBIT is used to avoid capital structure discretion choices effect on the firm and bias associated with accounting standards, regarding advertising expenses and depreciation costs (Freeman & Hannan, 2014). Tobin's Q refers to the ratio of the market value of equity shares (MVES) plus debt divided by book value of total Assets of the firm (Atinc & Ocal, 2014; Haniffa & Hudaib, 2006). This measurement of Tobin's Q is the approximate method as developed by Wiwattanakantang (2001). The adoption of Wiwattanakantang (2001) is due to original Tobin's Q requires replacement cost of assets and preference shares which are not actively traded in Nigeria. This study proposes to use book value of liabilities as used in the study by Haniffa and Hudaib (2006) and Sirmans (2013).

In addition to the two earlier measures of performance, VAIC is also adopted for this research due to increase in the number of knowledge organizations and increasing importance of intellectual capital to firms, it will be appropriate to adopt VAIC with other traditional method to measure performance (Goh, 2005; Tseng & James Goo, 2005). VAIC shows a strong positive relationship with some corporate governance code as shown in Abidin et al., (2000), Firer & Williams, (2003), Pulic, (2004), and Chung and Pruitt, (1994)

3.9.2 Independent Variables

The following independent variables are considered for the purpose of this study:

Board Size: the total number of board members serving on the board as board of directors

Non-executive Director: the ratio of the number of non-executive directors in the general board composition

CEO Duality Role: the situation where the chairman is the CEO or the MD and oversees the day to day affair of the organization

Board Meeting: the number of the meetings held by the BODs during the financial year.

Board Gender: the percentage of the women on the board.

Managerial Shareholding: the percentage of shareholding by the directors

Blockholder Ownership: the percentage of share ownership by top shareholders of corporation or five percent of concentrated shareholding by shareholders.

Risk Management Committee: A situation where the company maintains the risk management committee in accordance with NCCG, 2011. It is represented by a dummy variable where it is maintained 1 or 0 otherwise

Corporate Reporting Disclosure: this is the system where the company is said to have adopted and complied with financial reporting transparency and disclosure attributes. This study adapts the methodology of Tsamenyi et al. (2007) information disclosure measurements criteria to measure the information transparency of sampled non-financial public listed firms in Nigeria.

This study supplement information obtained from annual report of all the sampled public listed companies in Nigeria. In a study conducted by Meek et al. (1995) which is also in consonant with the study by Aksu and Kosedag (2006), Tsamenyi et al. (2007) and Zaheer, (2013) measures information disclosure in the following ways "disclosure of ownership structure and investments, financial transparency and information disclosure and board and management structure and process disclosure". This is also the method adopted by S&P for their research in rating companies of the level of disclosure and transparency achieved by them (Bijalwan & Madan, 2013).

3.9.3 The Disclosure Scoring Index

Data on corporate disclosure are collected on public listed companies in the Nigerian stock exchange (NSE). The sample is limited to only the non-financial companies. The choice to limit the study to non-financial companies is as a result of regulatory difference. This study focuses on the disclosure of ownership structure, financial transparency and information disclosure, board's management process disclosure as proxy for corporate disclosure (Tsamenyi et al., 2007).

The introduction of mandatory disclosure requirements can improve significantly the extent of voluntary disclosure because, disclosure by firm voluntarily seems to provoke other companies to make related disclosure in financial report (Dye & Sridhar, 2014; Dye, 2014). For example Chiang (2005) study on CG structure and firm performance and the level of financial transparency by Taiwan listed firms with mandatory disclosure requirements and extent of voluntary disclosure in these companies. Their studies found out positive association between the level of mandatory disclosure and firm performance.

Transparency and disclosure (T&D) scores and attributes are examined using the disclosure items adopted from the study of Tsamenyi et al. (2007) and Meek et al.

(1995) to search for the best practice of information disclosure items in the 2010-2013 annual reports of the sample firms. The researcher uses 42 items to measure corporate governance and disclosure in Nigeria. Out of 42 item, 36 items were adopted from Tsamenyi et al. (2007) and the remaining 6 items were adopted from Meek et al. (1995).

The information attributes and disclosure were developed in line with Nigerian SEC transparency and disclosure guideline on corporate best practices as reflected in the revised NCCG, 2011. The disclosure is in line with OECD guideline on transparency and disclosure as reported in Tsamenyi et al. (2007). This transparency and disclosure is designed to help potential investors to understand the reporting differences in the annual report across market sector and capitalization.

The data sources for this research is the annual reports of non-financial companies in Nigeria. This research adopts the information transparency measurement criteria of Tsamenyi et al. (2007) and Meek et al. (1995) to measure the information transparency of selected firm. The transparency and disclosure attributes is divided into three sub-set: these are "transparency of ownership structure and investments with 11 attributes, financial transparency and information disclosure with 17 attributes and board and management structure and process with 14 attributes" which brings the number of attributes to 42 that is included in this study (Meek et al., 1995). One score point is awarded for each criterion for a firm that meets it and zero for otherwise and NA for not applicable. The inclusion of each attribute is scored on a binary basis as “yes”, “no” and “N/A” to ensure objectivity. Each “yes” answer is equal to one point and the overall T&D score for each firm is calculated. The scoring methodology is consistent with Tsamenyi et al. (2007), Zaheer, (2013) and Meek et al. (1995), Adelapo (2011) posits that unweighted scores are used for number of reasons because of its subjectivity that would be involved in allocating weights when user preferences are unidentified and when users in different nations are likely to assign different weights to similar attributes. Chow and Wong-Boren (1987) states that unweighted score and measurements permit an analysis independent of the observations of a particular user group which control for subjectivity in interpreting the financial statement and annual reports.

The study uses 42 scoring index in all to measure CG and disclosure in Nigeria. The scoring index were adapted from both Meek et al (1995) and Tsamenyi et al. (2007). The information attributes were developed in line with the information of transparency and disclosure (T&D) rules contained in the OECD principles. The study adopts this scoring guideline because it is in line with Nigeria SEC of corporate governance guidelines on best practices. The OECD principles recommend corporate governance framework that will ensure timely and precise disclosure is made on companies’ financial position, performance, ownership and governance (OECD, 1999). The scoring index is shown in Appendix A.

Table 3.3

Operationalization of Variables

Variables	**Acronyms**	**Operationalization**	**Sources**
DV			
Tobin's Q	QRATIO	This is the ratio of the market value of common shares plus the total debt divided by the book value of the total asset of the company	Haniffa and Hudaib (2006) Abdul Latif et al. (2013)
Return on Assets (ROA) %	ROA	Earning before tax (EBT) divided by the total assets	Haniffa and Hudaib (2006)
Value Added Intellectual Capital	VAIC	VAIC represents a measure for business. VAIC = HCE + SCE + CEE; VAIC = ICE + CEE ICE = HCE + SCE VA = P+C+D+A See Appendix D	Pulic (2004) Abidin et al. (2000)
IV			
Board Size	BOSIZE	Total number of the board of directors serving in the organization	Haniffa and Hudaib (2006)
CEO Duality Role	CEODUA	The situation where the chairman is the CEO. It is dichotomous with a dummy variable 1 if the CEO is the chairman or otherwise 0	Haniffa and Hudaib (2006)

Table 3.3 (continued)

Variables	Acronyms	Operationalization	Sources
Non-Executive Director	NONED	This is the proportion or number of non-executive directors serving in the firm as board of directors	Abdul Latif et al. (2013)
Board Meeting	BOMEET	This is the number percentage of BODS meeting during a financial year	Christensen et al. (2010), Lin (2013)
Board Gender Composition	BOGEND	This is the proportion of women director on the BOD	Adams and Ferreira (2009), Lückerath-Rovers (2011)
Blockholder Ownership	BLOOWN	Proportion of shareholding by top shareholders or concentrated shareholding structure by few shareholders	Xu and Wang (1999)
Managerial Shareholding	MOWN	Proportion of shareholding held by the directors of the company	Xu and Wang (1999) Morck et al. (1988)
Risk Management Committee	RSKMGT	This is a situation where there is presence of risk management committee, which is proxies as 1 for presence and 0 otherwise	Goodwin et al. (2009) Hoyt and Liebenberg (2011)
Disclosure: 1. ownership and investments, 2. financial and information disclosure 3. board and management structure and process	OWNT FINT BODT	Total score of the transparency in the entire category listed and the compliance and adoption of relevant reporting standards by organizations. It is dichotomous for 1 for disclosure and 0 if otherwise	Tsamenyi et al., (2007) Zaheer, (2013), Adelopo, (2011b), Meek et al. (1995)
CV			
Gearing (%)	GEAR	The percentage of total debt to total assets of the company.	Renders and Gaeremynck (2007)
Firm Size	FIMSIZ	This is proxy for the total assets of the company.	Haniffa and Hudaib (2006) Gord (2009)

3.9.4 Test for Validity and Reliability of Disclosure Variables

Poor reliability of score measures leads to inflated standard errors and/or biased estimates, particularly in multivariate analysis. Reliability estimation is usually an integral step to assess data quality in the analysis of score data. Cronbach's α is a widely used indicator of reliability due to its rather strong assumptions (Cronbach, 1951; Biemer; Christ.; Wiesen, 2009). Therefore, it may be worthy to provide analysis of the measurement of scoring index vis-à-vis the type of research variables used in the present study. This is because, the measurements methodology of the disclosure index was adapted from previous studies of 36 items was adopted from Tsamenyi eta al. (2007) and 6 scoring index was adapted from Meek et al. (1995).

The internal consistency reliability test was conducted and the extent to which items of a particular variables converge together and are independently capable of measuring the same variable. Test of internal consistency reliability of Cronbach's alpha coefficient was employed (Sekaran & Bougie, 2010). As shown in Table 3.4, the results demonstrate that all measures attain high reliability coefficient. The researchers consider a reliability coefficient of 0.60 as average reliability, and a coefficient of 0.70 and above as high reliability (Hair et al., 2006; Nunnally, 1967; Sekaran & Bougie, 2010).

Table 3.4

Summary of Reliability Test Results

Variables	Standard Deviation	Cronbach's alpha
OWNT	1.66	.704
BODT	1.88	.709
FINT	2.33	.719

3.10 Model Specification

Independent variables consist of corporate governance variables, namely board size (BOSIZE), non-executive directors (NONED), CEO role duality (CEODUA), blockholder ownership (BLOOWN), managerial shareholdings (MOWN), board meeting (BOMEET), board gender (BOGEND), risk management committee (RISMGT) and two control variables, gearing (GEAR), firm size (FIMSIZ). On the moderating variable, blockholder ownership, Baron and Kenny (1986) posit that the "linear hypothesis is tested by adding the product of the moderator and the dichotomous independent variable to the regression equation, So if the independent variable is denoted as X, the moderator as Z, and the dependent variable as Y, Y is regressed on X, Z, and *XZ.* Moderator effects are indicated by the significant effect of *XZ* while X and Z are controlled". Thus the model or the regression function for this research is found in 3.11.

3.11 Regression Functions

Panel corrected standard errors multiple regressions were used in equation (a), corporate governance and firm performance to examine the relationship between corporate governance mechanisms and firm performance. In equation (b), the study used hierarchical regression function to test the moderating effect of block ownership between the relationship between the corporate governance variables and firm performance proxies (Aiken & West, 1991a; Andersson & Nielsen, 2014; Baron & Kenny, 1986; Shieh, 2009). The following are the proposed models to analyze the relationship between the various corporate governance variables and corporate firm performance.

The regression functions for the study are as follows:

(a) Corporate governance and firm performance

$$FP_{it} = \alpha 0 + \beta_1 BOSIZE_{it} + \beta_2 NONED_{it} + \beta_3 BOMEET_{it} + \beta_4 BOGEND_{it} + \beta 5MOWN_{it} + B_6 MOWN^2_{it} + \beta_7\ RSKMGT_{it} + \beta_8 BODT_{it} + \beta_9 OWNT_{it} + \beta_{10} FINT_{it} + \beta_{11} GEAR_{it} + \beta_{12} FIMSIZ_{it} + \epsilon$$

(b) Corporate governance and moderating variable

$$FP_{it} = \alpha 0 + \beta_1 BOSIZE_{it} + \beta_2 NONED_{it} + \beta_3 BOMEET_{it} + \beta_4 BOGEND_{it} + \beta_5 MOWN_{it} + B_6 MANOWN^2_{it} + \beta_7 RSKMGT_{it} + \beta_8 BLOOWN_{it} + \beta_9 BODT_{it} + \beta_{10} OWNT_{it} + \beta_{11} FINT_{it} + \beta_{12} BOSIZE_{it} * BLOOWN_{it} + \beta_{13} NONED_{it} * BLOOWN_{it} + \beta_{14} BOMEETit * BLOOWN_{it} + \beta_{15} BOGEND_{it} * BLOOWN_{it} + \beta_{16} MOWN_{it} * BLOOWN_{it} + \beta_{17} RSKMGT_{it} * BLOOWN_{it} + \beta_{18} GEAR_{it} + \beta_{19} FIMSIZ_{it} + \epsilon$$

Where:

FP	Firm Performance measured by Tobin Q, ROA and VAIC.
BOSIZE	Board size.

NONED	Non-executive directors
BOMEET	The numbers of BOD meeting annually
BOGEND	The proportion of women on the Board.
BLOOWN	The proportion of share ownership by the top shareholders
MOWN	Shareholdings held by directors
RSKMGT	Risk management committee
OWNT	Ownership disclosure
BODT	Board process disclosure
FINT	Financial disclosure
GEAR	Gearing
FIMSIZ	Firm Size
ϵ	Error term

Demsetz and Lehn (1985) in their research used a set of data from US suggest that there is a potential problem in the model and regression functions stated above. This problem is a potential problem of endogeneity between managerial ownership and Tobin's Q. This will imply that the standard regression functions may not be appropriate to test the association between endogenous variable. Cho (1998) and Hermalin and Weisbach (2003) also posit the existence of endogeneity between managerial ownership and performance. The problem of endogeneity is checked by using two-stage least square instrumental variable approach (Bascle, 2008). This study followed the checking of endogeneity by checking the validity of the 2SLS technique which is subject to the diagnostic test pertinent to this method. In the instrumental variables estimation, the common validity test is the Wu-Hausman or Durbin Wu-Hausman test. This (Durbin-Wu-) Hausman endogeneity test compares the estimates (coefficient vectors) of OLS and the instrumental variables for cross sectional data and Davidson-MacKinnon test for panel data.

3.12 Techniques of Data Analysis

Upon completion of data collection, combinations of both descriptive and inferential statistics were employed as methods of data analysis. The regression analysis was conducted using the STATA statistics analysis tool. The reasons for employing stata statistical tool is because panel data are used in this research. It enhances the quality of the data, data becomes more variability, more degree of freedom and it reduces and eliminates bias in the data (Baltagi, 2005). Since multivariate regression is used to test the hypotheses, assumptions of multi co-linearity, normality, homoscedasticity and linearity were also tested (Haniffa & Hudaib, 2006).

The Pearson correlation matrix is used to test the multi collinearity assumption while the test for linearity, normality and homoscedasticity are also conducted (Haniffa & Hudaib, 2006). Multivariate regressions for each model were conducted for each year (2010-2013) as well as for the pooled data for all four years. These years (2010-2013) are considered in this research to take into account both pre and post adoption of IFRS and revised code of CG in Nigeria. In case of endogeneity, the study adopt two stage least square regression to solve the endogeneity that may occur in the course of the study (Haniffa & Hudaib, 2006).

To undertake the empirical analysis and to achieve the main objective of the thesis, secondary data and STATA statistical package are used. Baltagi (2008) stated that panel data will be useful to utilize both time series and cross sectional information and it gives large number of observations, increasing the degree of freedom and reducing the co-linearity among explanatory variables. Gujarati, (2004), and Green, (2003) also stated that panel data improves empirical analysis and it gives more flexibility for modeling the behavior of cross sectional units than convectional time series analysis.

In addition, more efficient, minimal collinearity, more information, high degree of freedom is associated with panel data. Even adjustments which are dynamic in nature are better captured by panel data. Also, panel data can discover and measure the effect while time series or cross section cannot capture the effects. In the same vein, panel data are macro in nature and have a longer time series whereas time series faces problem of non-standard distributions which are peculiar in unit root test.

3.13 Summary of the Chapter

Corporate governance is an important and key factor in solving agency problem between the agent and the principle (Jesen & Meckling, 1976). This chapter discusses the conceptual framework, population of the study, sampling size technique and disclosure scoring methodology and operationalization of variables. The method of data collection and data analysis are also discussed in this chapter.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

Chapter Four focuses on the result for regression analyses which includes; multicollinearity, homoscedasticity, descriptive analysis, Pearson correlation matrix and multiple regressions. Furthermore, the basic assumptions in the panel data analysis is also considered. This assumption is between pooled effect and random effect and between random effect and fixed effect. The final part provides summary of hypotheses testing and summary of the chapter.

4.2 Sample Profile

Table 4.1 presents the sample composition of sectors used in this study. The sample cut across the industry groups making up the Nigerian economy except the financial companies. Thus, they are representative of the population of this study. The majority of the samples come from consumer goods sector in which 60 companies representing 24.19%, and 44 companies from services representing 17.74%, 36 companies from conglomerates representing 14.52% and 20 companies from oil and gas representing 8.06%. The remaining sampled companies were from health sector, ICT, and construction representing the frequency of 12 and 4.84% respectively. The remaining is from Agriculture and natural resources representing 4 and 8 companies and 1.61% and 3.23% respectively. The total of ten (10) sectors are selected for this study as shown in the table 4.1 below.

Table 4.1

Sample Profile of Companies

Sector	Frequency	Percentage
Consumer	60	24.19
Services	44	17.74
Industrial goods	40	16.13
Conglomerates	36	14.52
Oil and gas	20	8.06
Health care	12	4.84
ICT	12	4.84
Construction	12	4.84
Natural resources	8	3.23
Agriculture	4	1.61
Total	**248**	**100**

Note: The frequency represents the number of firms' observations under the period of study 2010-2013.

4.3 Descriptive Statistics of the Variables

4.3.1 Descriptive Statistics of Continuous Variables

Table 4.2 presents the descriptive statistics of continuous variables. The variables are the corporate governance mechanism, corporate reporting transparency and firm performance proxies which include ROA, Tobin's Q and VAIC.

Table 4.2

Descriptive Statistics of Continuous Variables

Variables	MEAN	MIN	MAX	SD
BOSIZE	8.49	5.00	15.00	2.09
NONED	0.69	0.25	0.82	.139
BOGEND	0.08	0.00	0.57	.109
BOMEET	4.60	2.00	9.00	1.23
MOWN	14.0	0.00	88.0	20.5
BLOOWN	59.0	10.00	98.33	22.7
BODT	64.0	14.0	86.0	.134
FINT	68.0	29.0	94.0	.137
OWNT	65.0	18.0	91.0	.150
GEAR	0.59	0.10	1.00	.216
FIMSIZ	16.08	11.49	20.55	1.88
ROA	0.07	-0.69	0.47	0.11
QRATIO	1.04	0.09	3.36	.240
VAIC	3.56	-6.63	27.90	1.74

Note: N= 248. BOSIZE is the number of board members; NONED is the proportion of non- executive director; BOGEND is the proportion of female directors on the board; MOWN is the percentage of directors shareholding; OWNT is the total index of ownership transparency; FINT is the total index of financial transparency; BODT is the total index of board transparency; GEAR is the debt ratio; FIMSIZ is the log of total asset; Q ratio is the Tobin Q; ROA is the return on Asset; VAIC is the Value Added Intellectual Capital.

The mean of the board size (BOSIZE) is 8.49 with minimum of five directors and maximum of fifteen directors. The numbers of the members of the board is in line with the recommendations of the revised code corporate governance of 2011 by Security and Exchange Commission (SEC) which states that the board should be sizeable enough to consisting of both executive and non-executive directors. The code further states that the ideal board should not be less than five. The mean of the composition of the non-executive director (NONED) is 0.69 with the minimum as 0.25 and maximum as 0.82. However, the code of best practice in Nigeria do not state the number of NONED to be on the board but 69% mean of the composition of non-executive directors is already in line with the requirements of the Nigerian code of corporate governance which stipulates that the non-executive director should be more in numbers in the board composition.

The meeting of the board of directors (BOMEET) from this study posit that the companies was having average of 4.6 meeting annually which comply with the code of corporate governance states that companies must meet at least once in every three months, that means four times in a year. The number of women on the board (BOGEND) on the average percentage is 8% with minimum percentage of 0% and maximum of 57%. This means the participation of women in company management in Nigeria is very low. The low level participation of the women in the board room is as a result of no specific requirement of the women to be included on the board list by the code of corporate governance in Nigeria. The managerial shareholding (MOWN) is having average of 14%; minimum of 0% and maximum is 0.88%, this explains that there is low level of managerial shareholding in Nigeria. The block shareholding is having the average of 59%, minimum of 10% and maximum of 98%. This is an indication that shareholding by Nigerian companies are characterised by large block shareholding.

The corporate reporting transparency has three dimensions namely board process transparency (BODT), the financial transparency (FINT) and the ownership transparency (OWNT). On the board transparency (BODT), the mean score is 64%, the minimum is 14% while the maximum is 86%. Also, on the board transparency (FINT), the mean score is 68, the minimum is 29% while the maximum is 94%. Lastly on corporate transparency, the ownership transparency (OWNT) is having mean score of 65%, the minimum score 18% and the maximum score of 91%.

On the firm performance dimensions, the ROA shows the mean of 0.07, the minimum of -.06 and maximum of 0.47. Similarly, the Tobin's Q shows the average mean 1.04, the minimum of 0.09 and maximum of 3.38 while the Value Added Intellectual capital shows 3.50, the minimum of 6.63 and maximum of 27.9. In terms of firm size (FIMSIZE) which is the proxy of the log of total asset, the mean is 16.08, the minimum is 11.49 and the maximum is 20.55. The gearing is 0.59 average, minimum at 0.10 and the maximum is 1.00.

4.3.2 Categorical Variable

Table 4.3 presents the statistics of categorical variables; CEO duality and risk management committee (RSKMGT). The Nigerian companies have 100% complied with the corporate governance code of best practices in Nigeria as all the companies sampled are having different person as the CEO and chairman of respective company.

However, the risk management committee is one of the board committees set as a control mechanism to monitor the affairs and the activities of the firm, however, not all the companies that have established this committee. The dummy variable 1 is used if there is presence of risk management committee and 0 if otherwise. The compliance of companies on risk management committee shows that 46.8% have complied with the corporate governance code that risk management committee is set up alongside other board committees, however, 53.2% of the companies are yet to comply. The compliance of SEC code of 2011 is hampered as a result of weak legal framework in the compliance of code of best practices in Nigeria. Good legal framework can greatly enhance corporate governance practices in Nigeria (Edogbanya et al., 2015).

Table 4.3

Descriptive statistics of Categorical Variable

Variables	Dichotomy	Frequency	Percentage
CEO Duality	1	0	0
	0	248	100
RSKMGT	1	116	46.8
	0	132	53.2

Note: there is 100% compliance by the Nigerian companies. The duties of the managing director in Nigeria are fully separated from the functions of the chairman of public listed companies in Nigeria. This means, there is 100% compliance to the SEC code of cooperate governance 2011.

4.4 Diagnostic Tests of Panel Data Analysis

Before the commencement of regression analysis, the basic assumptions in multiple linear regressions using panel data are checked. These assumptions include homoscedasticity, multicollinearity, autocorrelation and other Regression Analysis

Assumptions such as normality, linearity, and outlier and validity test for panel data analysis.

4.4.1 Homoscedasticity

Test for homoscedasticity must be carried out going by the assumptions of multivariate analysis. This test is conducted with the assumption that the level of variance in the firm performance explained is equally distributed among the corporate governance variables. If otherwise, the research data would be said to be heteroscedastic (Hair, Black, Babin, Anderson, & Tatham, 2010). In other words, homoscedasticity is "when an Individual Y values are spread around their mean value with mean variance" Gujarati (1995. P. 154). If the variation of the error term of individual cross sectional unit is not constant, the assumption is violated and there is heteroscedasticity. This test is statistically conducted in this study through independent sample *t*-test. Scholars such as Hair, et al (2010) and Pallant (2003) argue that the Levene statistics result should be statistically insignificant (α>0.05) for the data to be outside the range of heteroscedasticity. This often occurs in a cross sectional data where there are large differences in value and size between the observation. Graphical method and non -graphical method can be used to detect the presence of heteroscedasticity.

The remedy of heteroscedasticity is through transformation of data (Hair et al, 2006). Heteroscedasticity is checked using a non-graphical method. Modified Wald test is conducted for the problem to be detected. The null hypotheses that the variance is homogeneous were tested. In a situation where the p-value is more than 0.05, then this study fails to reject the null hypotheses and the residual is deemed to be homogeneous. Regression with robust analysis was conducted so that the standard error could be corrected. Robust analysis leads to the t-statistics will be more accurate because this test will provide better estimation for the standard error to be accommodated (Gujariti, 2009; Pallant, 2003).

Table 4.4 below shows the existence of heteroscedasticity using modified Wald test for heteroscedasticity in panel data analysis. Based on the modified Wald test statistic results, all the models produce a significant chi-square value at 1% significant level for ROA, Tobin's Q and VAIC. Thus, the finding indicates existence of heteroscedasticity. To remedy for this problem, the panel corrected standard error method of regression is employed.

Table 4.4

Modified Wald test for Heteroscedasticity

	ROA	**Tobin's Q**	**VAIC**
chi^2	2.0e+05	2.8e+05	1.3e+07
Probability	0.000	0.000	0.000

4.4.2 Multicollinearity

This form of normality test of data distribution inspection focuses on the degree of the relationship that exists between independent variables (corporate governance, corporate reporting transparency). A serious multicollinearity and correlation between the independent variables exists when the correlation is above 0.80 (Hair et al 2010). Coakes and Ong (2011); Hair et al. (2010) and Pallant (2003) posit that the existence of multicollinearity between variables distorts the predictive power of independent variables on dependent variables as the estimate power of the regression coefficient becomes unrealistic. This study conducted the multicollinearity test between the independent variables in order to check for the multicollinearity among the variables and to get the data prepared for further analyses. If the correlation is more than 0.80, the next step is to test for Variance Inflation Factor (VIF). There is serious multicollinearity problem if the VIF is greater than 4 (Hair et al 2010). The way to solve this problem if it occurs is by dropping one variable (Bickel, 2007). Checking the data, it shows that there is no multicollinearity problem for the data under study given that there is no correlation that is greater than 0.8 and the VIF in this this study are all less than 2. The analysis for VIF is in the Table 4.5. Correlation matrix between variables is discussed in 4.9.

Table 4.5

Variable Inflation Factor (VIF)

Model	Variable	VIF	1/VIF
ROA	BOSIZE	1.72	0.580
	NONED	1.18	0.850
	BOMEET	1.29	0.772
	BOGEND	1.12	0.891
	MOWN	1.30	0.767
	RSKMGT	1.26	0.796
	BLOOWN	1.13	0.888
	BODT	1.39	0.722
	FINT	1.60	0.624
	OWNT	1.59	0.631
	GEAR	1.09	0.921
	FIMSIZ	1.62	0.618
	Mean VIF	**1.36**	
Tobin's Q	BOSIZE	1.11	0.897
	NONED	1.10	0.906
	BOMEET	1.26	0.792
	BOGEND	1.09	0.914
	NOWN	1.28	0.779
	RSKMGT	1.24	0.805
	BLOOWN	1.13	0.887
	BODT	1.11	0.897
	FINT	1.58	0.631
	OWNT	1.60	0.625
	GEAR	1.07	0.936
	FIMSIZ	1.60	0.623
	Mean VIF	**1.31**	
VAIC	BOSIZE	1.58	0.633
	NONED	1.11	0.903
	BOMEET	1.26	0.790
	BOGEND	1.09	0.914
	MOWN	1.28	0.778
	RSKMGT	1.25	0.801
	BLOOWN	1.13	0.883
	BODT	1.11	0.902
	FINT	1.60	0.624
	OWNT	1.60	0.623
	GEAR	1.07	0.931
	FIMSIZ	1.61	0.622
	Mean VIF	**1.32**	

Note: Following Hair et al., (2010), VIF of of less than 4 posit absence of multicollinearity.

4.4.3 Autocorrelation

When the diagnostic tests reveal the existence of correlation among panel error components and also autocorrelation across cross section and time series, the assumptions of no heteroscedasticity and no autocorrelation is the random parameters model cannot be utilized (Gujariti, 2009). Instead, the fixed effects model provides the remedy to the problem as the model allows for the error terms to correlate with the individual effects.

The presence of autocorrelation is verified by using the Wooldridge test for autocorrelation in the panel data. The test checks for the first-order autocorrelation with a null hypothesis indicating no first order autocorrelation. For the ROA model, the Wooldridge test of autocorrelation resulted in F (1, 60) = 16.150, for Tobin's Q model, F (1, 61) = 9.665 and VAIC model at F (1, 61) = 26.032 and all are significant at 0.001. The null hypothesis of no correlation between error terms is rejected and indicates the occurrence of first order autocorrelation in the entire three models ROA, Tobin's Q and VAIC respectively. As a result of this problem, the panel corrected standard error is employed to take care of possible problem of autocorrelation and possible heteroscedasticity. Table 4.6 below shows the result of Wooldridge test for autocorrelation in the panel data.

Table 4.6

Wooldridge test for autocorrelation

	ROA	Tobin's Q	VAIC
F	16.150	9.665	26.032
Prob	0.000	0.003	0.000

4.4.4 Normality

It is important to test for normality of variables across two or more variables (Coakes & Ong, 2011; Pallant, 2003). In order to uphold the assumption of normality in respect of data distribution, normality is one of the pre-requisite for multivariate analysis. If this is neglected it can lead to misleading relationship between the variables under investigation and hence distort the findings of the research (Gujarati, 1995). One of the method in which normality of data can be measured is an assessment of data distribution through value of kurtosis and skewness (Sekaran & Bougie, 2009). Previous scholars assigned different acceptable values to kurtosis and skewness. According to Tabanichnick and Fidell (2007) the value for kurtosis and skewness should not be greater than + 2, Kline (2005) suggests + 8 value for kurtosis and + 2 for skewness. Hair eta al (2006) suggests kurtosis and skewness is within 1.96 (at 0.05 significance level) and 2.58 (at 0.01 significance level). However, normal P-P plot can also be used in this study to test for normality as suggested by some previous scholars. For example, Hair et al., (2010) delineate normal p-p plot and histogram as graphical representation of data distribution that enhance visual inspection at a glance. This study adopts normal P-P plot to check for the distribution of the data.

4.4.5 Assumption of Linearity

Before multivariate analysis can be run, there is need to test for linearity between dependent and independent variables (Coakes & Ong, 2011; Pallant, 2003). To comply with this assumption, this study examines the linearity of independent variables and the dependent variables by normal probability plots from regression standardized residual results as suggested by Coakes and Ong (2011). Coakes and Ong (2011) argue that the linearity relationship between independent variables and dependent variables can be assessed by using a graphic inspection of normal probability plots of regression standardized residual and histogram. The normal probability confirms the positive linear correlation between the study variables. Furthermore, non-linearity is not a problem if the standard deviation of the dependent variable is more than the standard deviation of residuals. Non-linearity of managerial shareholding was addressed by using the quadratic terms in the function. In this study, analyses of curve estimations for quadratic term of ROA, Tobin's Q and VAIC were conducted for managerial ownership structure (Morck et al, 1988).

4.4.6 Outliers

Outliers are unusual observations present in a set of data with extreme values that differ from the rest of the data (Karioti, 2007). It can also be referred to as observation with extreme values which are different from other observation in the same category. An outlier could be different from other points with respect to the value of variable or multivariate data, and could be unusual in respect of the combination of values of several variables (Hair et al., 2010; Karioti, 2007). It does not strongly influence the estimated slope of the regression line but could adversely affect the model fit and estimated error (Latin, Douglas, & Green 2003) and leads to wrong conclusion and inaccurate prediction. When outliers are identified, the next consideration is either to delete or to retain the outlier. The generalization will be limited to improving the result. Thus, before deleting the outliers, differences in estimated coefficients are tested using multiple regressions on the variables. If the difference is not significant, the outlier is deleted. However, for the current study, the robust regressions were used because this method gives less weight to outliers and also check the robustness of the model" (Hair et al., 2010).

4.5 Panel Data Analysis

According to Baltagi (2005), panel data refers to the pooling of observations on a cross section over several times. In short, it is a hybrid of time series and cross sectional data structures, thus enabling the researcher to study the dynamics of change over the short time series. In this study, panel data structure rather than cross sectional or time series was utilized due to the potential benefits provided by this approach, in particular it can enhance the quantity and quality of data that could not be provided with either a cross sectional or a time series alone (Greene, 2003).

Moreover, panel data could control for variables that are not included in the model (Gujariti, 2009). As Henderson and Kaplan (2000) noted that panel data analysis both accounts for omitted variables and captures dynamics relationship between independent and dependent variables. Explanatory power far exceeds that of cross-sectional model. The researchers further suggest that research on corporate governance could be conducted by utilizing panel data analysis since it offers various benefits other than data structure, such as cross sectional and time series where panel data are capable, to some extent, of controlling for model specification (Henderson & Kaplan, 2000). Furthermore, Baltagi (2005) lists several advantages of the panel data analysis: (i) individual heterogeneity could be controlled, (ii) data becomes more informative, more variability, less correlation among the variables, more degrees of freedom and more efficiency, (iii) accounts for multitude of change, (iv) identifies and measures the effects, which are simply undetectable in pure cross section or pure time series data, (v) constructs and tests more complicated behavioural model compared to pure cross section or pure time series data, and (vi) reduces or eliminates bias due to aggregation over firms and individuals.

Therefore, pooling cross section and time series allows for changes in time-dependent explanatory variables to influence the dependent variable, thus, it provides a more dynamic analysis. However, the use of the panel data is not without limitations. The restrictions include the survey design and data collection matters, measurement errors, selectivity problems (i.e.: self-selection problems, non-response bias, attrition) and short time series dimension and cross section dependence (Baltagi, 2005). It is important to note that the first three limitations are frequent problems that occur in the survey approach but rarely in the archival data. Therefore, the validity test for panel data is discussed below.

4.5.1 Constant Variance Model Vs. Random Effects Model

The first stage of the panel data analysis involves determining the best panel approach to be used. The decision to use the constant variance model or random effects model is by conducting the Breusch Pagan Lagrangian Multiplier test for random effects (Wooldrige). The Lagrangian Multiplier test examines the presence of unobserved effects in the random effects model. If the calculated value of the test exceeds the critical value (in other words significant of chi-square), null hypothesis is rejected and the random effects model of panel data is chosen or vice versa.

Table 4.6 below shows that the calculated value Breusch Pagan Lagrangian Multiplier test is more than the critical value for all the models (p=0.000), thus, the null hypothesis is rejected. The significance of chi-square of the Lagrangian Multiplier test signifies that the variance of the random effects model is not zero (0). Hence, the random effects model is more suitable than the constant variance model.

Table 4.6

Breusch Pagan Lagrangian Multiplier test

	ROA	**Tobin's Q**	**VAIC**
Chi2 (12/13)	156.62	25.44	86.58
Prob > chi^2	0.000	0.000	0.000

4.5.2 Fixed Effects Model Vs. Random Effects Model

Baltagi (2005) proposed the fixed effects model or random effects model to estimate the panel data. The fixed effects model is a regression with constant slopes, however, the intercepts differ according to the cross sectional unit while the random effects model would have a random constant term (Wooldridge, 2010). The choice of the fixed effects model or random effects model can be tested based on the Hausman specification test proposed by Hausman (1978). This test is based on the difference between the fixed effects and random effects estimators. The fixed effect is preferable over random effect when the Hausman test result is significant in the model (Al-Ajmi, 2008). Furthermore, Al-Ajmi (2008) notes that the fixed effects model capture the possibility of an individual firm effect on reporting period or control for omitted variables that differ among firms but are constant over time. The choice of the fixed effects model or random effects model is based on the assumption of whether as the unobserved company level effect is independent of the explanatory variables or not. If we can assume there is no correlation, then the random effects model would normally provide more powerful and efficient estimation than the fixed effects model. In contrast, the fixed effects model is generally superior when there is a correlation between the unobserved firm-specific random effects and the explanatory variable, in which the fixed effects model normally provides consistent results.

Subsequently, the Hausman test is conducted in choosing the best model that suits the data. The results for the Hausman test (fixed effects. random effects), as stated in Table 4.7 below, shows x^2= for the hypothesis model 1(ROA), model 2 (Tobin's Q) and model 3(VAIC) and the p-value of $X^2 = 0.000$ for all the models. Since the chi-square values are highly significant, the null hypothesis should be rejected, which indicates that there is a significant difference between the coefficients of the random effects and fixed effects models. Hence, it is risky to assume that there is no correlation between the error terms in all the models and its independent variables. Thus, the stricter assumption of the random effects model cannot be used; instead the fixed effects model supports the assumption for correlation to exist.

Table 4.7

Hausman specification test

	ROA	Tobin's Q	VAIC
Chi2 (12/13)	156.62	165	135
Prob > chi2	0.000	0.000	0.000

4.5.3 Endogeneity Issue

As discussed earlier, studies have proven the existence of an endogenous relationship between the managerial ownership and Tobin's Q (Demsetz & Lehn, 1985; Morck et al., 1988). According to Gujarati (1999:439), "endogeneity arises when the dependent variable that appears as an explanatory variable in another equation may be correlated with the stochastic error term the classical regression of that equation". As such it violates one of the critical assumptions of OLS in that the explanatory variable is assumed to be either fixed or non-random, or if random, it may be uncorrelated with the error term. In this present study, as the managerial ownership is also one of the explanatory variables in the Tobin's Q, managerial ownership is expected to correlate with the error term of Tobin's Q. For that reason, it is important to eliminate the possible correlation and this can be done by employing the Two Stage Least Square (2SLS) analysis (Gujarati & Porter, 2009). The 2SLS was developed by Robert Basmann to counter the endogeneity problem (Basmann, 1957). The 2SLS involves two (2) successive stages of analysis; the first stage is to regress the endogenous variable against all its independent variables, namely, the Tobin's Q. The first stage regression derives the predicted value of Tobin's Q. Then, in the second stage, the predicted value of managerial ownership is used in the regression of the Tobin's Q model. Nevertheless, the validity of the 2SLS technique is subject to the diagnostic test pertinent to this method. In the instrumental variables estimation, the common validity test is the Wu-Hausman or Durbin Wu-Hausman test. This (Durbin-Wu-) Hausman endogeneity test compares the estimates (coefficient vectors) of OLS and the instrumental variables and the Davidson-MacKinnon test of exogeneity provides equal power to the Hausman. The F-test of the regression results signifies that the coefficients of residuals are zero (0). The null hypothesis for both tests states that the OLS regression coefficient vectors. The rejection of the null hypothesis indicates that the IV regression is needed since the endogeneity among the independent variables would have a harmful effect on the OLS estimates. However, when the p-value of the test is not significant (if the variables are exogenous), it is meaningless to apply the two-stage regression since it provides a less efficient estimation due to the large standard errors of the two-stage regression (Wooldridge, 2002).

4.5.4 Endogeneity of Managerial Ownership

Table 4.8 presents the significant value of the F test for the Davidson-MacKinnon test of exogeneity. The null hypothesis indicates that regression estimator would yield a consistent estimate using instrumental variables in the fixed effect model. The results show that the p-value is larger than a = 0.10 for all the models. Thus, the null hypotheses cannot be rejected. The insignificant of this diagnostic test indicate that the endogeneity relationship between the managerial ownership and Tobin's Q do not have a destructive impact on the regression estimators. Hence, the instrumental variables estimator is meaningless due to the large standard errors are and not required to fit in the regression model. However, endogeneity relationship of managerial shareholding and financial performance were also checked. Table 4.8 below shows the result of Davidson-MacKinnon test of exogeneity test for panel data. The result shows insignificant relationship between managerial ownership and firm performance. This is an indication that it does not have a destructive impact on regression estimator.

Table 4.8

Davidson-MacKinnon test of Exogeneity

	ROA	Tobin's Q	VAIC
F stat	(1,174)	(1,174)	(1,174)
P-value	.667	.445	.9076

4.5.5 Panel Corrected Standard Errors

A common feature of time series cross sectional data (TSCS) is that they display both contemporaneous correlations (autocorrelated errors) and heteroscedasticity (Beck &

Katz, 1995). Specifically, time series data exhibit contemporaneous correlations while cross section data display heteroscedasticity. Therefore, any inferences drawn base on the standard errors generated by the OLS will be misleading. Although the Generalized Least Squares (GLS) method (Parks, 1967) is theoretically superior to the OLS, it is only applicable to TSCS if one has knowledge of the error process (the auto-correlation and heteroscedasticity parameters), which in reality is not feasible (Beck & Katz, 1995). A practical and better alternative is the Feasible GLS (FGLS). However, FGLS tends to underestimate the precise variability of the estimator if the time period (t) is not quite higher than the cross sectional units (N), especially in small samples (Beck & Katz, 1995; Johnsson, 2005).

To avoid these problems, the Panel Corrected Standard Errors (PCSE) method which yields robust covariances has been suggested in the analysis of TSCS (Beck & Katz, 1995). Interestingly, the PCSE does not require t to be considerably higher than N and it has been found to perform better than the FGLS (Johnsson, 2005). It also accounts for the deviations from the spherical errors, leading to drawing meaningful inferences on the estimates from TSCS. The PCSE has been employed in several studies (see Bjørnstad & Nymoen, 2008; Hanke & Hauser, 2008; Juttner, Chung, & Leung, 2006; Pineda, Cashin & Sun, 2010; Silaghi & Ghatak, 2011). The current study adopts PCSE for testing of the hypotheses.

4.6 Correlation Matrix of Variables

The Pearson correlation matrix in this research is presented in the Table 4.9. Generally, all correlations between independent variables are less than 0.80, thus it is said that there is no issue of multicollinearity. Details of explanation are provided in the following paragraphs.

Board size (BOSIZE) is found to have positive correlation with proportion of non-executive director (NONED), blockholder ownership (BLOOWN), board transparency (BODT), financial transparency (FINT) and ownership transparency (OWNT). This shows that board with large number tends to have larger percentage of NONED. The Board meeting (BOMEET) is however not significant but positively correlated which means that company with larger board size tend to have more numbers of board meeting. This is because the meeting of the board is considered as board diligence because decisive decision can be taken during the meeting of BOD. There is negative correlation between board size and managerial ownership (MOWN). This means that the smaller the board the better.

The proportion of non-executive directors is found to have positive correlation with board gender (BOGEND) which signifies that the higher the number of the non-executive director (NONED) the more the women on the board. Furthermore, board meeting (BOMEET) shows have positive correlation with non-executive director. This means that the higher the number of NONED, the higher the number of meeting held. The non-executive director is found to have positive correlation with board process disclosure and transparency (BODT); this means that transparent board is the one with high number of non-executive director. The non-executive director is also found to have a negative correlation with managerial ownership (MOWN), blockholder ownership (BLOOWN) and ownership transparency (OWNT). Furthermore, board meeting (BOMEET) is found to have positive correlation with the following board size (BOSIZE) but not significant but is found to have positive significant correlation with non-executive director (NONED), managerial ownership (MOWN) and board process transparency (BODT). This indicates that the higher the numbers of non-executive director the higher the board becomes transparent and the higher the number of the board the higher the meeting of the board of directors held. Additionally, the board gender (BOGEND) is positively correlated with board process transparency (BODT) but negatively correlated with managerial shareholding (MOWN) and financial transparency (FINT). This means that the more women on the board the more the higher the board performance. Similarly, BOGEND is also found to have no significant correlation with BLOOWN but somewhat positive.

Risk management committee (RSKMGT) is found to have positive correlation with financial transparency (FINT) meaning that the establishment of risk management committee will strengthen the financial transparency of the company. Furthermore, the following is found to be positive but not significant with the risk management committee; board size (BOSIZE), board meeting (BOMEET), board gender (BOGEND) and ownership transparency (OWNT). This also shows that the more women on the committee, the more effective the risk management committee will become.

On the company transparency, the ownership process transparency (OWNT) is positively correlated with board size (BOSIZE) but negatively correlated with managerial shareholding (MOWN), blockholder ownership (BLOOWN) and non-executive director (NONED). This signifies that the more the number of board members the more efficient and performance of the board members as a result of different expertise and skills that will be employed by the board members. Furthermore, board process transparency (BODT) is positively correlated with board size (BOSIZE), non-executive director (NONED) board meeting (BOMEET), and block shareholding (BLOOWN). This means that the higher the board of directors the more transparent the board will become. More so, the financial disclosure and transparency (FINT) is found to have positively correlation with risk management committee (RSKMGT). This means that the company with high numbers of board of directors tend to have effective risk management committee. However, board gender (BOGEND) has negative correlation with managerial shareholding (MOWN). This means that the more women on the board of director the less the managerial shareholding.

Furthermore, the correlations for firm performance (ROA, Tobin's Q and VAIC) are explained below. ROA is positively correlated with non-executive director (NONED), board gender, board meeting, block shareholding and board transparency but negatively correlated with managerial shareholding. ROA, Tobin's Q and Value added intellectual capital (VAIC) are found to show positive correlation with ownership transparency (OWNT). This means that knowledge capital is very crucial in company's performance. Tobin's Q has negative correlation with board size (BOSIZE), non-executive director (NONED), board meeting (BOMEET), board gender (BOGEND) and risk management committee (RSKMGT). Furthermore, VAIC is found to have positive correlation with financial transparency (FINT), ownership transparency (OWNT) and board transparency (BODT) but negatively correlated with block shareholding (BLOOWN), managerial shareholding (MOWN) and non-executive director (NONED). This means that the knowledge capital can be translated to the various level of firm transparency. Therefore, Table 4.9 below presents the Pearson correlation matrix between corporate governance, corporate reporting transparency and firm performance.

Table 4.9

Pearson Correlation Matrix Between Corporate Governance Corporate Disclosure and Firm Performance

VARIABLES	ROA	QRATIO	VAIC	BOSIZE	NONED	BOMEET	BOGEND	RSKMGT
ROA	1.000							
QRATIO	-0.050**	1.000						
VAIC	0.170	-0.035**	1.000					
BOSIZE	0.188	-0.049**	0.135	1.000				
NONED	0.032**	-0.044**	-.052***	0.069*	1.000			
BOMEET	0.082*	-0.082*	0.069*	0.300	0.062*	1.000		
BOGEND	0.058*	-0.025**	0.081*	0.113	0.024**	0.043*	1.000	
RSKMGT	0.109	-0.043*	0.044**	0.299	-0.114	0.249	0.144	1.000
MOWN	-0.131	-.010***	-0.073**	-0.093*	-0.093	0.044*	-0.041*	-0.094*
BLOOWN	0.076*	-0.072*	-0.022**	0.011***	-.0360**	-0.067*	-0.025**	-0.035**
BODT	0.004***	0.130	0.069*	0.068*	.0734*	0.015**	0.022**	-0.084*
FINT	0.133	0.114	0.056*	0.041**	0.121	0.128	-0.015**	0.038**
OWNT	0.012**	0.053*	0.057*	0.075*	-0.060*	0.110	0.163	0.238
GEAR	-0.352	0.027**	0.134	-0.121	-0.076*	0.060*	-0.016**	-0.049*
FIMSIZ	0.261	-0.051**	0.007*	0.270	0.051*	0.227	-0.083*	0.240

Table 4.9 (continued)

VARIABLES	MOWN	BLOOWN	BODT	FINT	OWNT	GEAR	FIMSIZ
MOWN	1.000						
BLOOWN	0.116	1.000					
BODT	-0.084*	0.00***	1.000				
FINT	-0.223	-0.081*	0.195	1.000			
OWNT	-0.107*	-0.078*	0.166	0.547	1.000		
GEAR	0.062*	0.092*	0.061*	0.120	0.113	1.000	
FIMSIZ	-0.112	0.214	-.0100***	0.220	0.08**	-.048*	1.000

Note *p<.10, **p<.05, ***p<.1

4.7 Hypotheses Testing

4.7.1 Relationship between Corporate Governance and Firm Performance

4.7.1.1 Relationship between Corporate Governance and ROA

Table 4.10 presents the results of multiple regressions analysis between the corporate governance mechanism variables and ROA with the corresponding coefficient, *t*-value and the probability value (P-value). The model was produced to capture the relationship between the corporate governance and ROA and to test the impact of the level of managerial shareholding on performance. The curve estimation was employed in order to know whether to use the square term of managerial shareholding or not as a past studies have shown the presence of non-linearity relationship between managerial ownership and performance following Morck et al. (1988) and Demsetz and Lehn (1985) study. The analysis shows that quadratic term is not significant between managerial ownership (MOWN) and ROA by the F-test from ANOVA analysis. Therefore, the quadratic term of the managerial shareholding is therefore not used in this model but the linear term of managerial shareholding was used in the relationship with return on Asset (ROA) and firm performance.

Table 4.10

Multiple Regression Results Between Corporate Governance and ROA

ROA	Coefficient	t-value	P-value
BOSIZE	-.006	-2.26	0.024 **
NONED	.000	0.37	0.708
BOMEET	.051	3.55	0.000***
BOGEND	.001	0.78	0.433
RSKMGT	.018	2.00	0.045**
MOWN	-.004	-2.31	0.021**
BODT	-.135	-3.98	0.000***
FINT	.144	3.13	0.002***
OWNT	-.019	-0.81	0.420
GEAR	-.061	-1.70	0.089*
FIMSIZ	.003	6.18	0.000***
CONSTANT	-.124	-2.82	0.005
R-squared	0.371		
Probability	0.000		
Wald chi^2	10784		
N	248		

Note *p<.10, **p<.05, ***p<.01

Table 4.10 represents the result of multiple regression analysis between corporate governance variables and return on asset (ROA) which is the proxy for accounting measurement of performance with the corresponding coefficient value and *t*-value. The detailed diagnostic test is as follows, R^2 = 37% and probability = 0.000. The result in the model shows that board size is negatively significant with ROA at 5%, this suggests that the number of board of directors on the board do not really affect the performance of the company positively. This is an indication that smaller board is better compared to larger board. This result supports agency theory (Jesen & Meckling, 1976) and also in line with previous empirical research on board size that posits negative significance such as Bijalwan and Madan (2013). This findings is consistent with Jensen (1993) who posit that when the board becomes too large, it could cause free-riding issues among the directors which may lead to directors ineffective in monitoring management activities and operations. The non-executive director (NONED) is found not to be significant with return on asset (ROA). This result is consistent with Dalton et al (1998). The finding indicates that the engagement of the non-executive director is just for the fulfilment of the law provision or satisfaction of the code of corporate governance in Nigeria.

Furthermore, board meeting (BOMEET) is found to have positive significance at 1% significant level with return on asset (ROA). This suggests that the numbers of meetings held by the members of the board of directors is important in firm's development. The finding is consistent with Jackling and Johl (2009) and Al-Matar et al. (2014). The board meeting is an important activity by companies because as firm increases the number of times they meet, it will increase their performance (Khanchel, 2011). This finding is also in line with the recommendations of the code of corporate governance in Nigeria which stipulate at least four meetings of board of directors in a year given the importance of meeting of the directors as board diligence. Furthermore, board gender (BOGEND) is found not to be statistically significant but posit positive relationship with ROA. This finding is in line with Campbell and Mínguez-Vera (2007) which states that women involvement in the management of firm could lead to performance.

Additionally, managerial ownership (MOWN) is negatively significant at 5% with ROA. This finding is consistent with Short and Keasey (1999) which posit that at the lower level, the alignment effect is increased but the managers are entrenched at the higher level of ownership and their powers can hinder the success of the company performance. This shows from the finding that the higher shares held by the directors can lead to negative performance of the firm. The risk management committee (RSKMGT) is found to be positively significant with ROA at 5%. This finding is in support with signalling theory (Connelly et al., 2010; Karasek & Bryant, 2012), this finding indicates that risk management committee is one of the effective means of achieving the profitability of the firm. The RSKMGT help in firm performance because the investors' confidence will be built by their presence and that is why the revised code of corporate governance of 2011 of Nigeria, included risk management committee in its corporate governance framework to be adopted by the companies covered by the code.

Similarly, financial transparency (FINT) is positively significant at 1%. This finding indicates that information asymmetries could be reduced through improvements in disclosure of financial dealings of the company. This finding is consistent with signalling theory and Botosan and Harris (2000) who posit that disclosure frequency of financial transactions can enhance both the content and the timeliness of the information which could lead to firm performance. This study found increase in disclosure of financial process as a result of inclusion of transparency in the revised code of corporate governance of 2011 in Nigeria. On the board process transparency (BODT), the study found negative significant relationship at 1%. This finding supports the study of Wallace and Naser (1995) indicating that management may think that this information is not relevant to investment decision and may keep this information away from investors. Furthermore, the ownership transparency (OWNT) is found to have no significant relationship with firm performance but somewhat positive. This finding supports Karasek and Bryant (2012) and Chiang (2005) who state that the disclosure of ownership by the management is primarily done because of NCCG, 2011 requirement. The significant increase in the disclosure by the companies in Nigeria is as the result of the inclusion of transparency in the revised code of corporate governance and adoption of international reporting standard in Nigeria in 2010 (Edogbanya & Kamardin, 2014; Madawaki, 2014). Furthermore, gearing (GEAR) and firm size (FIMSIZE) are included in the model as control variables. Gearing is found in this study to have negative significance at 10%. This study supports Shleifer and Vishny (1997) and Wanyonyi and Tobias (2013) who argue that debt owed to large creditors could be useful tool in reducing agency and enhancing performance. This study also supports Short and Keasey (1999) who posit negative significance. On the other hand, firm size (FIMSIZE) shows a positive significance at 1%. This findings support Ghosh (1998) and Haniffa and Hudaib (2006) who posit that the performance of larger firm is better as a result of easy diversification of their risk.

4.7.1.2 Relationship between Corporate Governance and Tobin's Q

Table 4.11 presents the result of multiple regression analysis between corporate governance variables and Tobin's Q which is the proxy for market measurement of firm performance with the corresponding coefficient value and *t*-value. The result of multiple regression result of the relationship between the corporate governance and

Tobin's Q is thus as follows: R^2= 12.2% and probability = 0.000. This model was developed to capture the relationship between the corporate governance and Tobin's Q. The corrected panel standard error regression (PCSEs) was used to take care of heteroscedasticity and auto correlation that may be present in the model as suggested by Cook and Weisberg test.

Table 4.11

Multiple Regression Results Between Corporate Governance and Tobin's Q

Tobin's Q		**Coefficient**	**t-value**	**P-value**
BOSIZE		-.008	-1.98	0.047**
NONED		-.002	-1.77	0.077*
BOMEET		-.140	-1.90	0.057*
BOGEND		.001	0.56	0.575
RSKMGT		.011	0.48	0.633
MOWN		1.27	2.77	0.205
BODT		.288	2.42	0.016**
FINT		.154	1.56	0.118
OWNT		.019	0.20	0.907
GEAR		-.005	-0.12	0.907
FIMSIZ		-005	0.53	0.594
CONSTANT		.973	7.05	0.000
R-squared	0.122			
Probability	0.000			
Wald chi^2	2831			
N	248			

Note *p<.10, **p<.05, ***p<.0

Board size (BOSIZE) is found to be negatively significant at 5% level, this posit that the fewer the board members the better for the firm. The finding is consistent with agency theory which is in support of small board size and it can lead to reduction in proprietary cost (Jensen & Meckling, 1976). This finding is consistent with (Jensen, 1993) who posit that when the board becomes too large, it could cause free-riding issues among the directors which may lead to directors ineffective in monitoring management activities and operations. The non-executive director (NONED) is found to have negative significance at 10%. This finding support also Bhagat and Black (2001) who state that some non-executive directors have personal relationships with the managing director that affects their independence and would lead to negative performance (Yermack, 1997). Board meeting (BOMEET) is found to have 5% negative significant level. The finding supports Lin (2013) and Vafeas (1999) who posit that the annual number of board meetings is negatively associated to firm value.

Furthermore, board gender (BOGEND) is found not to have any significant relationship with performance. The finding is in line with Ding and Charoenwong (2014) and Terjesen et al., (2009) who posit no relationship between the percentage of women on the board. Lee and James (2007) investigated the effect of appointment of female directors in the United States on shareholder value and found a negative reaction to a female CEO compared to a male counterpart. The Risk management committee (RSKMGT) is also found not to be significant with Tobin's Q but somewhat positive. This is an indication that the inclusion of the risk management committee in the code of corporate governance in Nigeria is important.

The quadratic term is therefore not used in this model as suggested by Morck et al. (1988) and Demsetz and Lenn (1985) because the managerial shareholding is found to have linear relationship with Tobin's Q. The managerial ownership (MOWN) is therefore found to be positively significant but the quadratic term is found to be negatively significant. This shows that the managerial ownership is having impact with the market performance as it suggests entrenchment effect on performance. This study is consistent with Denis et al. (1997) that managers with more shareholding may likely diversify due to serious need for personal risk reduction (Demsetz & Villalonga, 2001).

Furthermore, board process disclosure and transparency (BODT) is positively associated at 5% with performance and financial transparency is found to be significant at 10% level. This finding is consistent with signalling theory because the transparency of the board is having positive reaction with the market. Ownership transparency and disclosure (OWNT) and financial transparency and disclosure are found not to be significant with Tobin's Q but somewhat shows positive relationship. This finding supports Barth and Schipper (2007) who state that that financial transparency is a desirable characteristics of financial report. This finding is also in line with signaling theory because the firm with good corporate governance mechanisms disclose more information to those outside the company to develop positive image about them (Chiang, 2005; Spence, 1973). The control variables in this model namely, gearing (GEAR) and firm size (FIMSIZ) are both found not to be significant with the market measure of performance. This finding is in line with Stiglitz and Weiss (1981) who suggest that when faced with too much debt, shareholders with limited liability may encourage the company to undertake highly risky projects to increase return on investment, but this would be detrimental to creditors and overall performance of the business.

4.7.1.3 Relationship between Corporate Governance and VAIC

Table 4.12 presents the results of multiple regressions results between the corporate governance variables and value added intellectual capital (VAIC). The model were developed to capture the relationship between the corporate governance, corporate reporting transparency and VAIC and to test the impact of the level of managerial shareholding. Following Morck et al. (1988) the square term of managerial ownership is considered as a result of non-linear relationship between managerial ownership and firm performance. In this model, the detailed diagnostic test is shown below: $R^2 = 17.3$, probability of 0.000. The board size (BOSIZE) is found to be positively related with VAIC at the significant level of 1%. This indicates that the larger the board size the more efficient the board will become because the experience and expertise of the board members will outweigh the agency cost in the long run. This also suggests that the experience and skills of the board can lead to company achieving its goal, following resource dependency theory.

The non-executive director (NONED) is negatively significant at 1%. This finding is consistent with Agrawal and Knoeber (1996) and Bhagat and Bernard (2002) who posit negative significance of the outside director and firm value. This result suggests that the presence of non-executive director is for decorative reasons as the appointment of NONED into the board is for mere satisfaction of code of corporate governance. Board meeting (BOMEET) is found to have no significant relation but have positive coefficient relationship. This means that despite the non-significance of the board meeting, human capital presence diligence is important in firm performance. The code of corporate government in Nigeria, NCCG prescribes at least one meeting every three months that minimum of four meetings in a year.

Furthermore, the board gender (BOGEND) is found to be positively significant with VAIC at 1%, this is an indication that the presence of women on the board can serve as a monitoring mechanism on the activities of board of directors. This finding is in support with Jianakoplos Bernasek (1998) which posit that women are more sensitive in financial risk aversion than their male colleagues. Risk management committee (RSKMGT) is found to be positively correlated with VAIC at 5% level of significance. This finding is in support of resource dependency theory which states that the more the board members the better for the company. The member of the board can be included in the risk management committee which can further lead to firm performance.

Table 4.12

Multiple Regression Results Between Corporate Governance and VAIC

VAIC	Coefficient	t-value	P-value
BOSIZE	.290	5.95	0.000***
NONED	-.056	-4.78	0.000***
BOMEET	.244	0.57	0.570
BOGEND	.056	3.79	0.000***
RSKMGT	.491	2.06	0.039**
MOWN	1.987	2.50	0.013**
MOWN2	-.495	-3.02	0.003***
BODT	-2.503	-2.23	0.026**
FINT	3.002	4.83	0.000***
OWNT	.635	0.90	0.367
GEAR	.818	1.55	0.122
FIMSIZ	-.181	-1.82	0.069**
CONSTANT	4.234	-1.68	0.000
R-squared	0.173		
Probability	0.000		
Wald chi^2	234.45		
N	248		

Note *p<.10, **p<.05, ***p<.01

The squared managerial ownership is used to measure the effect of managerial ownership on value added intellectual capital (VAIC). The curve estimation was employed in order to know whether to use the square term of managerial shareholding following Morck et al., (1988). In this model managerial shareholding is positively significant at 5% as against 1% negative significance when the square term is used. This finding posit entrenchment effect of board of directors at the high level of managerial ownership (Fan & Wong, 2002). The entrenchment effect of the ownership structure have a very serious effect on company's overall performance (Fan & Wong, 2002).

Board transparency and disclosure (BODT) is found to be negatively associated with value added intellectual capital (VAIC) at 5%. This means that the less board structure the more efficient the board will be and that most companies disclose information that is required by related government and related authorities (Chiang, 2005). Financial transparency and disclosure (FINT) is found to be positively significant at 1% with VAIC, this indicates that the level of financial transparency indicates the presence of knowledge capital in use by the company. The ownership transparency and disclosure (OWNT) failed to be significant in this model but somewhat positive. This result is consistent with agency hypothesis which states that the transparency of the ownership can greatly enhance the total performance of the firm. The trend of transparency is such that it was low before the revised code of corporate governance. After the adoption of the revised code by the companies, they were increase in reporting and disclosures in their financial report.

4.8 Additional Analysis

4.8.1 Dummy 2012 and 2013

In the main analysis, the effect of corporate governance mechanism on firm performance was tested on pre-corporate governance code adoption and post adoption period, where the post adoption period started from 31 December 2012 onwards. The results reveal that the post-adoption of corporate governance code of 2011 by security and exchange commission significantly increased firm performance. In order to determine which of the two (2) post adoption years contribute to the firm performance, dummy variables were included in the model. The pre and post adoption was coded as 1 and otherwise 0.

In model 1, the impact of the differences in year of adoption from the regression result between corporate governance and ROA from the regression shows that the post adoption of the revised code of best practices for year show non-significant result in year 3 and show a positive significance at 1% in year 4. This is an indication that the disclosure in the post adoption is better than year 1 and 2. This indicates that the market reaction to the adoption of the code of corporate governance is high, that is why year 4 is found to have positive significant results at 1% level of significance. Consequently, the revised code of corporate governance is thereby recommended by this study.

In model 2, the impact of the differences in year of adoption from the regression result between corporate governance and Tobin's Q shows that the year dummy included in the regression model is found to have the following results; From the results of the multiple regression, it shows that the pre adoption of the code of best practices for year 1 and 2 shows a non-significant result. However, in the year 3 and 4, that is the post adoption era, the results state as follows; ($p = 0.571$) and ($p=0.019$) respectively. This indicates that the market reaction to the adoption of the code of corporate governance is high, that is why year 4 shows significant results at 5% level of significance. Consequently, the revised code of corporate governance is thereby recommended by this study.

Furthermore, further analysis was conducted to consider the variation in year performance using the corporate governance and value added intellectual capital (VAIC) model. It was discovered that in the pre adoption of the revised code of corporate governance, shows the following results (p=0.000) and (p= 0.413) respectively for 2010 and 2011. However, 2012 and 2013 shows the following results 1% respectively. This is an indication that in the post adoption of the code of corporate governance in Nigeria has positive impact on performance and also the presence of intellectual capital has enhanced the performance of the firm in Nigeria. It is therefore on this note the study concludes that the adoption of the revised code of best practice amongst the Nigerians firms have impact on firm performance.

4.8.2 Sensitivity Analysis

The main analysis of this study converts the value of non-executive directors (NONED) into proportion which is the commonly used as proxy for measuring NONED (Haniffa & Hudaib, 2006; Al Matari, Al Swidi, & Fadzil, 2014). Even though the proportion is the most popular technique, the number of the non-executive directors can also be used to test the robustness of the research model (Kyereboah-Coleman, 2007). Thus, the sensitivity test by using the number of NONED on the board of directors is conducted to know the presence of any differences in the results of the hypotheses. The findings reveal that the results of the hypotheses remained unchanged for all models hence the research model is robust.

Additionally, further sensitivity analysis was conducted to check the differences that may exist between variables. The main analysis of this study converts the value of board gender into proportion which is commonly used as proxy for measuring women members in the board (Adams & Ferreira, 2009; Campbell & Mínguez-Vera, 2007). Even though the proportion is the most popular method, the number of female directors can also be used to test the robustness of the research model (Campbell & Mínguez-Vera, 2007). Thus, the sensitivity test by using the number of female on the board of directors is conducted to know the presence of any differences in the results of the hypotheses. The findings reveal any of the method used, the research hypothesis result remain the same hence the research model is robust.

4.8.5 Trends in Corporate Reporting Disclosure

The figure 4.1 presents the trend in corporate reporting disclosure (CRD) for this study as follows; the ownership process transparency and disclosure (OWNT) increased significantly from the average of 55% and 56% in the pre-adoption period of adoption of code of corporate governance to 74% and 77% for the year 2012 and 2013 respectively, that is the post-adoption period. Similarly, board process transparency and disclosure (BODT) also witness increase in information with the total average of 54% and 56% for 2010 and 2011 respectively and average of the total year disclosure of 71% and 73% for 2012 and 2013 respectively. Furthermore, financial transparency and disclosure (FINT) also increased reasonably in disclosure from 60% and 61% in the year 2010 and 2012 respectively and 75% and 78% in the year 2012 and 2013 respectively. The increase in corporate reporting transparency and disclosure is as a result of adoption of revised code of corporate governance of 2011 and adoption of international financial reporting standards (IFRS) by public companies in Nigeria. This study therefore recommends strongly to the policy makers to put strong legal and regulatory framework to achieve full compliance with the relevant codes. Figure 4.1 presents bar chart showing various level of transparency by companies in Nigeria.

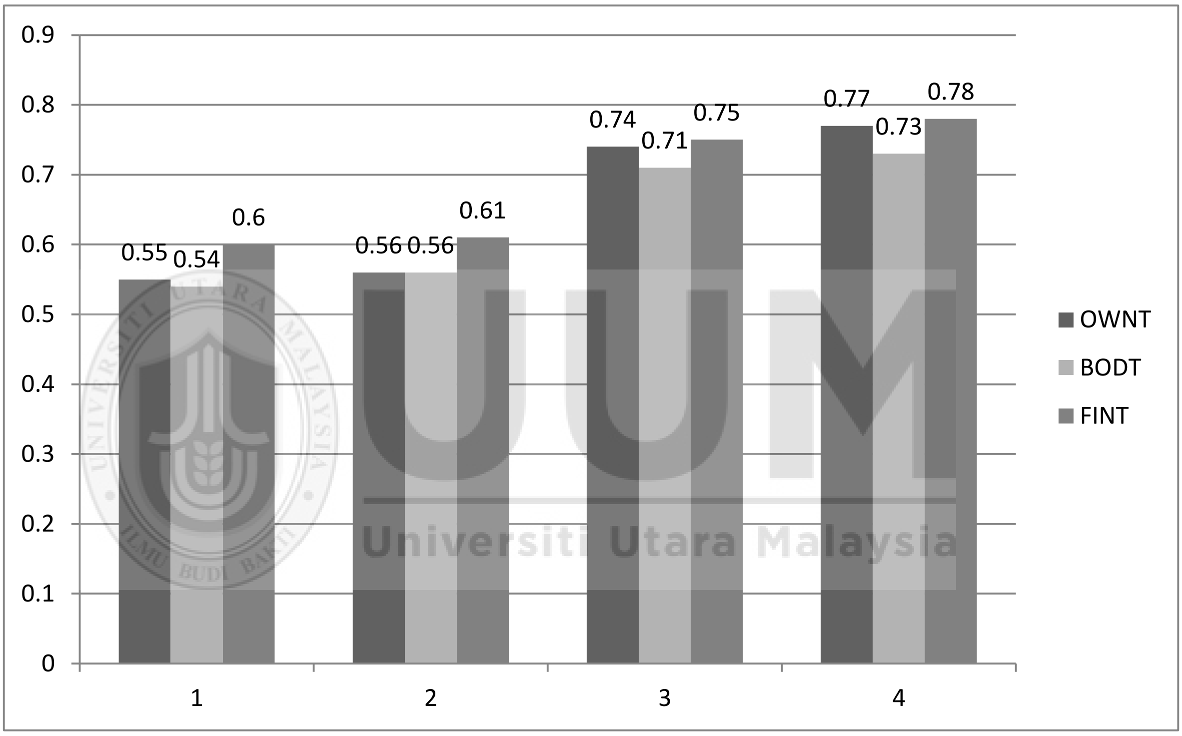

Figure 4.1 Trends in Corporate Reporting Transparency

4.9 Summary of Hypotheses Testing: Corporate Governance and Firm Performance

The analyses show the relationship and the effect of corporate governance variables on return on assets (ROA), Tobin's Q and value added intellectual capital (VAIC) are somewhat different. For instance, some board characteristics variables found to have positive impact on ROA but not on Tobin's Q and VAIC. Board size (BOSIZE) was found to be negatively associated with ROA and Tobin's Q but positively significant in VAIC model. The non-executive director (NONED) is found not to have positive significance with ROA but negatively associated with Tobin's Q and VAIC. Board meeting (BOMEET) is found to have positive impact on ROA, negative impact on Tobin's Q and no significance relationship on VAIC. The important of board gender (BOGEND) is supported in model 3 by demonstrating positive significance but found to have negative significance in model 2 and no significance relationship in model 1. Furthermore, managerial shareholding (MOWN) is found to have positive significance with all the models. The risk management committee (RSKMGT) is found to be positively significant with ROA and VAIC but found not to have impact with Tobin's Q. In a similar vein, the corporate reporting transparency and disclosure is said to have different directions as financial transparency and disclosure (FINT) is found to have positive impact with ROA and VAIC, board transparency and disclosure (BODT) is found to have negative impact with performance (ROA) and VAIC and ownership transparency and disclosure (OWNT) is found to have no significance relationship with ROA and VAIC. The detailed of the hypotheses testing are reported in the Table 4.14.

Table 4.13

Summary of Hypotheses Testing: Corporate Governance and Firm Performance

Hypotheses	ROA	Tobin's Q	VAIC
H1: There is a significant relationship between board size and firm performance in Nigeria	Board size is significant with negative relationship. **H1 is supported**	Board size is significant negatively **H1 is supported**	Board size is significant with positive relationship **H1 is supported**
H2: CEO duality role has a significant negative relationship with firm performance in Nigeria	This variable is dropped as a result of 100% compliance by the companies on separation of CEO and chairman	This variable is dropped as a result of 100% compliance by the companies on separation of CEO and chairman	This variable is dropped as a result of 100% compliance by the companies on separation of CEO and chairman
H3: There is a significant positive relationship between non-executive directors and firm performance in Nigeria	Non-executive directors is not significantly related **H3 is not supported**	Non-executive is significant with negative relationship **H3 is not supported**	Non-executive is significant with negative relationship **H3 is not supported**
H4: There is a significant positive relationship between board meeting and firm performance in Nigeria	Board meeting is significant with positive relationship **H4 is supported**	Board meeting is significant with negative significance **H4 not supported**	Board meeting is not significantly related **H4 not supported**
H5: There is a significant positive relationship between women on the board (Board Gender) and firm performance in Nigeria	Board gender is not significantly related **H5 is not supported**	Board gender is not significantly predictive **H5 is not supported**	Board gender is significant positive relationship **H5 is supported**

Table 4.13 (Continued)

Hypotheses	ROA	Tobin's Q	VAIC
H6: there is a significant positive relationship between managerial ownership and firm performance in Nigeria.	Managerial ownership is negatively related **H6 is not supported**	Managerial ownership is not significantly related **H6 is not supported**	Managerial ownership is positively related at low level **H6 is supported**
H7: There is a significant positive relationship between risk management committee and financial performance in Nigeria.	Risk management committee is significant with Positively relationship **H8 is supported**	Risk management committee is not significantly related **H8 is not supported**	Risk management committee is significant positively relationship **H8 is supported**
H8: There is a significant positive relationship between financial transparency and firm performance in Nigeria.	Financial transparency committee is significant with positive relationship **H8 is supported**	Financial transparency committee is not significantly related **H8 is not supported**	Financial transparency committee is significant with positive relationship **H8 is supported**
H9: There is a significant positive relationship between board process transparency and firm performance in Nigeria.	Board process transparency committee is significant with relationship **H9 is not supported**	Board process transparency committee is significant with positively relationship **H9 is supported**	Board process transparency committee is significant with negative relationship **H9 is not supported**
H10: There is a significant positive relationship between ownership transparency and firm performance in Nigeria.	Board process transparency committee is not significantly related **H10 is not supported**	Board process transparency is not significantly related **H10 is not supported**	Board process transparency is not significantly related **H10 is not supported**

4.10 The Moderating Effect of block shareholding on the Relationship between Corporate Governance and firm performance

According to Baron and Kenny (1986), to test for moderating variable, three regression need to be conducted, these are (1) regress the moderator on the dependent variables, (2) regress the dependent variables on the independent variables and (3) regress the dependent variables on both independent variables and moderator when controlling the independent variables. "The moderator function as a third variables which partition a focal independent variables into subgroup that establish it domain of maximal effectiveness in regards to a given dependent variables (Baron & Kenny, 1986:1173)". The moderator effect are indicated by significant effect of moderating variables while the independent and moderator are controlled (Andersson & Nielsen, 2014; Baron & Kenny, 1986).

4.10.1 Steps in Testing Moderation

In order to confirm a third variable making a moderation effect on the relationship between the two independent variables (IVs) and dependent variables (DV), we must show that the nature of this relationship changes as the values of the moderating variable (MV) change. This is in turn done by including an interaction effect in the model and checking to see if indeed such an interaction is significant and helps explain the variation in the response variable better than before (Baron & Kenny, 1986). In more explicit terms the following steps should be followed as suggested by Aiken and West (1991)

Fit a regression model (block shareholding) predicting the outcome variable firm performance (FP) from both the predictor IVs and the moderator variable (MV) and control variables (CV). Both effects as well as the model in general (R^2) should be significant. Furthermore, add the interaction effect to the previous model and check for a significant R^2 change as well as a significant effect by the new interaction term. If both are significant, then moderation is occurring. However, if the predictor and moderator are not significant with the interaction term added, then complete moderation has occurred and if the predictor and moderator are significant with the interaction term added, then moderation has occurred, however the main effects are also significant. Therefore, the detail of moderating testing is shown in Table 4.14, Table 4.15 and Table 4.16.

4.10.2 The Moderating effect of Block Ownership: Corporate Governance and ROA

Table 4.14 show the moderating effect of block shareholding on the relationship between corporate governance and ROA. In step 1, the control variables are found significant. Step 2 found BOSIZE, BOGEND, NONED and MOWN and RSKMGT are found to be related with ROA. In step 3, when the moderating variable block shareholding (BLOOWN) is included, the R^2 increased significantly from 18.6% in step 1, 37% in step 2 and 3 and 41.1% in step 4 when the interacting terms are added. This is an indication that there is effect of BLOOWN on performance.

The dependent variable is plotted on the Y axis and independent variable on the X axis. The moderator is classified into a low and high at the centre of the graph. The explanation is that as the BOSIZE and the blockholder ownership increases, ROA decreases, on the other hand BOSIZE and BLOOWN decreases, ROA increases. This suggest that the interaction of the blockholder ownership on BOSIZE lead to higher ROA. Therefore, blockholder ownership has fully moderated the relationship between BOSIZE and ROA. The result indicates that the BLOOWN moderates the relationship between BOSIZE and ROA. This means that the presence of BLOOWN is found to have positive effect on firm performance. The below Figure 4.2 shows that BLOOWN strengthens the negative relationship between BOSIZE and ROA.

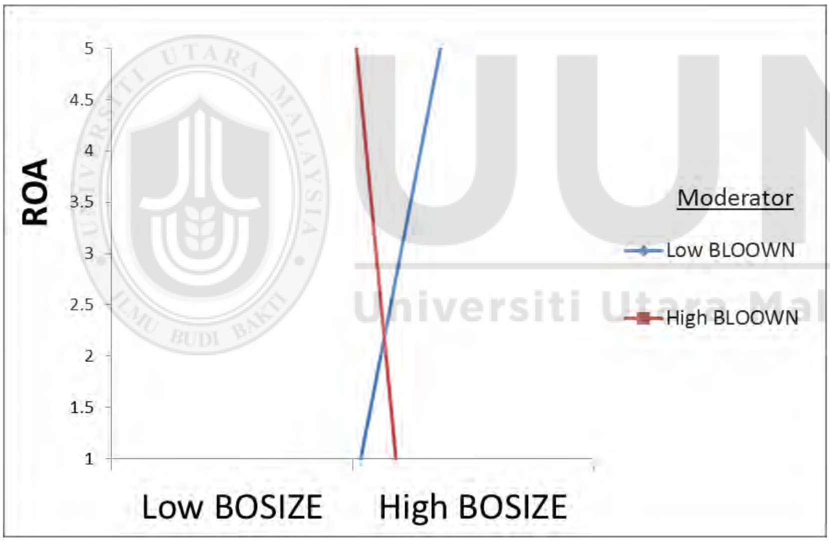

Figure 4.2: Moderating effect of block shareholding on ROA and BOSIZE

Furthermore, on the moderating effect of blockholder ownership on the relationship between risk management committee and ROA, the dependent variable (ROA) is plotted on the Y axis and independent variable (RSKMGT) on the X axis. The moderator (BLOOWN) is classified into a low and high at the centre of the graph. The explanation is that as the RSKMGT and the blockholder ownership increases, ROA decreases, on the other hand RSKMGT and BLOOWN decreases, ROA increases. This suggest that the interaction of the blockholder ownership with RSKMGT leads to higher ROA. Therefore, blockholder ownership has fully moderated the relationship between RSKMGT and ROA.

BLOOWN is found to moderate the relationship between risk management committee (RSKMGT) and with ROA. Block shareholding importance is crucial in ensuring monitoring of the board activities through the function of risk reporting through the risk management committee. Figure 4.3 below presents the moderating effect of BLOOWN on ROA and RSKMGT which shows BLOOWN strengthens the positive relationship between RSKMGT and ROA.

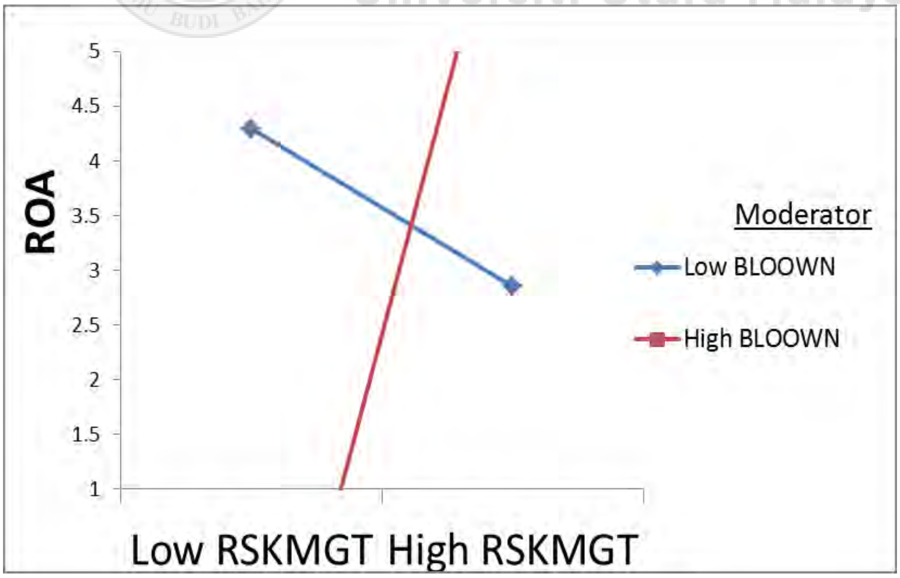

Figure 4.3: Moderating effect of block shareholding on ROA and RSKMGT

Additionally, the relationship between managerial ownership and ROA and moderating effect of blockholder ownership is explained below. Managerial ownership increasing and moving towards upside, ROA decreases. On the other hand, as managerial ownership decreases, ROA increases. This means the interaction of the blockholder ownership in MOWN leads to lower ROA. Therefore, block ownership has helped to moderate the relationship between MOWN and ROA.

BLOOWN is also found to moderate the relationship between managerial shareholding (MOWN) and ROA. It shows that BLOOWN strengthens the negative relationship between MOWN and ROA. This is shown in figure 4.4.

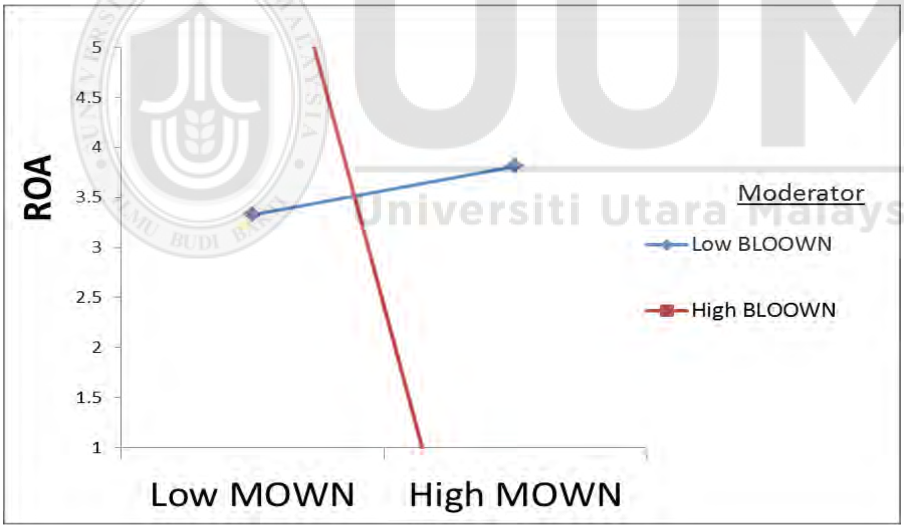

Figure 4.4: Moderating effect of block shareholding on ROA and MOWN

On the other hand, BLOOWN are found to moderate the relationship with NONED and BOMEET with ROA. This indicates that that BLOOWN dampens the relationship between NONED as it is shown in in figure 4.5 and NONED is found not to have any relationship with ROA and even when the interaction effect is added.

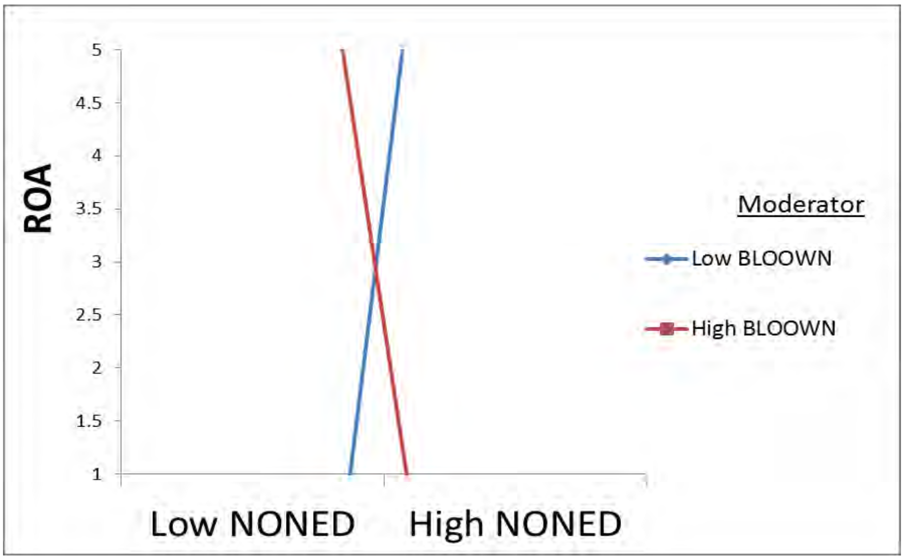

Figure 4.5 Moderating effect of block shareholding on NONED and ROA

BOMEET is found to be positively significant at 1% and negatively significant at 10% when the interaction term added. This means that the BLOOWN dampens the positive relationship between BOMEET and ROA. However, BOGEND is found not to have any significant relationship with corporate governance and when the interaction effect is added. Figure 4.5 shows how BLOOWN moderates the relationship between BOMEET and ROA.

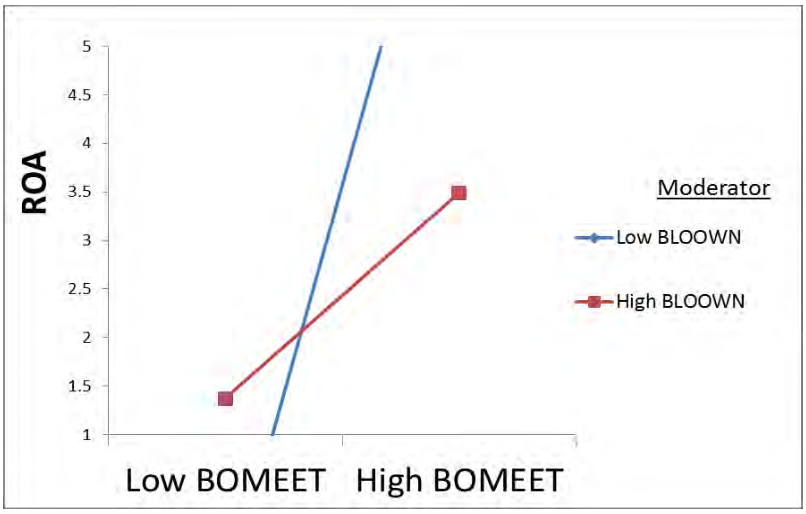

Figure 4.6 Moderating effect of block shareholding on BOMEET and ROA

Details of the regression results on the moderating effect of block shareholding between corporate governance mechanisms and ROA are stated in table 4.14.

Table 4.14
Hierarchical Regression Results: Moderating effect of Block Ownership: Corporate Governance and ROA

	Step 1		**Step2**		**Step3**		**Step 4**	
ROA	**t-value**	**P-value**	**t-value**	**P-value**	**t-value**	**P-value**	**t-value**	**P-value**
GEAR	-5.31	0.000***	-1.70	0.089*	-1.66	0.097*	-1.73	0.084*
FIMSIZ	5.96	0.000***	6.18	0.000***	6.09	0.000***	7.06	0.000***
BOSIZE			-2.26	0.024 **	-2.19	0.028**	-3.09	0.002***
NONED			0.37	0.708	0.36	0.718	0.91	0.362
BOMEET			3.55	0.000***	3.47	0.001***	2.69	0.007***
BOGEND			0.78	0.433	0.80	0.426	0.44	0.660
RSKMGT			2.00	0.045**	1.93	0.054*	1.89	0.059**
MOWN			-2.31	0.021**	-2.75	0.006***	-2.32	0.020**
BODT			-3.98	0.000***	-3.91	0.000***	-3.28	0.001***
FINT			3.13	0.002***	2.87	0.004***	3.57	0.000***
OWNT			-0.81	0.420	-0.86	0.392	0.31	0.753
BLOOWN					-0.57	0.566	2.42	0.015**
BOSIZE*BLOOWN							-9.15	0.000***
NONED*BLOOWN							0.72	0.475
BOMEET* BLOOWN							-1.63	0.104*
BOGEND*BLOOWN							-1.03	0.304
RSKMGT*BLOOWN							2.61	0.009***
MOWN*BLOOWN							-2.56	0.011**
CONSTANT	9.75	0.000	-2.82	0.005	-2.60	0.009	-1.84	0.065
R-squared	0.1869		0.376		0.371		0.411	
Wald $chi^2(8)$	28.17		2042.11		51945.78		2042.11	
Prob > chi^2	0.000		0.000		0.000		0.000	
N	248		248		248		248	

Note: step 1 (CVs and DV), step 2 (IVs and DV) and step 3 is (IVs, MV and DV). Step 4(IVs, MV * DV). *p<.10, **p<.05, ***p<.01

4.10.3 The Moderating effect of Block Ownership: Corporate Governance and Tobin's Q

Table 4.15 present the moderating effect of block shareholding (BLOOWN) on the relationship between corporate governance and Tobin's Q. The dependent variable is plotted on the Y axis and independent variable on the X axis. The moderator is classified into a low and high at the centre of the graph.

The result indicates that the block shareholding (BLOOWN) is found to moderates the relationship between board gender (BOGEND) and Tobin's Q. The result is found to be significantly associated in all the steps. The relationship between BOGEND and Tobin's Q is negatively significant at 10% with a direct relationship, when the interaction term is applied, it was also show negative significance at 10%. The explanation is that as the BOGEND and the blockholder ownership increases, Tobin's Q decreases, on the other hand BOGEND and BLOOWN decreases, Tobin's Q increases. This suggest that the interaction of the blockholder ownership on BOSIZE lead to higher Tobin's Q. Therefore, blockholder ownership has fully moderated the relationship between BOSIZE and Tobin's Q. This result posits that the existence of the BLOOWN enhances the effectiveness of the board gender therefore leading to firm performance. Figure 4.5 explains the graphical illustration of the moderating effect of BLOOWN on the relationship between BOGEND and Tobin's Q. BLOOWN dampens the positive relationship between BOGEND and TOBINS Q

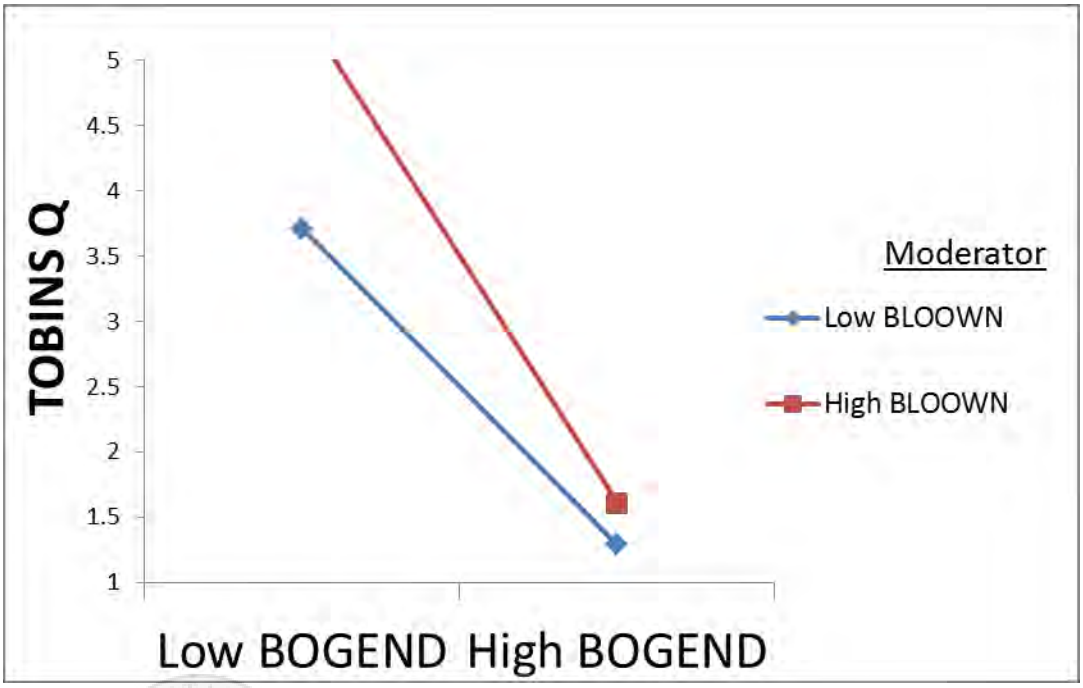

Figure 4.7: Moderating effect of block shareholding on Tobin's Q and BOGEND

Similarly, in Figure 4.8, the dependent variable (Tobin's Q) is plotted on Y axis, the independent variable (MOWN) on X axis and moderating variable (BLOOWN) classified into the high and low centre of the graph. The interpretation is that as the MOWN and Tobin's Q moving upward, Tobin's Q is moving upward to the same direction, this means the ownership of the share by directors lead to higher market value. Therefore, BLOOWN is found to moderate the relationship between managerial shareholding and Tobin's Q. The BLOOWN is found to serve as monitoring tools against director's entrenchment benefit and the financial activities of the board of directors. BLOOWN is found to strengthen the positive relationship between MOWN and TOBINS Q as shown in Figure 4.8.

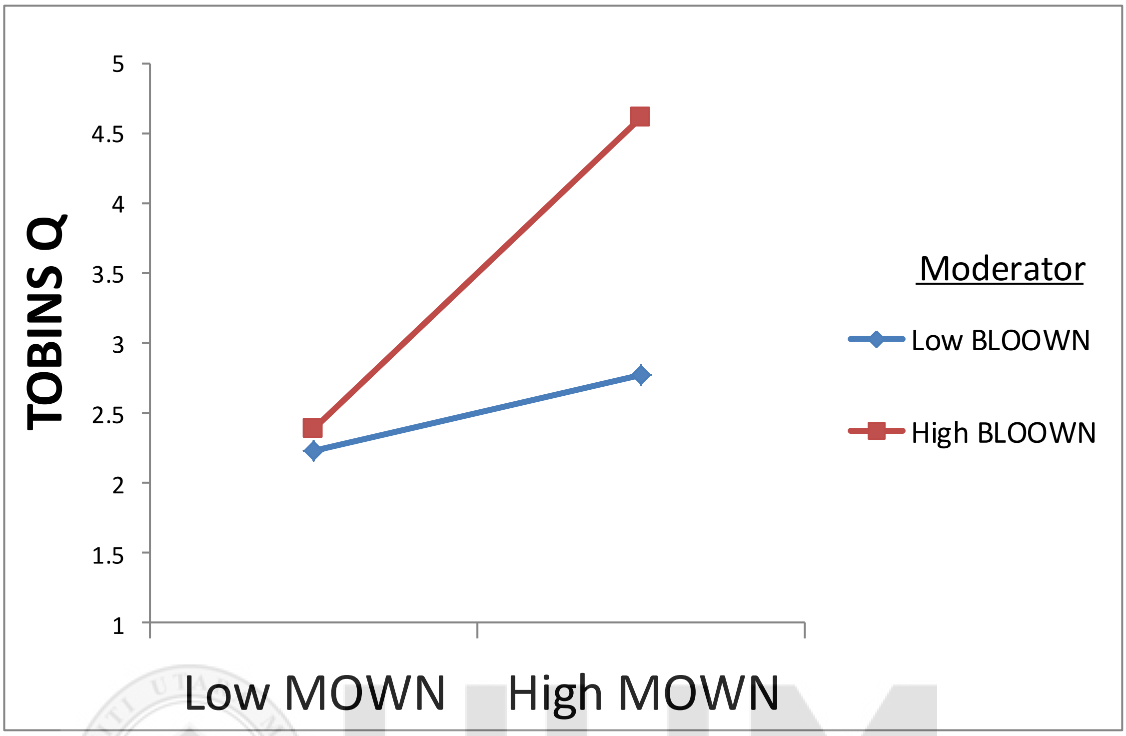

Figure 4.8: Moderating effect of block shareholding on Tobin's Q and MOWN

On the contrary, NONED is found to have no significant relationship with both direct relationship and indirect relationship. Other corporate governance variables that BLOOWN is found not to moderate are relationship between BOSIZE, BOMEET and RSKMGT and Tobin's Q. Figure 4.8 shows the relationship between NONED and Tobin's Q. it posits that BLOOWN strengthens the negative relationship between NONED and Tobin's Q.

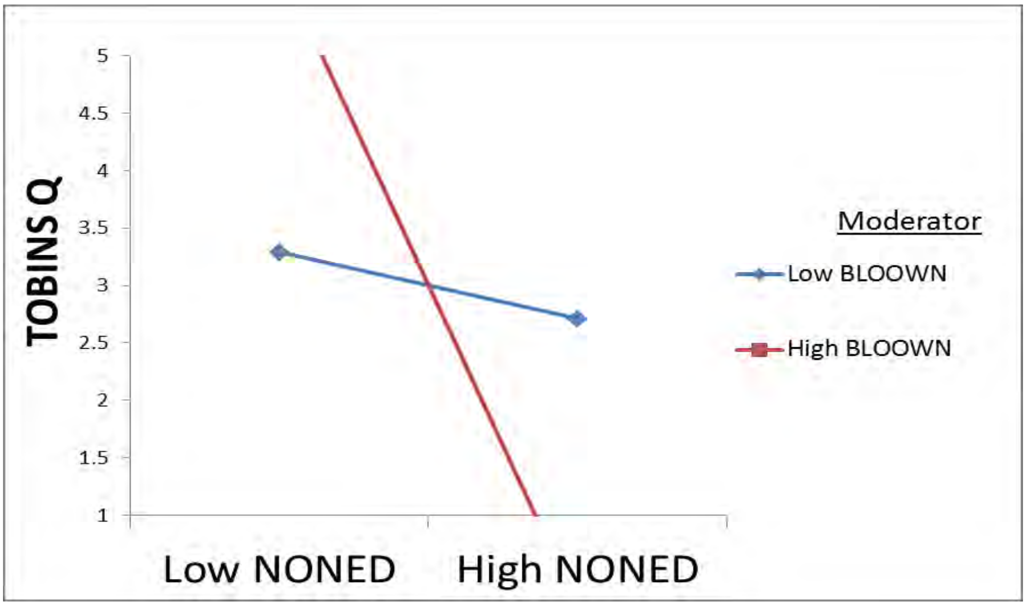

Figure 4.9: Moderating effect of block shareholding on Tobin's Q and NONED

Details of the regression results on the moderating effect of block shareholding between internal corporate governance mechanisms and Tobin's Q is shown table 4.15.

Table 4.15

Hierarchical Regression Results: Moderating effect of Block Ownership: Corporate Governance Tobin's Q

	Step 1		Step2		Step3		Step 4	
Tobin's Q	**Z**	**P-value**	**Z**	**P-value**	**Z**	**P-value**	**Z**	**P-value**
GEAR	0.48	0.629	-1.70	0.089*	0.11	0.911	0.17	0.865
FIMSIZ	0.03	0.977	6.18	0.000***	0.89	0.374	1.01	0.311
BOSIZE			-1.98	0.047**	-2.90	0.004***	-2.37	0.018**
NONED			-1.77	0.077*	-1.68	0.093*	-1.55	0.121
BOMEET			-1.90	0.057*	-1.89	0.059*	-1.75	0.079***
BOGEND			0.56	0.575	0.66	0.508	1.01	0.314
RSKMGT			0.48	0.633	0.31	0.760	0.59	0.555
MOWN			2.77	0.205	0.50	0.618	0.39	0.696
BODT			2.42	0.016**	2.77	0.006***	3.08	0.002***
FINT			1.56	0.118	1.03	0.303	1.04	0.300
OWNT			0.20	0.844	-0.02	0.985	-0.88	0.377
BLOOWN					-3.47	0.001***	0.50	0.618
BOSIZE*BLOOWM							0.17	0.863
NONED*BLOOWM							-1.26	0.208
BOMEET* BLOOWM							-0.43	0.667
BOGEND*BLOOWM							-0.34	0.734
RSKMGT*BLOOWM							-1.87	0.062*
MOWN*BLOOWM							0.42	0.676
CONSTANT	9.75	0.000	7.05	0.000	7.33	0.000	6.52	0.000
R-squared	0.14		0.122		0.128		0.411	
Wald chi^2	127		2831		16430		2042.11	
Probability	0.000		0.000		0.000		0.000	
N	248		248		248		248	

Note: step 1 (CVs and DV), step 2 (IVs and DV) and step 3 is (IVs, MV and DV). Step 4(IVs, MV * DV). *p<.10, **p<.05, ***p<.01

4.10.4 The Moderating effect of Block Ownership: Corporate Governance and VAIC

Table 4.16 presents the moderating effect of block shareholding (BLOOWN) on the relationship between corporate governance and VAIC. The dependent variable (VAIC) is plotted on the Y axis and independent variable (CG) on the X axis. The moderator (BLOOWN) is classified into a low and high at the centre of the graph with the results of moderating effect of block shareholding (BLOOWN) on the relationship between corporate governance and VAIC.

The explanation is that as the BOSIZE and the blockholder ownership increases, VAIC increases. On the other hand, BOSIZE and BLOOWN decreases, VAIC increases. This suggest that the interaction of the blockholder ownership on BOSIZE lead to higher VAIC. The results indicate that the BLOOWN moderates the relationship between board size (BOSIZE) and VAIC. This result is found to support agency issue of the board of directors are likely work for their interest and have been largely criticized for the decline in shareholders' wealth and corporate failure. The BLOOWN is therefore serving as a monitoring mechanism on the board of director's activities as BLOOWN is found to strengthen the relationship between VAIC and BOSIZE.

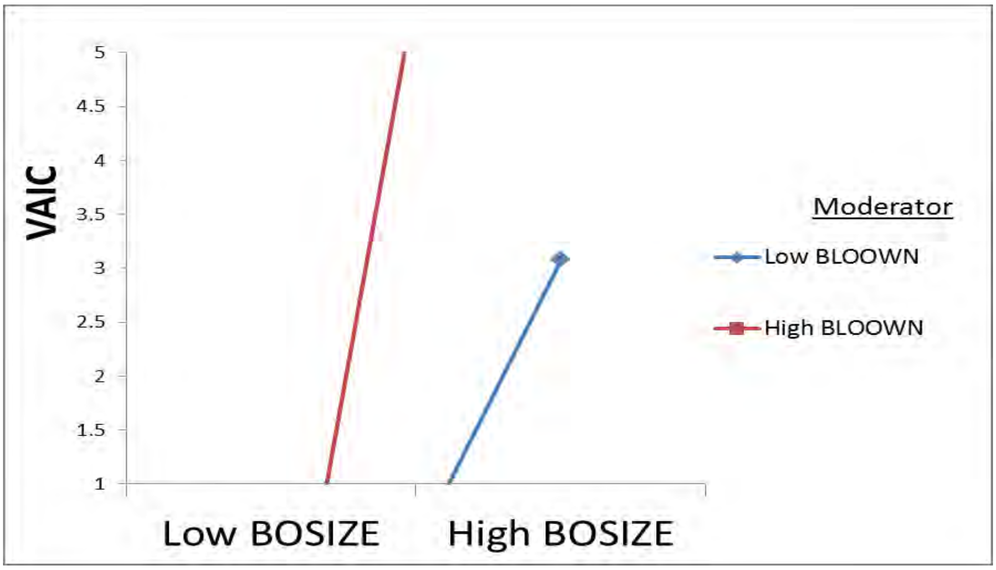

Figure 4.10: Moderating effect of block shareholding on VAIC and BOSIZE

Furthermore, on the moderating relationship of BLOOWN on MOWN and VAIC, the dependent variable (VAIC) is plotted on the Y axis and independent variable (MOWN) on the X axis. The moderator (BLOOWN) is classified into a low and high at the centre of the graph. BLOOWN is found to moderate the relationship between managerial ownership (MOWN) and Value added intellectual capital (VAIC). This is because the direct relationship is significant and when the interaction effect is added, it was also significant 1%. Therefore, BLOOWN is said to strengthens the positive relationship between MOWN and VAIC as shown in figure 4.10. BLOOWN is found not to moderate the relationship between NONED, BOMEET, BOGEND and VAIC.

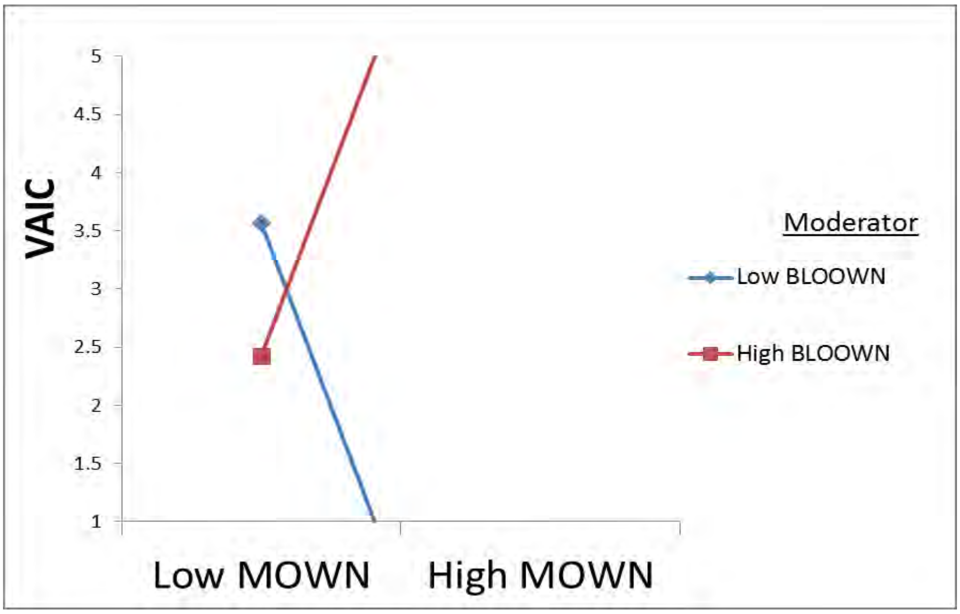

Figure 4.11: Moderating effect of block shareholding on VAIC and MOWN

Details of the regression results on the moderating effect of block shareholding between corporate governance mechanisms and VAIC is shown below in table 4.16.

Table 4.16

Hierarchical Regression Results: Moderating effect of Block Ownership: Corporate Governance and VAIC

	Step 1		Step2		Step3		Step 4	
VAIC	Z	P-value	Z	P-value	Z	P-value	Z	P-value
GEAR	0.75	0.455	1.55	0.000***	1.59	0.000	2.29	0.022
FIMSIZ	-0.29	0.769	-1.82	0.000***	-1.58	0.000	6.40	0.340
BOSIZE			5.95	0.000***	5.64	0.000***	5.07	0.000***
NONED			-4.78	0.000***	-4.78	0.000***	-0.15	0.000***
BOMEET			0.57	0.570	0.47	0.636	0.30	0.878
BOGEND			3.79	0.000***	3.67	0.000***	4.67	0.000***
RSKMGT			2.06	0.039**	2.03	0.042**	2.39	0.017**
MOWN			2.50	0.013**	2.49	0.013	3.38	0.001***
MOWN2			-3.02	0.003***	-3.02	0.002***	-3.83	0.000***
BODT			-2.23	0.026**	-2.23	0.026**	-1.79	0.074**
FINT			4.83	0.000***	4.98	0.000	4.11	0.000***
OWNT			0.90	0.367	0.80	0.422	-0.12	0.904
BLOOWN					1.12	0.565	2.60	0.009***
BOSIZE*BLOOWN							2.39	0.017**
NONED*BLOOWN							1.12	0.263
BOMEET*BLOOWN							-1.89	0.203
BOGEND*BLOOWN							-1.27	0.151
RSKMGT*BLOOWN							1.12	0.262
MOWN*BLOOWN							3.17	0.002***
CONSTANT	9.75	0.000	-1.68	0.000	-3.47	0.001	-2.59	0.028
R-squared		0.089		0.173		0.173		0.2038
Wald $chi^2(8)$		2106.82		234.45		238.95		140.40
Prob > chi^2		0.000		0.000		0.000		0.000
N		248		248		248		248

Note: step 1 (CVs and DV), step 2 (IVs and DV) and step 3 is (IVs, MV and DV). Step 4(IVs, MV * DV).
*p<.10, **p<.05, ***p<.1

Table 4.17 below shows the summary of the result of hypotheses testing of the moderating effect of block ownership structure on corporate governance mechanisms and firm performance as shown in table 4.14, table 4.15 and table 4.16 for ROA, Tobin's Q and VAIC respectively.

Table 4.17

Summary of Hypotheses Testing: Moderating effect of Block Ownership on Corporate Governance and Firm Performance

Hypotheses	**ROA**	**Tobin's Q**	**VAIC**
H11: blockholder ownership moderates the relationship between board characteristics and firm performance in Nigeria	BOSIZE: **supported** BOMEET: **not supported** NONED: **not supported** BOGEND: **not supported**	BOSIZE: **not supported** BOMEET: **not supported** NONED: **not supported** BOGEND: **not supported**	BOSIZE: **supported** BOMEET: **not supported** NONED: **not supported** BOGEND: **not supported**
H12: Blockholder ownership moderates the relationship between managerial shareholding and firm performance in Nigeria.	MOWM: **supported**	MOWM: **supported**	**MOWM: supported**
H13: Blockholder ownership moderates the relationship between risk management committee and firm performance in Nigeria.	RSKMGT: **supported**	RSKMGT: **supported**	RSKMGT: **not supported**

4.11 Summary of Chapter

This chapter presents the results analysis such as homoscedasticity multicollinearity, autocorrelation and panel data assumptions such as validity test for panel data analysis and test for endogeneity. The multiple regression analysis is also presented in this chapter using the panel corrected standard errors (PCSEs) in STATA package. Details of the results of multiple regression, presentations and finding are therefore presented in this chapter.

CHAPTER FIVE

DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

In this chapter, we present the summary of the major findings and provide a comprehensive overview of the research aims and objectives, the hypotheses development, the method used in meeting the objectives and the results of the study. Then, the detailed discussions of the results and the contributions of the study are presented. The restatement is followed by the impact of corporate governance on firm performance and the moderating effect of blockholder ownership (BLOOWN) on the relationship between corporate governance and firm performance. Moreover, this chapter provides comprehensive discussions of the findings of the studies and to provide implication of the studies to the theoretical, practical and policy makers.

5.2 Restatement of Findings

This study is motivated by corporate governance, corporate disclosure and its effect on the performance of public listed companies. The main objective of this research is to examine the moderating effect of block ownership structure on the relationship between corporate reporting transparency, corporate governance mechanism and firm performance of non-financial companies in Nigeria. The specific objectives is divided into seven namely as follows; (1) to examine the significant relationship between board of directors characteristics and firm performance, (2) to examine the significant relationship between managerial shareholding structures and firm performance, (3) to examine the significant relationship between corporate disclosure and firm performance, (4) to examine the significant relationship between risk management committee and firm performance, (5) to examine whether blockholder ownership moderates the relationship between board of directors' characteristics and firm performance, (6) to examine whether block shareholding structure moderates the relationship between managerial shareholding structure and firm performance, and (7) to examine whether block shareholding structure moderates the relationship between risk management committee and firm performance. These objectives are achieved by taking into considerations corporate governance mechanisms, corporate reporting transparency attributes and firm performance for this study. Three firm performance proxies which are return on assets (ROA), Tobin's Q and value added intellectual capital (VAIC) are considered for this study. Furthermore, in achieving the main objectives, hypotheses were developed to examine the association between corporate governance variables and also to examine the moderating relationship of blockholder ownership on the relationship between corporate governance mechanisms and firm performance which is the direct and indirect relationship. The summary of the hypotheses testing and findings are presented in table 5.1

Table 5.1

Summary of Main Hypotheses and Findings

Types of effect	Hypotheses Testing	Findings ROA	Findings Tobin's Q	Findings VAIC
Relationship between corporate governance and firm performance	**H1**: There is a relationship between board size and firm performance in Nigeria	Supported	Supported	Supported
	H2: CEO duality role has a negative relationship with firm performance in Nigeria	Dropped	Dropped	Dropped
	H3: There is a positive relationship between non-executive directors and firm performance in Nigeria	Not supported	Not supported	Not supported
	H4: There is a significant positive relationship between board meeting and firm performance in Nigeria	Supported	Not Supported	Not Supported
	H5: There is a significant positive relationship between women on the board (Board Gender) and firm performance in Nigeria	Not supported	Not Supported	Supported
	H6*:* there is a significant positive relationship between managerial ownership And firm performance in Nigeria.	Not supported	supported	supported

Table 5.1 (continued)

Types of effect	Hypotheses Testing	Findings ROA	Findings Tobin's Q	Findings VAIC
	H7 there is a positive relationship between risk management committee and firm performance	Supported	Not supported	Supported
	H8: There is a positive relationship between financial transparency and firm performance in Nigeria.	Supported	Supported	Supported
	H9: There is a positive relationship between board process transparency and firm performance in Nigeria.	Not supported	Supported	Not supported
	H10: There is a positive relationship between ownership transparency and firm performance in Nigeria.	Not supported	Not supported	Not supported

Table 5.2

Summary Hypotheses Testing: Moderating effect

Types of effect	Hypotheses Testing	Findings ROA	Findings Tobin's Q	Findings VAIC
The moderating effect of block ownership structure on the relationship between corporate governance mechanisms and firm performance	**H11**: block ownership structure moderates the relationship between board characteristics and firm performance in Nigeria:			
	Board size	Supported	Not supported	Supported
	Board meeting	Not Supported	Not supported	Not supported
	Non-executive director	Supported	Supported	Not Supported
	Board gender	Not Supported	Supported	Not supported
	H12: Block ownership structure moderates the relationship between managerial shareholding and firm performance in Nigeria.	Supported	Supported	Supported
	H13: Blockholder ownership structure moderates the relationship between risk management committee and firm Performance in Nigeria	Supported	Not Supported	Not supported

5.3 The Effect of Corporate Governance on Firm Performance

5.3.1 Board size

This study developed hypotheses in line with agency theory and resource dependency theory to support the research findings. Board size is hypothesized to have a significant relationship with firm performance. Board size (BOSIZE) presents a negative relationship with return on asset (ROA) and Tobin's Q based on agency theory which states that small board is better and more effective in rendering firm services compared to larger board. The result of the findings is consistent with agency theory. Furthermore, Hughes (1995) states that small board size can lead to quick and excellent decision making and time management. This conclusion is also supported by Boyd (1996), Rossouw (2005) and Xiaoyan (2013). This position is also in agreement with the revised code of corporate governance in Nigeria which states that companies should maintain minimum numbers of directors. It further states that at least that the composition of the board should include the non-executive directors and no two members of one family should sit in one board.

Board size shows positive significance with value added intellectual capital (VAIC) indicating that the large board size is better for company because the benefit of large board at the long run can be translated to achievement. The positive significance is consistent with resource dependency theory meaning that, larger board size means more outside directors on the board to bring in their respective expertise in decision making. This is also important as board committees can be easily formed such as audit committee as this may increase audit independence (Klein, 2002) and risk management committee, remuneration committee, and management committee. The positive significance of this study is consistent with Abidin et al., (2000). This finding indicates that a larger board size and the intellectual components contribute further towards firm performance. This suggests that a larger board size means that there are more ideas and skills that can be shared among board members (Abidin et al., 2000). It also proposes that the board of directors in Nigeria companies perform more efficiently in a larger group. This is not consistent to the findings by Ho and Williams (2003), where they found that board size is statistically not significant against VAIC in their regression in UK and Sweden. This implies that board size (BOSIZE) plays a more vital role in Nigeria compared to these countries. The reason for the difference in significance level is that traditional financial measures only tell investors and management little about the true performance of the company without considering the importance of intellectual capital which will result in many assets unaccounted for and unmonitored (Abidin et al., 2000). The finding is in line with the theoretical models and the stated hypothesis, which predicts significant relationship between board size and firm performance. Hence H1 is thus supported.

5.3.2 CEO Duality

Based on the agency theory, Board efficiency in monitoring executive's rests on the influence that the chief executive officer (CEO) exerts on the board. "CEO influence on the board is expected to be lower when the positions of CEO and chairman of the board are held by different individual" (Charitou, 2013. p. 11). CEO duties should be separated, thus the hypotheses in this study was developed to have a negative relationship with performance. This hypothesis on the relationship between firm performance and CEO duality was not tested as a result of collinearity, it was automatically dropped by the STATA statistical package. This is as the result that all the public limited companies in Nigeria have complied with the separation, meaning that different persons handling the office of CEO and the chairman.

The code of corporate governance in Nigeria states that this separation of power of CEO will improve good decision making and help prevent accounting and financial abuses similar to those experienced at Enron, WorldCom, Adelphia, and others and also can lead to better financial and general performance of the company. (Adetunji & Olaniran, 2009; Bhagat & Bernard, 2002; Dahya, 2000; Ehikioya, 2009; Grove et al., 2011; Haniffa & Hudaib, 2006; Hermalin, 2005). Specifically, investor activists believe the separating the positions is fundamentally essential for ensuring excellent performance because it will result in check and balances in company's administration (Kamardin & Haron, 2011). Furthermore, the shareholder activists believe separating the roles will help neutralize questionable practices and unhealthy practices such as excessive risk-taking (Coffee, 1999; Gordon & Pound, 1993). This study could not conclude the separation of duties of chairman from CEO because the separation by public companies is 100% complied with in Nigeria following the adoption of NCCG, 2011.

5.3.3 Non-executive Director

Based on the agency theory, non-executive directors may minimize management opportunistic behaviour and in essence, protect the interests of stakeholders more excellently as compared to their executive directors. The research hypothesized non-executive director (NONED) to have a positive relationship with performance. The non-executive director is the proportion of non-executive director on the board. The results show insignificant result with ROA and negative significance with Tobin's Q and VAIC. On the non-significance of ROA, Baysinger and Butler (1985) Klein (2002) and Dalton eta al., (1998) posit that whichever measure of performance used results in non-significance. This is an indication that the appointment of the non-executive directors on the board may be mere fulfilment of the code of best practice or for political reasons. This is so because, the appointments of NONED is to fulfil the regulatory requirements not for performance reason. Same conclusion was reached by Hermalin and Weisbach (1991) and Bhagat and Black (2001). This result is against the resource dependency which is supported by study like Steward (1991) who suggests that the presence of the non-executive directors reinforces the responsibility and authority to executive managers.

On the negative significance with Tobin's Q and VAIC, Agrawal and Knoeber (1996) found that the non-executive director is found to have a significant relationship with performance. This signifies that having a high proportion of non-executive directors do not translate to automatic performance but may be detrimental to companies as they may suppress strategic actions of the firm. This postulation is in agreement with Goodstein, Gautam, and Warren (1994). More so, the result of VAIC shows that the increase in the percentage of non-executive directors to total board size, the VAIC increases, holding other explanatory variables constant. Hence, it can be inferred that hypothesis not supported. In other words, as the percentage of non-executive directors on the board increases, the value added efficiency of the firms' total resources also decreases.

Boards dominated by non-executive director do not seem to affect performance irrespective of the measures adopted. The reason here is because Nigeria is a typical developing country and most non-executive director's selection most times is not based on expertise and experience but more often for political reasons, to legitimize business activities and for contacts and contracts (Adewuyi & Olowookere, 2013). As a result of this reason, Haniffa and Hudaib (2006) suggest that such directors may not be able to contribute to the monitoring of the company independently and reducing the agency conflicts between the shareholders and managers that is associated with the likely misallocation of excess resources.

5.3.4 Board Meeting Frequency

The study hypothesized a positive significant relationship between corporate governance and firm performance. The result however was mixed, indicating positive significant relationship with ROA, negative significance with Tobin's and no significant relationship with VAIC but somewhat positive.

On the on positive significance relationship between board meeting (BOMEET) and ROA, the reason for positive significant relationship between board meeting and ROA is that the finding is consistent with the theory of resource dependence that states that board meeting assists the board to evaluate and pursue firm objectives in a timely manner and to proffer solution to any problem confronted by employees (Pfeffer, 1987). This finding is also supported by Vafeas (1999) who posit that when board meet frequently after financial crises, it would increase performance of the company as a result of that. Carcello, eta al (2002) and Karamanou and Vafeas (2005) posit that the board meeting frequency and degree of board independence are related to monitoring performance. The frequency of the board meeting should be increased if the situation calls for high control and oversight (Khanchel, 2007; Shivdasani & Zenner, 2002). Therefore, the hypothesis of board meeting and ROA is supported. Hence, improved board meetings convert to enhance firm performance.

The negative significance with Tobin's Q in this study is consistent with the results of other studies such as Kyereboah-Coleman (2007) and Jensen (1993) who argued that day-to-day tasks are what constitutes most of the board's meeting time, this can be limitations to the chances of external directors of the company to conduct a meaningful oversight role over management. Jensen (1993) further suggested that boards meeting should be less and qualitative. Therefore, emphasizes should be on quality of the board meeting instead of concentrating on the numbers of meetings held during the financial year (Rebeiz & Salameh, 2006).

Value added intellectual capital (VAIC) is found to have no significant relationship, the hypothesis between board meeting and VAIC is therefore rejected. The result shows that the numbers of meeting held do not have impact on the firm performance rather, the concentrations should be on board meeting quality instead of the numbers of meetings help during the financial year (Rebeiz & Salameh, 2006). The recommendations of the SEC concerning board meetings should not be limited to only statutory meeting requirements but also to include and stress the quality of the meeting and how this quality will enhance firm performance.

5.3.5 Board Gender Composition

The research hypothesized board gender composition (BOGEND) to have a positive relationship with performance based on agency theory. The board gender composition is a better monitor of management as women on the board are less likely to sabotage the interest of investors (Carter et al 2003). The board gender composition is the proportion of the female directors on the board. The results show insignificant result with ROA and Tobin's Q but found to have a positive significance with value added intellectual capital (VAIC). The composition of the female on the board can affect the quality of this monitoring role and thus corporate financial performance of the company (Campbell & Mínguez-Vera, 2007).

On the non-significance, greater diversity of gender in the board room may reduce firm performance as it may not add any value to the board quality and value (Campbell & Mínguez-Vera, 2007). Additionally, Earley and Elaine (2000) posit that members of same groups tend to communicate more frequently as they are more likely to share the same opinions. This opinion may be against the other group which may affect performance. However, greater gender diversity among board members generates more opinions and critical questions, and thus more conflicts, decision-making will be more time consuming and less effective as member of same group tend to align in the same interest (Lau & Murnighan, 1998). Bajtelsmit (1999) and Jianakoplos and Bernasek (1998) posit that female on the board are more risk-averse than men, while Cox and Blake (1991) suggest that the female on the board increase the costs of the firm as a result of higher turnover and absenteeism. However Du Rietz and Henrekson (2000) Farrell and Hersch (2005) Rose (2007) Shrader, et al (1997) also posit no significant link between board gender composition and firm performance which is in agreement with the current study which shows no significance relationship.

Board gender composition is hypothesized to have positive relationship with VAIC based on resource dependency theory. The positive significance of board gender with VAIC is an indication of the importance of intellectual capital in organization. This means that the knowledge capital leads to firm performance (Abidin, et al., 2000). Furthermore, Campbell and Mínguez-Vera (2007) suggest that greater board diversity increases a firm's competitive advantage and can lead to great firm performance compared to firm with relatively less diversity because of their integrity and knowledge. The diversity of the board or the female directors on the board is associated with high performance because of females innovation and creativity (Brammer, et al 2007). The effectiveness of board control can be increased as a result of women on board. This is because they are more strict and trustworthy than their male colleagues. Risky projects be avoided as a result of their participation of women on the board as they are more financially risk-averse than men (Akpan & Amran, 2014; Byrnes, Miller, & Schafer, 1999). However the study shows significant positive relationship in agreement with the current study (Akpan & Amran, 2014; Campbell & Mínguez-Vera, 2007; Carter, Simkins, & Simpson, 2003; Erhardt et al., 2003; Lückerath-Rovers, 2011)**.** Therefore, it seems that any negative aspects of greater female board representation are outweighed by the positive aspects.

However, there is no policy statement in the code of corporate governance in Nigeria regarding the percentage of women to be included in the board room. Therefore, this study recommends 35% affirmative action by the Nigerian government to be implemented by the companies in Nigeria and inclusion of percentage of women to be in the board room in the next revision of the code of corporate governance in Nigeria.

5.3.6 Risk Management Committee

The research hypothesized risk management committee (RSKMGT) to have a positive relationship with firm performance based on signalling theory. The risk management committee is the one of the board committee that is represented by the number of board members serving in the committee. The result shows significant positive relationship with ROA and VAIC but shows insignificant relationship with Tobin's Q.

The positive significance in the study is in support of signalling theory and agency theory (Connelly et al., 2010; Spence, 1973). The positive relationship between risk management committee and ROA indicates that risk management committee is one of the effective means of achieving the profitability of the firm. This study is also in agreement with McShane, et al., (2011) which stipulates that corporate governance failure is as a result of chronic failures of risk management of business establishments. et al., (2009) and Akindele (2012) also posit positive significant relationship when a senior and independent director is appointed to oversee the affair of the risk management department.

Furthermore, risk management committee is found to be positively associated with VAIC at 5% level of significance. This finding is in support of resource dependency theory which states that the more the board members the better for the company. The member of the board can be included in the risk management committee which can further lead to firm performance. The results are also in support of establishment of risk management committee by the SEC code of corporate governance and encourage all the board in Nigeria to establish the risk management committee to oversee the risk decision of the business.

On the non- significance with the market measure of performance is an indication that risk management committee have nothing to contribute to the enhancement of the earning of the company. This means that the market does not perceive the establishment of risk management committee as a firm performance indicator. This assertion is in support of Guay and Kothari (2003) who suggest that firm should not make effort to manage unavoidable risk called idiosyncratic risk.

5.3.7 Managerial Ownership

The study uses two approaches to capture the impact of managerial ownership on firm performance. The first one is the use of the linear term for managerial shareholding (MOWN) for corporate governance and firm performance and the second one is the adoption of quadratic term (curvilinear relationship) of the managerial shareholding following (Morck et al., 1988). The present study hypothesized a positive linear managerial shareholding and firm performance. The finding of this research shows that the linear term is applicable to ROA and Tobin's Q and the quadratic term of the managerial ownership is applicable to VAIC.

The results found negative significance between managerial shareholding and ROA and non-significant relationship with Tobin's Q and VAIC at 5% level of significance when the quadratic term is added. This study supports entrenchment effect and therefore all hypotheses developed in this regard are not supported. This result is an indication that the cost of managerial ownership outweighs the benefit of it which states that because of the presence of directors' ownership, the objectives of the firm will be aligned with directors' interest. This findings is in line with the arguments of (Morck et al., 1988) which states that greater percentage of managerial ownership could lead to entrenchment effect as the outside shareholders find it difficult to control the actions of directors.

Additionally, managerial entrenchment suggest that directors of company find it worthwhile to consume bonuses which reduces the firm's value and, moreover, they have adequate control to follow their own interest instead of owners interests (Morck et al., 1988; Short & Keasey, 1999). Kald and Nilsson (2000) also link managerial ownership to be negatively associated with Tobin's Q. However, the non-linear relationship with VAIC is in line with the study of Morck et al., (1988). This finding of entrenchment effect could be a result of differences in the ownership structure and control mechanisms used by Nigeria's firm.

5.3.8 Corporate Reporting Disclosure.

The study uses three disclosure indexes to capture the impact of corporate reporting disclosure and performance. The disclosure indexes adapted for this study are all hypothesized to have positive significance with performance based on signaling theory, namely (1) ownership transparency and disclosure (OWNT), (2) financial transparency and disclosure (FINT) and (3) board process transparency and disclosure (BODT). The development of the study hypotheses is in line with signaling theory Spence (1973), Botosan and Harris (2000) and Edogbanya and Kamardin (2016) who suggest that improvements of firm transparency through quality disclosure in the annual report can reduce information asymmetries and enhance firm performance.

5.3.8.1 Ownership Transparency and Disclosure

The results of the ownership transparency and disclosure (OWNT) are found to have no significant relationship with ROA, Tobin's Q and VAIC. This is in line with Chiang (2005) which suggest that information disclosed by companies is the only one that is required by the government and related agencies and authorities. In this case, it shows that disclosure of management shareholding and ownership disclosure have no effect on performance. The trend in ownership transparency in financial reporting by public companies in Nigeria demonstrated increase in disclosure after the adoption of the revised code of corporate governance in 2011 as shown in figure 4.1. Despite the insignificant result of the ownership transparency and firm performance, the trend in ownership reporting witness increase significantly in the disclosure in the post adoption era of the revised code of corporate governance of 2011 and international financial reporting standards (IFRS). There is no sufficient relationship because the market is not efficient while the availability of information is alleged to be a key determinant of the efficiency of resource allocation decisions and growth in an economy (Bushman et al, 2004). This study therefore recommends to the regulatory agencies in Nigeria to stipulate punishment in terms of fine for non-disclosure of ownership process disclosure. If this recommendation is adopted, will make public companies to comply with this disclosure as most companies in Nigeria do not want any form of sanctions from the government.

5.3.8.2 Financial Transparency and disclosure

This variable is hypothesised based on signalling theory. The result of the financial transparency and disclosure (FINT) shows positive association with Tobin's Q at a significant level of 10%. The positive significance is consistent with signaling theory and findings from the study of Chou and Gray (2002) who suggests corporate financial transparency is highly associated with corporate financial performance and company with better CG have very high standard of disclosure of material fact and transparency of the firm. This is why Meek, et al (1995) also posit that firm with good news such as profitability, earnings and dividend pay out to share will attract investor which on the long run enhanced overall performance. Figure 4.1 showed the trend in financial transparency in financial reporting by public companies in Nigeria. The trends is an indication that the adoption of code of corporate governance of 2011 and international financial reporting standards in financial reporting witness increase in the disclosure by public companies in Nigeria.

On the non-significance, it is supported by studies like Ahmed (1999) and (Akhtaruddin, 2005) who found no significant association with reporting transparency and firm performance the non-significance is often alleged, however, that firm annual statement do not comply with the disclosure requirements specified by the supervisory agencies, resulting in poor disclosure compliance by the public listed companies. Corporate disclosure is seen as a means to improve marketability of stocks, to improve corporate image, and to lessen the cost of capital. Corporations provide information on the ground that such information disclosure will not retort to the negative effect on the company image (Choi, 1973).

5.3.8.3 Board Process Transparency and Disclosure

The results of the board process transparency and disclosure (BODT) shows mixed result indicating negative significance for ROA and VAIC but shows significant positive result with Tobin's Q. The negative significance is in agreement with Wallace and Naser, (1995) who found negative significance in their study while Chou and Gray (2002) support the significant positive relationship. The above result shows generally that disclosure of board process information in the published annual report in both print and website of the firm have a role to play in enhancing the performance of the company.

On the negative significance, Chiang, eta al (2005) posit that corporation administrations might think that disclosure of this information is not related to investor and creditor decisions or might not want investors and creditors to learn this information. The positive significance in board management process transparency with VAIC is a sign that signalling the activities of the company can attract investment from both local and foreign investors. However, the Company and Allied Matter Act (CAMA) 2004 as amended to date stipulates the area of disclosure necessary to be included in the annual report as statutory requirement. However, the NCCG, 2011encourages companies to disclose more than the statutory requirement of CAMA (Edogbanya et al., 2015). As shown in Figure 4.1, the trend shows that the adoptions of the code of corporate governance and IFRS have really impacted the extent of reporting the board activities in Nigeria.

5.4.9 Moderating effect Block Ownership on Corporate Governance and Firm Performance

The study hypothesized that block ownership (BLOOWN) to moderate the relationship between corporate governance mechanism and firm performance. The result shows that block ownership strengthened the negative relationship between board size and ROA. This finding supports small board size and agency theory. This finding also support Haniffa and Hudaib (2006) who posit block shareholding have greater incentives to align management interest with that of shareholders, this can result in better corporate firm performance and benefiting minority shareholders. In addition, the block ownership is also found to moderate the relationship between risk management committee and firm performance.

Blockholder ownership is found to strengthen the positive relationship between risk management committee and ROA. The result shows that blockholder ownership strengthens the positive relationship between risk management committee and ROA. Blockholder ownership is also found to moderate the relationship between managerial shareholding and firm performance. The result shows that blockholder ownership strengthens the negative relationship between managerial shareholding and ROA. This result shows that the presence of the block shareholders controls the opportunistic behavior of the executives. This finding support Kroll, Walters, and Wright (2008) studies of Chinese firms showed a positive relationship between concentrated ownership and performance of firm. The study suggests that the control and monitoring of the management performance lies in the hand of large equity holders and play a substantial role in corporate governance of any organization. Similarly, motivations to perform direct monitoring are weaker for dispersed ownership due to free-rider problems (Grossman & Hart, 1982). More so, the blockholder ownership is found to dampen the relationship between non-executive directors, board gender and board meeting.

On the moderating effect of blockholder ownership with Tobin's Q, the study found blockholder ownership is found to strengthen the negative relationship between non-executive director and TOBINS Q. This indicates that the presence of –non-executive directors may serve as monitoring mechanism on the executive director which could enhance performance, in the same vein, the blockholder ownership is found to moderate the relationship between managerial shareholding and Tobin's Q. Furthermore, blockholder ownership is found to dampen the positive relationship between BOGEND and Tobin's Q. The blockholder ownership is found to moderate the relationship between board size and VAIC. The result shows blockholder ownership strengthens the positive relationship between board size and VAIC. This result is consistent with resource dependency theory which supports the large board size. However, blockholder ownership is found not to have any moderating effect between board meeting, non-executive directors and board gender and VAIC.

Therefore, this study concludes that the presence of the blockholder ownership to have positive effect in monitoring the activities of the management. This is so because large shareholders are concluded in this research have a disciplinary effect on the management and thereby monitors company's investment from outside the firm without necessarily be involved in the day to day running of the affair of the firm.

5.4 Implications of the Research

The results produced from this study have numerous implications to both practice and theory and the findings of this study make several contributions to the theoretical development in corporate governance and firm performance. The results from this study were able to justify the underpinning theories adopted for this study such as agency theory, resource depend theory and signaling theory. The internal corporate governance mechanism was also identified as a strong support for company performance and the external corporate governance such as block shareholding is found to moderate the relationship between corporate governance and firm performance.

5.4.1 Theoretical Implication

This study has combined agency theory, resource dependency theory and signaling theory to explain the framework under study. These theories are used in conceptualization of the effect of corporate governance and firm performance. furthermore, the Company and Allied Matter Act (CAMA) 1990 is consulted to highlight the statutory requirements by companies in relations to disclosure and transparency and the revised code of corporate governance code of 2011 is employed in this research as well. The employments of this act and NCCG,2011 is to state the essence of disclosure in the annual report and monitoring roles in public limited companies in Nigeria. The explanation of the corporate governance mechanism and firm performance need more than one theory to explain their relationship (Kamardin & Haron, 2011).

The finding indicates that the theoretical perspective may require more than one theory to explain the phenomenal of the internal corporate governance and firm performance. Both agency theory and resource dependency theory support non-executive director in Nigeria. For the board size, agency theory supports small board size but resource dependency theory supports large board as it suggests that the cost of large board will be translated to performance at the long run. This current study shows that agency theory is more applicable when explaining the relationship between board size and performance. The corporate reporting transparency, signaling theory was employed to predict the relationship between the variables; financial, board process and ownership transparency. This is an indication that company send signals when there are disclosing all material information about their operations.

The main implication of this study to theory is the moderating effect of block ownership in explaining the relationship between the internal corporate governance mechanism under study and various dimensions of performance. The block ownership moderates the relationship between board characteristics and risk management committee and managerial shareholding. These findings explain the function of external corporate governance on the internal corporate practices. This is an indication that block ownership is one of the links in monitoring the activities of the directors. The findings also suggest that that the level of block shareholding do not moderate the board gender and board meeting as this may be as a result that the activities of women in board room may not be different from that of their male counterpart.

This study uses two approaches to capture the effect of managerial ownership and three proxies of firm performance. Linear term is used for ROA and the quadratic term is used for Tobin's Q and VAIC to test the convergence of interest hypotheses. This is to test the curvilinear relationship as literature have suggested (Short & Keasey, 1999). On the hand, the value added intellectual (VAIC) is added alongside other traditional measure of performance to predict the relationship between the internal corporate governance and firm performance.

5.4.2 Practical Implications

In practice, the results of this study provide recommendations, especially to the public limited companies, policymakers and regulatory bodies such as Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE) and the Financial Reporting Council of Nigeria (FRC). The findings of the direct relationship and the moderating relationship between the corporate governance and firm performance are found to support board size, non-executive directors, board gender, board meeting corporate reporting transparency and risk management committee.

In relation to board characteristics, small board size is supported for public listed company as the results for ROA and Tobin's Q shows negative significance. This finding is in line with SEC code of corporate governance in Nigeria which states the minimum numbers of board of directors to be five but do not prescribe maximum number. On the non-executive directors, the finding of the studies shows that there should be negligible numbers of directors especially in Nigeria where the appointment of NONED may be just fulfilling the minimum regulatory requirements. This summation is in agreement with Hillier, Linn and McColgan (2005) who suggest that the fact that independent directors are on board does not guarantee good governance and internal monitoring of the executive directors. The finding on board meeting suggests more meeting enhances management decision that can be translated to firm performance. This means average of 8-9 meeting is suggested by this study. When strategic issues are discussed in the meeting of the board, the benefit could overweigh the cost of the meeting.

Additionally, women representative on the board may not really show performance of the firm according to ROA and Tobin Q but shows positive significance with VAIC which shows that the intellectual capacity of women can lead to firm performance. The corporate governance code should encourage more women representation on the board; this current study recommends 25%- 35% women representation on the board. On the risk management committee, it is important for board to establish risk management committee. This finding is in line with the code of corporate governance in Nigeria. This current suggests that it should be made statutory because of its importance.

Furthermore, the findings also indicate positive significance for financial transparency. This is an indication that companies who disclose more is signaling to potential investors and therefore could lead to more investment in the company and therefore lead to firm performance. Additionally, board process disclosure and transparency and ownership disclosure is found to have some level of positive significance with performance. This study reiterates on the suggestion of the revised code of corporate governance that firm should disclose more than the statutory requirements. This is an indication that the more you disclose, the more the firm is attracted to investment from potential investors.

The moderating effect of block ownership on the relationship between board size, non–executive director, board meeting and risk management committee highlight the importance of these variables to firm performance. The block shareholders are having voting right and therefore can effect changes on the board at the annual general meeting of the board. Their voting rights is a strong monitoring tool that can enhance firm performance. Other corporate governance attributes are found that blockholder ownership do not moderates their relationship with performance.

The Financial Reporting Council (FRC) in Nigeria is expected to ensure strict compliance by companies in disclosure of material fact in their annual report and statements. This is important to ensure that the public listed companies adhere to the disclosure requirements, particularly during the earlier years of IFRS convergence and adoption of the revised code of corporate governance in Nigeria. The FRC should report any serious case of non-disclosure to Nigerian Stock Exchange (NSE) and the SEC so that the action can be taken against the non-compliance companies by the relevant authorities.

The findings from this study also encourage the public listed companies to adhere to the code of best practice that is in operation in Nigeria. In addition, the companies should be willing to train their staff in line with IFRS preparations, corporate governance and disclosure of material fact in the annual report and statements. This will lead to efficiency and staff performance in the company.

5.4.3 Limitations to the Study and Suggestion for Future Research

While this research contributes in several ways to the body of knowledge, the practical side and the methodology aspect, there are a number of limitations that need to be highlighted. The limitations of this research are discussed below. Firstly the sample is concentrated on the non-financial companies. Thus the finding may not be generalized to represents financial companies. This may be as a result of policies differences and different regulatory authorities. The study was limited to the period (between 2010-2013) due to the availability of data on our variables of interest. The choice for this datasets is as a result of unavailability of published annual report by companies and the failure of the regulatory agencies to keep the reported annual report in their libraries as there is a complete absence of e-database of company's annual report in Nigeria.

5.4.4 Suggestion for Future Research

Given the limitations of the present study, we recommend that future research should consider the issues highlighted below. Firstly, future studies that employ a rich dataset by expanding their coverage to include other variables such as audit committee characteristics and its relationship with intellectual capital as a measure of performance. The study also recommends for future research the inclusion of corruption index and it effect on performance, though it may be difficult to measure corruption from corporate perspective. Therefore, the research could employ qualitative method or survey method to achieve this objective. Secondly, the study also recommends the study on transparency across the West African countries but this will require a large dataset that include many countries. Thirdly, this study only examines the moderating effects of block ownership on the relationship between the corporate governance mechanisms and firm performance. However, this study will also recommend future research on the moderating effect of the external audit functions such as the Big 4 on the internal corporate governance variables and firm performance. Future studies should look at the variability of regulatory framework and its effect on performance.

5.5 Conclusions

Despite the limitations discussed above, the findings of this research are still having crucial implications to theory, policy implantations and practices. This chapter provides a detailed summary from chapter one concerning the introduction of the thesis to chapter three on the research methodology as well as recapping on the results of the hypotheses in chapter four and five. Most importantly, this chapter discusses the findings from the panel regression analysis, the contributions, limitations and several avenues for future research. This study did not consider only direct relationship but also moderating relationship. This is done by introducing the blockholder ownership to moderate or to test its moderating effect on the relationship between internal corporate governance mechanism and firm performance.

This study indicates the importance of board characteristics such as board size, non-executive directors, and board gender and board meetings. The role of the board as a whole are summarily related to performance. The study also mentioned the negative impact of relying heavily on the non-executive directors. This study concludes that the appointment of non-executive directors may be for political reasons and therefore may affect performance negatively or not. Board meeting is found out to affect performance when meeting is done not to merely fulfill statutory requirements but to discuss material fact that are affecting the firm. When this is done diligently, it could affect performance positively. The inclusion of the women on the board is also found to be crucial from intellectual capital perspective. The strong relationship between VAIC is an indication that their knowledge however could be used to achieve company's objectives.

This study found that the presence of the risk management committee in a firm shows strong indication that performance could be enhanced. This is because the committee could be risk sensitive as they may report serious risk that may deter firm performance. On the other hand, the managerial ownership is found to have any impact on firm performance in the Nigeria firm. This result shows that the management may work for their interest instead of the owners. This means that the interest of managers is entrenched with that of shareholders.

This study also indicates the need to have reasonable disclosure of firm dealing. The significant relationship of corporate reporting disclosureand transparency is an indication that firm should disclose in the area of financial, board management process and ownership transparency. In the light of the above explanation this study recommends for firm to disclose both good news and bad news in their annual report. This will enable the potential investors to take decisive decision and ways of curbing the bad news in to good news by taking strategic decision and proactive operational mechanism to achieve company's goal.

In summary, the study indicates that right board size, less non-executive directors, appropriate level of managerial ownership, presence of board women and reasonable numbers of board meeting which is represented by board diligence are all important element of corporate governance for enhanced firm performance. The moderating effect of block shareholding support the emphasis of monitoring role played as a result of their voting powers in Nigeria.

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APPENDICES
APPENDIX A

Appendix 1: Index and Score for Transparency and Disclosure

A. Ownership structure and investor relations

1. A description of the share classes
2. A review of shareholding by type (class)
3. A description of voting rights
4. A list of 20 largest shareholders
5. Statement of percentage of total shareholding of 20 largest shareholders
6. Number of shares held by 20 largest shareholders
7. Notice of change in substantial holdings
8. Number of holders of each class of equity holding
9. List of and number of shares held by directors
10. Information about investors relations
11. Information about share performance and ownership

Total items 11

B. Financial transparency and information disclosure

1. The company's accounting policy
2. Consistency with international accounting standards/SAS
3. Efficiency indicators (ROE/ROA)
4. Gearing ratios
5. Consolidated financial statements
6. Off balance sheet financing information/contingent liabilities
7. Social responsibility
8. Corporate governance statement and awareness
9. Stock price information
10. Market capitalization
11. Forward looking information
12. Qualitative historical information
13. Risk management
14. Chairman's statement
15. Managing director's review
16. Internal control
17. Information about Corporate Social Responsibility

Total items 17

C. Board and management structure and processes

1. List of board members
2. Background information about board of directors
3. Background information about management staff
4. List of board committees
5. Audit committee
6. Background Information about member of the audit committees
7. Details of director remuneration
8. Existence of remuneration committee or equivalent
9. Details of performance-related pay and share options
10. Related party transactions
11. Information on board directors qualifications and experience
12. Changes in board directors
13. Information about staff training and development
14. Information about the frequency of the Audit committee meeting

Total items 14

Total score 42

Appendix B:

Sampled Companies

7up Bottling company
ABC Transport
Academy Press
Afromedia Service
Aluminum EXTRUSION
Ashaka Cement
AVON crowncaps & Containers NIG PLC
B.O.C Gases PLC (Industrial Gases NIG. LTD)
Berger Paint
Beta Glass
Cadbury Nigeria PLC
Capital Hotel
Cement Co of Northern PLC
Chams ICT
Chellerams
Conoil (National OIL) PLC
Cutix Conglomerates
Dangote cement
DNA Tyre and Rubber Plc
FIDSON
Flour Mill of Nigeria
GRIF
Guiness
Honeywell
Interlinked Technologies
International Breweries
Japaul oil and Maritime Service Plc
John Holt plc
Julius Berger
Lafarage
Longman Nigeria learn african
May and Baker
Mcnichols Consolidated PLC
MOBIL OIL NIGERIA plc
Morison Industries PLC
MRS OIL PLC (Chevron oil Nigeria PLC, Texaco Nigeria PLC)
NCR Nigeria PLC ICT
Nestle Nigeria PLC
Nigeria Aviation Handling
Nigeria Bweries
Nigeria Enamelware PLC
Nigeria Rope

Northern Nigeria Flour Mill
Pemier Paint PLC
Pemier Paint PLC
Presco Plc
Red star express
Road Nigeria
SCOA Conglomerates
Smart Product Nigeria
Tantalizers
The Tourist Compnay
Total Nigeria PLC
Transcorp
Tripple GEE and Company Plc
UAC PLC Conglomerates
University Press PLC
Updc(UACN Property Development Co. PLC)
Vitafoam NIG PLC
DN Meyer
First Aluminum
PZ Cussons Nigeria PLC

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