CENTRAL ASIAN JOURNAL OF INNOVATIONS ON TOURISM MANAGEMENT AND FINANCE

Volume: 02 Issue: 08 | Aug 2021 ISSN: 2660-454X

http://cajitmf.centralasianstudies.org/index.php/CAJITMF

# Corporate Governance and Financial Performance of Quoted Oil and Gas Companies in Nigeria

[1] **Akpanabia, Nsisuk H. (PhD.)**
[2] **UMOFFONG, NSIMA J. (PhD.)**

*Received 10th Jun 2021,*
*Accepted 21th Jul 2021,*
*Online 11th Aug 2021*

[1] Department of Management, Faculty of Management Sciences, Imo State University, Owerri
[2] Department of Accountancy
University of Uyo, Akwa Ibom State

**ABSTRACT**

This study examined corporate governance and financial performance of quoted oil and gas companies in Nigeria. The study used the published annual reports spanning the period 2008 to 2015. A sample of twelve (12) out of the fourteen (14) quoted companies in the oil and gas sector were used for this study. The Generalized Least Square (GLS) regression was employed to examine the relationship existing between the variables. The study found that Board size, board gender diversity and corporate governance practices have significant positive impact on financial performance. Board diligence and corporate governance reforms are positive but not significant while board political affiliation has significant negative relationship with financial performance of quoted oil and gas companies in Nigeria. In the light of the above findings, it is recommended that companies should ensure that boards are effective in discharging their roles in monitoring the activities of management and that attention should not be on frequency of board meetings because of its negative impact on financial performance.

## INTRODUCTION

The need for trust and transparency in the governance of corporate organizations has been one of concern for standard setters all over the world. This need has obviously spurred renewed interest in the corporate

governance practices of modern corporations, particularly in relation to accountability and economic performance (Houston, 2012). Good corporate governance is primarily concerned about the protection of the rights of shareholders which plays an important role in the development of capital market all over the world by protecting their interests (Kahan & Rock, 2013). Firm financial performance is a concept that supports the effective and efficient use of financial resources to achieve overall corporate objectives which include both shareholders wealth maximization and profit maximization objectives. Firms with good track records in term of financial performance tend to attract more investors. Firm financial performance is one of the determinants used by investors to make investment decision.

In view of Uwuigbe (2012), good corporate governance is widely believed to be an important factor in improving the value of a firm in every economy of the world, though the relationship between some corporate governance mechanisms and firm financial performance differs in emerging economies like Nigeria and other developed economies of the world. Empirical studies have shown that corporate governance plays an important role in improving the financial performance of a firm and there is a direct relationship between the two (Klapper & Love, 2013; Gompers, Ishii & Metric, 2013; Fama & Jensen, 2012).

## STATEMENT OF THE PROBLEM

The separation of ownership from the management of business organizations spurs a divergence of interest amongst the parties. The divergence of the interests of the management and its owners has undermined investors' confidence in the Board. Hence, investors are interested about the level of accountability displayed by the Board of directors. The outcry of investors and other stakeholders as a result of mismanagement and inadequate financial disclosures given by the management has deemed it necessary for the institution of sound corporate governance procedures

## OBJECTIVE OF THE STUDY

The general objective of this study is focused on corporate governance and financial performance of quoted oil and gas companies in Nigeria. The specific objectives include

1. To determine if there is any significant relationship between board size and financial performance of oil and gas companies in Nigeria.
2. Identify the extent board diversity significantly affect financial performance of oil and gas companies in Nigeria.
3. Find out the impact of board diligence on financial performance of oil and gas companies in Nigeria.
4. Analyses the extent board political affiliation enhances financial performance of oil and gas companies in Nigeria.
5. Find out the effects of corporate governance code reforms on financial performance of oil and gas companies in Nigeria.

## RESEARCH QUESTIONS

Based on our objectives, the following research questions guided the study.

1. What is the relationship between board size and financial performance of oil and gas companies in Nigeria?
2. To what extent does board diversity significantly affect financial performance of oil and gas companies in Nigeria?
3. What are the impacts of board diligence on financial performance of oil and gas companies in Nigeria?

4. To what extent does board political affiliation enhances financial performance of oil and gas companies in Nigeria?
5. What are effects of corporate governance code reforms on financial performance of oil and gas companies in Nigeria?

**RESEARCH HYPOTHESIS**

Based on the objectives of the study, the following research questions guided the study.

**Ho1:** There is no significant relationship between board size and financial performance of oil and gas companies in Nigeria.

**Ho2:** Board diversity does not significantly affect financial performance of oil and gas companies in Nigeria.

**Ho3:** There is no significant impact of board diligence on financial performance of oil and gas companies in Nigeria.

**Ho4:** Board political affiliation does not enhance financial performance of oil and gas companies in Nigeria.

**Ho5:** There is no significant effect of corporate governance code reforms on financial performance of oil and gas companies in Nigeria.

**LITERATURE REVIEW**

**Corporate Government**

The term corporate governance has been identified to mean different things to different people. Magdi and Nadereh (2012) stress that corporate governance is about ensuring that the business is run well and investors receive a fair return. Prior studies by OCED (1999) provide a more encompassing definition of corporate governance. It defines corporate governance as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different stakeholders in the corporation such as: the board, managers, shareholders, customers, employees, among others, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the companies' objectives are set and the means of attaining these objectives and monitoring performance (Wolfensohn, 2019; Uche, 2014 and Akinsulire, 2016). Shleifer and Vishny (2017) are of the opinion that corporate governance deals with the ways suppliers of finance to corporations assure themselves of getting a return on their investments.

Corporate organizations need to ensure that managers do not misappropriate the capital or invest in bad projects. Consequently, corporate governance is seen as "essentially about the prevention of theft", which can take place craftily executed by either the management or board or both of them (ICAN, 2009). Okene (2010) citing Farar (2015) maintain that corporate governance was used as a term forty years ago. The root of the term "governance" was from the Latin words "gubarnare" and "gubernator" which refer to "steering a ship" and to the "steerer or captain of the ship" respectively. Mensah (2013) states that corporate governance is an institutional arrangement which provide the discipline and checks over excesses of controlling managers. Fama and Jensen (2012) argued that corporate governance is a framework that controls and safeguards the interest of all stakeholders of an entity. The stakeholders include mangers, employees, customers, shareholders, executive management, suppliers and the board of directors. To them, the essence of corporate governance is to protect and safeguard the investment of shareholders.

**Firm Financial Performance**

The performance or value of a firm can be seen as the amount of utility or benefits derived from shares of a firm by the shareholders (Joe & Lilian, 2011). Firms with high value from the sales of their shares can be said to be performing well financially. Such high valued firms attract investors a lot thereby increasing the firm's prospect of further expansion. There are several measures to value a firm. Some widely used measures are discounted cash flow, present value, equity cash flow and weighted average cost of capital methods (Olatunji & Ojeka, 2011). For the purpose of this study, firm performance was measured using Profit After Tax (PAT). This ratio expresses the success of a firm in generating profits or returns from the resources owned. Profit is calculated after deducting all expenses and tax attributable to the returns. Drucker (1999) asserts that for a business enterprise to continue running, it must make profits.

**EMPIRICAL REVIEW**

Agu (2019) examined corporate governance and the performance of manufacturing firms in Akwa Ibom State. The study focused on the impact of corporate governance on the profitability, productivity, market expansion and customer patronage of the manufacturing companies. Based on the above, two research objectives, two research questions and one hypothesis were formulated and used. The researcher adopted descriptive survey research design and questionnaire was used as the primary source of data collection. The data collected were analyzed using simple percentage and chi-square. The findings revealed that corporate governance has significant positive impact on the profitability, productivity, market expansion and customer patronage of manufacturing companies in Akwa Ibom State. We therefore conclude in this study that the effectiveness and growth of Nigeria manufacturing companies depends on corporate governance. We therefore recommend that Nigeria organizations should effectively implement corporate governance strategy to enhance their performance and growth.

Thuraisingam (2013) in the study of the relationship between corporate governance and company performance of financial service industry with a sample of 33 banks listed in the CSE of Sri Lanka from year 2008 to 2011 and adopting simple linear regression model, discovered an insignificant association between board size, board composition, audit committee (measures of corporate governance) and measures of performance i.e. ROA and ROE.

Ibrahim and Abdul Samad (2011) looked at the relationship of corporate governance mechanism and performance between family and non-family ownership of public listed firm in Malaysia from 1999 through 2005 as measured by Tobin's Q, ROA and ROE. Results revealed that family ownership experiences higher value than non-family ownership based on ROE.

Xavier et al (2015) had a study on the effect of corporate governance measured by board size, CEO duality, institutional ownership and board composition on financial performance of commercial banks in Rwanda. With a sample of 92 senior managers and a descriptive research design, findings revealed that board size, board composition, CEO duality and institution ownership have no effect on performance. It was recommended that the regulatory body of commercial banks in Rwanda is to provide guidance on the use of corporate governance practices which may impact positively the financial performance of commercial banks.

Ahmed and Hamdan (2015) investigated impact of corporate governance on firm performance in Bahrain Stock Exchange (BSE), 42 financial companies were sampled from period 2007 to 2011 and descriptive results indicated that ROA and ROE are significantly related to corporate governance but EPS shows no relationship with corporate governance.

The study of Zabri, Ahmad and Wah (2015) focused on the relationship between corporate governance practices with firm performance. Descriptive and correlation analysis were used to examine the hypotheses where Board size and Board Independence were the corporate governance's indicators and

return on asset (ROA) and return on equity (ROE) as firm performance. The findings revealed that board size has significantly weak negative relationship with ROA but it was found to be insignificant to ROE. The other finding indicated that there was no relationship between board independence and firm performance.

Adeusi (2013) focused on board size and financial performance. It used survey and data were collected through questionnaire and analyses using ANOVA. IT found that increased board size is positively related with financial performance (ROA) of banks. Ishaya (2013) wrote on board composition firms‟ financial performance. It used secondary data through regression. It found that board composition has a significant but positive affiliation with firms‟ financial performance.

## THEORETICAL REVIEW

### Agency Theory

The principal–agent theory is generally considered the starting point for any argument on the issue of corporate governance. Berle and Means (2012) stated the fundamental agency problem of modern firm is primarily due to separation between and finance and management. Separation of ownership and control is seen as the main problem of modern firms, as these firms are therefore run by the professional managers who are the agents and cannot be held accountable by shareholders. The principals are faced with the problem of selecting the most capable managers, and also with the problem of giving the managers (agents) the right incentives to make decisions aligned with shareholders interest Jensen and Meckling (2016) argued that agency theory can be viewed as a nexus of contracts, implicit and explicit, among various stakeholders, such as shareholders, bondholders, employees, and the public which involves delegating some decision making authority to the agent. The agents here are the managers of corporations while the principal refers all the shareholders. A critique of the agency theory is the implicit presumption that, the conflicts are between strong, entrenched managers and weak, dispersed shareholders.

### Methodology

This study employed longitudinal research design. A longitudinal design involves repeated observations of the same variables over long periods of time unlike the cross-sectional design which examines variables at a point in time. The study used 12 out of the 14 companies listed in the oil and gas sector of the Nigeria Stock Exchange. The study aimed at using all the 14 listed companies but the occurrence of acquisition involving 2 of the companies reduced the sampled companies to 12. The study used secondary data retrieved from corporate annual reports of the sampled companies for 2008-2015 financial years. The study utilized the Generalized Least squares (GLS) regression estimation. The reason for the GLS regression is that GLS regression has the additional advantage that it corrects for the omitted variable bias and it allows for the examination for variations among cross-sectional units simultaneously with variations within individual units over time (Baum, 2008).

## MODEL SPECIFICATION

This study adopted the model of Uwuigbe (2012) which examined corporate governance and firm performance in Nigerian Banks. The model is specified thus:

$$ROAit = \beta o + \beta 1BOSt + \beta 2BCOMPt + \beta 3DEIt + \beta 4CGDIt + et \ldots\ldots\ldots\ldots\ldots\ldots (1)$$

This study modified Uwuigbe (2012) model by incorporating Board diversity, Board diligence and Board political affiliation. Importantly, also this study introduced a unique variable; Corporate Governance Reform dummy which is used to estimate the effect corporate governance reform on firm performance. Consequently, the model for this study is presented below:

$$FPjt = \lambda 0 + \lambda 1Bsizejt + \mu it \text{ ----------------------------------------------------------------------- } (1)$$

$FP_{jt} = \lambda_0 + \lambda_2 Bdiv_{jt} + \mu_{it}$------------------------------------------------------------------------ (2)

$FP_{jt} = \lambda_0 + \lambda_3 Bdili_{it} + \mu_{it}$------------------------------------------------------------------------ (3)

$FP_{jt} = \lambda_0 + \lambda_4 Bpol_{jt} + \mu_{it}$------------------------------------------------------------------------ (4)

$FP_{jt} = \lambda_0 + \lambda_5 CG\text{-}Disc_{jt} + \mu_{it}$-------------------------------------------------------------------- (5)

$FP_{jt} = \lambda_0 + \lambda_6 CG\text{-}Ref_{jt} + \mu_{it}$---------------------------------------------------------------------- (6)

$FP_{jt} = \lambda_0 + \lambda_1 Bsize_{jt} + \lambda_2 Bdiv_{jt} + \lambda_3 Bdili_{it} + \lambda_4 Bpol_{jt} + \lambda_5 CG\text{-}Ref_{jt} + \lambda_6 CG\text{-}Disc_{jt} + \mu_{jt}$-(7)

**Where:**

FP = Financial performance

BSIZE = Board size

BDIV = Board Diversity

BDILI = board diligence

BPOL = Board political affiliation

CG-REF = Corporate governance reform

CG-Disc = Corporate governance disclosure score

J = jth firm

t = time period

**Measurement of Variables**

The measurement of variables and apriori expectations are depicted in table 1 below.

**Table 1: Measurement of Variables and a priori Expectations**

| Variable | Description | Measurement (operational definition) | A priori sign | Sources |
|---|---|---|---|---|
| **Dependent Variable** | | | | |
| FP | Financial performance | Accounting measure: ( Profit After Tax) | | Drucker (1999) |
| **Independent Variables** | | | | |
| BSIZE | Board size | Number of individuals on the board | + | Kashif (2008) Zubaidah et al (2009) |
| BDIV | Board Diversity | 1. Board gender diversity i.e. Male and Female.<br>2. Board composition i.e. ratio of executive to non-executive directors.<br>3. Ethnic diversity i.e. Yoruba, Hausa, Igbo and other foreign nationals | + | (Carter, Simkins & Simpson, 2003), Famoti & Adeyeye, 2013 |
| BDILI | Board diligence | Number of times the board meets in a given year | + | Vefeas (1999), Jensen (1993) |
| BPOL | Board political affiliation | Dummy variable measure of "1" if company board has members with political affiliation and "0" if not | _ | Faccio (2006) |
| CG-REF | Corporate | Dummy variable measure of "0" for periods before | + | Uwuigbe, |

| | | | | |
|---|---|---|---|---|
| | governance reform | 2011 SEC corporate governance code reform and “1” for periods after 2011. | | (2012) |
| CG-Disc | Corporate governance disclosure score | Computed score from checklist of disclosure items. Compliance Disclosure Checklist was designed to the Code of Corporate Governance. The rate of compliance was ranked on a scale of 0 to 1 and the average total was collated and analysed and used to benchmark the level of compliance in the sampled companies. | + | Rouf (2012) Salami (2013) |

**Source: Researcher’s compilation, (2021)**

**DATA PRESENTATION AND ANALYSIS OF RESULT**

**Table 2: Regression Result**

| Variable | A priori sign | Fixed effects regression | Random effects regression |
|---|---|---|---|
| C | | 9.9918 {0.9220} (0.0000) | 9.5173 {1.613} (0.000) |
| BSIZE | + | 2.3932 {0.0747} (0.0022) | 0.0988 {0.0787} (0.2139) |
| BDILI | + | 0.0304 {0.1330} (0.8200) | 0.3464 {0.2017} (0.0906) |
| BDIV | + | 2.7587 {0.5399} (0.0000) | 0.6679 {1.6525} (0.6873) |
| BPOL | + | -1.6414 {0.2826} (0.0000) | -0.6181 {0.3964} (0.1237) |
| CG-REFDUM | + | 0.2572 {0.1605} (0.1145) | 0.3385 {0.4805} (0.4836) |
| CG-DISC | + | 3.4271 {0.8174} (0.000) | 3.4664 {2.0515} (0.0957) |
| **Model Parameters** | | | |
| R2 | | 0.685 | 0.1595 |
| Adjusted R2 | | 0.596 | 0.0842 |
| D.W | | 1.9 | 1.25 |
| Mean of Dep. Var | | 21.876 | 13.2856 |
| S.E of Regression | | 1.376 | 1.688 |
| F-stat | | 7.739 (0.00) | 2.118 (0.062) |
| Model selection criteria | | | |
| Hausman test: | 0.032 | | |
| Model Diagnostics | | | |
| Breusch-Pagan-Godfrey | 0.7516 | | |
| Breusch-Godfrey LM Test: | 0.1214 | | |
| Ramsey model test | 0.115 | | |

**Source: Researcher’s compilation, (2021) { } are standard errors, ( ) are p-values.**

Table 2 shows the regression result for the study. The regression is conducted using the White Heteroskedasticity-Consistent Standard Errors & Covariance to control for possible heteroscedasticity in the model. The fixed effects and random effects estimations were conducted and based on the Hausmantest, the preferred estimation (random effects (RE) estimation) was selected and used for the discussion of the results and hypotheses testing. The fixed effects (FE) estimation, showed a coefficient of determination (R2) value of 0.685 which suggests that the model explains about 68.5% of the systematic variations in financial performance with an adjusted value of 0.596. The F-stat is 7.739(p-value = 0.00) is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model. The D. W statistics of 1.9 indicates the absence of stochastic dependence in the model.

Focusing on the performance of the coefficients, we observe that Board size is positive (2.3932) and also statistically significant at 5% level (p=0.002) and hence the size of the board has significant positive impact on financial performance and specifically, the higher the board size, the higher the level of financial performance. The result also shows that board diligence is positive (0.0304) and not statistically significant at 5% level (p=0.8200). The coefficient for board gender diversity is positive (2.7587) and statistically significant at 5% level (p=0.000). The result revealed that financial performance is a positive function of board gender diversity and thus a more diverse board will have a strong and positive influence on financial performance. The coefficient of Board political affiliation is negative (-1.6414) and statistically significant at 5% level (p=0.000). Though in contrast with a priori expectation, the result suggests that financial performance is a negative function of board political affiliation; thus a more politically affiliated board will have a negative influence on financial performance. The coefficient of corporate governance reform dummy is positive (0.2572) and not statistically significant at 5% level (p=0.1145) suggesting that though the a priori sign is as expected, the effect of corporate governance reforms appeared not statistically significant.

The coefficient of corporate governance practices disclosure is positive (3.4271) and statistically significant at 5% level (p=0.00) which implies that financial performance is a positive function of the extent of corporate practices suggesting that a stronger corporate governance compliance profile resulted in improved financial performance. The random effects (RE) estimation, shows a coefficient of determination (R2) value of 0.1595 which suggests that the model explains about 15.95% of the systematic variations in financial performance with an adjusted value of 0.084. The F-stat of 2.118 (p-value = 0.062) is significant at 10% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected with a D. W statistics of 1.25. Focusing on the performance of the coefficients, it was observed that the coefficient of Board size is positive (0.0988) but not statistically significant at 5% level (p=0.2139). The coefficient of board diligence is positive (0.3464) and though not statistically significant at 5% level (p=0.0906). The coefficient for board gender diversity is positive (0.6679) though not statistically significant at 5% level (p=0.6873). The coefficient of Board political affiliation is negative positive (-0.6181) and not statistically significant at 5% level (p=0.1237). The coefficient of corporate governance reform dummy is positive (0.3385) though not statistically significant at 5% level (p=0.4836). The coefficient of corporate governance practices disclosure is positive (3.4664) though not statistically significant at 5% level (p=0.0957).

## DISCUSSION OF FINDINGS AND TEST OF HYPOTHESES

### Board Size and Firm Financial Performance

**Ho1:** Board size has no significant relationship with financial performance of oil and gas companies in Nigeria.

Focusing on the performance of the coefficients, we observe that Board size is positive (2.3932) and also statistically significant at 5% level (p=0.002) and hence the hypothesis therefore that board size has no significant relationship with firm financial performance is rejected. It means that, the size of the board has significant positive impact on financial performance and specifically, the higher the board size, the higher the level of financial performance. Some scholars (Kashif, 2008; Zubaidah et al, 2009) concluded that board size has a positive impact on firm financial performance. In Japan, Suuli and Ki-park (2013) confirmed the results. On the contrary, Ning et al (2010); Connell and Cramer (2010), concluded that a negative relationship exists.

**Board Diligence and Firm Financial Performance**

**Ho2:** Board diversity has no significant relationship with financial performance of oil and gas companies in Nigeria.

The result also showed that board diligence is positive (0.0304) and not statistically significant at 5% level (p=0.8200) and hence the hypothesis therefore that board diligence has no significant relationship with firm financial performance is accepted. Scholars (Vafeas, 1999; Jensen, 2003) argued that board meetings are costly in the form of managerial time, travel expenses, refreshments and directors' meeting fees that can negatively influence firm financial performance. In contrast to our findings, Osoweto (2013) revealed a statistically significant and positive association between the frequency of corporate board meetings and firm financial performance.

**Board Gender Diversity and Firm Financial Performance**

**Ho3:** Board diligence has no significant association with financial performance of oil and gas companies in Nigeria.

The coefficient for board gender diversity is positive (2.7587) and statistically significant at 5% level (p=0.000). The result implies that financial performance is a positive function of board gender diversity and thus a more diverse board will have a strong and positive influence on financial performance. Consequently, the null hypothesis that gender diversity has no significant association with firm financial performance is rejected. The finding is in tandem with Oba and Fodio (2013) using a sample of thirty (30) quoted companies for the period 2005-2007 showed that female director presence have positive impacts on financial performance. This finding also agrees with that of Oyebode (2009) who revealed that board gender diversity is positively associated with financial indicators of a firm's performance.

**Board Political Affiliation and Firm Financial Performance**

**Ho4:** Board political affiliation has no significant relationship with financial performance of oil and gas companies in Nigeria.

The coefficient of Board political affiliation is negative (-1.6414) and statistically significant at 5% level (p=0.000), consequently, the null hypothesis that board political affiliation has no significant relationship with corporate financial performance is rejected. The empirical evidence for positive effects of political affiliations on financial performance is more often with regard to stock prices. For example, Faccio (2006) found that stock prices rise upon the news of firms‟ top officers entering politics. Some scholars also argued that board political affiliation may have no effect on firm financial performance. Fisman (2000) supported this view by providing evidence that firms with highly politically connected board members like the then vice president Cheney of U.S.A did not have any effect on their performance

**Corporate Governance Reform and Firm Financial Performance**

**Ho5:** Corporate governance code reforms have no significant relationship with financial performance of oil and gas companies in Nigeria.

The coefficient of CG reform dummy is positive (0.2572) but not statistically significant at 5% level (p=0.1145), hence, the null hypothesis that corporate governance reform has no significant relationship with firm financial performance is rejected; suggesting that though the apriori sign is as expected. The effect of corporate governance reforms appears not statistically significant. Though there are no studies yet in Nigeria that have investigated the effect of corporate governance reforms on firm financial performance, our findings suggest that the reforms have not had any significant impact on firm financial performance. Before, 2011, quoted companies in Nigeria used the 2003 corporate governance code.

**Corporate Governance Practices Disclosure and Firm Financial Performance**

**Ho6:** Corporate governance practices disclosure index has no significant association with financial performance of oil and gas companies in Nigeria.

The coefficient of corporate governance practices disclosure is positive (3.4271) and also statistically significant at 5% level (p=0.00), consequently, the null hypothesis that corporate governance disclosures have no significant association with firm financial performance is rejected. This implies that financial performance is a positive function of the extent of corporate practices suggesting that a stronger corporate governance compliance profile results in improved financial performance. The result confirms that improved corporate governance practices improve firm financial performance and hence companies should improve their compliance with corporate governance regulations.

## CONCLUSION

This study examined the corporate governance on financial performance of quoted oil and gas companies in Nigeria. The specific objectives of the study were to determine whether corporate governance mechanisms- board size, board diversity, board diligence, board political affiliation, and corporate governance disclosures have any effect on firm financial performance using profit after tax (PAT) to measure firm performance. The study found that Board size, board gender diversity and corporate governance practices have significant positive relationship with financial performance while board diligence and corporate governance reforms are positive but not significant. Board political affiliation has significant negative relationship with financial performance of quoted oil and gas companies in Nigeria. We therefore conclude in this study that the effectiveness and growth of Nigeria oil and gas companies depends on corporate governance.

## RECOMMENDATIONS

Arising from the foregoing conclusions, we recommend that:

1. Financial reporting breaches should attract a combination of both loss of job and criminal prosecution. This will provide a stronger incentive for compliance by corporate managers, and It Is likely to be more effective.
2. The regulatory agency for companies should develop a checklist with which firms can scores themselves on the aspect of compliance with corporate governance codes, This score should become an inherent component of every firm's (public and private)annual financial report. To ensure adherence to the rules of scoring, there should be routine and sentinel auditing of the scoring by the regulatory agency concerned.
3. Board size should be relative to the firm's business needs, scope and complexity. Since no two firms are exactly alike in all ramifications. It is important that an appropriate size be understood to be a function of each firm's circumstances. Setting arbitrary board size benchmarks may therefore be counterproductive.

## REFERENCES


1. Adeusi, A. (2013). Board size and financial performance. *Journal of Business Systems, Governance and Ethics, 9*(6), 38– 46.
2. Agu, K. (2019). Corporate governance and the performance of manufacturing firms in Akwa Ibom State. *Journal of Business 78*(12), 181-217.
3. Ahmed, H. and Hamdan, O. (2015). Impact of corporate governance on firm performance in Bahrain Stock Exchange (BSE). *The Business Lawyer, 48*(1), 59-77.
4. Akinsulire, O. (2016). *Financial management (9th ed.).* Lagos: El-Toda Ventures.

5. Berle, A. & Means, G. (2012). *The modern corporation and private property.* New York: The Macmillian Company, Cadbury, (1992): Cadbury commission report UK.
6. Carter, D.A., Simkins, B.J & Simpson, W.G (2003). Corporate governance, board diversity, and firm value. *The Financial Review, 38*(7), 33-53.
7. Connell, V.O & Cramer, N. (2010).T he relationship between corporate performance and board characteristics in Ireland. *European Management Journal, 28*(11), 287-399.
8. Drucker, P. (1999). *Management challenges for 21st century*. New York: Harper Business.
9. Fama, E., & Jensen, M. (2012). Separation of ownership and control. *Journal of Law and Economics, XXVI*(12), 1-32.
10. Famoti, R., &Adeyeye, K. (2013). Board dynamics and corporate performance: Review of literature, and empirical challenges. *International Journal of Accounting and Finance, 7*(2), 56 – 69.
11. Farar, J. (2015). Corporate governance: Theories, principles and practice. In Okene et al (ed.) The regulation of corporate governance in Nigeria; Lessons from different policies and implementation process in Germany. *Nigeria Journal of Business and Private Law*, 1(1)
12. Fishman, R. (2000). Estimating the value of political connections. *American Economic Review, 91*(25), 1095 -1102.
13. Gompers, P., Ishii, J. & Metric, A. (2013).Corporate governance and prices. *Quarterly Journal of Economics, 118*(1), 107-155.
14. Gornick, J.C., & Meyers, M.K. (2013). *Families that work: Policies for reconciling parenthood and employment,* New York: Russell Sage Foundation.
15. Houston, G. (2012). Corporate political contributions and stock returns. *Journal of Finance, 65*(12), 621-634.
16. Ibrahim, B. and Abdul, S. (2011). The relationship of corporate governance mechanism and performance between family and non-family ownership of public listed firm in Malaysia from 1999 through 2005. *Financial Management, 21*(7), 905-92.
17. ICAN (2009). *Financial reporting and ethics*. Lagos, Nigeria: VI Publishers.
18. Ishaya, M. (2013). Board composition firms‟ financial performance. It used secondary data through regression. *Securities Market Journal, 2006 Edition, 12*(10), 9- 28.
19. Jensen, M. & Meckling, W. (2016). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.
20. Jensen, M.C (1993). The modern industrial revolution, exit and the failure of internal control systems. *The Journal of Finance, 48*(3), 831-880.
21. Joe, M., & Lilian, C. (2011). Firm performance and corporate governance through ownership structure: Evidence from Bangladesh stock market. *International Review of Business Research Papers, 12*(6), 88-110.
22. Kahan, M. & Rock, E.B (2013). Corporate constitutionalism: Antitakeover charter provisions as pre-commitment. *Faculty Scholarship,* Paper 19. http://scholarship.law.upenn.edu/faculty_scholarship/19

23. Kashif, R. (2008). *A comparison of corporate governance and firm performance in developing (Malaysia) and developed (Australian) financial market*. Melbourne: Centre for Strategic Economic Studies.
24. Klapper, L.F & Love, I. (2013). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance, 62*(23), 195, 1-26.
25. Magdi, R. and Nadareh, R. (2012). Corporate governance: A framework for implementation. *Britain World Group Journal*, 20, 123-132.
26. Mensah, S. (2013). *Corporate governance in Africa: The role of capital market regulation*. Nairobi 2’ Pan African Consultation Forum on Corporate Governance.
27. Ning, Y., Davidson, W., & Wang, J. (2010). Does optimal corporate board size exist: An empirical analysis. *Journal of Applied Finance, 20*(31), 57-69.
28. Oba, V.C., & Fodio, M.I. (2013). Boards’ gender mix as a predictor of financial performance in Nigeria: an empirical study. *International Journal of Economics and Finance, 5*(2), 1916-9728.
29. OCED (1999). *Principles of corporate governance*. http://www.encycogov. com/.
30. Okene, K., Chinwo, C.A and Ikeh, F.C (2010). The regulation of corporate governance in Nigeria: lessons from recent policy and implementation process in Germany. *Nigeria Journal of Business and Private Law*, 1(1)
31. Olatunji, A. & Ojeka, K. (2011).Firm financial performance and mechanisms to control agency problems between managers and shareholders. *Journal of Financial and Quantitative Analysis, 31*(3), 377-397.
32. Osoweto, M. (2013). Corporate governance and firm financial performance of listed companies in South Africa*. Journal of Corporate Finance, 14*(3), 257-273.
33. Oyebode, A. (2009). *The imperative of corporate governance in Nigeria.*Retrieved from A. Nigeria Village Square Web site*http://www.nigeria villagesquare.com*
34. Rouf, A. (2012). The financial performance and corporate governance disclosure: A study in the annual reports of listed companies of Bangladesh. *Pakistan Journal of Commerce and Social Sciences, 6(*1), 1-11.
35. Salami, F. (2013). Corporate governance disclosure index and financial performance: A meta-analysis. *The Academy of Management Journal, 42*(6), 674-686.
36. Shleifer, A. and Vishny R.W (2017). A survey of corporate governance. *Journal of Financial Economics*, 52(2), 737-783.
37. Suuli, L. & Ki- Park, Y. (2013).Corporate governance and firm performance in Japan. *International Journal for Business, 80*(2), 585-612.
38. Thuraisingam, F. (2013). The relationship between corporate governance and company performance of financial service industry. *America Economic Journal of Applied Economics, 1*(8), 219-250.
39. Uche, C. (2014). *Corporate governance in Nigerian financial industry*. Chartered Institute of Bankers of Nigeria Journal, 2, 11-23
40. Uwuigbe, T. (2012). Corporate governance: effect on firm performance and economic growth. *Academy of Management Review, 8*(51), 92-104.

41. Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics, 15*(3), 122-128.

42. Wolfensohn, D. (2019). Corporate governance is about promoting corporate fairness, transparency and accountability. *Financial Times*, 21st June.

43. Xavier, M. et al (2015). The effect of corporate governance measured by board size, CEO duality, institutional ownership and board composition on financial performance of commercial banks in Rwanda. *Quarterly Journal of Economics, 55*(27), 443-476.

44. Zabri, G., Ahmad, L. and Wah, A. (2015). The relationship between corporate governance practices with firm performance. *Journal of Financial and Quantitative Analysis, 31*(3), 377-397.

45. Zubaidah, A.Z., Nurmala, K.M & Kamaruzaman, J. (2009). Board corporate performance and corporate performance in Malaysia*.* *International Journal of Economic Finance, 70*(31), 150-164.

CENTRAL ASIAN STUDIES