

**CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF OIL AND  
GAS COMPANIES IN NIGERIA**

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**OCTOBER, 2023**

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF  
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF  
BENIN, BENIN CITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
THE AWARD OF BACHELOR OF SCIENCE (B.SC.) DEGREE IN ACCOUNTING**

**OCTOBER, 2023**

## DECLARATION

I hereby declare that:

1. This project work is based on a study undertaken by me in the department of Accounting, University of Benin under the supervision of Dr. O. U. Akogo
2. This research work has not previously submitted for the award of degree elsewhere.
3. All ideas and views are products of my personal research and where the views of others have been used and expressed they were duly acknowledged.
4. All liabilities arising from the study are entirely mine and not those of the supervisor.

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**Osasogie Sharon OGBONMWAN**  
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**Date**

## CERTIFICATION

We the undersigned certify that this project work was carried out by Osasogie Sharon OGBONMWAN with matriculation number MGS1807649 of the department of Accounting, Faculty of Management sciences, University of Benin, Benin City, for the partial fulfillment of the requirements for the award of B.Sc. in Accounting.

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## **DEDICATION**

I dedicate this project work to God Almighty, my author, the unmoved mover whose divine mercy shielded, strengthened and inspired me throughout my research and ultimately my B.Sc. programme and also to my beloved parents, Mr. & Mrs. Taiye Ogbonmwan.

## ACKNOWLEDGEMENT

I would like to express my profound gratitude to God Almighty for giving me the strength, good health and knowledge to accomplish this project successfully. Also, with a standing ovation and recognition, I wish to express my sincere thanks to my supervisor Dr.(Mrs.) O. U. Akogo for her patience, insightful comments, suggestions, helpful information, corrections where needed and increasing ideas which have helped me tremendously at all times in the completion of this project work.

Also, with sincere thanks to the Head of Department Dr. Obaretin. With joy in my heart, I express my sincere thanks to my parents, Mr. & Mrs. Taiye Ogbonmwan for their unending support and encouragement to me all through my four years in this great institution, also my appreciation goes to my spiritual parents, Pst. & Pst. Mrs Emmanuel C. Best, Thanks for all the encouragement and the prayers. God bless you greatly.

My warm appreciation as well to my lovely siblings, Mrs Eseosa Kadiri, Alfred, Cherry, Ifueko and Osaro, for their encouragement this far.

Additionally, I wish to appreciate my friends Chidima, Enike, Sophia, Abigail, Orobosa Favour for their friendship, moral support, and lesson learnt from them and advices. May God Almighty guide and reward you all.

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## ABSTRACT

*The broad objective of this study is to investigate the effect of good corporate governance practices on the performance of Nigerian oil and gas firms using a five (5) year time frame that span through 2018 to 2022. To achieve this objective, the researcher selected specific corporate governance mechanism proxies which have been widely employed in related extant literature to ascertain the extent to which board size, audit committee, board gender, and board Independence affects performance of oil and gas firms in Nigeria. This study employed ex-post facto and descriptive research design on a panel data set sourced from annual financial reports of listed oil and gas firms in Nigeria. Further, Descriptive statistics, Correlation Matrix Assessment and Balanced regression analysis technique were used for data analysis. Specifically, the result reveals mixed evidence suggesting that the effect of corporate governance on performance of oil and gas firms depends specifically on the proxy/s employed. Particularly, the findings reveal that while board size and board Independence have a positive and statistically significant relationship with firm performance proxied by return on asset(ROA) in Nigeria. However, board gender and audit committee showed no statistically significant relationship with firm performance during the period under review. Therefore, based on these empirical outcomes, the study recommends among others that policymakers should ensure a balanced board representation and a careful consideration of board Independence of firms in Nigeria. This can be achieved by reviewing and updating existing governance guidelines to emphasize the importance of board size in enhancing performance of oil and gas firms in Nigeria. Additionally, consider strengthening regulatory capacity by reviewing the adequacy of legal enforcement provisions and consider measures to increase the representation of females on boards.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

For more than a decade, businesses worldwide have been increasingly focused on achieving excellent corporate governance. Corporate governance is a critical part of management covering areas such as action plans and internal control implementation, to corporate disclosures, organizational and managerial performance measurement, thereby laying up the foundation upon which company's goals can be achieved.

Corporate Governance is typically viewed by international investors as a crucial factor in their investment decisions. Mckinsey (2002) claims 15% of European institutional investors considers corporate governance to be more important than financial issues such as profit performance or growth potential. Countries have begun strengthening their corporate governance rules, policies and guidelines, taking cues from USA by utilizing its standards to ensure public companies maintain a certain level of quality in corporate governance.

In spite of the consistent corporate scandals across the globe, corporate governance has emerged as an important factor in increasing a company's value and financial performance (Korac-kakabadse *et al.*, 2001; Shidvasani and Zenner, 2002; Rose, 2005, as cited in Lawal, 2012). Love (2006) asserts that good corporate governance instills confidence among stakeholders and fosters the goodwill of the organization.

Generally, corporate governance is a mechanism used in directing and controlling businesses. According to Egwuonwa (1997), Corporate Governance refers to the control of

corporate policy through the power legally vested in a group or groups of people to chart a course of action to be followed by the organization in areas of fundamental importance to its survival, prosperity and proper functioning. It involves the structure, power, rights, duties functions of various groups involved in managing the organization, encompassing management and directors' overall accountability.

Corporate Governance involves balancing the interests of a company's many stakeholders such as shareholders, management, customers, suppliers, government, financier and the community (Akintoye, 2010). According to Dabor, Isiavwe, Ajagbe & Oke, (2015) explains that corporate governance codes are developed with the primary goal of promoting transparent and efficient system that will promote the rule of law and facilitates division of responsibilities among various managers of firms in a professional and objective manner. However, the increasing incidence of corporate fraud relating to exaggerated and fleeting reports have reinforced the renewed global emphasis on the need for effective Corporate Governance practices (Adebayo, Ibrahim and Yusuf 2014).

The fall of companies like Enron and WorldCom in the USA, Parmalat in Italy, and the Maxwell saga in the UK serves as a reminder of the substantial costs associated with corporate governance failures. Nigeria, like many other nations, faces the challenge of mitigating corporate governance failures to maintain a robust and trustworthy business environment.

The energy sector heavily relies on oil and natural gas, which are significant players in the global economy as the primary sources of fuel. The Nigerian oil and gas sector has

been active ever since Shell Group discovered crude oil in 1956. Oil production from the Obibiri field in today's Bayelsa State began in 1958, initially producing 5,100 barrels of crude oil per day. Shell continued to exploit vast area until 1959 when the concession was extended to other companies some of which are Mobile, ELF, AGIP, Chevron amongst others.

However, foreign corporations dominated the industry to a considerable extent until Nigerian corporations started entering the market in the early 1990s. Local involvement in the Nigerian oil and gas sector received a significant boost through the adoption of Nigerian content guidelines by the NNPC approximately ten years ago. This was further reinforced by the introduction of the Nigerian Oil and Gas Industry Development (NOGIC) Act in 2010. The primary objective of this Act is to promote the preference for Nigerian firms and resources in the allocation of projects, contracts, and oil licenses.

The oil and gas industry, which includes oil and gas firms, can be split into three categories: The "Upstream", "Midstream" and "Downstream". The "Upstream" segment pertains to the exploration and extraction of crude oil and natural gas, which are part of petroleum operations. The "Midstream" sector encompasses activities such as the processing, storage, marketing, and transportation of crude oil and natural gas. In contrast, the "Downstream" sector revolves around the refining and marketing of crude oil, and both of these sectors are predominantly controlled by publicly owned companies.

In Nigeria, while numerous initiatives have been undertaken to address corporate governance issues, they have primarily focused on listed financial institutions and other

sectors outside of the oil and gas industry. As a result, there is a gap in our understanding of the corporate governance practices within publicly traded oil and gas companies in Nigeria.

Against this backdrop, this study is undertaken to explore and investigate corporate governance practice and the performance of oil and gas companies in Nigeria.

## **1.2. Statement of the Research Problem**

Corporate governance is undeniably vital for the longevity and operational effectiveness of companies. However, it's acknowledged that Nigeria has faced significant challenges in this regard over the years. Addressing governance issues is a global challenge, and finding lasting solutions can greatly enhance an economy and elevate the quality of life for its citizens. This is evident in the fact that many companies (including oil and gas companies), suffer from the impact of bad governance and which in effect result in costly impact on the performance of organization in the economy. This study aims to investigate the impact of Corporate Governance practices and mechanisms on the performance of oil and gas companies in Nigeria. Additionally, it focuses on how the management of these firms develops and executes strategies to protect the interests of their stakeholders.

In light of the problem above, the study is aimed at addressing the following research questions.

1. What is the effect of Board size on the performance of oil and gas firms in Nigeria?
2. What is the impact of Audit committee on the performance of oil and gas firms in Nigeria?

3. What is the impact of Board gender on the performance of the oil and gas companies in Nigeria?
4. What is the influence of Board independence on the performance of oil and gas companies in Nigeria?

### **1.3. Objective of Study**

The broad objective of this study is to investigate the effect of good corporate governance practices on the performance of Nigerian oil and gas firms. The specific Objectives are:

1. To examine the effect the effect of Board size on the performance of oil and gas sector in Nigeria.
2. To investigate the impact of Audit Committee on the performance of oil and gas companies in Nigeria.
3. To examine the impact of Board gender on the performance of oil and gas companies in Nigeria.
4. To examine the effects of Board independence on the performance of oil and gas companies in Nigeria.

### **1.4 Research Hypotheses**

As a means of answering the research questions and achieving the objectives, the following hypotheses are formulated in null form:

1.  $H_0$ : Board size has no significant effect on the performance of a firm.
2.  $H_0$ : Audit committee has no significant impact in the oil and gas companies in Nigeria.

3. H<sub>0</sub>: Board gender has no significant impact on the performance of oil and gas firms in Nigeria.
4. H<sub>0</sub>: Board independence has no significant effect on the performance of oil and gas companies in Nigeria.

### **1.5. Scope of the Study**

This research focuses on firms in the Nigerian oil and gas industry. Oil and gas companies quoted on the Nigerian stock exchange will be selected so as to obtain data from reports of these entities from 2018 - 2022.

### **1.6 Significance of the Study**

The study is pertinent in examining the overall performance of oil and gas firms in Nigeria over the previous few years as well as recent developments. It will also help to examine how well good corporate governance mechanisms impacts the activities of the performance of Nigerian oil and gas firms.

It will be useful in identifying key players in the effective performance .it will also provide suggestions how corporate governance in the Nigerian petroleum industry can be strengthened to yield Maximum result.

This study will serve as a valuable reference source for students interested in the field of corporate governance and its impact on the oil and gas industry in Nigeria. It can provide essential insights and information for those pursuing related studies and research in this area.

### **1.7. Limitations of Study**

This study is subject to certain restrictions that represents threats to the research. This study covers oil and gas industry, major threats include: restrictions to a particular company in oil and gas industry and limited materials and information online as regards to the subject. Again, the sample size is a limitation to the Study considering the numbers of oil and gas companies in Nigeria.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the literature that is pertinent to this study. This chapter presents the conceptual review on the performance of oil and gas companies and its relationship with board size, audit committee, board gender and board independence. Theoretical literature on this study was reviewed, also theoretical framework and empirical analysis of existing literature were covered.

#### **2.2 Firm Performance**

In the 1950s, firm performance was often equated with organizational efficiency, which assessed how effectively an organization, as a social structure with limited resources, accomplished its objectives without requiring excessive effort from its members.

In the subsequent decades, particularly in the 1960s and 70s, organizations began exploring alternative approaches to evaluating performance. During this time, performance was defined as an organization's ability to exploit its environment for accessing and using the limited resources (Yuchtman & Seashore, 1967). Harrison and freeman (1999) confirmed that an effective organization with high standard of performance level is the one that keeps the demands of its stakeholders satisfied. Financial performance can be defined as a subjective measure of how well a firm can use its assets from its primary mode of business and generate revenue. Performance serves as a means to compare similar firms within the same industry or

to assess entire industries or sectors as a whole. It is employed as a broad indicator of a firm's overall financial well-being during a specific timeframe.

The performance or value of a firm can be seen as the amount of utility or benefits derived from shares of the firm by shareholders (Joe & Lilian, 2011). A company's performance metric may be influenced by both the market in which it operates and the effectiveness of the organization. Within the financial sector, the term used for firm performance is financial stability or financial health.

In summary, firm performance has evolved over the years, transitioning from a focus on organizational efficiency to a broader perspective encompassing financial health, stakeholder satisfaction, and social responsibility. Various metrics, both financial and non-financial, are employed to assess performance, tailored to the specific industry and the diverse interests of stakeholders.

The performance of a firm can be assessed using a variety of metrics. Among others, common financial metrics include; revenue, return on equity, return on asset, profit margin, sales growth, capital adequacy, liquidity ratio and stock prices. These parameters, however, change according on the sector in which the business works. For instance, studies have demonstrated that Return on Asset (ROA) is an appropriate indicator of financial performance in the Oil and Gas Companies.

Return on Asset (ROA) is a measurement that unveils the profits derived from invested capital. It represents the number of kobo earned for every naira's worth of assets. ROA acts as an indicator of profitability, illustrating a company's capacity to generate

earnings from its assets. Total assets in the context of ROA are evaluated concerning a company's net earnings, encompassing all the resources available to it. ROA allows users, monitoring agencies and stakeholders to assess how well a firm's corporate governance mechanism is securing and motivating efficient management of the firm (Chagbadari, 2011). ROA provides investors with insight into how efficiently the company transforms its available capital into net income. Another crucial internal application of ROA is to assess the advantages of investing in a new system compared to expanding current operations.

### **2.2.1 Corporate Governance Mechanisms**

Corporate governance involves a set of relationship between a company's management, its board, its shareholders, and other stakeholders (OECD principles, 2004). The structure provided by Corporate governance also allows for setting of the company's goals, as well as the means of attaining those objectives and gauging performance. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate effective monitoring (OECD, 2004). The term corporate governance first came into light in 1970s in the United States (Cheffins, 2011). However, corporate governance became increasingly crucial after high-profile corporate scandals, such as the collapses of Enron and WorldCom. International organizations like the World Bank, OECD, IMF, and IOSCO have emphasized the importance of corporate governance principles as benchmarks for assessing countries and setting standards.

The credibility of financial reporting is significantly dependent on the actions and behavior of the entities operating within the framework of corporate governance. Key parties involved in corporate governance include the board of directors, shareholders, audit committees, CEOs, and management (Dar, Naseem, Rehman & Niazi, 2011).

Many empirical studies have confirmed a robust correlation between corporate governance and a company's performance. Bebchuk, Cohen and Ferrell (2004) postulates that "a well governed firm have higher performance", Gompers, Ishii and Metrick (2003) demonstrates through their research that firms with poor corporate governance quality enjoy lower stock returns than those with high level of governance quality. Corporate disasters like Enron and WorldCom in the United States and cases in Southeast Asia and Europe have underscored the significance of good corporate governance. Each of these corporate cases was directly linked to corporate governance failure (Hussin & Othman, 2012; Abdul-Qadir & Kwambo, 2012).

According to Ogbulu & Emini (2012), an effective corporate governance decentralizes powers and creates room for checks and balances which most times ensures that managers invest in positive net present value projects thus helping the relationship between management and shareholders to be characterized by transparency and fairness.

Azeem, Hassan & Kouser (2013), studied the impact of quality corporate governance on firm performance by using fixed effect estimation method of panel data of 50 largest (by market capitalization) companies listed in Karachi stock exchange(Pakistan) for a ten years perspective. Their study, which utilized the fixed effect estimation method, showed that the

quality of corporate governance has a notable Impact on a company's performance. Enhanced corporate governance is believed to facilitate better decision-making, leading to healthier corporate performance.

Corporate governance structures involve a combination of internal and external mechanisms, where the primary internal control is vested in the board of directors. In Nigeria, Corporate Governance Codes have evolved, addressing critical aspects like board composition, emphasizing the importance of a balanced mix of knowledge, skills, experience, diversity, and independence. The effectiveness of a boards' responsibility may be impacted by the size, independence and gender. Additionally, shareholders and committees, such as the Audit committee, play significant roles in ensuring transparency and accountability in financial reporting.

Mechanisms/practices of corporate governance refer to the tools and practices employed to ensure accountability. Adekoya (2012 P.40) defined corporate governance mechanism as 'the processes and systems by which a country's company law and Corporate Governance Codes are enacted'. Studies conducted over the years have consistently demonstrated that a firm's performance is closely tied to the effectiveness of corporate governance practices. In this context, particular attention is given to elements such as board size, the composition of the audit committee, the gender diversity of the board, and the independence of board members, all of which are significant factors shaping corporate governance practices.

### 2.2.2 Board Size

The size of the board, which refers to the total number of members serving on a corporate organization's board, has a noteworthy influence on both board effectiveness and corporate performance. Although the optimal board size usually falls within the range of 5 to 16 members, it's crucial to carefully determine the appropriate board size as it directly affects the pool of expertise, monitoring capabilities, and decision-making efficiency. Larger boards offer a broader range of expertise, since the monitoring and supervisory capabilities are greater and they are more likely to have a greater depth of knowledge and skills at their disposal. However, large board size could be difficult to coordinate and are basically very prone to fractionalization and coalition that will delay strategic decision-making processes (Forbes & Milliken, 1999).

Research suggests that smaller boards could be more effective in monitoring and controlling corporate governance. Larger board size may have greater specialization and expertise, but they can bring a higher cost in terms of coordination problems and of slowing down of decision-making processes with negative effects on firm's performance (Ahmed, Hossain, & Adams, 2006; Birindelli *et al.*, 2018; De Andres, Azofra, & Lopez, 2005; Jensen, 1993; Lil & Filbeck, 2006; Lipton & Lorsch, 1992). Nonetheless, according to the Council of Foundation (2010), the effectiveness of the board of directors is not solely determined by the number of board members.

The board size is a fundamental component of the features of a board which permits coping with aggressive managerial manipulation. The effectiveness of a board basically

depends on its size (Jensen, 1993). Infact the board size can significantly influence management policies. Similarly, the literature argued that large board are generally perceived as being less effective in the exchange of ideas, promoting coalition between board members (Firth, 2007), as well as impinging aggressive tax measures. In the same vain, Gonzalez and Gracia-Meca (2013) believed that excessive board size can be an obstacle to speed and efficiency in the decision-making of an organization owing to the fact that it may cause coordination and communication problems among members of the board.

By separating ownership from operational management, corporate governance system provides a set of mechanisms designed to supervise insider managers effectively to resolve problems with agencies (Jackling & Johl, 2018). Larger board are claimed to be less effective due to the need for larger coordination as well as process problems which can lead to effective monitoring functions (Andres, Azofra & Lopez, 2018). However, Vafeas (2017), argues that too small and too large board sizes are expected to be effective. While there is debate regarding the ideal board size, the Council of Foundation (2010) suggests that a larger board offers diverse perspectives and ideas, aiding issue resolution.

According to Agency theory, bigger organizations require bigger boards to oversee and regulate management decisions. Ultimately, a board's size is intricately linked to the firm's size and its effectiveness in governance and decision-making processes.

### **2.2.3 Audit Committee**

A major 'watch dog' to make sure that procedures are followed is the Audit Committee (AC). The Audit committee (AC) functions as a critical oversight body, ensuring

adherence to processes and enhancing corporate governance. An audit committee functions as a subcommittee within the board of directors of an organization, and its primary responsibilities include overseeing the financial reporting process, selecting independent auditors, and reviewing both internal and external audit reports. According to the Nigerian Code of Corporate Governance and the Companies and Allied Matters Act 2020, a public company's audit committee should consist of five members, with three of them being shareholders and two non-executive directors. Additionally, at least one member of the committee should be a part of a professional accounting body in Nigeria.

For over a decade now, the audit committee has gained significant prominence in the domain of international corporate governance. An audit committee is expected to monitor the reliability of a corporation's accounting and auditing processes in order to protect shareholders' interest (Agoglia *et al.*, 2011). The duties of an audit committee often include recommending the appointment of external auditors, reviewing the corporation's financial statement, taking actions on items and concerns raised by the auditors, mediating between the auditors and management and advising on any significant findings in the external and internal audit investigation.

According to Beasley *et al.*, (2009), "an Audit Committee is increasingly responsible for the quality of financial reporting and oversight of the audit processes in large companies". The preparation, presentation and assurance of the application of accounting principles to financial statement and the execution of internal controls in accordance with applicable financial accounting standards are all handled by an Audit committee as well as conducting

an independent audit of consolidated financial statements based on auditing standards (Djaddang *et al.*, 2017). Appuhami and TashaKor (2017) opined that audit committees main duties include monitoring the non-financial and financial reporting processes and reducing information asymmetry among managers, stakeholders and the organization.

Research on Audit Committees and their effectiveness has spurred extensive debate, particularly regarding the composition of committee members. For instance, Romano (2005), argues that an audit committee solely composed of independent directors do not limit the occurrence of accounting 'improprieties', while Prentice and Space (2007) refute this argument that an independent Audit committee improves the financial reporting. Also (Yunos *et al.*, 2014) study reveals that if an audit committee is independent, and the work of the committee is fair, then fraud occurring in the firm could be curbed. Independent members of the committee could fairly look into financial statement and observe components such as equity, net income, total assets and sales which represent the performance and financial position of the firm.

Amidst the ongoing debate about the necessity of 'independent' directors on audit committees, a plethora of studies emphasize the benefits derived from the mere existence of an audit committee. Research by De Fond *et al.* (2005) indicates that firms with audit committees are less likely to overstate earnings. Similarly, Beattie (2007) study emphasizes that the presence of an audit committee significantly enhances third-party perceptions of audit independence. The Audit Committee plays a crucial role in interacting with the organization's Chief Finance Officer (CFO), controller, and finance manager. It oversees the organization's

disclosure process, ensuring compliance with local and international laws, regulations, ethical standards, principles, bye-laws, and internal guidelines. As a result, in order to oversee disclosure methods effectively, AC members must be aware of how environmental, social and governance risks and opportunities are recognized and prioritized (Bamahros *et al.*, 2022). Therefore, audit committee members must possess competence and financial literacy. If the audit committee is independent, and work of the committee is fair, the fraud occurring in the firms could be curbed (Yunos *et al.*, 2014). Abdul and Haneem (2006) and Mohd Saleh *et al.* (2007) provided evidence that lesser audit committee meetings improved financial performance of the firm as it reduced additional cost that was incurred with every meeting, but Kyereboah-Cole man (2008) established favorable outcome of frequent audit committee meetings on market measures firm performance.

#### **2.2.4 Board Gender**

Board gender diversity is a key to enhancing corporate governance practices in an organization (Wang, 2017), as diversity in the board room fosters better decision making and brings about innovation in an organization. Some of the features of a diversified board include gender, age, educational and functional background, industry experience or exposure and nationality (Wang, 2017). Board gender diversity contributes significantly to better decision making by involving directors with wide knowledge, perception and ideas. Sirnidi, Gul and Tsai (2016) opined that the best board is a mix of individuals with different skills, knowledge, information power and readily available to contribute his/her time professionally. It is noteworthy that the cost of a diversified board is quite expensive because its high cost

may impede on organization's performance (Wang, 2017). Board gender diversity is a highly debated and contentious aspect of board composition, particularly when it comes to environmental and social matters. Numerous existing theories attempt to elucidate the role of women as board members, encompassing a range of viewpoints and perspectives. A woman as a board member is recognized to be more involved, dedicated, motivated and diligent, less self-centered when it comes to decision making, which assures a greater efficiency of the board (Coffey & Wang, 1998; Huse & Solberg, 2006). A woman director will bring quite different and open-minded sociological perception and understanding to broaden the scope of decision-making at the board level (Swatz & Firer, 2005).

Overtime, Gender has gained recognition as important characteristics of board diversity as women can be perceived to be distinct from men both in social and ethical ways. As a result of changing demographics in the board room, research on board gender diversity and its effects on firm performance has been increasing. Gender diversity on boards has various impacts on firm performance, with the prevailing evidence, both practical and empirical, pointing to predominantly positive effects. According to agency theory, board diversity strengthens the boards' independence (Cater *et al.*, 2007). Female directors are less economically inclined and are more likely to serve mankind than their male colleagues, making them less motivated by short term purpose.

Ryan and Haslem (2005) argue that in the slump situation, women must be placed in an authoritative place. The presence of women on the board can have a significant impact as it not only signals positive change but can also contribute to greater prosperity for the

organization and potentially lead to higher stock prices, which can be beneficial for investors. Gender diversity is believed to affect hierarchical values and performance as well as providing new experiences and perspectives (Huse & Solberg, 2006).

Loukil *et al.* (2020) proved that women executives raise transparency and disclosure and as well reduces asymmetric information particularly in Family Corporation. Furthermore, Mobbs *et al.* (2021) claimed that informed women executives could reduce anomalous Chief Executive Officer (CEO) payments and the probability of a financial restatement.

Women directors enhance boardroom discussions due to their better listening skills and heightened sensitivity towards others. This improved quality of boardroom interaction leads to more informed decision-making, resulting in enhanced firm performance. On the other hand, Burke and Mattis (2013) argue that women tend to be more risk-averse compared to men, who often take riskier investments. While this can have its advantages, the risk-averse nature of women can assist board members in re-evaluating investment risks and making more prudent investment decisions. As noted in Nicholson and Kiel (2007), when board members are held more accountable for their decisions and work, it contributes to improved firm performance.

### **2.2.5 Board Independence**

Ilaboya and Lordikero (2017) defined independence as a state of mind that lacks a precise and legally modifiable definition; it's a concept too intricate to be reduced to a legal code. In essence, it represents an individual's capacity to lead their life without being unduly influenced by others in their actions. In the context of corporate governance, board

independence or independent directors serve as internal mechanisms designed to mitigate agency costs arising from conflicts of interest between the principal and the agent. Indeed, it's crucial for internal auditors to maintain independence from the colleagues they are auditing, while external auditors must uphold their independence from their clients. Similarly, non-executive directors should exhibit a comparable degree of independence from their executive counterparts. Independence in these roles is essential for maintaining the integrity and objectivity of auditing and governance processes.

Independence is characterized by the absence of undue influence from vested interests and any constraints that might hinder the selection of the correct course of action. It is seen and as the ability to make decisions that are accurate and free from bias and managerial capture. In line with the aforementioned proposals, scholars have argued that board independence can have both positive and negative effects on a company's performance. Brickley *et al.* (1994) and Fama and Jensen (1993) supported independence of the board as they believed that it could reduce agency cost and result in stricter monitoring of board activities thereby improving firm performance. The number of non-executive directors is typically used to assess the board's independence (Forker, 1992). According to (Dharmadasa *et al.*, 2014; Lin, 2011; Pahuja, 2011), it suggests that greater number of independent directors on the board increase firm efficiency. Studies however, have discovered significant correlation between board independence and financial performance which have helped to diminish the powers of executive directors. Some researchers (Koerniadi & Tourani, 2012; Leung *et al.*, 2014; Shan & McIver, 2011) however, are of the opinion that there cannot be a

positive association between the independence of directors and firm performance as independent directors may not have adequate information and knowledge about the firm. Balasubramanian *et al.* (2010) and Schu (2008) and Sarker *et al.* (2006) opined that auditing of the board is more important as compared to independence for improving firm performance. The critical factor for achieving board independence is having a sufficient number of independent directors on the board. It is suggested that the ability, willingness, and the overall board environment can influence the independent stance of each director. Non-executive directors on the board play a role in ensuring that management efficiently utilizes the company's assets to generate income. Board independence is instrumental in promoting sound corporate governance practices within companies. An independent board is more likely to be transparent and share information, leading to improved liquidity for firms. Consequently, prior empirical research often suggests that having independent directors on a board strengthens the internal control mechanisms of the board.

### **2.3 Empirical Review**

Many authors have examined the relationship between corporate governance and a firm's performance, using a variety of measures. Some have utilized metrics like return on assets, others focused on return on equity, and some have considered sales growth as their performance measure. However, the variation in the performance measures employed by different authors can contribute to mixed findings regarding the significance of corporate governance practices in impacting a company's performance.

### **2.3.1. Board Size and Firm performance**

This term refers to the count of directors serving on the board of a corporate organization. The empirical results this far indicate mixed outcomes in the sense that some researchers (Kashif, 2008; Zubaidak, Nurmala, & Kamaruzaman, 2009) concluded that board size have a positive impact on firm performance. Zahra and Pearce (2009) opine that there is a high possibility that a large board will make better informed decisions. Ning, Davidson and Wang (2010); Connell and Cramer (2010), concluded that a negative relationship exists. Additionally, some studies report inconsistent relationships between board size and firm performance (Li and Niu, 2006; Frick and Andreas, 2010).

In the context of Nigeria, Ndum and Oranefo's (2021) study found a positive but insignificant effect of board size on return on assets for conglomerate firms. Sagin and Suleman (2019) highlighted correlations between CEO's duality and board size with firm performance, suggesting the need for reduced board sizes for enhanced efficiency. Gbadebo (2019) also found mixed results, with board size showing a negative and significant influence on return on equity but a negative and insignificant relationship with return on assets.

The differing results underscore the intricacy of the connection between board size and firm performance. Factors such as industry, governance structure, and the specific context of the organization may influence these relationships. Consequently, further research and context-specific analyses are necessary to gain a comprehensive understanding of how board size affects firm performance in diverse settings.

### **2.3.2 Audit Committee and Firm performance**

The audit committee plays a crucial role in supporting the board of directors by evaluating and implementing effective internal control systems. It also concentrates on financial risk and risk management oversight.

Oluwole (2021), examined the effect of corporate governance on commercial banks profitability in Nigeria for a period covering 2009 to 2018. Secondary data were collected from audited financial of selected banks. Audit Committee size, Board size, Audit Committee Meeting and Board Number of Meeting were the independent variables measuring the corporate governance while earnings per share of selected banks were proxied as the dependent variable to measure financial performance. Data were analyzed by employing panel regression. The results showed that audit committee size, board size and number of board meetings had a positive and significant relationship with the Earnings per share of the banks. However, Audit committee number of meeting had a negative and significant relationship with earnings per share.

### **2.3.3. Board Gender and Firm Performance**

The research on board gender diversity and its impact on firm performance presents diverse findings across different countries and industries. Joe and Lillian (2011), found a negative relationship between the percentage of women in the board and firm performance in South African countries. Famoti and Adeyeye (2013), found a positive effect for this relationship for Nigerian firms. This was also in agreement with the result of (Carter, Simkins, & Simpson, 2003) who found a positive relationship for a sample of US firms.

Urhoghide and Korolo (2017), examined the effect of corporate governance on firm performance of quoted oil and gas companies in Nigeria for a period of 2008 to 2018. Their study revealed significant positive impacts of both board size and board gender diversity on Profit After Tax (PAT) for the sampled firms. Similarly, Sixtus, Samuel, and Shukriyya (2019) found that gender diversity had a significant positive impact on the financial performance of banks based on their annual reports from 2006 to 2017.

These results indicate that the relationship between board gender diversity and firm performance is complex and context-dependent, varying across different countries and sectors. Factors such as cultural norms, industry dynamics, and corporate practices can influence these relationships. Therefore, it is essential for further research to explore these factors in depth to provide a nuanced understanding of the impact of board gender diversity on firm performance in specific contexts.

#### **2.3.4. Board Independence and Firm Performance**

The study of board independence and its relationship with firm performance has generated mixed results in the literature. While some studies interchange the terms independent directors with non-executive or outside directors, it's important to recognize that not all non-executive directors are automatically independent.

Ogunsanwo (2019) explored the impact of corporate governance, including board independence, on firm performance in Nigeria from 2013 to 2017. Using Return on Asset (ROA) as the measure of firm performance, the study found a positive effect of board independence on ROA for the sampled firms in the banking and non-financial sectors.

However, the literature review indicates a diverse range of findings. Some studies demonstrate a negative relationship between corporate governance proxy variables and firm financial performance, while others establish a positive relationship. Additionally, there are studies that present independent and mixed relationships between these proxies.

These varying results highlight the complexity of the relationship between board independence and firm performance. Factors such as industry context, corporate governance practices, and specific proxy variables utilized in the studies can contribute to these diverse findings. Additional research, particularly with a focus on specific industries and regions, has the potential to offer more profound insights into the intricate relationship between board independence and firm performance.

## **2.4 Theoretical Framework**

The importance of understanding and studying the concept and impact of corporate governance practices on company performance is undeniable. Several theories have been developed to elucidate the relationship between corporate governance and firm performance. The most commonly utilized theories include Agency theory, Stewardship theory, Resource Dependence theory, Stakeholder theory, Transaction Cost theory, and Political theory. However, this study is based on the Agency theory and Stewardship theory.

### **2.4.1 Agency Theory**

Absolutely, Agency theory is a fundamental concept in the realm of corporate governance. It sheds light on the intricate relationship between shareholders (the principals) and the managers or executives (the agents) of an organization. This theory, developed by

scholars like Berle and Means in 1932 and further refined by Jensen and Meckling in 1976, provides a framework for understanding how conflicts of interest between these parties can arise.

Agency theory was formed on the basis of agency interactions which arise when there is a contract delegating decision making authority from the principals to the agents (Jensen & Meckling, 1976). In the context of agency theory, the expectation is for the agents to act and make decisions that align with the best interests of the principals. On the contrary, the agent may not necessarily make decisions in the best interest of the principal. Such a problem was first highlighted by Adam Smith in the 18th century.

In a principal-agent relationship, there exists a fiduciary bond of confidence and trust between the parties, with the expectation that agents act in accordance with the orders and best interests of the principals. Nevertheless, agency theory, based on the assumptions of economic rationality and self-interest, posits that conflicts are inherent in principal-agent relationships. According to Merkl-Davies and Brennan (2014), economic rationality is the presumption that participants in the economy are highly rational and aim to maximize predicted benefit. The assumptions of economic rationality and self-interest suggest that opportunistic behavior will arise in situations where agents' interests' conflict with those of the principals, and agents will seek to maximize their own utility regardless of the impact their actions have on the principals (Fama and Jensen, 1983). Indeed, self-interested managers may engage in activities such as investing in high-risk capital projects or offering excessive compensation when contracts are not enforced or do not apply to the specific

circumstances. The relationship between shareholders and management is shaped by contractual obligations and the pursuit of utility, viewed through the lens of agency theory. However, the agency problem, stemming from the separation of ownership and control, is directly associated with agency theory. It highlights a knowledge gap arising from the fact that managers typically possess more information about the actual performance and operations of the organization compared to the investment community. Investors who lack information become less inclined to trade, and the presence of asymmetric information makes them seek an information risk premium. According to the agency theory, organizations with significant agency issues will try to mitigate them by implementing various control measures.

Agency cost comprises of expenses incurred to control the agency problem and cost related to the fallout from a partial solution to the problem. As framed by Jensen and Meckling (1976), agency costs are a function of monitoring costs, bonding costs and residual loss. Monitoring costs are expenses borne by the principals and encompass the costs associated with overseeing, assessing, and regulating activities. Monitoring expenses include cost of hiring independent outside directors to keep an eye on CEO behavior as well as disclosure and assurance of information. Bonding costs are shouldered by agents, and they arise when agents utilize or commit to specific control mechanisms as a form of assurance that they will not act contrary to the interests of the principals. These mechanisms may also serve to guarantee that principals are compensated in case of any misconduct. Examples of bonding costs include cost related to internal audits and performance-based executive compensation. While monitoring systems and performance-based compensation contracts are

employed to align managers' incentives with shareholders' interests, these measures often fall short of fully mitigating agency conflicts. When an agency problem is inadequately managed or controlled, it can lead to residual losses, resulting in the misappropriation of corporate funds or negligence of duties.

In addition to agency costs, political costs represent another form of contracting cost that can shed light on managers' perspectives regarding disclosure. According to Watts and Zimmerman (1978), external groups like interest groups, politicians and the government have the authority to influence organization income redistribution through the imposition of rules, corporate levies, or product boycotts. Big Politically inclined organizations with high revenues are however subject to scrutiny from these external groups and may therefore voluntarily disclose information to reduce risks and high political costs. According to De Villiers and Van Staden (2006), organizations provide more environmental information on their websites during environmental crises to lessen negative political attention. The rise in voluntary disclosures suggests that the issues are being effectively addressed and do not necessitate consumer action or regulatory intervention, thereby reducing political costs.

Corporate governance and voluntary disclosures serve as two monitoring mechanisms employed to mitigate agency problems and protect the interests of shareholders. For the benefit of the organization's shareholders, corporate governance mechanisms are used to maintain effective corporate operations and to give control over managerial actions while investors use corporate disclosures as a tool to monitor executive decisions. Voluntary disclosures play a vital role in addressing the challenge of information asymmetry, including

information generated by intermediaries like financial analysts and media reporters. However, in cases where internal controls are weak, particularly when powerful controlling shareholders dominate the boards and influence decision-making, there is a greater need for additional monitoring, and voluntary disclosure becomes a suitable control mechanism. In situations where internal controls are robust, the relationship between internal governance controls and voluntary disclosures can take on a complementary or substitutive nature. According to agency theory, the adoption of more governance mechanisms enhances internal control and reduces the likelihood of managers withholding information when they are subject to intense scrutiny. This holds true if these methods are effectively implemented. This is true if the methods are complementary. For instance, since their worth as an outside director is mostly based on the performance of the companies they are involved in, independent directors will therefore have an incentive to oversee management and encourage additional monitoring methods (Donnelly and Mulcahy, 2008) thereby resulting in improved disclosure quality and comprehensiveness. Conversely, the relationship between the two mechanisms may become substitutive when one of them is sufficient to mitigate the agency problem. Voluntary disclosures come with their own costs, and if agency conflicts and information asymmetry can be effectively reduced through alternative approaches like robust internal governance structures, there might be reduced or even no necessity for voluntary disclosures.

## 2.4.2 Stewardship Theory

Stewardship theory has its roots from psychology and sociology and is defined by Davis, Schoorman & Donaldson (1997) as “a steward protects and maximizes shareholder’s wealth through firm performance, because by so doing, the steward’s utility functions is maximized”. The theory is also about the employment relationship between two parties, the principal (owner) and the steward manager (Donaldson & Davis 1991). It emphasizes the importance of trust, mutual goals, and pro-social behavior in the principal-steward (or owner-manager) relationship.

Stewardship theory proposes that stewards will act in a pro-social manner, meaning their behavior is oriented towards the interests of the principal and, consequently, the organization. This relationship is strengthened by the quality of the bond between the principal and steward, as well as the organizational environment and its values. Maximum firm performance such as sales growth or profitability is the desired outcome of a stewardship perspective (Davis *et al.*, 1997; Tosi *et al.*, 2003). Theory suggests this outcome is achieved when both principal and the manager in the employment relationship decide to behave as stewards (Davis *et al.*, 1997).

The theory's focus on interpersonal relationships, choice, and the psychological factors shaping behavior provides a valuable perspective on corporate governance. It suggests that fostering a culture of trust and mutual respect within an organization can lead to positive outcomes, including enhanced performance and value creation.

The theory acknowledges the fundamentals of structures that empower the steward, allowing for the greatest degree of autonomy based on trust, reduces the cost of monitoring and behavior control mechanisms (Amah & Ekwe, 2021).

The stewardship theory suggests that involvement-oriented, collectivist, and low power distance cultures play a significant role in influencing the choice of stewardship behavior. An involvement-oriented management philosophy is characterized by an environment where employees are entrusted with challenges, opportunities, and responsibilities. In organizations with a collectivist culture, individuals prioritize the goals of the collective over their personal interests. The emphasis is on a sense of belonging, identification, and displaying loyalty due to the close-knit social framework within the organization. Stewardship theory is rooted in a humanistic model of human behavior, drawing from sociology and psychology (Donaldson & Davis, 1991). This model posits that individuals are driven by the fulfillment of higher-order needs. In the principal-steward relationship, a steward places the interests of the principal ahead of their self-serving interests. The principal, in turn, creates an organizational structure where these stewardship behaviors can flourish. Consequently, the stewardship structure is viewed as collectivistic and cooperative, resulting in positive benefits for the organization.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the scientific methods and techniques employed in carrying out the study. In doing this, the following sections are examined; research design, population and sample size, source of data, model specification and method of data analysis and operationalization.

#### **3.2 Research Design**

This study employs an ex-post facto research design, which is utilized to describe the statistical association between two or more variables. The research utilizes data extracted from documented historical records found in the annual reports and accounts of specific publicly traded companies listed on the Nigerian Exchange Group for a five-year period spanning from 2018 to 2022.

#### **3.3 Population and Sample Size**

Usually in a research, the research decides on whom and what to study. This means clearly defining the population of interest. The population of this study is the entire firms in oil and gas sector quoted on the Nigerian Exchange Group which amounts to nine (9) as at 2023. This study covered a period of 5 years from 2018 to 2022. A random sampling technique was used and five (5) companies were drawn from the entire population as sample size.

### 3.4 Sources of Data

The sources of data in this research are the secondary data. The secondary data were extracted from the annual reports of the selected companies together with the use of Nigerian Exchange Group Plc (NGX) facts book, covering a period of five (5) years from 2018 to 2022.

### 3.5 Model Specification

The model of this study is stated in mathematical form as:

$$FP = f(BS, AC, BGEN, BIND)$$

The above function is stated in stochastic form as:

$$FP_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 AC_{it} + \beta_3 BGEN_{it} + \beta_4 BIND_{it} + \epsilon_{it}$$

Where:

FP = firm Performance

$\beta_0$ -  $\beta_4$  = Coefficients

BS = Board size

AC = Audit committee

BGEN = Board Gender

BIND = Board Independence

$\epsilon$  = Error Terms

i = firms over a cross section

t = time over a period

### 3.6 Data Analysis Techniques

In this study, various techniques were utilized to analyze the data. Initially, descriptive statistics were computed, including measures such as mean, median, standard deviation, minimum, maximum values, skewness, kurtosis, and a correlation matrix. Additionally, inferential statistics were employed, such as panel regression analysis using the generalized least square (GLS) techniques. These methods enable the analysis and consideration of both cross-sectional and time-series aspects of the sampled companies.

### 3.7 Operationalization of Variables

Here, we attempt to state clearly how the variables employed in the construct are measured with a viewing to enhancing the process analysis. In this study, the variables, dependent and independent variables are operationalized as follows:

**Table 3.1:** Operationalization of variables

S/N	VARIABLES	CODE	MEASUREMENT	PRIOR-STUDIES
1.	Firm Performance	FP	Return on Asset (ROA)	Joe & Lillian (2011)
2.	Board Size	BS	The total number of directors	Kashif (2008), Zubaidah et al (2009)
3.	Audit Committee	AC	Proportion of independent directors on audit committee.	Oluwole (2021), Appuhami and TashaKor (2017)
4.	Board Gender	BGEN	Comprises of both male and female board members.	Urhoghide and Korolo (2017),
5.	Board Independence	BIND	Percentage of independent non-executive directors on board	Ogunsanwo (2019)

*Source: Researcher's Compilation, 2023*

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSES AND EMPIRICAL RESULTS**

#### **4.1 Introduction**

This study focused on assessing the impact of sound corporate governance practices on the performance of Nigerian oil and gas companies that consistently published their audited annual financial reports during the period from 2018 to 2022. The sample for this study consisted of five (5) publicly listed oil and gas firms to ensure a sufficient number of observations for statistical testing. To achieve this, a balanced panel data analysis approach was employed to examine the specific attributes related to good corporate governance (including board size, audit committee, board independence, and board gender diversity) in selected Nigerian quoted firms. As part of the analysis, the study conducted descriptive statistics, correlation matrix assessment, and balanced regression analysis to draw insights from the data.

#### **4.2 Data Analyses and Interpretation**

The study presents seven tables, each accompanied by an analysis of the numerical implications. These tables offer numeric information that describes various aspects of the collected data, providing insights into the dataset's characteristics and findings.

#### 4.2.1 Descriptive Statistics

**Table 4.1: Descriptive Statistics**

	ROA	BSIZE	BGEN	AC	BIND
Mean	0.105588	9.397802	1.349451	8.046154	0.376264
Median	0.059300	9.000000	1.000000	8.000000	0.300000
Maximum	4.045500	20.000000	3.000000	7.000000	1.000000
Minimum	-0.202000	4.000000	0.000000	3.000000	0.100000
Std. Dev.	0.214849	2.935052	0.707788	2.840872	0.183479
Skewness	13.87399	0.912316	0.280778	0.716668	1.339603
Kurtosis	250.2656	3.711077	2.941955	3.107952	5.825387
Jarque-Bera	1173715.	72.70355	6.042311	39.16995	287.4264
Probability	0.000000	0.000000	0.048745	0.000000	0.000000
Observations	25	25	25	25	25

**Source: Researcher's Compilation (2023)**

The results of the descriptive statistics, as presented in Table 4.1, show large Jarque-Bera statistics with highly significant p-values, all below the 0.05 benchmark. For example, the Jarque-Bera statistic for firm performance (ROA) is 117315, making it the highest Jarque-Bera score, while the variable of board gender diversity (BGEN) has the lowest Jarque-Bera score in the table. These large Jarque-Bera statistics indicate that the regression variables follow a non-normal distribution. The associated probability values for all variables are very

close to zero (0.00000), indicating a strong departure from a normal distribution. The standard deviation statistics results (0.214849 for firm performance) suggest a small dispersion of the variables from their respective mean values, further confirming a non-normal distribution.

The descriptive statistics reveal that the mean value of firm performance (ROA) for the sampled period is approximately 0.1056, with the maximum and minimum values of ROA ranging between 4.0455 and -0.202. This variable is crucial as it signifies the return on assets or investment of the firm. Additionally, the board size (BSIZE) variable has an average mean value of 9.398, with the highest and lowest values being 20 and 4, respectively. These figures indicate the range of board sizes among the sampled companies, with the highest having 20 members and the lowest having 4. This range is considered sufficient for shaping appropriate policies and fostering good corporate governance practices that encourage firm performance. The variable of board independence (BIN) reports a mean value of 0.38, with minimum and maximum values of 1 and 0.10, respectively. The mean value of board gender diversity (BGEN) is 1.35, while the minimum and maximum values are 3 and 0, respectively. The results suggest that there is a limited number of females among the sampled companies, which is comparatively lower than the male counterparts. The proportion of female and male board members has a mean value of 0.193.

#### **4.2.2 Empirical Results of the Analysis**

The study further performed econometric analysis to examine the behavior of the study variables, especially in relation to the dependent variable, within the framework of

econometric data analysis. The study also conducted variable estimations to assess the study's hypotheses.

#### 4.2.2a Correlation Analysis

In an effort to investigate the relationships between the variables employed in the study, we conducted a correlation analysis using the Pearson product-moment correlation method, as depicted in Table 4 below.

**Table 4.2: Correlation Matrix**

Covariance Analysis: Ordinary					
Date: 9/20/23 Time: 17:20					
Sample: 2018 2022					
Included observations: 25					
Balanced sample (listwise missing value deletion)					
Correlation					
t-Statistic					
Probability	PROF	BSIZE	BGEN	AC	BIND
ROA	1.000000				
	-----				
	-----				
BSIZE	-0.039291	1.000000			
	-0.836909	-----			
	0.4031	-----			
BGEN	0.031085	0.241481	1.000000		
	0.661920	5.296372	-----		
	0.5084	0.0000	-----		
AC	-0.077341	0.968338	-0.001466	1.000000	
	-1.651059	82.55828	-0.031206	-----	
	0.0994	0.0000	0.9751	-----	
BIND	0.032887	0.088742	-0.015705	0.093806	1.000000
	0.700335	1.896241	-0.334301	2.005387	-----
	0.4841	0.0586	0.7383	0.0455	-----

*Source: Researcher's Compilation (2023)*

The table above illustrates the relationships between the variables and how they influence each other. A variable's coefficient of correlation with itself is 1.000, indicating a perfect correlation within the same variable. The results of the correlation coefficients show a mixture of positive and negative correlations. The explanatory variables of board size and audit committee exhibit negative correlations, while the other explanatory variables show positive correlations. These coefficients are generally strong, with the exception of the variable of board gender diversity (BGEN), which has the highest coefficient. The highest correlation coefficient, 0.5048, is observed between the dependent variable of firm performance (proxied by return on assets - ROA) and the explanatory variable of board gender diversity (BGEN). However, this coefficient is not problematic as it falls below the 0.80 benchmark, indicating no issues of multicollinearity. This absence of multicollinearity concerns is further supported by the results of classical regression diagnostics.

#### **4.2.3 Diagnostic Tests**

To ensure the reliability and validity of the empirical results, diagnostic tests were conducted. The study employed the heteroskedastic test using the Breusch-Pagan-Godfrey test to examine the presence of multicollinearity in the model. Additionally, the Ramsey Reset Test was used to assess whether the model is correctly specified. These tests help ensure that the empirical results are robust and accurate.

### 4.2.3a Diagnostic Tests

**Table 4.3: Result of the classical regression assumptions**

<i>S/N</i>	<i>Diagnostic Test</i>	<i>F-statistics</i>	<i>Probability</i>
1	<i>Serial Correlation</i>	6.447337	0.0617
2	<i>Heteroskedasticity</i>	18.48854	0.0000
3	<i>Ramsey RESET</i>	15.34366	0.0651

**Source: Researcher's Compilation (2023)**

The results of the classical regression diagnostics led to the rejection of the respective null hypotheses. Here are the findings of each diagnostic test. Serial Correlation Test: The test of serial correlation indicated that the regression variables are not serially correlated. The probability value of this test is 0.0617, which is above the typical benchmark of 0.05. As a result, the alternate hypothesis of no serial correlation is accepted. Heteroskedasticity Test (Breusch-Pagan-Godfrey): The test for heteroskedastic residuals accepted the null hypothesis of homoscedastic residuals and rejected the alternate hypothesis of heteroskedastic residuals. The probability value for this test is 0.0000, which is below the 0.05 benchmark. Model Accuracy Test (Ramsey RESET Test): The Ramsey RESET test for model accuracy rejected the null hypothesis of a mis-specified model and accepted the alternate hypothesis of a well-specified model. The probability value for this test is 0.0651, which is above the 0.05 benchmark. These diagnostic results help confirm the reliability and appropriateness of the model for the study.

#### 4.2.4 Regression Result

**Table 4.4: Estimation of the Regression Equation**

*Results of the panel regression showing fixed and random effect models*

	<b><i>POOLED EFFECT</i></b>	<b><i>FIXED EFFECT</i></b>	<b><i>RANDOM EFFECT</i></b>
<i>CONSTANT</i>	0.162488	0.151360	0.166593
	3.073453	1.390322	2.621773
	0.0022	0.1652	0.0090
<i>BSIZE</i>	0.619514	0.623318	0.626642
	11.88151	11.78302	12.42759
	0.0000	0.0000	0.000
<i>BGEN</i>	-0.59659	-0.58424	-0.59565
	-9.89871	-8.67874	-9.82557
	0.0000	0.0000	0.0000
<i>AC</i>	-0.6291	-0.64288	-0.63860
	-11.9343	-12.1406	-12.5365
	0.0000	0.0000	0.0000
<i>BIND</i>	0.030316	0.260624	0.065413
	0.628284	2.245147	1.075436
	0.5301	0.0253	0.2828
<i>R-SQUARED</i>	0.245765	0.441283	0.265223
<i>ADJUSTED R-SQUARED</i>	0.237366	0.341150	0.257041
<i>F-STATISTIC</i>	29.26105	4.406941	32.41397
<i>PROBABILITY</i>	0.000000	0.00000	0.00000
<i>DURBIN WATSON STATISTIC</i>	1.287161	1.740192	1.490568
<i>HAUSMAN TEST STATISTIC</i>			0.0413
<i>TOTAL BALANCED OBSERVATION</i>	<b>25</b>	<b>25</b>	<b>25</b>

**Source: Researcher's Compilation (2023)**

In the regression analysis, all regressions include a constant, and the following highlights key aspects of the results. Variable Significance: The probability values and

coefficient of variation of the variables indicate that they are significant at the 5% level. Hausman Test: The result of the Hausman test, with a probability value of 0.0413, suggests a preference for the fixed effect model. This indicates that there is no substantial difference between the error component model (fixed effect model) and the random effect model. Therefore, the analysis focuses on the fixed effect model. Adjusted R-Squared: The adjusted R-squared value of 0.441283 implies that approximately 44% of the systematic sectional variation in the dependent variable, which is firm performance proxied by return on assets (ROA), is accounted for by the explanatory variables (board size, board gender diversity, audit committee, and board independence).

Unexplained Variation: About 56% of the systematic variation in firm performance remains unaccounted for by the explanatory variables. This indicates that the explanatory variables reasonably explain the movement of firm performance in the sampled companies. When the model was adjusted, the explanatory variables explain 34% of the systematic variation in firm performance. F-Statistic: The F-statistic of 4.406941 is substantially significant and close to the 5% benchmark, making it acceptable. The associated probability value of 0.00000 is significant and indicates the presence of a linear relationship between the dependent and explanatory variables. Individual Coefficients: The individual coefficients of the results show that board gender (BGEN) and audit committee (AC) has negative and statistically significant relationships with firm performance based on their respective coefficient and t-statistics. On the other hand, the variables of board size (BSIZE) and board independence (BIND) have positive and statistically significant relationships with firm

performance. These findings provide valuable insights into the relationships between corporate governance practices and firm performance.

### **4.3 Discussion of Findings**

The analysis reveals a positive and statistically significant relationship between board size (BSIZE) and firm performance (proxied by return on assets – ROA) in Nigerian oil and gas firms. This suggests that larger boards have a favorable impact on financial performance. The significance test for the board size coefficient at a five percent level leads to the rejection of the null hypothesis, indicating that board size significantly influences financial performance in Nigeria. This finding aligns with the stakeholder theory, which emphasizes a broader role for corporate governance, extending beyond monitoring management to ensure accountability to a wide range of stakeholders returns in terms dividend are constantly made on the investment entrusted to the board. In summary, a larger board size is associated with improved financial performance in Nigerian oil and gas companies. Tukur and Bilkisu (2014) and Omoye and Eriki (2013) found a significant positive relationship between board size and financial performance but the study of Marimuthu and Koladaisamy, (2019) found no association between board size and financial performance.

The findings of this study indicate a statistically insignificant and negative relationship between board gender diversity (BGEN) and the financial performance of the sampled firms in Nigeria, as assessed through the return on assets (ROA). The coefficient of the board gender variable (BGEN) did not exhibit statistical significance at the five percent significance level. Consequently, we accept the null hypothesis that board gender diversity

(BGEN) does not have a discernible impact on financial performance, as proxied by return on assets (ROA), in the Nigerian context. Simply, this outcome demonstrates that a board that is dominated with female does not influence or is a determinant of firm performance in Nigeria. This finding is against the generally accepted that the female counter dominating the board will lead to higher performance. The finding indicated the higher the number of female in the board do not lead to profitability of the firm, as a matter of fact the results show that a board dominated by female lead to loss of profit due to the negative relationship between board gender and firm performance This finding is supported by Harris (2014) Tukur and Bilkisu (2014), that an inverse relationship exist between a board dominated by female and financial performance but Hili and Affes (2012) found a relationship between financial performance and female dominance in the board of directors.

The findings regarding the audit committee (AC) indicated a statistically insignificant and negative correlation with firm performance, as measured by return on assets (ROA), within the Nigerian sample. When subject to the hypothesis test, the audit committee coefficient did not demonstrate significant relevance at the five percent level. Therefore, we reject the alternative hypothesis that audit committee influences firm performance in Nigeria. This result failed to collaborates the findings of previous studies Tukur and Bilkisu (2014). Oluwole (2021) the results showed that audit committee size, board size and number of board meetings had a positive and significant relationship with the Earnings per share of the banks. Nonetheless, the number of meetings held by the audit committee displayed a noteworthy negative association with earnings per share.

Lastly, board independence revealed a positive and statistically significant connection with firm performance within the Nigerian firms in the sample. As the coefficient of board independence (BIND) met the significance criteria at the five percent level, we reject the null hypothesis and accept the alternate hypothesis, signifying that board independence indeed influences firm performance in Nigeria. In essence, the independence of the board exerts a substantial influence on performance, with the percentage of external members on boards significantly affecting firm performance.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This study examined the effect of good corporate governance practices on the performance of Nigerian oil and gas firms, a review of extant literature has been conducted and empirical examination carried out. Hence, in this chapter, we summarize, conclude and make recommendations on the empirical findings of the factors

#### 5.2 Summary of Findings

Aligning with the overarching goal of our research, which is to examine the impact of effective corporate governance practices on the performance of Nigerian companies, we have carried out empirical analyses and provided discussions on our findings. Based on our investigation, we have identified that:

1. Board size (BSIZE) had a positive and statistically significant relationship with firm performance proxied by return on asset (ROA) Nigeria.
2. Board gender (BGEN) had a negative and statistically insignificant relationship with firm performance proxied by return on asset (ROA) in Nigeria.
3. Audit committee (AC) had a negative and statistically insignificant relationship with firm performance proxied by return on asset (ROA) in Nigeria.
4. Board independence (BIND) had a positive and statistically significant relationship with firm performance proxied by return on asset (ROA) in Nigeria.

### **5.3 Conclusion**

This research delved into the impact of effective corporate governance practices on the performance of Nigerian companies. The study specifically explored the influence of gender diversity within the board of directors on a company's performance. The board of directors plays a vital role in shaping an organization's policies and strategic direction, which in turn drives the overall success of the firm. Therefore, corporate governance factors, including the number of independent board members, their tenure, board size, and diversity concerning gender, age, ethnicity, nationality, educational backgrounds, industry experience, and organizational affiliations, could potentially affect a company's performance. Panel data from listed companies on the Nigerian Exchange Group from 2018 to 2022 were analyzed to understand the behavior of the sampled companies. The study focused on board size, board gender diversity, audit committees, and board independence as potential determinants of firm performance, utilizing ordinary panel data analysis to assess corporate firm performance, measured by return on assets. The findings revealed that board independence and board gender diversity significantly influenced firm performance within the sample companies.

### **5.4 Policy Recommendations**

Several recommendations aimed at enhancing good corporate governance practices and bolstering board effectiveness in dealing with firms emerge from this section. These proposed measures include:

1. **Ensuring Balanced Board Representation:** The study suggests that achieving an appropriate balance between executive and non-executive board members can

contribute to improved financial performance. A board composition that predominantly represents management without adequate shareholder representation may lead to a higher risk of failure.

2. Careful Consideration of Board Independence: It's essential to exercise caution concerning the relationship between board independence and future business operations. The study highlights that the purpose of board independence can impact its effectiveness. If the goal is to enhance performance, this approach may need to be reconsidered. However, if the aim is to discipline management and align management's interests with stakeholders, board independence holds merit.
3. Raising Awareness and Institutional Changes: The findings of this study can raise awareness of corporate governance practices in the country. They may also serve as a catalyst for further institutional changes designed to promote sustainable growth.
4. Strengthening Regulatory Capacity: There is a need to enhance the capacity of regulatory bodies and review the adequacy of legal enforcement provisions.
5. Promoting Gender Diversity: Policy makers should consider measures to increase the representation of females on boards. This study suggests that a higher ratio of female board members can positively impact financial performance. Regulatory authorities may consider requiring incorporated companies to include a minimum number of female members on their boards.

## **5.5 Contributions to Knowledge**

1. This research sheds light on the influence of corporate governance practices on firm performance, addressing a major concern for corporate managers and investors seeking to understand the factors that affect firm performance.
2. The study provides valuable insights into corporate governance and firm performance, revealing that in Nigeria, male-to-female board member ratios are approximately 75% to 25%, as determined by the study's outcomes.

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## APPENDIX I

### DATA COLLECTION

<b>Name of Companies</b>	<b>Year</b>	<b>ROA</b>	<b>Board size</b>	<b>Audit Committee</b>	<b>Board Gender</b>	<b>Board Independence</b>
ARDOVA PLC	2018	0.012	16	16	16	17
	2019	0.011	13	14	13	19
	2020	0.017	17	12	17	15
	2021	0.017	19	15	19	15
	2022	0.039	15	12	15	16
CAPITALOIL PLC	2018	0.029	17	17	17	15
	2019	0.027	18	18	18	17
	2020	0.032	12	14	12	15
	2021	0.007	18	10	18	15
	2022	0.014	18	12	18	16
CONOIL PLC	2018	0.027	12	15	12	15
	2019	0.026	16	17	16	19
	2020	0.032	14	13	14	15
	2021	0.012	15	12	15	15
	2022	0.014	15	17	15	16
ETERNA PLC	2018	0.007	12	12	12	11
	2019	0.016	11	12	11	10
	2020	0.022	11	10	11	15
	2021	0.019	16	11	16	15
	2022	0.027	12	13	12	16
JAPUAL GOLD & VENTURES PLC	2018	0.039	13	12	13	14
	2019	0.02	13	10	13	11
	2020	0.069	12	15	12	12
	2021	0.004	12	13	12	11
	2022	0.024	18	14	10	10

## APPENDIX II

### Regression Results

	ROA	BSIZE	BGEN	AC	BIND
Mean	0.105588	9.397802	1.349451	8.046154	0.376264
Median	0.059300	9.000000	1.000000	8.000000	0.300000
Maximum	4.045500	20.00000	3.000000	17.00000	1.000000
Minimum	-0.202000	4.000000	0.000000	3.000000	0.100000
Std. Dev.	0.214849	2.935052	0.707788	2.840872	0.183479
Skewness	13.87399	0.912316	0.280778	0.716668	1.339603
Kurtosis	250.2656	3.711077	2.941955	3.107952	5.825387
Jarque-Bera	1173715.	72.70355	6.042311	39.16995	287.4264
Probability	0.000000	0.000000	0.048745	0.000000	0.000000
Sum	48.04274	4276.000	614.0000	3661.000	171.2000
Sum Sq. Dev.	20.95673	3910.998	227.4374	3664.031	15.28365
Observations	25	25	25	25	25

Covariance Analysis: Ordinary

Date: 9/20/23 Time: 17:20

Sample: 2018 2022

Included observations: 25

Balanced sample (listwise missing value deletion)

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Correlation

t-Statistic

Probability

	ROA	BSIZE	BGEN	AC	BIND
ROA	1.000000				
	-----				
	-----				
BSIZE	-0.039291	1.000000			
	-0.836909	-----			
	0.4031	-----			
BGEN	0.031085	0.241481	1.000000		
	0.661920	5.296372	-----		
	0.5084	0.0000	-----		

AC	-0.077341	0.968338	-0.001466	1.000000	
	-1.651059	82.55828	-0.031206	-----	
	0.0994	0.0000	0.9751	-----	
BIND	0.032887	0.088742	-0.015705	0.093806	1.000000
	0.700335	1.896241	-0.334301	2.005387	-----
	0.4841	0.0586	0.7383	0.0455	-----

## POOLED

Dependent Variable: ROA

Method: Panel Least Squares

Date: 9/20/23 Time: 17:22

Sample: 2018 2022

Periods included: 5

Total panel (balanced) observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.162488	0.052868	3.073453	0.0022
BFSIZE	0.619514	0.052141	11.88151	0.0000
BGEN	-0.596590	0.060269	-9.898718	0.0000
AC	-0.629105	0.052714	-11.93435	0.0000
BIND	0.030316	0.048252	0.628284	0.5301

R-squared	0.245765	Mean dependent var	0.105588
Adjusted R-squared	0.237366	S.D. dependent var	0.214849
S.E. of regression	0.187626	Akaike info criterion	-0.495638
Sum squared resid	15.80630	Schwarz criterion	-0.441305
Log likelihood	118.7577	Hannan-Quinn criter.	-0.474233
F-statistic	29.26105	Durbin-Watson stat	1.287161
Prob(F-statistic)	0.000000		

## FIXED

Dependent Variable: ROA

Method: Panel Least Squares

Date: 9/20/23 Time: 17:23

Sample: 2018 2022

Periods included: 5

Total panel (balanced) observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.151360	0.108867	1.390322	0.1652
BSIZE	0.623318	0.052900	11.78302	0.0000
BGEN	-0.584249	0.067320	-8.678746	0.0000
AC	-0.642882	0.052953	-12.14060	0.0000
BIND	0.260624	0.116083	2.245147	0.0253

#### Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.441283	Mean dependent var	0.105588
Adjusted R-squared	0.341150	S.D. dependent var	0.214849
S.E. of regression	0.174392	Akaike info criterion	-0.514381
Sum squared resid	11.70888	Schwarz criterion	0.119511
Log likelihood	187.0216	Hannan-Quinn criter.	-0.264654
F-statistic	4.406941	Durbin-Watson stat	1.740192
Prob(F-statistic)	0.000000		

## RANDOM

Dependent Variable: ROA

Method: Panel EGLS (Cross-section random effects)

Date: 9/20/23 Time: 17:25

Sample: 2018 2022

Total panel (balanced) observations: 25

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.166593	0.063542	2.621773	0.0090
BSIZE	0.626642	0.050423	12.42759	0.0000
BGEN	-0.595652	0.060623	-9.825576	0.0000
AC	-0.638602	0.050939	-12.53653	0.0000
BIND	0.065413	0.060824	1.075436	0.2828

#### Effects Specification

	S.D.	Rho
Cross-section random	0.071015	0.1422

Idiosyncratic random 0.174392 0.8578

Weighted Statistics

R-squared	0.265223	Mean dependent var	0.071831
Adjusted R-squared	0.257041	S.D. dependent var	0.202470
S.E. of regression	0.174519	Sum squared resid	13.67521
F-statistic	32.41397	Durbin-Watson stat	1.490568
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.244554	Mean dependent var	0.105588
Sum squared resid	15.83167	Durbin-Watson stat	1.287535

**HUSMAN TEST**

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.654956	5	0.0413

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BFSIZE	0.623318	0.626642	0.000256	0.8354
BGEN	-0.584249	-0.595652	0.000857	0.6969
AC	-0.642882	-0.638602	0.000209	0.7673
BIND	0.260624	0.065413	0.009776	0.0483

Cross-section random effects test equation:

Dependent Variable: ROA

Method: Panel Least Squares

Date: 9/20/23 Time: 17:26

Sample: 2018 2022

Total panel (balanced) observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.151360	0.108867	1.390322	0.1652
BSIZE	0.623318	0.052900	11.78302	0.0000
BGEN	-0.584249	0.067320	-8.678746	0.0000
AC	-0.642882	0.052953	-12.14060	0.0000
BIND	0.260624	0.116083	2.245147	0.0253

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.441283	Mean dependent var	0.105588
Adjusted R-squared	0.341150	S.D. dependent var	0.214849
S.E. of regression	0.174392	Akaike info criterion	-0.514381
Sum squared resid	11.70888	Schwarz criterion	0.119511
Log likelihood	187.0216	Hannan-Quinn criter.	-0.264654
F-statistic	4.406941	Durbin-Watson stat	1.740192
Prob(F-statistic)	0.000000		