

Does the Mechanism of Corporate Governance matter? Evidence from Nigerian Listed Firms

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Abstract: The mechanism of corporate governance and the type of information about corporate decisions are on one side and on the other side, the performances of the firm and the information that the corporation should make public, constitute major issues of discussion in the corporate governance debate. Specifically, this paper examined the importance of corporate governance mechanisms in the issue of making corporate financial report more transparent to stakeholders, and the extent to which the oversight bodies set to oversee the firms. This paper employed quantitative research method using multiple regression tests with panel data analysis spanning 2008 to 2019. Despite that the role of a firm chairman & CEO in one person is discouraged by the SEC and CBN codes, this finding differs, especially in the short run as the combining role of leadership structure (LDS) has a significant relationship with firm performance. Using ROA as a measure of performance, the effect of board size is significant at the short run. This is an indication that initial increase in the number of persons on the board of Nigerian firms raises returns on asset (ROA), however, beyond a certain point; increases in board size will adversely affect ROA. This paper concludes that, the performance of listed firms in Nigeria between 2008 and 2019 was determined by the mechanisms of corporate governance. The paper recommends that separating the roles of CEO and the Chairman of the board is value enhancing, that firm interest should be above self-interest as board responsibilities increases

Keywords; Corporate Governance Mechanisms, Firm Performance,

I. INTRODUCTION

Corporate Governance has become a central issue of policy debate for more than three decades now see for instance, (Adenikinju, 2005; Imam & Malik, 2007; Black, De Carvalho, 2010). The mechanism of corporate governance and the type of information about corporate decisions are on one side and on the other side, the performances of the firm and the information that the corporation should make public, constitute major issues of discussion in the corporate governance debate. Specifically, the issue of making corporate financial report more transparent to stakeholders, and the extent to which the oversight bodies set to oversee the firms, become functional issue. The practice “good corporate governance” is seen as the ultimate objective of studies in this area, which the neoclassical theory of market economy defines as the maximization of shareholders’ value (Caliskan & Icke, 2011).

Corporate governance mechanisms is considered as an internal methods or systems for monitoring management as an

effective tool for helping firms to attain better performance (Ghabayen, 2012). Many studies have investigated the relationship between corporate governance mechanisms and firm performance (Jensen & Meckling, 1976; Haniffa & Hudib, 2006; Adams & Mehran, 2008; Bhagat & Black, 2001; Gompers, Ishii & Metrick, 2003; Klapper & Love, 2004; Haniffa, 2005; Trabelsi, 2010; Griffin 2014 and Khaled, 2014) . It has been widely recognised by researchers that corporate governance mechanisms play an important role in improving firms’ performance.

The performance of firm is a concept that supports the effective and efficient use of financial resources to achieve overall company objectives which include both shareholders wealth maximisation and profit maximisation objectives. It can be measured using long term market performance measures and other performance measures that are non-market-oriented measures or short term measures (Zubaidah, Nurmala, & Kamaruzaman, 2009). In terms of firm performance, based on corporate governance mechanism, the Nigerian code of best practices was introduced by the Securities and Exchange Commission (SEC) and the corporate affairs commission (CAC) in investment and security act 2003.

In Nigeria, observance of the principles of corporate governance has been secured through a combination of voluntary and mandatory mechanisms. SEC, in September 2008, inaugurated a National committee Chaired by Mr. M.B. Mahmoud for the review of the 2003 code of corporate governance for public firms in Nigeria to address its weaknesses and to improve the mechanism for its enforceability. In particular, the committee was given the mandate to identify weaknesses and constraints to good corporate governance, and to examine and recommend ways of effecting greater compliance with international best practices (Lai & Bello, 2012).

After the Mahmoud committees’ submissions, the listed firms in Nigeria complied with the code of corporate governance, but quite unfortunate, there have been various challenges in the process of implementing these codes that were reviewed. These challenges include; weak law enforcement, abuse of shareholders' rights, lack of responsibilities of the boards of directors, weakness of the regulatory framework, lack of enforcement and monitoring systems, policy inconsistency, lack of transparency and disclosure among others (Okpara,

2011). Although this is evident worldwide and the Nigerian experience was aptly summarised by the Central Bank of Nigeria in its Codes of Corporate Governance for Banks in Nigeria Post Consolidation. The challenges identified are not, as observed limited to listed firms alone. They cut across other financial institutions in general (Lai & Bello, 2012).

In the light of the foregoing, this paper in its objectives, hypothesized and examined the influence of corporate governance mechanism on the performance of listed firms in Nigeria. Although, empirical studies in this area have undergone a remarkable growth, despite the volume of empirical evidence, little emphasis has been placed on the challenges of corporate governance mechanisms based on the implementation of OECD principles Nigeria (Adenikinju, 2005). The mechanisms that were evaluated in this study involved striking a balance between outside and inside directors, keeping the size of the board reasonable, assess leadership structure and encourage firm to have a reasonable amount of leverage, in the expectation that creditors might take on monitoring role in the firm in order to protect their debt holdings. The need for a study of this kind is more important in an environment like Nigeria where there is a yawning gap between theory and evidence, which is characterized by growing calls for effective corporate governance.

II. METHODOLOGY

The theoretical framework for corporate governance mechanism and firm performance was examined through the Stakeholders theory and Efficiency Wage Monitoring theory of Shapiro & Stiglitz, (1984). The theories suggest that a stakeholder should be paid more than his opportunity wage while his job performance is monitored. If caught shirking, he or she is fired and fall back on his or her lower opportunity wage elsewhere. Shirking is a form of opportunistic behavior where agents either do less than expected or where they do not perform the expected kind of action (Brann, 1993). The intensity of shirking may either be passive or aggressive. It is passive when the agent fails to pursue the goals of the principal and it is aggressive if the agent actively engages in actions not in line with the goals of the Principal (Lane, 2005).

To formalize this framework, as cited in Zikmund (2010), the study assumed that stakeholders' utility function is represented by;

$$U(w,e) = w - \Psi(e^*) \dots\dots\dots(1)$$

Where Ψ = opportunity wage of stakeholder, w = Wage offered to stakeholder

e = effort put in production, e^* = Required effort level $\Psi(e^*)$ = Cost of effort to the stakeholder. To attract him or her, it must be ensured that $\bar{w} > w$. where \bar{w} = expected pay for not shirking. However, if the stakeholders expended effort level less than the required ($e < e^*$), if caught, he or she will be fired and earn w instead of \bar{w} . Therefore, the expected payoff to a stakeholder is simply a weighted average of the stakeholders'

payoff when he or she is caught and when he/she is not caught. The weights are the probabilities of being and not being caught if shirking occurs. We can define the probabilities and payoff as follows:

$$E\pi(\text{shirking}) = p \cdot (w) + (1-p) \bar{w} - \psi \cdot (0) = p \cdot (w) + (1-p) \bar{w} \dots\dots(2)$$

Where p = Probability of being caught shirking and \bar{w} = expected pay for not shirking. The major import of this framework is that firm performance is a function of effective corporate governance through monitoring by external holders. The lower the fractional holdings of the manager in a firm the higher is his tendency to shirk and the lower his productivity and the firm performance.

Estimation Techniques

To examine the relationship between corporate governance mechanism and firm performance in line with the framework, the study considered the listed firms' in Nigeria Stock Exchange (NSE) from 2008 to 2019. This period was chosen to test the relationship between board composition and firm performance because it reflects the corporate governance practices of firms after listed firms were obliged to apply the rules of corporate governance in 2008. A panel of fifty sampled listed firms' were observed over a periods of time, based on firm accessibility, turnover rate, profit margin and year of existence were used for the analysis.

The Panel data estimation allow for the control of individual-specific effects usually unobservable which may be correlated with other explanatory variables included in the specification of the relationship between dependent and explanatory variables (Hausman, 1978). The basic framework for panel data regression takes the form:

$$Y_{it} = \beta X'_{it} + \alpha Z'_i + \varepsilon_{it} \dots\dots\dots(3)$$

In the equation above, the heterogeneity or individual effect $\alpha Z'_i$ represents a constant term and a set of observable and unobservable variables (Individual effect). Therefore this study used three corporate governance mechanism; the board size, leadership structure and board composition. The empirical model of the governance mechanism on the performance of firms adapted from Khaled, (2014) is as follows;

$$FP_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + \varepsilon_{it} \dots\dots\dots(4)$$

Generally, a considerable number of recent studies on firm performance using corporate governance practices have applied mainly accounting-based performance measures, such as ROE and ROA, in addition to market-based measures, such as Tobin's Q, as proxies for firm performance (Haat, 1995; Babatunde & Olaniran, 2009; Heenetigala & Armstrong, 2011; Sengur, 2011 ; Khaled, 2014). Details for all variables in the model above and their measures are presented in table 1 in the appendix. However, the subscript i represents the entity of each quoted firm at time (t), while subscript t represents the

year, $t = 2008 \dots 2019$. The explicit models for Pooled, Fixed and Random effects models are presented below;

Pooled Panel Regression Models

The starting model is the pooled panel model where it was assumed that any heterogeneity across firms has been averaged out. The pooled panel regression analysis was adopted based on secondary data, because panel study allows the measuring of the pattern of change and obtaining factual Information requiring collection of data on a regular basis (Greene, 2004). Thus the pooled estimation is given as:

$$ROA_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + \varepsilon_{it} \dots \dots \dots (5)$$

$$ROE_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + \varepsilon_{it} \dots \dots \dots (6)$$

$$TBNQ_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + \varepsilon_{it} \dots \dots \dots (7)$$

Where, β_0 = intercept β_{1-5} = coefficients and ε = error term

Random Effect Regression Model

The random effect model assumes that the individual heterogeneity is uncorrelated with (or, more strongly, statistically independent of) all the observed variables (Gujarati, 2003). Going by this assumption the following model is specified;

$$ROA_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + V_{it} \dots \dots \dots (8)$$

$$ROE_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + V_{it} \dots \dots \dots (9)$$

$$TBNQ_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + V_{it} \dots \dots \dots (10)$$

Where $V_{it} = \alpha_i + \varepsilon_{it}$ is often called the composite error.

Fixed Effect Regression Model

The fixed effect model assumes that individual heterogeneity is captured by the intercept term. This means every individual was assigned to its intercept α_i while the slope coefficients are the same, and the heterogeneity was associated with the regressors on the right hand side (Gujarati, 2003). In the model also we introduced a firm dummy so as to determine whether or not peculiarity exists in the results of firms in same industry.

$$ROA_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + \sum_{i=1}^{49} \alpha_i idum + \varepsilon_{it} \dots \dots \dots (11)$$

$$ROE_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + \sum_{i=1}^{49} \alpha_i idum + \varepsilon_{it} \dots \dots \dots (12)$$

$$TBNQ_{it} = \beta_0 + \beta_1 (BSIZE)_{it} + \beta_2 (LDS)_{it} + \beta_3 (COMP)_{it} + \beta_4 (FSIZE)_{it} + \beta_5 (LEVG)_{it} + \sum_{i=1}^{49} \alpha_i idum + \varepsilon_{it} \dots \dots \dots (13)$$

Where $\alpha_i idum$ is a dummy variable.

III. RESULTS AND DISCUSSION

This session focuses on the results and discussion of the analysis of corporate governance mechanism and firm performance of listed firms in Nigeria. Table 1; summarized the basic statistical features for the performance indicators, corporate governance mechanism and the control variables. The performance indicators are return on asset (ROA), returns on equity (ROE) and Tobin’s Q (TBNQ), corporate governance mechanism indicators are board size (BS), separate leadership (LDS) and board composition (BCOMP) while control variables are leverage (LEVG) and firms’ size (FSIZE). Based on performance indicators, return on equity (ROE) appeared to be the most performing indicator at the period of this study out of the three indicators. The highest performance of returns on equity (ROE) at this period was 32.56 per cent, and the lowest was -37.06 per cent.

The result revealed the average value of board size (BS) relative to corporate governance was 9%, closely followed by leadership structure (LDS) with an average value of 0.98% while that of the board composition (BCOMP) was 0.76% . The average value of 9% per cent implies that the average number of directors that made up the board of listed firms in Nigeria between 2008 and 2019 was 9. The minimum and maximum numbers of directors was also between 5 and 16 respectively. The average value of 0.98 is an indication that separation of the role of CEO and the chairman on average is about 98% complied with.

Table 1: Descriptive Result for Corporate Governance Mechanisms Model

	Minimu m	Maximu m	Mea n	Std. Dev.	Skewne ss	Kurtos is
Performance Indicator						
ROA	-37.06	32.56	3.69	8.16	-0.65	6.45
ROE	-103.54	92.79	10.4 6	26.35	-0.59	5.81
TBNQ	-0.36	9.42	1.49	1.17	2.94	13.98
Corporate Governance Mechanism						
BS	5.00	16.00	9.00	2.51	0.45	2.78
LDS	0.00	1.00	0.98	0.15	6.16	38.93
BCOMP	0.13	0.94	0.76	0.14	-1.18	4.47
Control Variable						
LEVG	-0.47	1.57	0.61	0.24	-0.17	4.73
FSIZE	4.92	8.98	7.00	0.77	0.00	2.70

Source: Field Survey, (2019)

Correlation Analysis for corporate governance Mechanisms Model

The result of the correlation excise for corporate governance mechanisms (CGM) model in table 2, showed BS, LDS, BCOMP, LEVG, FSIZE represents proxies of CGM, which are Board Size (BS), Leadership Structure (LDS) and Board Compositions while control variables are leverage (LEVG) and firms' size (FSIZE). The performance indicators includes return on asset (ROA), returns on equity (ROE) and Tobin's Q (TBNQ). According to Table 2, board size, leadership structure was positively correlated with all the performance indicators at the period of this study except board compositions that has a negative correlation with returns on assets and Tobin's Q respectively. Generally Table 2 showed a positive but weak relationship between corporate governance mechanisms and the performance indicators of listed firms in Nigeria. This is an indication that an increase in board size at low level is expected to have a positive relationship with performance while at large board size level, a rise in the board size is expected to inversely associate with performance.

Table 2: Correlation Result of Corporate Governance Model

	ROA	ROE	TBN Q	BS	LDS	BCO MP	LEV G	FSI ZE
ROA	1							
ROE	0.704 ***	1						
TBN Q	0.392 ***	0.433 ***	1					
BS	0.118 **	0.095 **	0.217 ***	1				
LDS	0.146 ***	0.204 ***	0.180 ***	0.144 ***	1			
BCO MP	-0.004	0.010	0.078 *	0.132 ***	0.246 ***	1		
LEV G	0.301 ***	0.040	0.186 ***	0.005	0.055	0.060	1	
FSIZ E	0.077	0.119 **	0.153 ***	0.423 ***	0.056	0.143 ***	0.216 ***	1

Source: Field Survey, (2019)

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The Regression Analysis of Corporate Governance Model

This section presents the results of the three (3) different regression models specified in this study. The first, second and third model examined the relationship between the corporate governance's indicators, the board size (BS), separate leadership (LDS) and board composition (BCOMP), the performance indicator of listed firms, the return on asset (ROA), returns on equity and Tobin'Q after controlling for firms' characteristics the leverage (LEVG) and firms' size (FSIZE).

Measurement of CGM on ROA

This model measures the relationship between board size (BS), separate leadership (LDS), and board composition (BCOMP) on returns on asset (ROA) after controlling for

firms' characteristics leverage (LEVG) and firms' size (FSIZE). F-statistics of the model as shown in Table 3; indicated their significant prediction respectively. However, ROA was noted to have goodness of fit better than the other performance indicator. The Hausman specification test showed the superiority of fixed effect modeling of the ROA models. However, the R-square value 0.687 showed that the variables successfully explain about 68.7% of changes in the performance indicator (ROA).

The leverage exerts a negative effect on the performance indicator (ROA). This showed that the higher the debt ratio, the lower the performance of listed firms on returns to asset (ROA), which means a unit increase in the debt ratio, will reduce the performance of firms by 14.45%. It might be that firms face higher levels of debt due to the increasing cost of operations, which might reflect their ability to fulfill their obligations to pay higher interest rates (Dechowetal,1996).

Although combining the roles of a firm chairman & CEO in one person is discouraged by the SEC and CBN codes, on the basis that it is likely to adversely affect proper decision making, this finding differs, especially in the short run as separate leadership (LDS) has a significant relationship with ROA. This indicated that, combining the roles of a firm chairman & CEO in one person exhibit higher returns on asset (ROA), while it declined in the long run. This is in line with Adeolu and Afolabi (2008), that CEOs and the chairman effectively monitor the firms' activities especially when they are significantly shareholders.

Using ROA as a measure of performance, the effect of board size is significant at the short run. This is an indication that initial increase in the number of persons on the board of Nigerian firms raises ROA, however, beyond a certain point; increases in board size will adversely affect ROA. This is in consonance with Ncube (2006) observation that the larger the board, the more diversified is its capacity for effective monitoring, however, at a certain high level, a large board may distort the flow of quality communication.

This is an indication that at some high level of ownership concentration, undue influence may be created over management to secure benefits that are detrimental to firm value (Shleifer and Vishiny, 1997). The implication is that, appointing more non-executive directors to the board would not improve performance, while the selection of a minority of non-executive directors would strengthen the board's independence. The present study is in line with Kajola (2008) and Ghabayen (2012), who found that having a majority of independent non-executive directors in the audit committee have an insignificant influence on firm performance

Table 3: Corporate Governance Mechanism and Return on Asset (ROA)

Variable	Pooled (OLS)	Random (RE)	Fixed (FE)
C	-5.869 (-1.536)	7.194 (0.971)	50.997*** (9.503)
*BS	0.302** (2.078)	0.178 (0.798)	0.033 (0.334)

LDS	9.688*** (8.336)	6.132*** (3.192)	2.91 (1.574)
BCOMP	3.667* (1.772)	0.142 (0.053)	-2.932** (-2.079)
LEVG	-11.542*** (-8.301)	-13.917*** (-7.383)	- 14.495*** (-10.781)
FSIZE	1.144*** (3.632)	0.281 (0.312)	-4.94*** (-6.235)
R-squared	0.420	0.437	0.687
Adjusted R-squared	0.410	0.430	0.644
F-statistic	13.005***	11.763***	15.747***
LM Test [Prob.]	280.516[0.000]		
Hausman Test [Prob.]		11.764[0.068]	
Durbin-watson	1.8012	1.8545	2.0132

Source: Field Survey, (2019) . *** p<0.01, ** p<0.05, * p<0.1

Measurement of CGM and ROE

The second model examined the relationship between Board size (BS), separate leadership (LDS), and Board composition (BCOMP) on the performance indicator which is returns on equity (ROE) after controlling for firms' characteristics leverage (LEVG) and firms' size (FSIZE). F-statistics of the model as shown in Table 3 indicated the significant prediction respectively thereby the ROE model was noted to have goodness of fit. The Hausman specification test indicates the superiority of fixed effect modeling of the ROE. However, the R-square value 0.622 indicates that the variables successfully explain about 62% of changes in the performance indicator (ROE). The regression analysis revealed a positive and significant relationship between a separate leadership structure and firm performance, particularly with ROE unlike the insignificant relationship with ROA. This is an indication that Separate leadership structure significantly influences accounting based value performance of listed firms in Nigeria. In this case the board monitors the CEO more objectively and effectively. The results of the current findings are consistent with prior research (Chaghadari, 2011; Ujunwa, 2012; Coskan & Syiliar, 2012). These previous researchers find no significance relationship between the combined position of CEO and chairman and firm performance.

The effect of board size on the returns on equity is also significant in the short run. This showed that board size is not major determinants of ROE during the period of this study, an initial increase in the number of persons on the board of Nigerian firms raises ROE, however, beyond a certain point; increases in board size adversely affect ROE. This is inconsistent with several researchers, who find positive significance relationships between board size and firm performance (Pearce & Zahra, 1992; Kiel & Nicholson, 2003; Latif et al., 2013).

The findings on Board composition revealed that increasing number of non-executive directors on firms initially raises returns on equity (ROE) but later reduces it. It is an indication that large number of non-executive directors has a negative effect on firm performance. This finding is in line with several research studies that examine the relationship between corporate governance and firm performance (Kajola, 2008; Kiel & Nicholson, 2003; Yusoff & Alhaji, 2012), Their results indicated negative relationship between board composition and firm performance.

Table 4: Corporate Governance Mechanism and Return on Equity (ROE)

Variable	Pooled (OLS)	Random (RE)	Fixed (FE)
C	-25.221** (-2.059)	13.648 (0.483)	175.462*** (7.789)
BS	0.897** (2.105)	0.993 (1.410)	0.067 (0.197)
LDS	39.026*** (9.798)	23.918*** (3.675)	8.646* (1.883)
BCOMP	12.794* (1.695)	7.624 (0.761)	-7.584 (-1.629)
LEVG	0.640 (0.132)	-0.577 (-0.088)	-2.791 (-0.637)
FSIZE	2.682* (1.883)	-2.471 (-0.638)	-21.735*** (-6.635)
R-squared	0.465	0.515	0.622
Adjusted R-squared	0.452	0.502	0.569
F-statistic	5.136***	1.148	11.789***
LM Test [Prob.]	225.463 [0.000]		
Hausman Test [Prob.]		18.904 [0.004]	
Durbin-watson	1.977	1.991	2.015

Source: Field Survey, (2019) *** p<0.01, ** p<0.05, * p<0.1

Measurement of Corporate Governance Mechanism and TBNQ

The third model in Table 5, Indicated the significant prediction respectively thereby Tobin's Q (TBNQ) model was noted to have goodness of fit. The Hausman specification test showed the superiority of fixed effect modeling of Tobin's Q (TBNQ). However, the R-square value 0.708 showed that the variables successfully explain 70.8% of changes in the performance indicator (TBNQ). The regression analysis revealed a positive and significant relationship between a separate leadership structure and firm performance. A significant relationship between separate leadership structure and Tobin's Q showed that a separate leadership structure has effect on market value. The implication is that listed firms in Nigeria, separate the responsibilities of the chairman and the CEO. Heenetigala and Armstrong (2011) concluded that this may be because the leadership structure on its own was recognised by the market. However, these results are inconsistent to those of Haniffa and Hudaib (2006), who found that a separate leadership structure is significantly related to the accounting-based measures of firm performance (ROA and ROE), but not to the market-based measure of firm performance (Tobin's Q).

The effect of board size on Tobin's Q is positive and significant. This means a unit increase in board size increase the performance of firms based on market value. This showed that an initial increase in the number of persons on the board of Nigerian listed firms raises the market based value performance of the firm. This is consistent with Kiel & Nicholson (2003) and Latif et al.,(2013), that found positive and significance relationships between board size and firm performance. This finding is in line with several research studies that examined the relationship between corporate governance and firm performance (Kajola, 2008; Kiel & Nicholson, 2003; Yusoff & Alhaji, 2012).

Table 5: Corporate Governance Mechanism and Tobin's Q

Variable	Pooled (OLS)	Random (RE)	Fixed (FE)
C	-0.106 (-0.161)	2.456 (1.327)	7.253*** (7.729)
BS	0.104*** (5.130)	0.074** (2.595)	0.022** (2.489)
LDS	1.788*** (4.106)	2.222*** (4.707)	2.502*** (11.913)
BCOMP	0.927** (2.286)	0.095 (0.215)	-0.289** (-2.515)
LEVG	0.767*** (4.085)	0.909*** (3.713)	0.897*** (23.755)
FSIZE	0.044 (0.483)	-0.327 (-1.254)	-0.916*** (-7.113)
R-squared	0.437	0.910	0.968
Adjusted R-squared	0.425	0.988	0.908
F-statistic	11.675***	8.189***	17.406***
LM Test [Prob.]	494.064 [0.000]		
Hausman Test [Prob.]		25.725 [0.000]	
Durbin-watson	1.951	2.456	2.656

Source: Field Survey, (2019) *** p<0.01, ** p<0.05, * p<0.1

IV. CONCLUSION

This paper concludes that the performance indicators; return on asset (ROA), returns on equity (ROE) and Tobin's Q (TBNQ) and the corporate governance mechanism; Board size (BS), separate leadership (LDS) and Board composition (BCOMP), appeared to be performing at the period of this study. This is an indication that the performance of listed firms in Nigeria between 2008 and 2019, was determine by the corporate governance mechanisms.

The paper also concludes that, as board members responsibilities increase, the board tends to place self-interest above organizational interest which affects the performance of listed firms..

The paper concludes from the empirical results showed that, board size and separate leadership has significant relationship with ROE, The only corporate governance indicator that exerts perfect significant influence on firm performance during this period is leadership structure. The effect of firm size and leverage was observed by controlling for it in the model. The analysis showed and concludes clearly that firm

size tends to improve the implementation of corporate governance mechanisms.

Finally, the study concludes that a positive relationship exist between firm performance, board size and leadership structure but not on the proportion of non-executive directors. This means that negative and weak relationships exist between firm performance, board size and proportion of non-executive directors.

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		investors after debt services cost have been factored into equity invested	
TBNQ	Tobin Q	It compares the ratio of a company's market value and the value of a company's assets	Market capitalization plus total firms debt divided by total assets
BS	Board size	Number of directors on the board	Total Number of directors on the board
BCOMP	Board composition	The composition of the board refers to the proportion of inside and outside directors serving on the board.	Proportion of inside and outside directors sitting on the board
LDS	Separate leadership	Separation of the role of CEO and the Chairman in a company	Dummy variables 0 for combined leadership 1 for separate leadership
LEVG	Leverage	The debt to share capital/ influence on the firm	total liabilities divided by total assets
FSIZE	Firms size	Company's total assets	\log_{10} of the company's total assets owned

Source: Author's computations

APPENDICES

Variable Definitions and Measurements

SYMBOL	VARIABLE NAME	DEFINITION	MEASUREMENT
ROA	Returns on assets	Indicates the effectiveness of a company assets in an increasing order	Net profits as percent of total assets
ROE	Returns on equity	It specify the earning left over for equity	Net income as a percent of total equity