**The Effect of Corporate Governance on Wealth Performance of Quoted Cement Companies in Nigeria.**

**CHAPTER ONE**

**INTRODUCTION**

**1.1 Background of the Study**

Corporate governance practices are seen to have great impact to maximization of stakeholder wealth and to the growth prospects of an economy. They are practices considered as paramount to management of constraint, such as the issue of reducing risk for investors, attracting investment capital, and improving the performance of companies. However, the way in which corporate governance is organized differs from company to company and from country to another, depending on their economic, political and social situations.

Corporate Governance has been perceived differently by different people. Kajola (2008) concurred that corporate governance is making sure the business is well managed and shareholders interest is protected at all times. Organization for Economic Cooperation and Development (OECD) (1999) claimed corporate governance is broad in practice. It defines corporate governance as the system by which business corporations are directed and controlled. It further states that the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders and other stakeholders; and thus spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the company’s objectives are set and the means of attaining those objectives and monitoring performance (Akinsulire, 2006).

Corporate governance is a mechanism that is employed to reduce the agency cost that arises as a result of the conflict of interest that exists between managers and shareholders. The conflict emanates, almost naturally, because the seperation of ownership from control of the modern day business places the managers at a privileged position that gives them the latitude to take decisions that could either converge with or entrench the value maximization objective of the firm. Thus, managers can use their control over the firm to achieve personal objectives at the expense of stakeholders. In this regard, Kang and Kim (2011) note that management could influence reported earnings by making accounting choices or by making operating decisions discretionally. One of such discretionery decisions to manipulate reported earnings is imbedded in the accrual-based accounting.

Financial scandals around the world and the recent collapse of major corporate institutions in the Nigeria such as Oceanic Bank, Intercontinental Bank and Cadbury have shaken the faith of investors in the capital markets and the efficacy of existing corporate governance practices in promoting transparency and accountability. This has brought to the fore the need for the practice of good corporate governance. Corporate performance is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization, which in-turn, keeps the organization in business and creates a greater prospect for future opportunities.

There have been debates regarding the issue of corporate governance in Nigeria, involving both local and international stakeholders in the business realm. It has been addressed as one of the major factors that have led to a reduction in capital flows and subsequent slow down the rate of economic growth in the country. However, since the adoption of corporate governance code of conducts, there has been a steady trend towards implementing good governance structures both in public and private sectors.

The introduction of corporate governance practices in Nigeria is aimed at providing a mechanism to improve the confidence and trust of investor in the management and promote economic development of the country. However, efficiency of the corporate governance structures and practices on corporations operating in the highly volatile environment of Nigeria has not been empirically investigated (Nworji, Olagunju and Adeyanju, 2011).

Good corporate performance keeps the organization in business and creates a greater prospect for future opportunities. In the present changing economic environment, the corporate sector must brace up to the challenges of globalization where firms that cannot adapt to modern business culture may not survive. It is therefore important for firms to find out the best corporate practices in other parts of the world and how they can integrate these into their business culture to enhance their performance.

The mechanisms can be divided into five: striking a balance between outside and inside directors; promoting insider (i.e., managers and directors) shareholding; keeping the size of the board reasonably low; encouraging ownership concentration; and encouraging the firm to have a reasonable amount of leverage in the expectation that creditors might take on a monitoring role in the firm in order to protect their debt holdings.

**1.2 Statement of the Problem**

Corporate governance mechanisms such as CEO duality, directors shareholdings, board size, board composition, quality audit committee, executive compensation, quality audit committee, executive compensation and board independence have been found to relate to measures of firms’ performance (Bedard, Chtourou, and Courteau 2004; Tehranian, Cornett, Marens and Saunders 2006; Xie, Davidson and Dadalt, 2001; Zhou and Chen, 2004). Due to the growing concerns and need to align practices in Nigeria to international best practices, the Peterside’s Code of corporate governance in Nigeria was released in 2003 for public companies. But, despite the introduction of the codes of best governance practices in Nigeria in 2003 and its continuous modifications, the result that it has achieved can be said to be minimal as there are fresh cases of governance malpractices that threaten the survival of quite a number of firms in different sectors of the economy (Hassan and Ahmed, 2012).

Corporate governance is considered to involve a set of complex indicators, which face substantial measurement error due to the complex nature of the interaction between governance variables (such as board size, board composition, Managerial shareholding etc) and firm performance indicators (return on assets, return on equity, Earnings per share etc) (Babatunde and Olaniran, 2009). Nevertheless, previous empirical studies have provided the nexus between corporate governance and firm performance, (Sanda, Mikailu and Garba; 2005; Kajola, 2008, Roger 2008, Hassan 2011, Lenee and Obiyo 2011, Agrawal and Knoeber 2012). However, despite the volume of the empirical work, there has been no consensus on the impact of corporate governance on firm performance generally. Consequently, this lack of consensus has produced a variety of ideas (or mechanisms) on how corporate governance influence firm performance.

In addition, despite the renewed interest in issues of corporate governance in the African continent, relevant empirical studies are many in Nigeria (which include the studies of Oyejide and Soibo, 2001; Adenikinju and Ayorinde, 2001 and Sanda *et al.,* 2005) Kajola, 2008; Tahir 2010; Owuigbe 2011 and Hassan 2011). However, none of these focused specifically on the Nigerian manufacturing industries like cement industries; hence this study intends to reduce the knowledge gap.

Also, to date, little effort has been put by researchers to examine the influence of governance structures on corporate performance when performance is adjusted to take into account the wealth maximizing of cement industries. Closest to this work are that of Cornett *et al*. (2008) and Zhu and Tian (2009). Cornett *et al*. (2008) find that adjusting for impact of earnings management substantially improves the relevance (importance) of governance variables and significantly declines the importance of incentive-based compensation for firm performance. However, Zhu and Tian (2009) find that the coefficient of CEO compensation significantly falls when firm performance is adjusted to exclude discretionery accruals. Their findings also reveal that board composition is more effective towards improving firm performance when actual performance is considered. The few studies that exist in this area of research are products of developed countries that have different regulatory frameworks and governance mechanisms with that of Nigeria. Also, these studies document inconclusive evidences, which calls for an investigation into the Nigerian scenario.

**1.3 Objectives of the Study**

The main objective of this study is to investigate the effects of corporate governance on the wealth performance of quoted cement companies in Nigeria. The specific objectives are to:

i) assess the effect of (Board Size, Board Composition, Composition of Audit Committee, Managerial Shareholding and Institutional Shareholding) on the Dividend per Share of quoted cement companies in Nigeria;

ii) examine the effect of ( Board Size , Board Composition , Composition of Audit

Committee, Managerial Shareholding and Institutional Shareholding) on the Return On

Capital Employed of the companies and;

iii) evaluate the effect of (Board Size, Board Composition, Composition of Audit Committee, Managerial Shareholding and Institutional Shareholding) on the Net Asset per Share of quoted cement companies in Nigeria.

**1.4 Research Hypotheses**

In line with the objective of the study, the following hypotheses have been in null form;

H01: Corporate governance has no significant effect on the Dividend per Share of quoted cement companies in Nigeria.

H02: Corporate governance has no significant effect on the Return on Capital Employed of quoted cement companies in Nigeria.

H03: Corporate governance has no significant effect on the Net Asset per Shares of quoted cement companies in Nigeria.

**1.5 Scope of the Study**

The scope of this study shall comprise of all listed cement firms in Nigeria as at December, 2009. The sector was selected as population because of the important of the sector to economy development of the nation especially in the area of job creation in the recent time. The period to be covered by this study is 7 years (i.e. 2009 to 2015). A seven-year period is considered because the Securities and Exchange Commission (SEC) code of corporate governance was readily available in Nigeria this time period. The code has been the document that provides the benchmark for the period. The components of Corporate Governance considered are: board composition, board size, institutional shareholding, managerial shareholding and composition of audit committee. However, other aspects of corporate governance not mentioned are outside the scope of this study because of non-availability of data. Whereas financial performance will be measured by ROCE, DPS and NAPS as these can easily be extracted from the firms’ financial statements.

**1.6 Significance of the Study**

The results of this study will enrich the literature in several ways. First, the study will show whether or not corporate governance mechanisms are significant financial performance determinants in the Nigerian cement industry. Second, it will provide empirical support for agency theory, because it will show whether or not a relationship exists between financial performance and governance mechanisms, consistent with the prediction of agency theory.

In addition to the above, it is hoped that shareholders and regulatory authorities, such as Securities and Exchange Commission, and the Nigerian Stock Exchange, would find the outcome of the study beneficial as it will give them clues, as to the existence, nature and extent of the effect of Corporate Governance on financial performance of the listed firms in the cement industry in Nigeria. This will help them in their various policy formulation and implementation. Board of Directors would find the study useful as this would help them to appreciate the need to use Corporate Governance as a tool for enhancing the corporate decision- making activities. It is therefore hoped that this research will stimulate further empirical studies on corporate governance and firm financial performance in Nigeria.

**CHAPTER TWO**

**Review of Related Literature**

**2.1 Introduction**

Companies have long recognized that good governance generates positive returns to a firm and boost confidence. Thus, the nature of corporate governance structures of a firm has critical impact on the responsive ability of a firm to external factors that impinge on its performance. It must pointed out that the concept of corporate governance has been a priority on the policy agenda in developed market economies for over a decade especially among very large firms Agrawal and Knoeber (2012).

**2.2 The Concept of Corporate Governance**

Corporate governance is a uniquely complex and multi-faceted subject. Devoid of a unified or systematic theory, its paradigm, diagnosis and solutions lie in multidisciplinary fields i.e. economics, accountancy, finance among others (Cadbury, 2002). As such it is essential that a comprehensive framework be codified in the accounting framework of any organization. In any organization, corporate governance is one of the key factors that determine the health of the system and its ability to survive economic shocks. The health of an organization depends on the underlying soundness of its individual components and the connections between them.

The term corporate governance is relatively new both in public and academic debates, although the issues it addresses have been around for much longer, at least since Berle and Means (1932) and the even earlier Smith (1776). According to Zingales (1998) allocation of ownership, capital structure, managerial incentive schemes, takeovers, board of directors, pressure from institutional investors, product market competition, labour market competition, organisational structure among others can all be thought of as institutions that affect the process through which quasirents are distributed. He therefore defines corporate governance as a complex set of constraints that shape the ex-post bargaining over the quasi-rents generated by a firm. Corporate governance could be defined as “ways of bringing the interests of investors and managers into line and ensuring that firms are run for the benefit of investors (Mayer, 1997). Corporate governance is concerned with the relationship between the internal governance mechanisms of corporations and society’s conception of the scope of corporate accountability (Deakin and Hughes, 1997). It has also been defined by Keasey (1997) to include ‘the structures, processes, cultures and systems that engender the successful operation of organizations’. From the foregoing analysis, corporate governance is represented by the structures and processes laid down by a corporate entity to minimize the extent of agency problems as a result of separation between ownership and control. It must also be indicated that different systems of corporate governance will embody what are considered to be legitimate lines of accountability by defining the nature of the relationship between the company and key corporate constituencies.

**2.3 Historical Overview of Corporate Governance**

The foundational argument of corporate governance, as seen by both academics as well as other independent researchers, can be traced back to the pioneering work of Berle and Means (1932). They observed that the modern corporations having acquired a very large size could create the possibility of separation of control over a firm from its direct ownership. Berle and Means’ observation of the departure of the owners from the actual control of the corporations led to a renewed emphasis on the behavioral dimension of the theory of the firm.

Governance is a word with a pedigree that dates back to Chaucer. In his days, it carries with it the connotation “wise and responsible”, which is appropriate. It means either the action or the method of governing and it is in the latter sense that it is used with reference to companies. Its Latin root, “*gubernare’* means to steer and a quotation which is worth keeping in mind in this context is: ‘He that governs sits quietly at the stern and scarce is seen to stir’ (Cadbury, 1992). Though corporate governance is viewed as a recent issue but nothing is new about the concept because, it has been in existence as long as the corporation itself Imam, (2006).

Over centuries, corporate governance systems have evolved, often in response to corporate failures or systemic crises. The first well-documented failure of governance was the South Sea Bubble in the 1700s, which revolutionized business laws and practices in England. Similarly, much of the security laws in the United States were put in place following the stock market crash of 1929. There has been no shortage of other crises, such as the secondary banking crisis of the 1970s in the United Kingdom, the U.S. savings and loan debacle of the 1980s, East- Asian economic and financial crisis in the second half of 1990s (Flannery, 1996). In addition to these crises, the history of corporate governance has also been punctuated by a series of well-known company failures: the Maxwell Group raid on the pension fund of the Mirror Group of newspapers, the collapse of the Bank of Credit and Commerce International, Baring Bank and in recent times global corporations like Enron, WorldCom, Parmalat, Global Crossing and the international accountants, Andersen La Porta, Lopez and Shleifer (1999). These were blamed on a lack of business ethics, shady accountancy practices and weak regulations. They were a wakeup call for developing countries on corporate governance. Most of these crisis or major corporate failure, which was a result of incompetence, fraud, and abuse, was met by new elements of an improved system of corporate governance Iskander and Chamlou, (2000).

Corporate governance is concerned with the relationship between the internal governance mechanisms of corporations and society’s conception of the scope of corporate accountability (Deakin and Hughes, 1997). It has also been defined by Keasey (1997) to include ‘the structures, processes, cultures and systems that engender the successful operation of organizations’. From the foregoing analysis, it can be argued that corporate governance is represented by the structures and processes laid down by a corporate entity to minimize the extent of agency problems as a result of separation between ownership and control. It must also be indicated that different systems of corporate governance will embody what are considered to be legitimate lines of accountability by defining the nature of the relationship between the company and key corporate constituencies. Corporate governance is concerned with ways in which all parties interested in the well-being of the firm (the stakeholders) attempt to ensure that managers and other insiders take measures or adopt mechanisms that safeguard the interests of the stakeholders. Such measures are necessitated by the separation of ownership from management, an increasingly vital feature of the modern firm.

Viewing the corporation as a nexus of explicit and implicit contracts, Garvey and Swan (1994) assert that governance determines how the firm’s top decision makers (executives) actually administer such contracts. They also observe that governance only matters when such contracts are incomplete, and that a consequence is that executives no longer resemble the Marshallian entrepreneur. Shleifer and Vishny (1997) define corporate governance as activities that deal with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.

A similar concept is suggested by Caramanolis- Cötelli (1995) who regards corporate governance as being determined by the equity allocation among insiders (including executives, CEOs, directors or other individual, corporate or institutional investors who are affiliated with management) and outside investors. John and Senbet (1998) propose the more comprehensive definition that corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected. They include as stakeholders not just shareholders, but also debt holders and even non-financial stakeholders such as employees, suppliers, customers, and other interested parties. Hart (1995), closely shares this view as he suggests that corporate governance issues arise in an organisation whenever two conditions are present. First, there is an agency problem, or conflict of interest, involving members of the organisation – these might be owners, managers, workers or consumers. Second, transaction costs are such that this agency problem cannot be dealt with through a contract.

These numerous definitions all share, explicitly or implicitly, some common elements. They all refer to the existence of conflicts of interest between insiders and outsiders, with an emphasis on those arising from the separation of ownership and control over the partition of wealth generated by a company (Jensen and Meckling, 1976). However, a degree of consensus exists regarding an acknowledgement that such corporate governance problem cannot be satisfactorily resolved by complete contracting because of significant uncertainty, information asymmetries and contracting costs in the relationship between capital providers and insiders (Grossman and Hart, 1986, Hart and Moore, 1990, Hart, 1995).

On the whole, one can be led to the inference that, if such corporate governance problem exists, some mechanisms are needed to control the resulting conflicts. The precise way in which those monitoring devices are set up and how they fulfil their role in a particular firm (or organisation) defines the nature and characteristics of that firm’s corporate governance.

In addition, there are several basic reasons for the growing interest in corporate governance. First, the efficiency of the prevailing governance mechanisms has been questioned (Jensen, 1993, Miller, 1997 and Porter, 1997). Second, this debate has been intensified following reports about spectacular, high-profile financial scandals and business failures (such as Polly Peck, BCCI), media allegations of excessive executive pay (Byrne, Grover and Vogel, 1992), the adoption of anti-takeover devices by managers of publicly-owned companies and, more recently, a number of high visible accounting frauds allegedly perpetrated by managers of firms (like Enron and Worldcom). Third, there has been a surge of antitakeover legislation (particularly in the US) which has limited the potential disciplining role of takeovers on managers (Bittlingmayer, 2000). Finally, there has been a considerable amount of debate over comparative corporate governance structures, especially between the US, Germany and Japan models (Shleifer and Vishny, 1997) and a number of initiatives taken by stock market and other authorities with recommendations and disclosure requirements on corporate governance issues.

Going by the above analysis, one can conclude that Corporate Governance is a system of checks and balances designed to ensure that corporate managers are just as vigilant on behalf of long-term shareholder value as they would be if it was their own money at risk. It is also the process whereby shareholders-the actual owners of any publicly traded firm-assert their ownership rights, through an elected board of directors and other officers and managers they appoint and oversee.

In the heels of corporate scandals including the Enron debacle in 2002, a series of sweeping changes are being sought, such as forcing boards to have a majority of independent directors, granting audit committees power to hire and fire accountants, banning sweetheart loans to officers and directors, and requiring shareholder's approval for stock option plans. More specifically, the following principles constitute good governance: In order to avoid conflict of interest, a company's board of directors should include a substantial majority of independent directors (that is directors who do not have financial or close personal ties to the company or its executives); a company's audit, nominating, and compensation committees should consist entirely of independent directors; a board should obtain shareholders’ approval for any actions that could significantly affect the relationship between the board and shareholders, including the adoption of anti-takeover measures; companies should base executive compensation plans on pay for performance, and should provide full disclosure of these plans and in order to avoid abuse in the use of stock options (and executive perquisites), all employee stock option plans should be submitted to shareholders for approval (Klock, Mansi and Maxwell, 2005).

**2.4 Corporate Governance Mechanisms and the Performance of Firms**

There is a large body of empirical research that has assessed the impact of corporate governance on firm performance for the developed markets. Studies have shown that good governance practices have led the significant increase in the economic value added of firms, higher productivity and lower risk of systematic financial failure for countries. The studies by Shleifer and Vishny (1997), John and Senbet (1998) and Hermalin and Weisbach (2003) provide an excellent literature review in this area. It has now become an important area of research in emerging markets as well. There are some empirical studies that analyse the impact of different corporate governance practices in the cross-section of countries. Review of empirical literature on the relationship between the various corporate governance mechanism and corporate financial performance is presented here under;

**2.4.1 Board Composition and Corporate Financial Performance**

Board composition refers to the number of independent non-executive directors on the board relative to the total number of directors. An independent non-executive director is defined as an independent director who has no affiliation with the firm except for their directorship (Clifford and Evans, 1997). There is an apparent presumption that boards with significant outside directors will make different and perhaps better decisions than boards dominated by insiders.

Fama and Jensen (1983) suggested that non-executive directors can play an important role in the effective resolution of agency problems and their presence on the board can lead to more effective decision-making. However, the results of empirical studies are mixed. A number of studies, from around the world, indicate that non-executive directors have been effective in monitoring managers and protecting the interests of shareholders, resulting in a positive impact on performance, stock returns, credit ratings, auditing, etc. Dehaene (2001) find that the percentage of outside directors is positively related to the performance of Belgian firms. Connelly and Limpaphayom (2004) find that board composition has a positive relation with profitability and a negative relation with the risk-taking behaviour of life insurance firms in Thailand. Rosenstein and Wyatt (1990) find a positive stock price reaction at the announcement of the appointment of an additional outside director, implying that the proportion of outside directors affects shareholders’ wealth. Bhojraj and Sengupta (2003) and Ashbaugh-Skaife, Collins and Kinney (2006) also find that firms with greater proportion of independent outside directors on the board are assigned higher bond and credit ratings respectively.

Furthermore, Sullivan (2000) examines a sample of 402 UK quoted companies and reports that non-executive directors encourage more intensive audits as a complement to their own monitoring role while the reduction in agency costs is expected. There is also a fair amount of studies that tend not to support the positive effect of board composition on firm financial performance. Some of the studies report a negative and statistically significant relationship with Tobin’s Q (Agrawal and Knoeber, 1996; Yermack, 1996) while others find no significant relationship between accounting performance measures and the proportion of non-executive directors (Vafeas and Theodorou, 1998; Weir, Laing and mcKnight, 2002; Haniffa and Hudaib, 2006).

The study by Yermack (1996) provides an inverse relation between board size and profitability, asset utilisation, and Tobin’s Q which conform this hypothesis. Brown and Caylor (2004) add to this literature by showing that firms with board sizes of between 6 and 15 have higher returns on equity and higher net profit margins than do firms with other board sizes.

Furthermore, based on a large survey of firms with non-executive directors in the Netherlands, Hooghiemstra and van Manen (2004) conclude that stakeholders are not generally satisfied with the way non-executives operate. Haniffa (2006) summarize a number of views expressed in the literature which may justify this non-positive relationship, such as that high proportion of nonexecutive directors may engulf the company in excessive monitoring, be harmful to companies as they may stifle strategic actions, lack real independence, and lack the business knowledge to be truly effective (Baysinger and Butler, 1985; Patton and Baker, 1987; Demb and Neubauer, 1992; Goodstein, Gautum and Boeker, 1994).

**2.4.2 Board Size and Corporate Financial Performance**

This is considered to be a crucial characteristic of the board structure. Large boards could provide the diversity that would help companies to secure critical resources and reduce environmental uncertainties (Pfeffer, 1987; Pearce and Zahra, 1992; Goodstein, 1994). But, as Yermack (1996) said, coordination, communication and decision-making problems increasingly impede company performance when the number of directors increases. Thus, as an extra member is included in the board, a potential trade-off exists between diversity and coordination. Jensen (1993) appears to support Lipton and Lorsch (1992) who recommend a number of board members between seven and eight. However, board size recommendations tend to be industry specific, since Adams and Mehran (2003) indicate that bank holding companies have board size significantly larger than those of manufacturing firms.

A review of the empirical evidence on the impact of board size on performance shows mixed results. Dehaene (2001) find that board size is positively related to company performance. However, the results of Haniffa (2006) are inconclusive. Using a market return measure of performance, their results suggest that a large board is seen as less effective in monitoring performance, but when accounting returns are used, large boards seem to provide the firms with the diversity in contacts, experience and expertise needed to enhance performance. Yermack (1996) finds an inverse relationship between board size and firm value; in addition, financial ratios related to profitability and operating efficiency also appear to decline as board size grows.

Finally, Connelly and Limpaphayom (2004) find that board size does not have any relation with firm performance. There is a view that larger boards are better for corporate performance because they have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate. However, recent thinking has leaned towards smaller boards. Jensen (1993), Lipton and Lorsch (1992) argue that large boards are less effective and are easier for the CEO to control. When a board gets too big, it becomes difficult to co-ordinate and process problems. Smaller boards also reduce the possibility of free riding by, and increase the accountability of, individual directors.

Empirical research supports this. For example, Yermack (1996) documents that for large U.S. industrial corporations, the market values of firms with smaller boards more highly. Eisenberg Sundgren and Wells (1998) also find negative correlation between board size and profitability when using sample of small and midsize Finnish firms, which suggests that board-size effects can exist even when there is less separation of ownership and control in these smaller firms. Mak and Yuanto (2003) echo the above findings in firms listed in Singapore and Malaysia when they find that firm valuation is highest when board has five directors, a number considered relatively small in these markets.

**2.4.3 Institutional Shareholding and Corporate Financial Performance**

The role that the institutional investors can play in the corporate governance system of a company is a controversial question. While some believe that the institutional investors must interfere in the corporate governance system of a company, others believe that these investors have other investment objectives to follow. Those who believe that institutional investors need not play a role in the corporate governance system of a company, argue that the investment objectives and the compensation system in the institutional investing companies often discourage their active participation in the corporate governance system of the companies.

Wharton, Lorsch and Hanson (1991) argue that institutional investors need not take active interest in the corporate governance of a company because the institutional investors have their primary fiduciary responsibility to their own investors and beneficiaries, which can lead to a conflict of interest with their acting as owners. Similarly, Drucker (1976) has once commented that, it is their job to invest the beneficiaries’ money in the most profitable investment. They have no business trying to manage. If they do not like a company or its management, their duty is to sell the stock. Shleifer and Vishny (1986) observe that institutional investors by virtue of their large stockholdings would have greater incentives to monitor corporate performance since they have greater benefits of monitoring. Most of the reports on corporate governance have emphasized the role that the institutional investors have to play in the entire system. The Cadbury committee (1992), for example, states that because of their collective stake, we look to the institutions in particular, with the backing of the Institutional Shareholders’ Committee, to use their influence as owners to ensure that the companies in which they have invested comply with the code.

**2.4.4 Managerial shareholding and Corporate Financial Performance**

Jensen and Meckiling (1976) suggest that the holding of shares by the managers of a firm helps to align the interests between shareholders and managers. When the manager’s interests coincide more closely with those of shareholders, the conflicts between managers and shareholders are mitigated. Also, managers are less inclined to divert resources of the firm away to their own account. Moreover, with a large proportion of shares in the hands of managers, they may work harder to improve the firm performance. This action leads to an increase in firm’s value and also the managers’ private wealth. Kesner (1987) investigates the relationship between members of the board of directors and six performance measures (profit margin, return on equity, return on assets, earning per share, stock market performance, and total return to shareholders). The results illustrate that a proportion of shares held by board members is positive and significant to only two of the performance measures (the profit margin and return on assets). Vance (1964) also reports that the managerial shareholding is positively related to the profit margin. Similarly, Pfeffer (1972) finds that the managerial shareholding is positively related to profit margin and return on equity.

Morck *et al* (1988) argue that the relationship between managerial ownership and its performance is ‘non-linear’. That is, at a certain level of managerial shareholding, managerial shareholders can ‘entrench’ the controlling power over the firm’s activities, leaving external or small shareholders with difficultly in controlling the actions of such ownership. Short (1994) supports this notion and suggests that implicitly assuming the ‘linear’ relationship between managerial ownership and firm performance in the previous research possibly brings misleading results. This is because there may be the opposite relationship between managerial shareholding at a certain level and firm performance.

Morck *et al* (1988) investigate that whether or not there is a non-linear relationship between managerial ownership and firm performance (as measured by firm’s market value and a profit rate) for 456 of the Fortune 500 firms in 1980. To capture this relationship, they categorize managerial shareholding into three different levels: 0% -5%, 5%-25%, and beyond 25%. The results revel that there is a positive relationship between managerial ownership holding at 0% to 5% and the firm’s value. After that, a negative relationship is found at 5% to 25% of managerial shareholding, and then the relationship becomes positive again (but not significant) beyond 25% of shareholding. In the profit rate regression, they report that there is only a significant positive relationship between managerial ownership holding at 0% - 5% and the profit rate.

McConnell and Servaes (1990) investigate the effects of managerial ownership on the firm’s value. In their study, instead of fixing the level of managerial ownership, as had been conducted in Morck (1988) study, they adopt managerial shareholding and managerial shareholding square as ownership variables. To do so, they draw upon a sample of 1,173 firms in 1976 and 1,093 firms in 1986. The results show that a positive relationship exists between managerial ownership holding at 0% to approximately 50% of shareholding and firm performance. Beyond 50%, a negative relationship between them is found. McConnell and Servaes therefore suggest that the impact of managerial ownership on the firm’s value is nonlinear.

Short and Keasy (1999) also investigate whether there is a non-linear relationship between managerial ownership and firm performance, based on return on shareholders’ equity and market value, in the case of UK. Their study adopts the cubic model1 to investigate this relationship. With this model, the coefficients of managerial ownership variables (DIR, DIR2, and DIR3) will be able to determine their turning points (indicating the maximum and the minimum points of the managerial performance). Short and Keasy also suggest that the performance (as measured by return on shareholders’ equity) is positively related to managerial shareholding in the 0% to 15.58% range, negatively related in the 15.58% to 41.84% range, and becoming positively related again beyond 41.48%. In the market return (as measured by Tobin’s Q) regression, they suggest that Tobin’s Q is positively related to managerial shareholding in the 0% to 12.99% range, negatively related in the 12.99% to 41.99% range, and turning positive again when managerial shareholding exceeds 41.99%.

Han and Suk (1998) examined the non-linear relationship between insider ownership of 301 firms and average stock returns during 1988 to 1992. To capture the potential of the non-linear relationship, the inside ownership and inside ownership squared variables are applied. The inside ownership in this study consists of not only the board members, but also the officers, beneficial owners and principal stock holders owning ten percent or more of the firm’s stock. The results show that the inside ownership is positively related to the stock returns. In contrast, the inside ownership square is negatively related. The minimum turning point is found at 41.8% of insider shareholding. They conclude that “as insider ownership increases, stock returns increase. But excessive insider ownership rather hurts corporate performance”.

In the case of Thailand, Wiwattanakantung (2001) examines the relationship between managerial shareholders and firm performance in 1996. Managerial shareholding is classified into three levels (25% - 50%, 50% - 75%, and beyond 75%). This study compares these three levels of managerial shareholders with non-managerial controlling shareholders. The study reports that there is a non-linear relationship between managerial shareholders and firm performance based on the return on assets and the sales to asset. It is reported that, managerial shareholders who control between 25%-50% of outstanding shares have poorer returns on assets and sales to asset compared to non-managerial controlling shareholders.

**2.4.5 Composition of Audit Committee (AC) and Corporate Financial Performance**

Given the requirement for firms to have an audit committee, any differential in performance related to governance will be related to the differences in AC characteristics. The key AC attributes identified in the literature fall into four categories: size and structure, proportion of internal and external members, experience and education. The size of Board and AC increases with the number of meetings (Raghunandan and Rama (2007). This increase in meeting frequency and number of members is argued to provide more effective monitoring and hence better firm performance. However, larger audit committees can also lead to inefficient governance, thus yielding more frequent AC meetings (Vafeas, 1999).

Sharma, Naiker and Lee (2009) find evidence that the number of AC meetings is negatively associated with multiple directorships, audit committee independence, and an independent AC chair. They find a positive association between the higher risk of financial misreporting and AC size, institutional and managerial ownership, financial expertise and independence of the board. They argue that the number of members on AC and number of meetings potentially impact on firm performance. The independence of the board is strongly linked with the level of monitoring of management and reduction in agency costs (Fama and Jensen 1983). Similarly, the independence of the AC also facilitates more effective monitoring on financial reporting (Beasley 1996; Carcello and Neal 2003b) and external audits (Carcello and Neal 2003a; Abbott, Parker, and Peters 2004a; Abbott, Parker, and Peters 2002). However, independence has a downside risk. Being completely independent from management, could mean that the independent audit committee members are more likely to make objective decisions and require less negotiations and deliberations and thus require fewer meetings negatively impacting the level of monitoring. Klein (2002) reports a negative correlation between earnings management and audit committee independence. Anderson (2004) find that entirely independent audit committees have lower debt financing costs.

**2.5 Theoretical Framework**

Corporate Governance theories range from the agency theory and expanded into stewardship theory, stakeholder theory, resource dependency theory, transaction cost theory, political theory and ethics related theories such as business ethics theory, virtue ethics theory, feminist’s ethics theory, discourse theory to postmodernism ethics theory. The following are the review of few of the related theories to the study.

**2.5.1 Agency Theory**

The Agency theory having its roots in economic theory was exposited by Alchian and Demsetz in 1972 and further developed by Jensen and Meckling in 1976. The Agency theory is defined as the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hire the agents to perform the work. Principals delegate the running of business to the directors or managers, who are the shareholder’s agents (Clarke, 2004). Meanwhile, Daily, Dalton and Canella (2003) argued that two factors could influence the prominence of agency theory. First, the theory is conceptual and simple theory that reduces the corporation to two participants of managers and shareholders. Second, agency theory suggests that employees or managers in organizations can be self-interested. The agency theory states that shareholders expect the agents to act and make decisions in the principal’s interest.

On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000). Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross in 1973, and the first detailed description of agency theory was presented by Jensen and Meckling in 1976. Indeed, the notion of problems arising from the separation of ownership and control in agency theory has been confirmed by Davis, Schoolman and Donaldson in 1997.

With agency theory, the agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent’s pursuits, even with the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). It has been argued that instead of providing fluctuating incentive payments, the agents would only focus on projects that have a high return and have a fixed wage without any incentive component. Although this will provide a fair assessment, but it does not eradicate or even minimize corporate misconduct (Muogbo, 2013). Here, the positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clarke, 2004). Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners.

**2.5.2 Stewardship Theory**

The Stewardship theory presents a contrasting view to agency theory. This theory asserts that, there will not be any major agency costs, since managers are naturally trustworthy (Donaldson 1990; Donaldson and Preston 1995, as cited in Aduda, Chogii and Magutu*,* 2013). According to the perspective of the 'stewardship theorists, managers are inherently trustworthy and faithful stewards of the corporate resources entrusted to them. Managers are good stewards of the organization and it is in their own interest to work to maximize corporate profits and shareholder returns. Therefore, proponents of stewardship theory argue that firm performance is linked to a majority of inside directors and combined leadership structure (Aduda *et al.*, 2013).

Stewardship theory sees a strong relationship between managers striving to successfully achieve the objectives of the firm, and the resulting satisfaction accorded to investors or owners, as well as other participants in the enterprise (Clarke 2004). A virtuous circle is evident in stewardship theory, where stewards protect and maximize shareholder wealth through firm performance, which results in maximizing the stewards’ utility. Therefore, by improved firm performance, the organization satisfies most groups that have an interest in the organization. Thus, stewardship theory supports the need to combine the role of the chairman and CEO, and favor boards consisting of specialist executive directors rather than majority non-executive directors.

**2.5.3 Stakeholder Theory**

The Stakeholder theory was embedded in the management discipline in 1970 and was gradually developed by Freeman in 1984, which incorporated corporate accountability to a broad range of stakeholders. Wheeler, Colbert and Freeman (2003) argued that the stakeholder theory is derived from a combination of the sociological and organizational disciplines. Indeed, stakeholder theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science.

Donaldson and Preston (1995) opined that this theory focuses on managerial decision making and the interests of all stakeholders have intrinsic value, and no sets of interests are assumed to dominate the others. Unlike agency theory in which the managers are working and serving the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve the like of the suppliers, employees and business partners. It argued that this group of network is important other than owner-manage employee relationship as in agency theory (Wheeler *et al*., 2003). On the other end, Sundaram and Inkpen (2004) contend that the stakeholder theory attempts to address the group of stakeholders that deserve and require the attention of the management. Since the purpose of all stakeholders in business is to obtain benefits, it has been argued that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. Also, since the network of relationships with many groups can affect decision-making processes, as the stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders (Babalola, 2014).

**2.5.4 Resource Dependency Theory**

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) contend 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 and Adedipe, 2014). Meanwhile, Wanyama and Olweny (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 more costly 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. Directors can be classified into four categories of insiders, business experts, support specialists and community influential. First, the insiders are current and former executives of the firm and they provide expertise in specific areas such as finance and law on the firm itself as well as general strategy and direction. Second, the business experts are current, former senior executives and directors of other large for-profit firms and they provide expertise on business strategy, decision-making and problem solving. Third, the support specialists are the lawyers; bankers, insurance company representatives and public relations experts and these specialists provide support in their individual specialized field. Finally, the community’s influential are the political leaders, university faculty, members of clergy, and leaders of social or community organizations.

**2.5.5 Business Ethics Theory**

Business ethics is a study of business activities, decisions and situations where the rights and wrongs are addressed. The main reasons for this are that the power and influence of business in any given society is stronger than ever before. Businesses have become major provider to the society, in terms of jobs, products and services. Business collapse has a greater impact on society than ever before and the demands placed by the firm’s stakeholders are more complex and challenging. Only a handful of business giants have had any formal education on business ethics, but there seems to be more compromises these days. Business ethics provides us ability to identify benefits and problems associated with ethical issues within the firm and so, business ethics is essential as it gives us a broader knowledge into present and traditional view of ethics (Crane and Matten, 2007). In understanding the ‘right and wrongs’ in business ethics, Crane and Matten, (2007) injected morality that is concerned with the norms, values and beliefs fixed in the social process which help define rights and wrongs for an individual or social community. Ethics is defined as the study of morality and the application of reason which sheds light on rules and principle, which is called ethical theories that ascertains the right and wrong for a situation.

The purpose for emerging economies to employee external corporate governance is the need to institute confidence of investors in order to attract and retain foreign and local investment to expand the trade (Heenetigala, 2011). The International Monetary Funds, World Bank as well as organizations such as the OECD indirectly mandates developing countries to improve their external corporate governance mechanisms and regulatory infrastructure (Al- Matari, Al-Swidi and Bt-Fadzil, 2012). The effects of these changes can be seen in the actions of investors who are increasingly becoming confident in investing in some markets, which were considered risky earlier. However, the corporate sectors in emerging, countries do seem to lag behind the benchmark for sound corporate governance (Mobius, 2002).

The economic crisis that hit the South East Asian stock markets in 1997-1998 was partly attributed to weak corporate governance in the region, which prompted governments to consider ways of improving governance structures in their countries (Mobius, 2002). This resulted in governance reforms in the emerging markets for restoring investor confidence by providing a secure institutional platform to build an investment market (Monks and Minow, 2004).

Therefore, codes of corporate governance were established by most of these countries to promote a continuous flow of funds and to boost the confidence of investor in their capital markets (Haniffa and Hudaib, 2006). Even though emerging markets are aware of the concept of corporate governance, implementation of corporate governance practices has not been effective (Mobius, 2002). The codes, which were derived from recommendations in developed countries, may not be applicable to developing countries, due to their national character, economic prosperity and social priorities. Therefore, what is effective in one country may not be so in another. Likewise, every corporation has its unique characteristics due to their history, culture and business goals.

Hence, all these factors needed to be taken into account in their efforts to reform corporate governance (Haniffa and Hudaib, 2006). As the business environment of the developed countries is different from that of emerging countries, the governance structures designed to enhance performance should take into account the unique business environment that exists in the country without blindly adopting the practices from other countries. For example, Haniffa and Hudaib (2006) concluded from a study on Malaysian listed companies, that the applicability of recommendations derived by the Cadbury Report and Hampel Report in the UK may be disputable due to high ownership concentration, close control by owners and substantial shareholders, cross-holdings of share ownership or pyramiding, and the close relationship between the firms, banks and the government.

Corporate governance is affected by the ownership structure of the firm in the emerging markets. The findings from the above Malaysian study are not unique. One or several members of a family often tightly hold the shares of Asian Corporations and voting rights held by the family is usually higher than their cash flow rights. In addition to family ownership, a significant number of listed companies are controlled by the state, in countries such as Singapore and China. Moreover, financial institutions are less common in developing countries in Asia (Claessens and Fan, 2002).

In the emerging economies, the quality of public governance determines corporate governance practices. For example, Asian economies are plagued by corruption and rent seeking, which has been reported as an important source of corporate profits. Furthermore, there was widespread collusion between politicians and entrepreneurs to extract or protect monopoly profits. It is unlikely that high quality corporate governance practices will arise rapidly in the region (Claessens and Fan, 2002). There are a number of studies in the emerging markets, which have reported that political connections were valued by investors (Duchin and Sosyura, 2011).

A study on the linkages between the OECD and emerging South East Asian stock markets reveals that fluctuations in the stock markets in emerging markets are caused by the fluctuations in their own regional markets, rather than the fluctuations in the advanced markets (Masih, 2005). However, Cooray and Wickremasinghe (2007) state that stock markets cannot use the share returns of a particular market in the region to predict the returns of others in the South Asian Region. Emerging markets are currently going through a transition stage where a younger and more educated generation is taking over the family businesses. They are not only participant in implementing change dealing with globalization, culture and family traditions, but are also providing a supportive environment for the successful implementation of corporate governance, between the firms, banks and the government (Ghabayen, 2012).

Over the years, Nigeria as a nation has suffered a lot of decadence in various aspects of her national life, especially during the prolonged period of military dictatorship under various heads. The political and business climate had become so bad that by 1999 when the nation returned to democratic rule, the administration of President Obasanjo inherited a pariah state noted to be one of the most corrupt nations of the world. Most public corporations, such as NITEL, NNSL, NEPA, and NRC were either dead or simply drainpipes of public resources, while the few factories that were merely available were working below capacity. The banks with their super profits were collapsing in their numbers, leaving a trail of woes for investors, shareholders, suppliers, depositors, employees and other stakeholders. It was as a result of the disorganized state of the nation then that led the government to make a bold step in initiating the corporate governance evolution. In view of the importance attached to the institution of effective corporate governance, Federal Government of Nigeria, through her various agencies have come up with various institutional arrangements to protect the investors of their hard earned investment from unscrupulous management and directors of listed firms in Nigeria. These institutional arrangements, provided in the “code of corporate governance best practices” issued in November 2003.

Corporate governance has attracted a great deal of public attention because of its importance to the economic health of companies and its effect on society in general (Rezaee, 2009). As it has significant implications for the growth prospects of an economy, numerous recent corporate failures around the world and in Nigeria especially, have alerted regulators to the importance of sound corporate governance for the efficient operations of capital markets. This is because implementation of proper corporate governance practices reduces the risk for investors, attracts investment capital, and improves corporate performance (Rezaee, 2009).

Corporate governance is an important component for firm performance as well as for the overall growth of the economy of the country (Cheema-Rehman and Din, 2013). They further explain that the one point increase in overall corporate governance index would result in around a half percent increase in net revenues and worst to best change in overall corporate governance index predicts about 40% increase in company’s net revenue. This assertion provides us some thought that there is a positive relationship between corporate governance and firm performance. They then recommend that shareholders should monitor and pressurize the managers through directors, for optimal usage of the capital to raise the value of the shareholders (Brava, Jiangb, Partnoye and Thomasd, 2006). Magdi and Nadereh (2002) stress that corporate governance is about ensuring that the business is running well and investors receive a fair return.

Core corporate governance institutions respond to two distinct problems; namely, one of vertical governance which is between distant shareholders and managers; and another of horizontal governance which exist between a close, controlling shareholder and distant shareholders. The results drawn by different researchers about the impact of corporate governance on firm performance are positive and direct, but some researchers also had drawn negative and indirect results. According to Cremers and Nair (2005), they opined that corporate governance either it is external or internal, plays an important role in enhancing the performance and value of the firm. Mathiesen (2002) concur that corporate governance, is a field in economics that examines how to secure and motivate efficient management by the use of incentive mechanism. Maher and Anderson (2008) opined that there are some complexities and hurdles with system of corporate governance, as they had mentioned that in different countries corporate governance may be distinguished due to difference in ownership structure and controlling authorities of the firms.

They further proposed that this system could be divided into two (2) different categories: insiders system and outsiders system. In outsiders system, there is a conflict between strong managers and widely dispersed shareholders. On the other hand, in insiders system the conflict is between strong and weak shareholders. The finding of their study was that corporate governance has strong impact over the capital market and also on the allocation of the resources. Mulili and Wong (2011) stressed that corporate governance is as extensively important to the value of the firm as the policies are important for the firm to grow**.** In the same article, it is also found out that the firms that are shareholder and manager friendly have attained negative abnormal returns. Therefore, the researcher recommended that the firm must practice corporate governance in order to get the better returns in future.

Nworji *et al*., (2011) stated that corporate governance plays an important role in enhancing the market confidence of the firm and also leads the firm towards prosperity and stability. Olusanya and Oluwasanya (2014) argued that the firms that practice good corporate governance are more profitable and prosperous. Not only do they earn more profit but also these firms pay more to their shareholders, thereby increasing stakeholders’ wealth. They argued further that good governance is concerned with the executives and the directors. Their findings depict that companies that followed the charter and laws, are more associated with the bad performance. Their conclusion suggests that there is no significant and positive relationship between firm performances, considering the mentioned provisions of the corporate governance.

For comparison between developed and developing nations, Ironkwe and Adee, (2014) had come to know that corporate governance play equally and balanced role in enhancing the performance of the firms in both developed and developing nations. But there might be the little bit difference between the relationship of corporate governance and value of the firms in developed and developing financial markets. This difference may be due to difference in corporate governance structures because of different social economic law and order situations in that particular country.

So first of all, the researcher has to find out these differences that affect the performance and value of the firm. The study shows that corporate governance is favorable for effective use of assets to improve the value of the firm. Also, there was evidence that large board size, could lead the firm towards developing financial markets and on the other hand, small board size and less debt could also lead the firms towards the developed financial markets. Furthermore, the researcher has also found out that there is positive relationship between corporate governance and the value of the firms both in developed and developing markets.

Zelenyuk and Zheka (2006) argued that corporate governance has become more important in the last decades in particular because the firms have reached a remarkable output growth and now they are earning more than 90% of the all world output. Nowadays, corporate governance is also being used for the security of the firms and for the continuous development of the firms in the world. Using the transition economies this work is aimed at establishing that there is positive, significant and causal relationship between corporate of provisions marketed by corporate governance affects the firm performance, these findings also have been corroborate by Lawrence D. Brown and Marcus L. Caylor, in 2006.

Holmstrom and Kaplan (2001) insist that the characteristic of corporate governance in U.S. firms is not constant over time, but has changed substantially in the last 20 years. Corporate governance in the 1980s was dominated by intense merger activity distinguished by the prevalence of leveraged buyouts (LBOs) and hostility, and promotes managers to improve the management efficiency. After a brief decline in the early 1990s, substantial merger activity resumed in the second half of the decade, while LBOs and hostility did not. Instead, the new corporate governance mechanisms, such as introducing stock option plan and EVA, appear to have played a larger role in the 1990s. In addition, institutional investors, such as pension funds, come to be large shareholders, and thus are likely to serve as monitors. The U.S. style of corporate governance has reinvented itself, and the rest of the world, including France, Germany, and Japan, seems to be following the same path.

**CHAPTER THREE**

**METHODOLOGY**

**3.1 Introduction**

This chapter discusses the methods of data collection; techniques of data analysis employed in the research and defined the population and the sample of the study. In addition it justifies all the methods and techniques adopted in the study.

**3.2 Research Design**

The study employed descriptive research approach. It is a correlation study that examined the relationship between Corporate Governance Variables i.e., Board Size (BS), Board Composition (BC), Composition of Audit Committee (AC), Managerial Shareholding (MS) and Institutional Shareholding (IS) and Financial Performance i.e, DPS, ROCE and NAPS of listed Cement Companies in Nigeria.

**3.3 Population and Sample of the Study**

The population of the study consists of five quoted cement firms in Nigeria. The companies are Ashaka cement Plc, Benue Cement Company Plc, Cement Company of Northern (Nigerian) Plc, Lafarge (WAPCO) Cement Nigeria Plc, and Nigerian Cement Company Plc. A sample of four firms is used as a result of availability of data, dropping Nigerian Cement Company Plc, representing 80% of the entire population.

**3.4 Method of Data Collection**

Secondary data was collected from the fact book of Nigeria Stock Exchange and websites of the listed Cement Companies in Nigeria. The data collected was for both the corporate governance variables and financial performance variables.

**3.5 Data Analysis Technique**

The data collected was analyzed using both descriptive statistics and inferential statistics (using the Ordinary Least Squares-OLS-regression). The result is computed using SPSS.

Multiple regression analysis is used in order to establish whether the set of independent variables (Corporate Governance variables, on one hand) explain a proportion of the variance in the dependent variable (financial performance variables, on the other hand) and also establishes the relative predictive importance of the independent variables (by comparing beta weights). The multivariate regression is computed using SPSS. A model is employed to estimate the combined effects of Corporate Governance proxies on the financial performance of the sampled firms. Along the line of Klapper and Love (2002), Sanda, Mikailu and Tukur (2004), Musa (2006), Tahir (2008), and Hassan (2011) the CG is estimated as a function of the firm’s characteristics, which have been defined in this study as Board Size (BS), Board Composition (BC), Composition of Audit Committee(AC), Managerial Shareholding (MS) and Institutional Shareholding (IS). This is expressed as CG= f (BS, BC, AC, MS, IS,). On the other hand, financial performance is represented by DPS, ROCE and NPS. Thus, FP= f (CG), which by expansion becomes:

FP= f (BS, BC, AC, MS, IS,). The Ordinary Least Squares (OLS) regression that is used to estimate the relationship is as follows:

DPS = β0 + β1BS + β2BC+ β3AC + β4IS + β5MS + e……………… (i)

ROCE = β0 + β1BS + β2BC+ β3AC + β4IS + β5MS + e …………… (ii)

NAPS = β0 + β1BS + β2BC+ β3AC + β4IS + β5MS + e …………. (iii).

Where:

ROCE is return on capital employed

DPS is dividend per share

NAPS is net asset per share

BS= Board Size

BC= Board Composition

AC= Composition of Audit Committee

MS=Management Shareholding

IS= Institutional Shareholding

β0 = Constant

β1toβ5 = Parameters to be estimated.

e = error term.

**3.6 Variable Definition and Measurement**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Definitions** | **Measurements** |
| BS | Board Size | Number of people on the board of the firm |
| IS | Institutional Shareholding | Percentage of share of the company being held by the corporate entity (ies) |
| MS | Managerial shareholding | Percentage of shares held by members of board (directors) disclosed in annual financial reports. |
| AC | Audit Committee Composition | The ratio of directors to shareholders in the AuditCommittee. |
| BC | Board composition | The proportion of nonexecutive directors on board, and is calculated as the number of non-executive directors divided by total number of directors. |
| DPS | Dividend Per Share | Total dividend divided by Number of ordinary shares rank for dividend. |
| ROCE | Return on Capital Employed | Net profit after tax divided by Capital Employed. |
| NAPS | Net Asset Per Share | Net assets divided by the number of issued shares. This value is basic not adjusted values. |

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

**4.1 Introduction**

This chapter deals with the presentation, analysis and interpretation of data. Multiple Regressions have been used to estimate the influence of the explanatory variables (Board Size, Board Composition, Audit Committee Composition, Institutional Shareholding and Managerial Shareholding) on the explained variable (DPS, ROCE and NAPS). The Ordinary Least Square technique (OLS) is used to estimate the coefficient of regression in the model of the study. The results are presented in four sections: Section one presents some descriptive statistics from the sample firms. Section two presents the regression results for the cross-section of the firms using the financial performance proxied by ROCE, DPS and NAPS as dependent variables. Section three presents and discusses the findings of the study. Section four provides a summary of the findings.

**4.2. Descriptive Results**

The descriptive statistics of the variables of the study as computed from various annual reports of the sampled firms and fact books of NSE are presented in Table 4.1

**Table 4.1: Descriptive Statistics**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **BS** | **BC** | **AC** | **IS** | **MS** | **ROCE** | **NAPS** | **DPS** |
| Mean | 10 | 0.57 | 0.44 | 5.6 | 0.02 | 25.8 | 10 | 0.69 |
| Standard Deviation | 1.16 | 0.06 | 0.07 | 18.3 | 0.32 | 30.50 | 26.91 | 1.05 |
| Kurtosis | 0.32 | -0.68 | -1.05 | 11.18 | -0.24 | 7.77 | 25.9 | 9.78 |
| Skewness | 0.845 | -1.05 | -0.89 | 3.52 | 1.24 | -1.84 | 5.00 | 2.76 |
| Maximum | 13 | 0.64 | 0.50 | 70.55 | 0.08 | 88.72 | 145.02 | 4.97 |
| Minimum | 9 | 0.46 | 0.33 | 0.50 | 0.03 | -91.32 | -7.17 | 0.02 |
| Count | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |

Source: Field Investigation (2016)

Table 4.1 shows that, on average, DPS, ROCE, and NAPS of the sampled firms is about 25.8, 10 0.69 percent respectively for ROCE, NAPS and DPS. While board size, board composition, composition of audit committee, institutional shareholding, and managerial shareholding have a mean of about 10 members, 0.75, 0.44, 5.6and 0.02 percent respectively. Institutional shareholding has the highest standard deviation of 18.32 signifying its low contribution, whereas board size, composition of audit committee, managerial shareholding and board composition have has lower standard deviation which indicates their significant contribution (Hassan, 2011).

The composition of the audit committee lies between 33 to 50 percent which is not in line with requirement of CAMA that the representation of shareholders on the committee should be three whereas the whole committee should be six. During the period of the study, Ashaka Cement Plc had a ratio 2 directors to 4 shareholder. Likewise Benue Cement Plc for the first 4 years the ratio of the Audit Committee Composition was 2:4. The composition of board size lies between 46 and 64 percent, managerial shareholding lies between 0 and 0.08 percent while institutional shareholding lies between 0.50 and 70.55 percent.

**4.3 Corporate Governance and Performance of Cement Firms in Nigeria**

The results of the regression for the impact of corporate governance on the financial performance of listed cement firms in Nigeria are presented in this section. The three hypothesis considered the five corporate governance mechanisms as independent variables and the three financial performance as dependent variables respectively, for the listed cement firms in Nigeria.

**4.3.1 Corporate Governance and Dividend per Share**

In this section, the regression equation results of the relationship between Corporate Governance and DPS are presented and discussed. The summary of the results are presented in Table 4.2.

**Table 4.2. Regression Results on Corporate Governance and DPS**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Coefficients**  | **t-values** |
| Intercept | 11.544 | 1.322 |
| Board Size  | -10.703 | -1.978\* |
| Board comp.  | -17.460 | -2.821\*\* |
| Aud. Comm  | -11.440 | -3.052\*\* |
| Inst. Share  | 0.310 | 0.387 |
| Magt. Share  | 0.959 | 3.046\*\* |
| R2  | 0.76 |  |
| Adjusted R2  | 0.65 |  |
| F-Stat  | 6.976\*\* |  |
| Durbin-Watson  | 1.224 |  |

Source: Field Investigation (2016)

The symbol \*\*\*, \*\*, \* indicates statistical significance at 1%, 5% and 10% respectively.

Table 4.2 relates DPS (dependent variable) to corporate governance variables (independent variable). The estimated regression relationship for *DPS* model is:

***DPS = 11.544 - 10.703BS -17.460BC - 11.440AC +0.310IS + 0.959 MS***

The equation shows that the independent variables except institutional shareholding have significant impact on the dividend per share. While board size is negatively related and statistically significance at 10%, board composition and composition of audit committees have negative relationship with the dependent variable at 5% significant level. This signifies that an increase in these variables would lead to decrease in DPS. Managerial shareholding and institutional shareholding are positively related with dividend per share. While managerial shareholding has significant impact, institutional shareholding does not. That is, increase in the level of institutional shareholding does not guarantee increase in the performance of the cement firms in Nigeria. Durbin Watson statistics of 1.224 shows absent of auto correlation. The adjusted coefficient of determination (R2) offers better explanation of the variations in DPS as the value is about 65 percent. Also, the value of the F-statistics is 6.976 with a *p*-value of 0.002, showing fitness of the model.

From the result, the null hypothesis can be rejected. In other words, the result provides evidence that corporate governance of firms in Nigerian cement industry has significant impact on the performance as measured by their dividend per share. The result however, did not supports the finding of Forsberg (1989), Weisbach (1991), Bhagat and Black (2002) and Sanda *et al* (2005) that corporate governance has no significant impact on firms’ financial performance.

**4.3.2 Corporate Governance and Return on Capital Employed**

In this section, the result of the regression equation of the independent variable; Corporate Governance of BS; BC; AC; IS and MS, and dependent variable, ROCE is presented.

**Table 4.3. Regression Results on Corporate Governance and ROCE**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Coefficients**  | **t-values** |
| Intercept | 10.407 | 1.589 |
| Board Size  | -9.997 | -2.466\*\* |
| Board comp.  | -16.467 | -4.366\*\* |
| Aud. Comm  | -10.884 | -4.313\*\* |
| Inst. Share  | 0.294 | 1.786\* |
| Magt. Share  | 0.903 | 5.799\*\*\* |
| R2  | 0.762 |  |
| Adjusted R2  | 0.677 |  |
| F-Stat  | 8.976\*\* |  |
| Durbin-Watson  | 1.185 |  |

Source: Field Investigation (2016)

The symbol \*\*\*, \*\*, \* indicates statistical significance at 1%, 5% and 10% respectively.

Table 4.3 relates ROCE (dependent variable) to corporate governance variables (independent variable). The estimated regression relationship for *ROCE* model is:

***ROCE = 10.407 - 9.997BS -16.467BC - 10.884AC +0.294IS + 0.903 MS***

The equation shows that the independent variables have significant impact on the return on capital employed as a proxy for financial performance. Board size, board composition and composition of audit committees have negative relationship with the dependent variable at 5% respectively. This signifies that decrease in these variables would lead to an increase in dependent variable. Managerial shareholding and institutional shareholding are positively related with ROCE. While managerial shareholding has significant relationship at 1%, institutional shareholding is at 10%. That is, increase in the level of institutional shareholding and managerial shareholding guarantee increase in ROCE of cement firms in Nigeria. Durbin Watson statistics of 1.185 shows absence of auto correlation. The adjusted coefficient of determination (R2) of approximately 68% offers better explanation of the variations in ROCE occasioned by variation in the independent (CG) variables. Also, the value of the F-statistics is 8.976 with a *p*-value of 0.001, indicates fitness of the model.

From the result, the null hypothesis can be rejected. In other words, the result provides evidence that corporate governance of firms in Nigerian cement industry has significant impact on their performance as measured by their ROCE. The result however, did not support the findings of Forsberg (1989), Weisbach (1991), Bhagat and Black (2002) and Sanda *et al*. (2005) that corporate governance has no significant impact on firms’ financial performance.

**4.3.3 Corporate Governance and Net Asset per Share (NAPS)**

The result of the regression equation of the independent variable; Corporate Governance of BS; BC; AC; IS and MS, and dependent variable, NAPS is presented.

**Table 4.4. Regression Results on Corporate Governance and NAPS**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Coefficients**  | **t-values** |
| Intercept | 28.689 | 3.962\*\*\* |
| Board Size  | -0.609 | -2.225\*\* |
| Board comp.  | -23.999 | -4.824\*\*\* |
| Aud. Comm  | -21.634 | -5.098\*\*\* |
| Inst. Share  | 0.017 | 1.820\* |
| Magt. Share  | 45.278 | 7.437\*\*\* |
| R2  | 0.835 |  |
| Adjusted R2  | 0.776 |  |
| F-Stat  | 14.145\*\*\* |  |
| Durbin-Watson  | 1.074 |  |

Source: Field Investigation (2016)

The symbol \*\*\*, \*\*, \* indicates statistical significance at 1%, 5% and 10% respectively.

Table 4.4 relates NAPS (dependent variable) to corporate governance variables (independent variable). The estimated regression relationship for NAPS model is;

***NAPS = 28.689 - 009BS -23.999BC – 21.634AC +0.017IS + 45.278 MS***

The equation shows that the Corporate Governance variables have significant impact on the Net Asset per Share as a proxy for financial performance. Board size, board composition and composition of audit committees have negative relation with the NAPS at 5% level of significance respectively. This signifies that decrease in these variables would lead to an increase in NAPS. Managerial shareholding and institutional shareholding are positively related with NAPS. While managerial shareholding has statistically significant relationship at 1%, institutional shareholding is at 10%. This implies that, increase in the level of institutional shareholding and managerial shareholding guarantee increase in the performance of the firms in Nigeria. Durbin Watson statistics of 1.074 shows absent of auto correlation. The adjusted coefficient of determination (R2) offers better explanation of the variations in NAPS as the value is about 78 percent. Also, the value of the F-statistics is 14.145 with a *p*-value of 0.000, this shows the fitness of the model.

From the result, the null hypothesis can be rejected. In other words, the result provides evidence that corporate governance of firms in Nigerian cement industry has significant impact on the performance as measured by their NAPS. The result however, did not support the finding of Forsberg (1989), Weisbach (1991), Bhagat and Black (2002) and Sanda *et al* (2005) that corporate governance has no significant impact on firms’ financial performance.

**4.5 Discussion of the Research Findings**

Irrespective of the relationship between the results of this study and those of previous researches as highlighted above, the findings, in relation to each of the hypotheses considered in the work, have implications for regulatory policy. The results of the study have provided insight into the predictor variables that have important impact in explaining the dependent variable (financial performance) of listed cement firms in Nigeria. The results indicate that board size is an important variable that can be used to explain financial performance of cement firms in Nigeria. The relationship between the board size and all the three dependent variables is negative. The important feature of this finding is that the financial performance of the cement firms can be controlled by manipulating the board size. The results also indicate that the composition of audit committee affects the financial performance of listed cement firms. The implication of this finding is that the presence of the shareholders’ representative in the committee facilitates their functions and ensures that proper appropriate investment decision making.

The outcome of the analysis also indicates that board composition affects the financial performance of listed cement firms. The relationship between the two variables is negative. The implication of this is that the presence of the non-executive directors on the board facilitates their functions and ensures that proper strategic decisional activities in the board room. Further, the findings of the study also indicate a significant positive relationship between managerial shareholding and financial performance. The implication of this is that the going concern is guarantee if the manager-ownership relationship is encouraged in the cement firms.

Another implication of these findings is that the regulatory authorities will have a focus on those governance mechanisms that are really important and they will be addressed in-depth when reviewing the existing code of corporate governance in future. From the view point of board of directors of firms, these findings should assist in establishing appropriate financial policy guidelines that will militate against financial risk in their various firms.

**CHAPTER FIVE**

**SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

**5.1 Summary of Findings**

Corporate governance is a philosophy and mechanism that entails processes and structures, which facilitate the creation of shareholder value through management of corporate affairs in such a way that ensures the protection of the individual and the collective interest of all the stakeholders. The study examined the effect of corporate governance on the financial performance of listed cement firms in Nigeria. Specifically, the study examined the impact of corporate governance (BS, BC, AC, MS, and IS) on financial performance (DPS, ROCE, NAPS) of listed cement firms in Nigeria.

These objectives were translated into testable hypotheses for the study as stated in chapter one. The period 2009-2015, was chosen as the time frame for the study. The study reviewed relevant empirical works, which eventually led to the formulation of a theoretical framework. It was observed that most of the research works on corporate governance were conducted in relation to the performance of firms, especially those in the banking sector and that not much research work has been conducted to find out the impact of corporate governance on the financial performance of cement firms in the country.

The study made use of a statistical model to estimate the combined effects of Corporate

Governance proxies on the three financial performances of the sampled firms. In order to test the model, data were collected from the annual reports of the sampled firms and fact book published by the NSE. The variables in the model were estimated using the Ordinary Least Square technique. The study has made use of multiple regressions to test the combine effects of corporate governance mechanisms on financial performance.

The results of the study revealed that the various corporate governance mechanisms have different effects on the financial performance of the sampled firms. Board composition, board size, and audit committee composition have negative relationship on the financial performance of the firms while, managerial shareholding and institutional shareholding have positive effect. The study indicates that board size is an important variable that can be used to explain financial performance of cement firms in Nigeria. The relationship between the board size and all the three dependent variables is negative. The prominent feature of this finding is that the financial performance of the cement firms can be controlled by manipulating the board size.

Based on the study, composition of audit committee affects the financial performance of the listed cement firms. The outcome of the analysis also indicates that board composition affects the financial performance of listed cement firms. The relationship between the two variables is negative. In addition, the findings of the study also indicate a statistically significant positive relationship between managerial shareholding and financial performance.

**5.2 Conclusions**

Based on the findings of the research, the study concludes that the five corporate governance mechanisms analysed in this work have the following effects on the financial performance of the listed cement firms in Nigeria:

i. Board size has significant negative impact on the financial performance. This signifies that an increase in Board size would lead to decrease in DPS, ROCE and NAPS. This signifies that there is an inverse relationship between Board size and DPS, ROCE, NAPS respectively.

ii. The composition of board members has significant negative effect. . This implies that an increase in Board composition would lead to decrease in DPS, ROCE and NAPS. This signifies that there is an inverse relationship between Board size and DPS, ROCE, NAPS respectively.

iii. The existence of shareholders as representatives on the audit committee has significant negative effect.

iv. Managerial shareholding has significant positive effect. With a large proportion of shares in the hands of managers, they may work harder to improve the firm performance.

v. Institutional shareholding has significant positive effect on DPS, ROCE and NAPS respectively.

The overall conclusion of the study is that corporate governance has significant effect on financial performance of listed cement firms in Nigeria. However, while some corporate governance mechanisms such as managerial shareholdings and institutional shareholdings positively influenced firms’ decision to purse financial performance, mechanisms such as board size board composition and audit committee composition encourage negative impact on the performance. The key policy implication of these findings is that regulatory authorities can cyclically use corporate governance mechanisms as a policy instrument to determine the going concern of the firms in cement industry in Nigeria.

**5.3 Recommendations**

The recommendations of this study are directed at different parties that are involved in monitoring the institutionalization of an effective system of corporate governance in Nigeria. Shareholders of cement firms should seek to positively influence the standard of corporate governance in the companies in which they invest by making sure there is strict compliance with the code of corporate governance.

The Board should have a size of 5-10 relative to the scale and complexity of the company’s operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. The Board should comprise a mix of executive and non-executive directors, headed by a Chairman. The majority of Board members should be non-executive directors, at least three of whom should be independent directors.

Every public company is required under Section 359 (3) and (4) of the CAMA to establish an audit committee. It is the responsibility of the shareholders to ensure that the committee is constituted in the manner stipulated and is able to effectively discharge its statutory duties and responsibilities. Ashaka Cement plc and Benue Cement Plc. during the period of the study violated this section of the law. The managerial staff should be encouraged to hold a reasonable number of equity shares of the firms. This study has revealed the existence of significant positive relationship between managerial shareholding and financial performance of the sampled firms. This is important because it is necessary to ensure that the directors themselves take adequate protection of the resources and make adequate investment and operational decisions.

**REFERENCES**

Abor, J. (2007): Corporate Governance and Financing Decisions of Ghanaian Listed Firms, Corporate Governance: *International Journal of Business in Society*, 7

Abor, J. and N. Biekpe, (2007): Does Governance Affect the Capital Structure Decisions of Ghanaian SMEs? University of Stellenbosch Business Scholl, South Africa.

Abowd, J., (1990): Does performance-based managerial compensation affect corporate performance? *Industrial and Labor Relations Review* **43**(3): S53-73.

Aduda, J., Chogii, R. and Magutu, P. O. (2013). An Empirical Test of Competing Corporate Governance Theories on the Performance of Firms Listed at the Nairobi Securities Exchange. *European Scientific Journal*; May 2013 Edition, Vol. 9, No.13

Agrawal, A. and C. Knoeber, (1996): Firm performance and mechanisms to control agency problems between managers and shareholders, *Journal of Financial and* *Quantitative Analysis*, **31**: 377-397.

Al- Faki, M (2006): “Transparency and corporate governance for capital market development in Africa: The Nigerian case study”, *Securities Market Journal*, 2006 Edition, 9- 28.

Aitken, B. J. and Harrison, A (1990): “Do Domestic Firms Benefit from Foreign Direct Investment? Evidence from Venezuela” in *The American Economic Review*, June **89**(3): 605-618.

Akinsulire, O. (2006). *Financial Management,* 4th Edition. Lagos: El-Toda Ventures.

Al-Matari, Y. A., Al-Swidi, A. K. and Bt-Fadzil, F. H. (2012). Corporate Governance and Performance of Saudi Arabia Listed Companies. *British Journal of Arts and Social Sciences*; Vol. 9, No. I.

Analytica, (1992): *Board Directors and Corporate Governance: Trends in the G7 Countries Over the Next Ten Years*, Oxford Analytica Ltd., England.

Anderson R.; Mansi, S. and Reeb, D. (2004): Board Characteristics, Accounting Report Integrity and the Cost of Debt, *Journal of Accounting and Economics*, 37, 315- 342.

Babalola, A. (2014). Corporate Governance and Cooperative Societies: A Survey of Tertiary Institutions in Oyo, Nigeria. *Developing Country Studies*; Vol. 4, No.12.

Babalola, A. and Adedipe, O. A. (2014). Corporate Governance and Sustainable Banking Sector: Evidence from Nigeria. *Research Journal of Finance and Accounting*; Vol. 5, No.12

Bayless, M. and S. Chaplinsky. (1991): Expectations of Security Types and the Information Content of Debt and Equity Offerings. *Journal of Financial* *Intermediation*, **1**:195 - 214.

Baysinger, B. and H. Butler, (1985): “Corporate governance and the board of directors: performance effects of changes in board composition”, *Journal of Law,* *Economics and Organisation*, **1**: 101 - 124.

Berger, P.; Ofek, E. and Yermack, D. (1997): Managerial Entrenchment and Capital Structure Decisions, *Journal of Finance*, **52**(4): 1411-1438.

Berle, Jr. A. and G. Means, (1932): “The Modern Corporation and Private Property” Macmillan, New York.

Bhagat, S. and B. Black, (2002): “The non- correlation between board independence and long term firm performance”, *Journal of Corporation Law*, **27**: 231 - 274.

Bhagat, S. and R. Jefferis, (2002): The Econometrics of Corporate Governance Studies, MIT Press, London.

Bhimani, A. (2008). Making Corporate Governance Count: The Fusion of Ethics and Economic Rationality. *Journal of* *Management and Governance*; 12(2), 135-147.

Bittlingmayer, G. (2000). “The Market for Corporate Control (Including Takeovers)”,in B. Bouckaert and G. Geest (eds.), *Encyclopedia of Law and Economics*, University of Ghent and Edward Elgar.

Black, B. (1998): Shareholder activism and corporate governance in the United States, in Peter Newman (ed.), *The New Palgrave Dictionary of Economics and the Law,* London: Macmillan, 459 – 465.

Blair, M.M. (1995): *Ownership and Control*, The Brookings Institution, Washington, D.C.

Brava, A., Jiangb, W., Partnoye, F. & Thomasd, R. (2006). Hedge Fund Activism Corporate Governance and Firm performance. *Journal of Finance*; Vol. 59, No. 4, pp. 1729- 1775.

Brown, L. and M. Caylor, (2006): Corporate governance and firm valuation, *Journal of Accounting and Public Policy*, **25**: 409-434.

Bulow, J. and K. Rogoff, (1989): Sovereign debt: Is to forgive or to forget? *American Economic Review*, **79** (43).

Byrne, J., R. Grover and T. Vogel, (1989): “Cover Story: Is the Boss Getting Paid Too Much?” *Business Week*, May 1, 46-46.

Cadbury, A. (1992): Report of the Committee on the Financial Aspects of Corporate Governance, Gee Publishing, London

Caramanolis-cotelli,B. (1995): “External and Internal Corporate Control Mechanisms and the Role of the Board of Directors: A Review of Literature”, *Working paper nr* *9606, Institute of Banking and Financial Management*.

Chang, S. and D. Mayers, (1992): “Managerial Vote Ownership and Shareholder Wealth: Evidence from Employee Stock Ownership Plans”, *Journal of Financial* *Economics*, **32**: 103-131.

Cheema-Rehman, K. U. & Din, M. S. (2013.) Impact of Corporate Governance on Performance of Firms: A Case Study of Cement Industry in Pakistan. *Journal of Business* *and Management Sciences;* Vol. 1, No. 4, 44-46.

Chittenden, F.; Hall, G. and Hutchinson, P. (1996): ‘Small Firm Growth, Access to Capital Markets and Financial Structure: Review of Issues and an Empirical Investigation’, *Small Business Economics,* **8**: 59 – 67.

Chung Kee, and Stephen Pruitt, (1994): A simple approximation of Tobin’s q, *Financial Management*, **23**: 70 - 75.

Chung, K.; J. Elder, and J. C. Kim, (2007): Corporate governance and liquidity, *Working paper*, State University of New York, Buffalo.

Claessens, S. and Fan, J. P. H. (2002): Corporate Governance in Asia: A Survey. *International Review of Finance*, **3**: 71 - 103.

Clark, T (2004). *Theories of Corporate Governance: The Philosophical Foundations of Corporate Governance*. NewYork: Routledge Publishing.

Clarkson, M. B. E. (1994): *A Risk Based Model of Stakeholder Theory,* The Centre for Corporate Social Performance & Ethics, University of Toronto.

Collier, J. C. and Roberts, J. (2001): An Ethic for Corporate Governance? In: Rossouw, D. (2005). Corporate Governance and Trust in Business: A Matter of Balance. *African Journal of Business Ethics*, **1** (1): November, Pp 1-7.

Cooray, A. and Wickremasinghe, G. B. (2007). The Efficiency of Emerging Stock Markets: Empirical Evidence from the South Asian Region. *Journal of Developing Areas*; Vol. 41, No. 1, pp. 171-183.

Coughlan, A. and R. Schmidt, (1985): Executive compensation, management turnover, and firm performance: An empirical investigation, *Journal of Accounting and* *Economics*, **7**(1-3): 43-66.

Crane, A. and Matten, D. (2007). Business Ethics, 2nd Ed. London, Oxford University Press.

Cremers, K. J. and Nair, V. B. (2005) Governance Mechanisms and Equity Prices. *The Journal of Finance*; 60.6: 2859-2894.

Crystal, G. (1991): “In Search of Excess”, W. W. Norton, New York.

Daily, C. M., Dalton, D. R. and Canella, A. A. (2003). Corporate Governance: Decades of Dialogue and Data. *Academy of Management Review;* 28(3), 371-382.

Demsetz, H. and K. Lehn, (1985): The structure of corporate ownership: Causes and consequences, *Journal of Political Economy*, **93**: 1155 - 1177.

Denis, D. and A. Sarin, (1999): Ownership and board structure in publicly traded corporations, *Journal of Financial Economics*, **52**: 187-223.

Denis, D.; D. Denis, and A. Sarin, (1997): “Agency Problems, Equity Ownership and Corporate Diversification”, *Journal of Finance*, **52**: 135-160.

Donaldson, L. and Davis, J. H. (1994): 'Boards and Company Performance, Research challenges the Conventional Wisdom', *Corporate Governance: An International* *Review*, **2** (3): 15160.

Donaldson, T. and Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications. *Academy of Management Review*; 20(1), 65-91.

Drucker, P. (1976): *The Unseen Revolution: How Pension Fund Socialism Came to America*, Harper & Row, New York.

Duchin, R. and Sosyura, D. (2011). *The Politics of Government Investment*. Ross School of Business, University of Michigan.Retrieved from <http://webuser.bus.umich.edu/>dsosyura/Research%20Papers/Politics%20of%20Government%20Investment.pdf

Ertugral, M. and S. Hedge, (2008): Corporate governance ratings and firm performance, Financial Management, forthcoming.

Esperanc, J. P.; Ana, P. M. G. and Mohamed, A. (2003): ‘Corporate debt policy of small firms: an empirical (re)examination’, *Journal of Small Business and Enterprise* *Development*, **10** (1): 62-80.

Fahlenbrach, R. (2004): Shareholder rights and CEO compensation, *Working paper*, Ohio State University.

Fama E., French, (2002): “Testing trade-off and pecking order prediction about dividends and debt, *The Review of Financial Studies*, **15** (2).

Fama, E. (1980): "Agency Problems and the Theory of the Firm", *Journal of Political Economy*, **88**: 288 - 307.

Fama, E. and Jensen, M. (1983): Separation of Ownership and Control, *Journal of Law and Economics*, **26** (2): 301 - 325.

Fama, Eugene F. and M. Miller, (1972): The Theory of Finance (Holt, Rinehart, and Winston, New York).

Feinberg, S. E. and Majumdar, S. K. (2001): “Technology Spillovers from Foreign Direct Investment in the Indian Pharmaceutical Industry” in the *Journal of International* *Business Studies*, **32**(3): 421 – 437.

Fosberg, R (1989): “Outside directors and managerial monitoring”, *Akron Business and Economic Review*, **20**: 24 - 32.

Fosberg, R. H. (2004): ‘Agency Problems and Debt Financing: Leadership Structure Effects’, Corporate Governance: International *Journal of Business in Society*, **4** (1): 31 - 38.

Friedman, L. M. (1973): *A History of American Law*, Simon & Schuster, New York.

Friend, I. and Hasbrouck, J. (1988): ‘Determinants of Capital Structure’, *Research in Finance,* 7(1), 1-19.

Friend, I. and Lang, L. (1988): An Empirical Test of the Impact of Managerial Selfinterest on Corporate Capital Structure. *Journal of Finance*, **47**: 271 - 281.

Garvey, G., and G. Hanka, (1999): Capital structure and corporate control: The effect of antitakeover statutes on firm leverage, *Journal of Finance*, **54**: 519 - 548.

Garvey, G., and P. Swan, (1994): “The Economics of Corporate Governance: Beyond the Marshallian Firm”, *Journal of Corporate Finance*, **1**: 139 – 174.

Ghabayen, M. A. (2012). Board Characteristics and Firm Performance: Case of Saudi Arabia. *International Journal of* *Accounting and Financial Reporting*; Vol. 2, No. 2.

Ghosh, C.; R. Nag and C.F. Sirmans. (1999): An Analysis of Seasoned Equity Offerings by Equity REITs, 1991 to 1995. *Journal of Real Estate Finance and Economics*, **19**: 175 - 192.

Ghosh, C.; R. Nag and C. F. Sirmans. (2000): The Pricing of Seasoned Equity Offerings: Evidence from REITs. *Real Estate Economics*, **28**: 363 - 384.

Ghoshal, S. & Moran, P. (1996): 'Bad for practice: A critique of the transaction cost theory', *Academy of Management Review*, **21** (1): 13 - 47.

Gompers, P.: Ishii, and A. Metrick, (2003): Corporate governance and equity prices. *Quarterly Journal of Economics,* **118**: 107-155.

Goodpaster, K. E. (2004): Ethics or Excellence? Conscience as Check on the unbalanced pursuit of Organizational Goals. *Ivey Business Journal*, March/April: 1 - 8.

Gorg, H. and Strobl, E. (2002): *Spillovers from Foreign Firms through Worker Mobility: An Empirical Investigation* (Institute for Study of Labour).

Gorg, H. and Strobl, E. (2003): *Multinational Companies, technology Spillover and Plant Survival* (German Institute for Economic Research).

Grossman, R. L. & Adams, F. T. (1993): *Taking Care of Business: Citizenship and the Charter of Incorporation*, Charter Ink, Cambridge, MA.

Grossman, S. and O. Hart, (1982): Corporate financial structure and managerial incentives, in John McCall, ed., The Economics of Information and Uncertainty, (University of Chicago Press, Chicago, IL).

Grossman, S. and O. Hart, (1986): “The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration”, *Journal of Political Economy*, **94**: 691 – 719.

Guthrie, J. & Turnbull, S. (1995): 'Audit Committees: Is There a Role for Corporate Senates and/or Stakeholders Councils?' *Corporate Governance: An International Review*, **3** (2): April, pp. 78-89.

Hamilton, D. H. and Kashlak, R. J. (1999): National Influences on Multinational Corporation Control System Selection. *Management International Review*, **39**: 167-189.

Haniffa, R. and Hudaib, M. (2006). Corporate Governance Structure and Performance of Malaysian Listed Companies. *Journal of Business Finance and Accounting*; Vol. 33, No. 7 & 8, pp. 1034-1062.

Harford, J.; K. Li, and X. Zhao, (2007): Corporate boards and the leverage and debt maturity choices, *Working paper*, University of Washington.

Harris, M. and A. Raviv, (1991): The theory of capital structure, *Journal of Finance*, **46**: 297 - 356.

Harris, M. and Raviv, A. (1988): Corporate Control Contests and Capital Structure. *Journal of Financial Economics*, **20**: 55 -86.

Hart, O. and Moore, J. (1990): 'Property Rights and the Nature of the Firm', *Journal of Political Economy*, **98**.

Hart, O. (1995): ‘Corporate Governance: Some Theory and Implications’, *The Economic Journal*, **105**(430): 678 - 689.

Hawley, J. P. and Williams A. T. (1996): *Corporate Governance in the United States: The Rise of Fiduciary Capitalism,* Working Paper*,* Saint Mary's College ofCalifornia, School of Economics and Business Administration.

Healy, P. (1985): "Evidence on the Effect of Bonus Schemes on Accounting Procedure and Accrual Decisions", *Journal of Accounting and Economics*, **7**: 85 – 107.

Helen Short, Kevin Keasey and Darren Duxbury. (2002): Capital Structure, Management Ownership and Large External Shareholders: A UK Analysis. *International* *Journal of the Economics of Business*, **9** (3): 375 - 399.

Hermalin, B. and M. Weisbach, (1991): The effects of board composition and direct incentives on firm performance, *Financial Management*, **20**: 101 - 112.

Heenetigala, K. (2011). *Corporate Governance Practices and Firm Performance of Listed Companies in Sri Lanka.* Doctorof Business Administration Dissertation, submitted to VictoriaGraduate School, Faculty of Business and Law, VictoriaUniversity, Melbourne (April).

Hill, J. (2005): Regulatory Responses to Global Corporate Scandals, *Wisconsin International Law Journal*, **23**: 367.

Hillman, A., Cannella, A. and Paetzold, R. (2000). The Resource Dependence Role of Corporate Directors: Strategic Adaptation of Board Composition in Response to Environmental Change. *Journal of Management Studies;* 37 (2): 235–256.

Holland, K. (1995): “Attack of the Killer Investor”, Business Week, 24 April , 72 – 72. Holthausen R.; D. Larcker, and R. Sloan, (1995): “Annual Bonus Schemes and the Manipulation of Earnings”, *Journal of Accounting and Economics*, **19**: 29 - 74.

Holmstrom, B. and Kaplan, S. N. (2001). Corporate Governance and Merger Activity in the United States: Making Sense of the 1980s and 1990s. *Journal of Economic* *Perspectives;* Volume 15, Number 2—Spring 2001—Pages 121–144.

Howe, J. S. and J. D. Shilling. (1988): Capital Structure Theory and REIT Security Offerings. *Journal of Finance*, **43**: 983-993.

Huang, H.; C. S. Agnes, and D. Collins, (2005): Shareholder rights and the cost of equity capital, *Working paper*, Louisiana State University.

Ironkwe, U. and Adee, G. M. (2014). Corporate Governance and Financial Firms Performance in Nigeria. *Journal of Exclusive* *Management Science* – August 2014 -Vol 3, Issue 8.

Jaffe, J. F. (1991): Taxes and the Capital Structure of Partnerships, REITs, and Related Entities. *Journal of Finance*, **46**: 401 - 408.

Jensen, M. and K. J. Murphy, (1990): Performance pay and top-management incentives, *Journal of Political Economy*, **98** (2): 225 - 64.

Jensen, M. C. (1986): Agency Costs of Free Cash Flow, Corporate Finance and Takeovers. *American Economic Review*, **76**: 323 - 329.

Jensen, M. (1993): “The Modern Industrial Revolution, Exit and the Failure of Internal Control Systems”, *Journal of Finance*, **48**: 831 – 880.

Jensen, M. C. and Meckling, W. H. (1976): Theory of the Firm: Managerial Behaviour, Agency Costs and Capital Structures. *Journal of Financial Economics*, **3**: 305 - 360.

Jiraporn, P. and Y. Liu, (2008): Capital structure, staggered boards, and firm value, *Financial Analysts Journal*, forthcoming.

Jiraporn, P. and K. Gleason, (2007): Capital structure, shareholder rights, and corporate governance, *Journal of Financial Research,* forthcoming.

Jiraporn, P.; Y. S. Kim, and W. N. Davidson, (2005): CEO compensation, shareholder rights, and corporate governance: An empirical analysis, *Journal of Economics* *and Finance*, **29**: 242 - 258.

Jiraporn, P.; Y. S. Kim, W. N. Davidson, and M. Singh, (2006): Corporate governance, shareholder rights and firm diversification: An empirical analysis, *Journal of* *Banking and Finance*.

John, K. and L. Senbet, (1998): “Corporate Governance and Board Effectiveness”, *Journal of Banking and Finance*, **22**: 371 - 403.

Johnson, S. A. (1997): The effect of bank debt on optimal capital structure, *Financial Management*, **28**: 47 - 56.

Kajola, S. O. (2008). Corporate Governance and Firm Performance: The Case of Nigerian Listed Firms. *European* *Journal of Economics, Finance and Administrative Sciences*, Issue 14.

Kaplan, S., and M. Weisbach, (1992): “The Success of Acquisitions: Evidence from Divestitures”, *Journal of Finance*, **47**: 107-138.

Keasey, K.; Thompson, S. and Wright, M. (1997): ‘Introduction: The Corporate Governance Problem - Competing Diagnoses and Solutions’, in K. Keasey, S. Thompson. and M. Wright (Eds.),(1997) Corporate Governance: Economic and Financial Issues, Oxford University Press: Oxford, p. 1-17.

Klein, A. (1998): “Firm performance and board committee structure”, *Journal of Law and Economics*, **41**: 275 - 303.

Klein, A. (2002): “Audit committee, board of director characteristics and earnings management”, *Journal of Accounting and Economics*, **33**: 375 - 400.

Klock, M.; S. Mansi, and W. Maxwell, (2005): Does corporate governance matter to bondholders? *Journal of Financial and Quantitative Analysis*, **40**: 693.

Krieger, M. P. (1991): The Importance of the Role of Subsidiary Boards in MNCs: Comparative Parent and Subsidiary Perceptions. *Management International Review*, **31**: 317-331.

Kyle, A., (1985): Continuous auctions and insider trading, *Econometrica*, **53**: 1315-1335.

La Porta, Rafael, Florencio, Lopez- De Salinas, Andrei Shleifer, and Robert Vishny, (2000): Agency problems and dividend policy around the world, *Journal of* *Finance*, **55**: 1 - 33.

Lang, L.; R. Stulz and R. Walkling, (1991): “A Test of the Free Cash-Flow Hypothesis: The Case of Bidder Returns”, *Journal of Financial Economics*, **29**: 315 – 336.

Leland, H. and Pyle, D. (1977): ‘Information Asymmetries, Financial Structure and Financial Intermediation’, *Journal of Finance,* **44**: 771 - 787.

Leonard, J. (1990): Executive pay and firm performance, Industrial and *Labor Relations Review,* **43**(3): S13 - 29.

Lewellen, W. C. Loderer and A. Rosenfeld, (1985): "Mergers, Stockholder Decisions and Executive Stock Ownership", *Journal of Accounting and Economics*, **7**: 209 – 231.

Ling, D. C. and M. Ryngaert, (1997): Valuation Uncertainty, Institutional Involvement, and the Underpricing of IPOs: the Case of REITs. *Journal of Financial* *Economics*, **43**: 433-456.

Lins, K. and H. Servaes, (1999): “International Evidence on the Value of Corporate Diversification”, *Journal of Finance*, **54**: 2215 – 2240.

Lipton, M. and Lorsch, J. (1992): ‘A Modest Proposal for Improved Corporate Governance?’ *Business Lawyer*, **48**: 59 - 77.

Loughran, T. and J. R. Ritter. (1997). The Operational Performance of Firms Conducting Seasoned Equity Offerings. *Journal of Finance*, **52**: 1823 - 1857.

Lubatkin, M. and Chatterjee, S. (1994). Extending modern portfolio theory into the domain of corporate diversification: Does it apply?. *Academy of Management* *Journal,* **37**: 109 -136.

Mac Avoy, P.; J, Dana; S. Cantor, and S. Peck, (1983): “ALI proposals for increase control of the corporation by the board of directors: an economic analysis”, in *Statement of the Business Roundtable on the American Law Institute’s proposed* *Principles of Corporate Governance and Structure Restatement and* *Recommendation.*

Macey, J. R. (1998): The Legality of The Shareholder Rights By-law in Delaware: Preserving the Market for Corporate Control, *Journal of Applied Corporate* *Finance*, **4**: 63 - 68.

Magdi, R. and Nadareh, R. (2002). Corporate governance: A framework for implementation. *Britain World Group Journal*; Vol. 20, pp 123- 132.

Maher, M, and Anderson, T. (2008). Corporate Governance: Effects on Firm Performance and Economic Growth. *Contemporary Accounting Research*; Vol. 25, pp 351-405.

Mak, Y and Y, Kusnadi (2005): “Size really matters: further evidence on the negative relationship between board size and firm value”, *Pacific- Basin Finance Journal*, **13**: 301- 318.

Masih, A. M. M. (2005). Macroeconomic Policy Trilemma in Open Economies: Which Policy Option is Ideally Suited to the Malaysian Context? *Jurnal Pengurusan*; 24(2005) 3-26.

Mathiesen, H. (2002). *Managerial Ownership and Financial Performance*. Ph.D. Dissertation, Series 18.2002, Copenhagen Business School, Denmark, viewed.

Mayer, C. (1988): New Issues in Corporate Finance. *European Economic Review*, **32**: 1167 - 1189.

McConnell, J. and H. Servaes, (1990): Additional evidence on equity ownership and corporate value, *Journal of Financial Economics*, **27**: 595 - 612.

McConnell, J. and C. Muscarella, (1986): “Corporate Capital Expenditure Decisions and the Market Value of the Firm”, *Journal of Financial Economics*, **14**: 399 – 422.

McLaughlin, R.; A. Safieddine, and G. K. Vasudevan, (1996): The Operating Performance of Seasoned Equity Issuers: Free Cash Flow and Post-Issue Performance. *Financial Management*, **25**: 41 - 53.

McLaughlin, R.; A. Safieddine, and G. K. Vasudevan, (1998): The Information Content of Corporate Offerings of Seasoned Securities: An Empirical Analysis. *Financial* *Management*, **27**: 31 - 45.

Mehran, H. (1995): “Executive compensation structure, ownership and firm performance”, *Journal of Financial Economics*, **38**: 163 - 184.

Mehran, H. (1992): Executive incentive plans, corporate control, and capital structure, *Journal of Financial and Quantitative Analysis*, **27**: 539 - 560.

Michaelas, N.; Chittenden, F. and Poutziouris, P. (1999): Financial policy and capital structure Choice in U.K. SMEs: Empirical Evidence from Company Panel Data, *Small Business Economics*, **12**: 113 - 130.

Miller, G. (1998): “Political Structure and Corporate Governance: Some Points of Contrast between the United States and England”, in “The Sloan Project on Corporate Governance”, Corporate Governance Today, Columbia Law School, 629-648.

Miller, M. (1997): “Is American Corporate Governance Fatally Flawed?”, in D. Chew (ed.), “Studies in International Corporate Finance and Governance Systems – A Comparison of the US, Japan and Europe”, New York, Oxford University Press.

Mobius, J. M. (2002). *Issues in Global Corporate Governance*, in Lc Keon (ed.), Corporate Governance: An Asia-Pacific Critique, Sweet & Maxwell Asia, Hongkong.

Modigliani, F. and Miller, M. H. (1958): The Cost of Capital, Corporation Finance the Theory of Investment. *American Economic Review*, **48**: 261 - 97.

Modigliani, F. and M. Miller, (1963): “Corporate Income Taxes and the Cost of Capital: a Correction”, *American Economic Review*, **53**, 433 - 443.

Monks, R. A. G. (1994): Relationship Investing', *Corporate Governance: An International Review*, **2** (2): 58 -76.

Monks, R. A. G. (1996): The American Corporation at the End of the 20th Century: Outline of Ownership Based Governance, *Arthur Andersen Lecture*, The Judge Institute, July 8, Cambridge (<http://www.Lens-inc.com>).

Monks, R. A. G. and Minow, N. (2004). *Corporate Governance*. MA: Blackwell Publishing.

Morck, R.; A. Shleifer and R. Vishny, (1988): "Managerial Ownership and Market Valuation", *Journal of Financial Economics*, **20**: 293 - 315.

Morck, R.; A. Shleifer, and R. Vishny, (1990): “Do Managerial Objectives Drive Bad Acquisitions?”, *Journal of Finance*, **45**: 31- 48.

Mulili, B. M. and Wong, P. (2011). Corporate Governance Practices in Developing Countries: The Case for Kenya. *International Journal of Business Administration*; Vol. 2, No. 1; February.

Muogbo, U. S. (2013). Impact of Privatization on Corporate Performance: A Study of Selected industries in Nigeria. *International Journal of Humanities and Social Science* *Invention;* Volume 2 Issue 7 ǁ July. 2013ǁ PP.81-89*.*

Musa, I. F. (2006): The Impact of Corporate Governance on the Performance and Value of Bank in Nigeria: An Agency Approach; *Nigerian Journal of Accounting* *Research*, **1**: (4).

Myers, S. (1977): Determinants of corporate borrowing, *Journal of Financial Economics*, **5**: 147 - 176.

Myers, S. and N. Majluf. (1984): Corporate Financing and Investment Decisions When Firms Have Information Investors Do Not Have. *Journal of Financial Economics*, **13**: 187 - 222.

Nworji, I. D., Olagunju, A. and Adeyanju, D. O. (2011). Corporate Governance and Bank Failure in Nigeria: Issues, Challenges and Opportunities. *Research Journal of Finance* *and Accounting*; Vol. 2, No 2.

O’Donnell, S. W. (2000): Managing Foreign Subsidiaries: Agents of Headquarters, or an Interdependent Network? *Strategic Management Journal*, **21**: 525 - 548.

OECD: (1997): Globalisation and Small and Medium Enterprises (SMEs), Vol. 1: Synthesis Report, Paris, Organisation for Economic Co-operation and Development.

Okike, E. N. M. (2007): ‘Corporate Governance in Nigeria: the status quo’ Corporate Governance: *An International Review*, **15** (2): 173 – 193.

Olusanya, O. O. and Oluwasanya, A. T. (2014). Effect of Corporate Governance on the Survival and Sustainability of Banks in Nigeria. *American Journal of Engineering Research* (AJER); Volume-03, Issue-02, pp-73-83.

Organization for Economic Development and Cooperation-OECD (1999): *Principles of Corporate Governance*. http://www.oecd.org. (Retrieved 11/05/2007).

Organization for Economic Co-Operation and Development (2004). *OECD Principles of Corporate Governance.* Paris Cedex 16, France: OECD Publications Service.

Padilla, A. (2002). Can Agency Theory Justify the Regulation of Insider Trading? *The Quarterly Journal of Austrian* *Economics*; Vol. 5, No. 1, pp. 3-38.

Persson, T.; Roland, G. and Tabellini, G. (1996): *Separation of Powers and Accountability: Towards a Formal Approach to Comparative Politics,* Innocenzo Gasparini Institute for Economic Research (IGIER), Working Paper, No. 100, July, Milano.

Pfeffer, J. and Leong, A. (1977): 'Resource Allocation in United Funds: An Examination of Power and Dependence', *Social Forces*, **55**.

Pfeffer, J. (1972): 'Size and composition of corporate boards of directors: the organization and its environment', *Administrative Science Quarterly*, **17**: 218 - 28.

Pfeffer, J. (1973): Size, Composition and Function of Corporate Boards of Directors: the Organisation-environment linkage. *Administrative Science Quarterly*, **18**: 349 - 364.

Pfeffer, J. and Salancick, G. R. (1978): The External Control of Organisations: a Resource-dependence Perspective. Harper & Row, New York.

Pinteris, G. (2002): “Ownership structure, board characteristics and performance of Argentine banks”, Mimeo, Department of Economics, University of Ilinois.

Porter, M. (1997): “Capital Choices: Changing the Way America Invests in Industry”, in D. Chew (ed.), “Studies in International Corporate Finance and Governance Systems – A Comparison of the US, Japan and Europe”, New York, Oxford University Press.

Porter, M. E. (1992): *Capital Choices: Changing The Way America Invests in Industry*, A Research Report Presented to The Council on Competitiveness and Co-sponsored by The Harvard Business School, Boston.

Rajan, R. G. and L. Zingales (1995): What do we know about capital structure? Some evidence from international data, *Journal of Finance*, **50**: 1421 - 1460.

Rezaee, Z. (2009). *Corporate Governance and Ethics*. NY, USA: John Wiley & Sons, Inc.

Roe, M. (1994): “Strong Managers, Weak Owners: the Political Roots of American Corporate Finance”, University Press, Princeton, N. J.

Roll, R., (1986): “The Hubris Hypothesis of Corporate Takeovers”, *Journal of Business*, **59**: 197 – 216.

Rosen, S. (1982): “Hierarchy, Control and the Distribution of Earnings”, *Bell Journal of Economics*, **13**: 77 – 98.

Rosenstein, S. and J. Wyatt (1990): “Outside directors: board independence and shareholder wealth”, *Journal of Financial Economics*”, **26**: 175 - 191.

Ross, S. (1973): 'The Economic Theory of Agency: The Principal's Problem', *American Economic Review*, **63**: 134 - 9.

Rossouw, D. (2005): Corporate Governance and Trust in Business: A Matter of Balance. *African Journal of Business Ethics*, **1** (1): November. Pp 1-7.

Rossouw, D. and Van-Vuuren, L. (2004): *Business Ethics.* Cape Town, South Africa (3rd Ed): Oxford University Press.

Roth, K. and O’Donnell, S. (1996): Foreign Subsidiary Compensation Strategy: An Agency Theory Perspective**.** *Academy of Management Journal*, **39**: 678 - 703.

Ryngaert, M., (1988): “The Effect of Poison Pill Securities on Shareholder Wealth”, *Journal of Financial Economics*, **20**: 377 – 417.

Safieddine, A. and S. Titman, (1999): “Leverage and Corporate Performance: Evidence from Unsuccessful Takeovers”, *Journal of Finance*, **54**: 547-580.

Sanda, A.U.; Mikailu, A. S. and Tukur, G. (2005): *Corporate Governance Mechanisms and Firm Financial Performance in Nigeria*. AERC Research Paper 149, Nairobi,Kenya.

Sanda, A. U.; Mikailu, A. S. and Tukur, G. (2004): Director Shareholding, Board Size and Financial Performance of Firms in the Nigerian Stock Exchange; *Nigerian* *Journal of Accounting Research*, **1** (1).

Sanders, W. M. G. and Carpenter, M. A. (1998): Internationalization and Firm Governance: The Roles of CEO Compensation, Top Team Composition, and Board Structure. *Academy of Management Journal*, **41**: 158 - 178.

Servaes, H. (1996): “The Value of Diversification during the Conglomerate Merger Wave”, *Journal of Finance*, **51**: 1201 -1225.

Shleifer, A. and R. Vishny, (1997): “A Survey of Corporate Governance”, *Journal of Finance*, **52**: 737 – 783.

Short, H. and K. Keasey, (1997): “Institutional Shareholders and Corporate Governance”, in Keasey, K. and M. Wright (eds.), “Corporate Governance: Responsibilities, Risks and Remuneration”, John Wiley and Sons.

Short, H., and K. Keasey, (1999): “Managerial Ownership and the Performance of Firms: Evidence from the UK”, *Journal of Corporate Finance*, 5: 79 – 101.

Smith, A. (1776): “ An Enquiry Into the Nature and Causes of the Wealth of Nations”, 1976 reedition, edited by R. Campbell and A. Skinner, Clarendon Press, Oxford.

Steel, W. F. and Webster, L. M. (1991): Small Enterprises in Ghana: Responses to Adjustment Industry Series Paper, No. 33, The World Bank Industry and Energy Department, Washington.

Stephen A. Ross. (1977): The Determination of Financial Structure: the Incentive- Signalling Approach. *Bell Journal of Economics*, **8** (1): 23 - 40.

Sternberg, E. (1996): 'Stakeholder Theory Exposed', *Corporate Governance Quarterly*, Hong Kong Institute of Company Secretaries, **2** (1): March, pp. 4 - 18.

Stultz, R. (1990): Managerial Discretion and Optimal Financing Policies. *Journal of Financial Economics*, **26**: 3 - 27.

Stulz, R. (1988): ‘Managerial Control of Voting Rights: Financing Policies and the Market for Corporate Control’, *Journal of Financial Economics*, **20**: 25 - 54.

Sundaram, A. K. and Inkpen, A. C. (2004). The Corporate Objective Revisited. *Organization Science*; 15(3), 350-363.

Titman, S. and R. Wessels, (1988): The determinants of capital structure choice, *Journal of Finance*, **43**: 1 - 19.

Tricker, R. I. (1996): *Pocket Director*, The Economist Books, London.

Turnbull, S. (1997): Evolution of business and the corporate structure, in *Corporate* *Directors' Diploma Course,* University of New England, Armidale, Australia, Study Guide 1.1, (revised).

Turnbull, S. (1997): 'Should companies have external directors?', *Board Report*, Corporate Directors' Association, Sydney, **2** (4): May, p.5.

Turnbull, S. (1998): (forthcoming) 'Should Ownership Last Forever?', *Journal of Socio Economics*, **27** (3).

Turnbull, S. (1994): 'Building a Stakeholder Democracy', in *Ambitions for our Future: Australian Views*, Economic Planning Advisory Commission, AustralianGovernment Publishing Service, Canberra, October, pp. 83-90, October.

Turnbull, S. (1994): 'Competitiveness and Corporate Governance', *Corporate Governance: An International Review*, **2** (2): April, pp. 90 - 6.

Turnbull, S. (1994): 'Stakeholder Democracy: Redesigning the Governance of Firms and Bureaucracies', *Journal of Socio Economics*, **23** (3): Fall, pp. 321 - 60.

Turnbull, S. (1995): 'Corporate Governance', *Harvard Business Review*, May/June, pp. 169-70.

Turnbull, S. (1995): 'Corporate Governance: What is World Best Practice', *Australian Company Secretary*, Chartered Institute of Company Secretaries in AustraliaLimited, Sydney, December, pp 485-91.

Walking, R. and M. Long, (1984): “Agency Theory, Managerial Welfare and Takeover Bid Resistance”, *Rand Journal of Economics*, **15**: 54 - 68.

Wanyama, D. W. and Olweny, T. (2013). Effects of Corporate Governance on Financial Performance of Listed Insurance Firms in Kenya. *Public Policy and Administration Research*; Vol.3, No.4.

Weisbach, M. (1988): “Outside directors and CEO turnover”, *Journal of Financial Economics*, **20**: 431 - 460.

Wen, Y.; Rwegasira, K. and Bilderbeek, J. (2002): Corporate Governance and Capital Structure Decisions of Chinese Listed Firms. *Corporate* *Governance: An International Review*, **10** (2): 75 - 83.

Wheeler, D., Colbert, B. & Freeman, R. E. (2003). Focusing On Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World. *Journal of General Management*, Vol.3, No.4, 2013, 28, 1-28.

Willwamson, O. (1985): “The Economic of Institutions of Capitalism”, New York: The Free Press.

Yermack, D. (1996): “Higher market valuation of companies with a small board of directors”, *Journal of Financial Economics*, **40**: 185 - 211.

Young, B. (2003): “Corporate governance and firm performance: Is there a relationship?” *Entrepreneur.com*, University of Western Ontario.

Zelenyuk, V. and Zheka, V. (2006). Corporate Governance and Firms’ Efficiency: the Case of Transitional Country, Ukraine. *Journal of Productivity Analysis;* V.25, Numbers ½, 143-169

Zingales, L. (1998): “Corporate governance”, in Peter Newman (ed.), The New Palgrave Dictionary of Economics and the Law, London: Macmillan, 497 - 502.