International Journal of Business and Management Review
Vol.7, No.8, pp.88-115, December 2019
Published by **ECRTD-UK**
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

CORPORATE GOVERNANCE AND PROFITABILITY OF QUOTED OIL AND GAS COMPANIES IN NIGERIA

Eke, Gift O.
Bursary Department, Rivers State University, Port Harcourt, Nigeria.

Dr. Akpanuko, E. Essien
Department of Accounting, Faculty of Business Administration, University Of Uyo, Uyo, Nigeria.

Dr. Umoffong J. Nsima
Department of Accounting, Faculty of Business Administration, University Of Uyo, Uyo, Nigeria.

ABSTRACT: *This study investigated the influence of corporate governance on profitability of quoted oil and gas companies in Nigeria. The ex post facto research design was adopted for the study. The population of the study was made up of the twelve (12) oil and gas companies listed on the Nigerian stock exchange between 2010 and 2018. Ten (10) listed oil and gas companies in Nigeria constituted the sample size for this study. Data required for the study were extracted from the audited financial statements of the quoted oil and gas companies that constituted the sample of this study and analysis of data was carried out using descriptive statistics. Multiple regression and correlation statistics were used in testing the hypothesis postulated. The investigation revealed that a significant positive linear relationship exists between corporate governance and profitability of quoted oil and gas companies in Nigeria and that board independence, board size and board meetings accounts for 3.2 percent, 21.9 percent and 2.8 percent respectively of the profitability of quoted oil and gas companies in Nigeria. The results of the study further revealed that audit committee independence, audit committee meetings and audit committee competence accounts for 1.6 percent, 6.8 percent and 14.3 percent respectively of the profitability of quoted oil and gas companies while external auditor independence, shareholders' involvement and ownership concentration accounts for 1.2 percent, 23.6 percent and 0.2 percent respectively of the profitability of quoted oil and gas companies in Nigeria. Based on the findings of the study, it is concluded that corporate governance has a moderate influence (52.3 percent) on profitability of quoted oil and gas companies in Nigeria. One of the recommendations made was that quoted oil and gas companies in Nigeria should continually appraise their corporate governance system with a view to determine whether the system is functioning as expected so that corrective actions can be taken to address any deficiency in the system and such appraisal should be done annually.*

KEY WORDS: corporate governance, board of directors, corporate governance mechanisms, profitability, net profit margin.

INTRODUCTION

For more than two decades, there has been increased focus on corporate governance as an approach to managing organisations. The paradigm shift from conventional management approach to a corporate governance approach was necessitated by the realisation that to reduce the conflict of

International Journal of Business and Management Review
Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

interest which arises as a result of the separation of ownership from management, a company should be run in the interest of all stakeholders. According to the Association of Certified Chartered Accountants (ACCA) (2018), the separation of ownership and control, and the disparity and inexperience of owners in business and financial matters will continue to pose problems in the management of organisations unless an effective system of internal and external corporate governance is implemented to protect the interests of the shareholders and other stakeholders. Hence, the divorce between ownership and management of a company, and the potential difference between the objectives and interests of investors (owners) in business and the controllers (managers) of the owners' investment, provides impetus for the implementation of a system of corporate governance by companies (ACCA, 2018).

Corporate governance is a set of relationships involving a company's shareholders, the board of directors, the management and other stakeholders (Organisation for Economic Cooperation and Development (OECD), 2004). It provides the necessary structure for setting the objectives of a company, determines the means through which such objectives are attained and the basis for performance monitoring (OECD, 2004). An effective corporate governance framework ensures that the board of directors and executive management continually pursue objectives that are in the interest of the shareholders and other stakeholders and facilitates effective monitoring of those charged with governance of a company (OECD, 2004; Abdullah and Page, 2009).

It is widely believed that the primary objective of a business organisation is profitability. Thus, profitability is essential for the survival and growth of a company as it determines a company's ability to produce and supply quality goods and services, cater for employees through payment of wages and other benefits, meet the demands of investors (shareholders) as well as perform social responsibilities. A company is said to be profitable if it generates sufficient revenue to cover its costs and expenses; hence, profit arises where the revenue generated by a company, over a period of time, exceeds its expenses (Pandey, 2010). Profitability serves as a measure of business efficiency, plays a central role in many business decisions and defines a business' capability to spend (Glautier, Underdown and Morris, 2011).

Corporate governance is a vast concept and a holistic approach to managing companies and involve mechanisms which cut across the major parties to corporate governance such as the board of directors, audit committee, external auditor and shareholders. Consequently, the effectiveness of a corporate governance system depends, to a large extent, on the collective effort of the actors in corporate governance. However, experience has shown that in many quoted companies (especially in developing countries like Nigeria), corporate governance is left solely in the hands of the board of directors; other major actors in corporate governance such as audit committee, external auditor, internal auditors as well as shareholders tend to play passive roles in the governance of such companies; this is the reason why a number of companies still experience corporate governance failures. It is common knowledge that many corporate failures around the world, in the recent past, were due to failure of the board of directors to act in the interest of the shareholders and other stakeholders of the company. For example, the collapse of British Homes Stores (BHS), Carillion and Patisserie Valerie in 2018 was due to weak and unchecked board of directors. This challenge will persist unless the major actors in corporate governance are actively involved in the governance of companies. Furthermore, there appear to be no

clear evidence, to the best of the researcher's knowledge, on the influence of corporate governance (measured as board independence, board size, board meetings, audit committee independence, audit committee meetings, audit committee competence, external auditor independence, shareholders' involvement and ownership concentration) on profitability (measured as net profit margin) (especially in the oil and gas sector of Nigeria) by prior studies.

REVIEW OF RELATED LITERATURE

Conceptual Review

In this section, the concepts of corporate governance and profitability are examined. This is to provide an understanding of these concepts as applied in this study.

Understanding Corporate Governance

The move towards modern corporate governance began with the publication of the Cadbury report in 1992 (titled "The Financial Aspects of Corporate Governance") in the United Kingdom. Following the sudden collapse of some companies in the United Kingdom between the early 1980s and early 1990s, the Financial Reporting Council (UK), in conjunction with the UK Securities and Exchange Commission and the accountancy profession set up a committee to investigate the reasons for the collapse of some public interest companies and make recommendations to forestall further failures of companies. Specifically, the motivation of the Financial Reporting Council, the Securities and Exchange Commission and the accountancy profession for sponsoring the Cadbury report was the perceived low level of confidence in financial reporting and in the ability of auditors to provide the safeguards sought and expected by users of the financial reports of companies (Cadbury Report, 1992).

In order to ensure proper understanding of the concept of corporate governance, the Cadbury committee provided one of the most universally accepted definition of corporate governance. In the report of the committee on the financial aspects of corporate governance, corporate governance was defined as the system by which companies are directed and controlled (Cadbury Report, 1992). The two major terms that are associated with the Cadbury committee's definition of corporate governance are directing and controlling. Directing, as a managerial function, is the achievement of an organisation's objectives through effective communication, leadership, motivation as well as proper guidance of subordinates (Nwachukwu, 1988; Baridam, 1995); while controlling is the establishment of predetermined levels of performance, monitoring performance and ensuring that actual performance is in conformity with expectations and geared towards the attainment of organizational objectives (Weihrich, Cannice and Koontz, 2010; Nwokoye and Ahiauzu, 1984). The board of directors are responsible for corporate governance; the reason for this is that the directors are the individuals responsible for directing and controlling an organization.

In explaining the concept of corporate governance, Emile Wolf International (2010) pointed out that corporate governance is not about management activities, skills and techniques; neither is it about the formulation of business strategies. Corporate governance is concerned with managing and directing a company in the interest of the shareholders, other stakeholders and the wider society. Hence, corporate governance is concerned with how those who have powers to direct a company use those powers and

International Journal of Business and Management Review
Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

how the board of directors and other senior managers take responsibility for deciding a company's strategy. Corporate governance addresses questions such as: in whose interest is the company run?, who makes decisions for the company?, how do those who have the powers to make decisions for the company use such powers?, are those charged with the governance of the company held accountable for the way they use their powers?, and how are risks managed?.

According to Tricker (1984), corporate governance is simply the way companies are governed, as opposed to the way companies are managed. Hence, corporate governance is concerned with providing appropriate leadership for a company, monitoring the decisions and actions of management and properly controlling management decisions with a view to ensure that the objectives of the company are attained and sustained. Management, on the other hand, involves running the day-to-day affairs of a company. In essence, corporate governance deals with how the board of directors could provide the required lead for the company, how the management and the board interacts as well as the relationship between the board, the owners and other stakeholders of the company.

From the perspective of Sreeti (2017), corporate governance is the process through which corporate resources are allocated in a manner that maximizes value for stakeholders such as shareholders, investors, employees, customers, suppliers, the environment and the community at large. A corporate governance system, according to Sreeti (2017) ensures that those charged with governance are held to account by evaluating their decisions on transparency, inclusivity, equity and responsibility. It is a mechanism implemented, on behalf of the shareholders and other stakeholders of a company, by the board of directors and its committees to provide direction, authority and oversight to management (Youssef, 2007).

Corporate governance as defined by Baker and Powell (2009) is the set of processes, customs, policies, laws, and institutions affecting the way a corporation is directed, administered or controlled. They pointed out that corporate governance mechanisms consist of internal and external systems and procedures used to ensure that the agent runs the company in the interest of the principal and other stakeholders and its central theme is to ensure the accountability of those charged with governance and management of the company through mechanisms designed to reduce the principal – agent problem associated with separation of ownership from management of a company.

Features of a Good Corporate Governance System

There are several features of a good system of corporate governance which should be evident in the relationship between the board of directors and the shareholders and which should apply to a company's dealings with all its stakeholders. The characteristics of corporate governance discussed in this study seem to have gained more popularity over time and have become the central themes in corporate governance. Absence of the popular features of corporate governance may negatively affect the relationship between the board of directors of a company and the shareholders as well as other stakeholders. The features of a good corporate governance system, according to the King Committee (2002), Emile Wolf International (2010) and BPP Learning Media (2010) are:

(i) **Transparency**: Transparency is synonymous with openness and implies not hiding things, making clear and not withholding information from those who should receive it. It is the ease

with which meaningful analysis of a company's actions can be made by outsiders with regard to the company's economic fundamentals and the non-financial aspects of the company's business (King Committee, 2002).

(ii) **Discipline**: Discipline means respect for constituted authorities, policies and laid down procedures as well as rules and regulations. A good corporate governance system should ensure that the directors and senior management of a company have a commitment to adhere to behaviour that is universally recognised and accepted to be correct and proper.

(iii) **Independence**: As noted earlier in this study, independence implies freedom from the influence of others. A good corporate governance system should ensure that a large proportion of the directors of a company are able to make judgements and give opinions that are in the best interests of the company, without bias; independence also requires the avoidance or minimization of conflict of interest (actual or potential).

(iv) **Fairness**: A good corporate governance system should ensure equal treatment of all shareholders by the directors. Basically, fair treatment implies that all shareholders should be entitled to vote at general meetings and should have the right to the same dividend per share.

(v) **Accountability**: Accountability is an obligation to answer for ones actions and decisions. A good corporate governance system should ensure that the board of directors are accountable to the shareholders and that executive management is accountable to the board. The annual report and accounts is a major means through which the board show accountability. Having a system which encourages accountability provides investors with the means to query and assess the actions of the board and its committees (King Committee, 2002).

(vi) **Responsibility**: A good corporate governance system ensures that the directors take responsibility for running of the company and for the way executive management use the powers delegated to them. Being responsible implies performing a duty that is expected; that is, exhibiting a behaviour that is morally, legally and mentally acceptable.

(vii) **Honesty and Integrity**: Honesty is the quality of being truthful and trustworthy while integrity implies behaving in accordance with high standards of behaviour and a strict moral or ethical code of conduct. For effective corporate governance, the directors and their advisers should act honestly and with integrity.

(viii) **Social Responsibility**: A good corporate governance system should ensure that the directors and executive management are aware of, and respond to, social issues; and places high priority on ethical standards (King Committee, 2002). Such a system should not be discriminatory and exploitative but should have regard for environmental and human rights issues. Being socially responsible enhances a company's productivity and corporate reputation.

Corporate Governance Mechanisms and their Measurement

The effectiveness of a corporate governance system depends on the implementation of certain measures or mechanisms based on the requirements of a relevant code(s) of corporate governance. Corporate governance mechanisms are controls, policies and guidelines implemented based on an existing code(s) of corporate governance which ensure that a company is properly directed and controlled and which drive the company towards its objectives while satisfying the needs of stakeholders. Corporate governance mechanisms could be internal or external. While internal corporate governance mechanisms relate to structures existing within a company, external mechanisms relate to influences outside a company designed to ensure that the company is properly

directed and controlled (Organisation for Economic Cooperation and Development, 2004; Emile Wolf International, 2013). Corporate governance mechanisms or indicators are as follows:
(i) **Board Composition**: Many codes on corporate governance require that a company be headed by a board of directors to take responsibility for the strategic direction of the company. In line with global requirements on corporate governance, the board should have both executive and non-executive directors. Hence, board composition implies the mix between executive and non-executive directors. According to the Financial Reporting Council (2010), the board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking. This implies that there should be a balance between the number of executive and non-executive directors. Board composition has often been measured as the proportion of executive to non-executive directors on the board.
(ii) **Board Size:** Another feature of a corporate governance system which affects the effectiveness of the board of directors is board size. Board size is a term which describes the number of persons on the board of directors of a company in a given period. There is no consensus across countries and corporate governance codes as to the number of persons that should sit on the board of a company; however, the board should not be so large as to be unwieldy (Financial Reporting Council, 2010). Hence, the board should be of a sufficient size relative to the scale and complexity of the company's operations such that changes to the board's composition and that of its committees can be managed without undue disruption (Financial Reporting Council, 2010; Financial Reporting Council of Nigeria, 2016a).
(iii) **Board Independence:** Board independence is another attribute of an effective corporate governance system. Independence is a state of mind that prevents a person's judgement from being influenced by others. To be effective in discharging their responsibilities, the directors should be independent of executive management and also of fellow directors. Directors should show independence of character; be able to reach their own views and judgements, and should be able to express their personal opinions with conviction; hence, independence means reaching opinions, expressing them and not necessarily agreeing with everything that fellow directors say (Emile Wolf International, 2013).
(iv) **Board Meetings**: The effectiveness of the board of directors of a company depends, to a significant extent, on the commitment of the directors. To ensure that the directors contribute substantially to the success of a company, it is imperative that they meet regularly. According to the UK Corporate Governance Code (the Combine Code), in order to discharge their duties effectively, all directors should be able to allocate sufficient time to the company (Financial Reporting Council, 2010). Furthermore, a job specification should be prepared for the appointment of the chairman of the board which includes an assessment of the time commitment expected and the letter of appointment of the non-executive directors should also state the time commitment. Many codes of corporate governance recommend that the board meet at least once in every quarter of a year. Board meeting is often measured as the number of times the board met in a year.
(v) **Chairman/CEO Duality**: The position of the chairman of the board and that of the Chief Executive Officer have been identified by many codes of corporate governance as the two most powerful positions on the board of directors. If a single individual within the board combines the roles of the chairman of the board and that of the chief executive officer, there is the risk that he/she might dominate decision making by the board. Hence, the UK Corporate Governance Code and many other

codes of corporate governance across the world recommend separation of the roles of the chairman and chief executive officer (Financial Reporting Council, 2010; Financial Reporting Council of Nigeria, 2016a). Chairman/CEO duality is often measured as one (1) where the role of the chairman is separated from that of the chief executive officer and as zero (0) where the roles of the chairman and that of the chief executive officer is vested in one individual.

(vi) **Board Gender Diversity**: Board gender diversity refers to the combination of both male and female directors on the board of a company. Studies have shown that having female member representation on the board of directors improves the performance of the board (Nielsoen and Huse, 2010; Wang and Cliff, 2009; Robinson and Dechant, 1997; Huse and Solberg, 2006; Julizaerma and Zulkarnian, 2012). Board gender diversity is usually measured as proportion of female to male directors on the board of directors in a given year.

(vii) **Audit Committee Composition:** Corporate governance codes across the world require public interest companies to establish a sub-committee of the board known as audit committee to provide oversight on the reports of the board and executive management. As stated in the previous section, the Companies and Allied Matters Act (2004) defined audit committee as a committee made up of an equal number of directors and representatives of the shareholders subject to a maximum of six (6) members. It is however worthy to note that, opinion about the number of persons that should sit on audit committee varies across countries.

(viii) **Audit Committee Independence**: As pointed out earlier in this study, independence is an essential ingredient of an effective corporate governance system. Like the board of directors who are expected to be independent in the performance of their duties, audit committee members should also be independent in order to be effective. To enhance the independence of the audit committee, many codes of corporate governance across the world recommend that a majority of the directors on the committee should be independent non-executive directors and that the chairman of the audit committee should be an independent non-executive director (Financial Reporting Council, 2010; Financial Reporting Council of Nigeria, 2016a; Emile Wolf International, 2013). Audit committee independence, for the purpose of this study, was measured as the proportion of independent non-executive directors to total number of committee members in a given year.

(ix) **Audit Committee Competence**: To effectively review and monitor the integrity of financial and other reports prepared by the board and executive management, codes of corporate governance across the world require members of the committee to be competent. The UK Corporate Governance and many other codes on corporate governance recommend that: all members of an audit committee should have financial literacy and should be able to read and interpret financial statements; at least one member of the committee should have recent and relevant financial experience; and, the main role and responsibilities of the audit committee should be set out in written terms of reference (Financial Reporting Council, 2010; Financial Reporting Council of Nigeria, 2016a). In this study audit committee competence was measured as the proportion of audit committee members with financial literacy to total number of members on the committee.

(x) **Audit Committee Meetings**: For the audit committee to perform its functions effectively, it should meet frequently. There is no consensus on the number of times the audit committee should meet in a year; however, extant literature indicates that the more the audit committee meets, the better it performs. The Nigerian Public Sector Code of Corporate Governance stipulates that audit committee shall meet at least once every quarter and that the number, timing and duration of audit committee meetings should be appropriate to ensure that the committee achieves its objectives (Financial

International Journal of Business and Management Review
Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Reporting Council of Nigeria, 2016a). Hence, for the purpose of this study, audit committee meetings was measured as the total number of meetings held by the audit committee in a given year.

(xi) **External Auditor Independence:** External audit is one of the mechanisms a company should implement to ensure that the company is properly run in the interest of all the stakeholders. External audit is an annual exercise which involves independently examining the financial statements of a company and providing a reasonable assurance on the credibility of the financial statements examined so that users can have confidence in them. In line with corporate governance requirements, the external auditor should be independent of the directors and of the entity he audits; this is to ensure that his judgement is not influenced by the directors or by an interest in the entity (BPP Learning Media, 2010; Emile Wolf International, 2010; Companies and Allied Matters Act, 2004). External audit is usually measured as one (1) where the audit firm is a big four firm or as zero (0) where the audit firm is not a big four firm.

(xii) **Directors' Remuneration**: Remuneration of directors is at the centre of the conflict of interest issue between ownership and management of a business. For this reason, codes of corporate governance across the world contain principles to enhance the administration of directors' remuneration with a view to motivate the directors to act in the interest of the shareholders and other stakeholders. Directors' remuneration is often measured as total amount paid to the directors in the reporting period.

(xiii) **Shareholders' Involvement**: Shareholders are the primary stakeholders in a business. An effective corporate governance system should ensure that constructive dialogue take place between the directors and the shareholders (Financial Reporting Council, 2010). Constructive dialogue between the directors and the shareholders reduces the principal-agent problem that exist between shareholders and the directors. It is believed that the more the number of shareholders, the more likely they are able to influence the decisions of the directors. Shareholders influence the decisions of the directors through their votes.

(xiv) **Ownership Concentration**: Ownership concentration is another important corporate governance mechanism which affects the way a company is directed and controlled. Given that the separation of ownership from management of a business has been the core of the agency problem, a number of corporate governance literature have focused on ownership structure as a mechanism for addressing the problem of separation of ownership from management. While some studies support concentrated ownership, others favour dispersed ownership. Ownership concentration describes a situation whereby a majority of the shares of a company are held by few shareholders. It has been argued that ownership concentration, as a corporate governance mechanism, can be used as a tool for monitoring the decisions of the directors and executive management since dispersed investors may lack the incentive to monitor the directors and executive management (Ma, Naughton and Tian, 2010; Organisation for Economic Corporation and Development, 2019). However, ownership concentration may result in large shareholders controlling the company and forcing the company to take decisions that benefit a few at the expense of minority shareholders. Ownership concentration is often measured as the percentage of shares held by the top shareholders.

Meaning of Profitability

The term profitability has two components – profit and ability. Profit is money that is made in business, through investing and other means after all the costs and expenses are paid; it is the advantage or benefit that is gained from doing something; it is the excess of returns over expenditure

in a transaction or series of transactions; it is also viewed as the compensation accruing to entrepreneurs for the assumption of risk in business enterprise as distinguished from wages or rent (Merriam-Webster, 2017).

According to Pandey (2010), profit is the difference between revenues and expenses over a period of time (usually one year). There are several useful concepts of profit from Pandey's perspective, they are: gross profit (which is the difference between sales and cost of goods sold); profit before depreciation, interest and taxes, that is, earnings before interest, tax, depreciation and amortisation or EBITDA (which is the difference between revenue and all operating expenses except depreciation, interest and taxes); operating profit or profit before interest and tax (which is the difference between gross profit and operating expenses consisting of general and administrative and selling expenses and depreciation; profit before tax (which is the difference between profit before interest and taxes and interest charges; profit after tax (which is profit before tax minus tax); and net operating profit after tax (which profit before interest and tax minus tax on profit before interest and tax) (Pandey, 2010).

Keynes (1935) defined the profit (income) of an entrepreneur as being the excess of the value of his finished output sold during the period over his prime cost. Keynes (1935) further pointed out that profit is the engine that drives the business enterprise and that every business should earn sufficient profit to survive and grow over a long period of time. Thus, profit is the index for measuring economic progress, improved national income and rising standard of living.

For further understanding of the term 'profit', it is important to distinguish accounting profit from economic profit. Accounting profit is the excess of revenue over related costs applicable to a transaction, a group of transactions or the transactions of an operating period (Hendricksen, 1977; Hendricksen and Van-Breda, 2001; Glautier, Underdown and Morris, 2011; Toshniwal, 2016). Hence, accounting profit is the residual income after meeting all explicit expenditure. Explicit expenditure are costs which involve an immediate disbursement of cash by a business and occur during production; they are incurred for the direct use of factors of production not owned by the business and generally include raw materials consumed, direct wages, administrative expenses, selling and distribution expenses, depreciation, as well as interest on capital. Accounting profit result from the matching of revenue against costs and is based on the application of generally accepted accounting principles.

Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Economic profit, on the other hand, is the difference between revenue and explicit plus implicit costs. Explicit cost has already been defined in the preceding paragraph; implicit cost is any cost that results from using an asset instead of renting it out or selling it, it is the reward for those factors of production which are owned by the entrepreneur himself. For example, the rent of owner's land and building, the interest on owner's capital and the salary of the owner are implicit costs (Toshniwal, 2016). Implicit costs are also referred to as 'opportunity costs'. According to Glautier, Underdown and Morris (2011), economic profit means the net increase in the wealth of the owners of an enterprise and its purpose is to provide a flow of wealth for the benefits of the owners of an enterprise.

The second component of profitability is ability. Ability, according to Merriam-Webster (2017), is the power or skill to do something; it is the quality or state of being able. Based on the meanings attributed to the two components of profitability, above, profitability can be defined as the ability of a company to generate profit from its operations. It has also been defined as: the ability of a given investment to earn a return from its use; the state or condition of yielding a financial profit or gain; an index for measuring input-output relationship; a measure of the efficiency of management in converting resources to financial gains; an index that expresses the gain derived from a transaction or an operation over the cost involved; as well as a measure of the operating efficiency of a company (Malik, 2011; Pandey, 2010; Glautier, Underdown and Morris, 2011; Toshniwal, 2016).

Conceptual Model of the Study

The conceptual model for this study is shown in Figure 1. The model captures the relationship between corporate governance (measured as board independence, board size, board meetings, audit committee independence, audit committee meetings, audit committee competence, external auditor independence, shareholders' involvement and ownership concentration) and profitability (measured as net profit margin). The model presupposes that corporate governance influence profitability and that the relationship between corporate governance and profitability is influenced by two control variables (firm size and firm age).

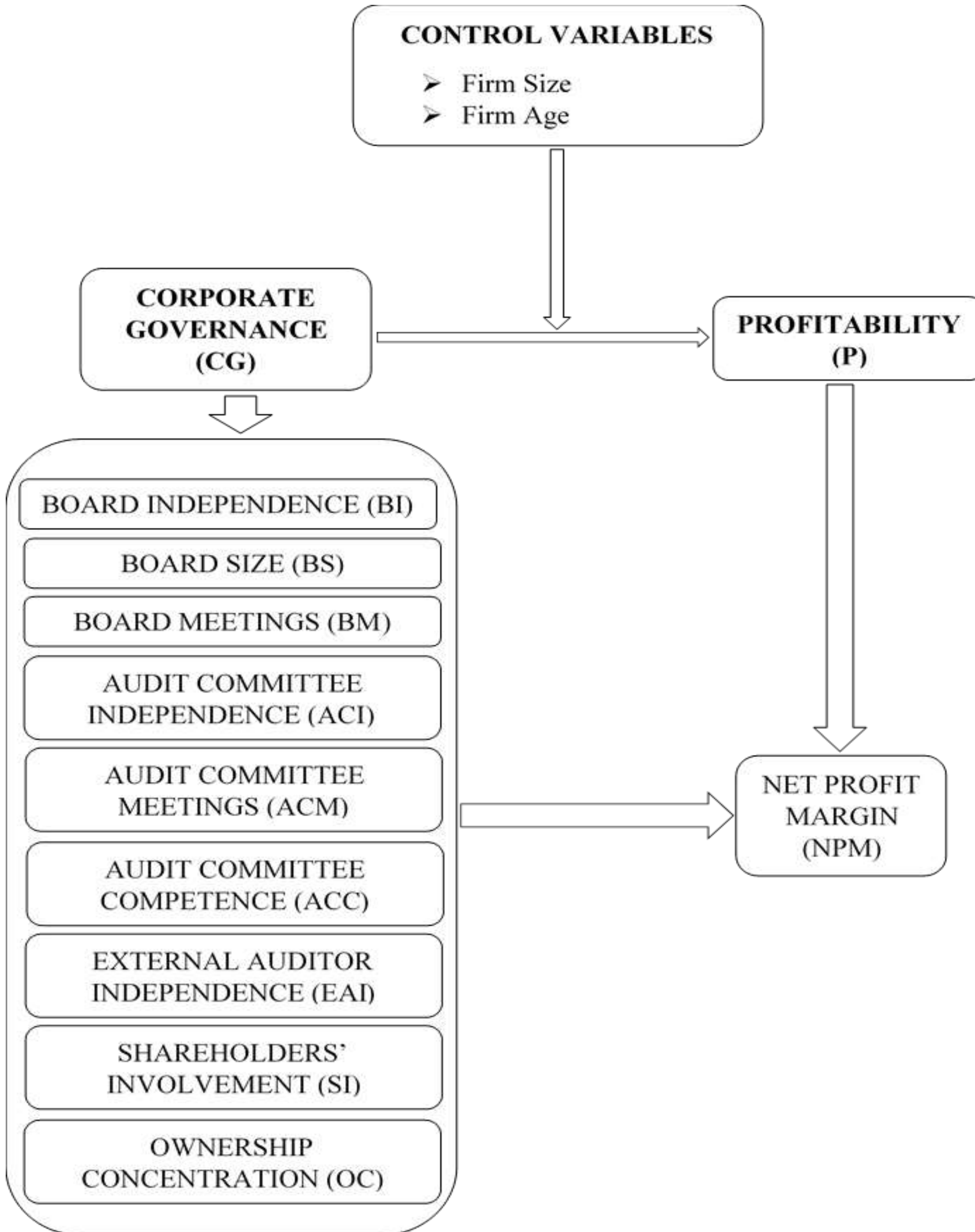

Figure 1: Conceptual Model of the Influence of Corporate Governance on Profitability of Quoted Oil and Gas Companies in Nigeria.
Source: Conceptualised by Researcher (2019).

Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Empirical Review

A number of studies have been carried out on the concept of corporate governance on the one hand and profitability on the other hand. Table 1 summarises the results of the review of previous studies carried out during the course of this study.

Table 1a: Summary of Empirical Literature

Author(s)/Year	Industry	Corporate Governance Measurement	Profitability Measurement	Method(s) of Analysis	Research Finding(s)
Okoye, Evbuomwan, Achugamonu and Araghan (2016).	Banking.	Capital adequacy ratio, liquidity ratio and ratio of non-performing loans to total loans.	Return on equity and return on assets.	Ordinary least square regression.	Capital adequacy ratio has a significant negative impact on profitability while liquidity ratio and ratio of ratio of non-performing loans to total have positive effect on profitability.
Vemula (2017).	Automobile.	Board size, non-executive directors, directors' remuneration, number of board meetings and audit committee members.	Profit after tax.	Ordinary least square regression.	Strong positive association between board remuneration and profitability; negative correlation between audit committee and profitability.
Anandasayanan and Velnampy (2018).	Diversified holding companies.	Board size and board composition.	Return on Assets.	Panel Least Square regression.	Corporate governance has positive and significant impact on corporate profitability.

Source: Compiled by researcher based on empirical literature review (2019)

Table 1b: Summary of Empirical Literature

Author(s)/ Year	Industry	Corporate Governance Measurement	Profitability Measurement	Method(s) of Analysis	Research Finding(s)
Nwonyuku (2016).	Food and beverages.	Board size, board composition, board skills and competence, and board gender diversity.	Return on equity and net assets per share.	Ordinary least square regression.	Board size has positive and insignificant relationship with return on equity but a significant positive relationship with net assets. Board composition has a negative relationship with return on equity.
Iqbal and Kakakhel (2016).	Pharmaceutical.	Board size, independent directors, board committees and board remuneration	Return on assets, return on equity and return on sales.	Ordinary least square regression.	Corporate governance is positively associated with profitability.
Uwuigbe (2011).	Banking.	Board size, and board composition.	Return on capital employed, earnings per share, return on assets and return on equity.	Panel data regression and Pearson correlation.	Negative relationship.
Akinyomi and Olutoye (2015).	Banking.	Board size and directors' interest.	Return on equity.	Regression.	Positive and insignificant association between board composition, board size and profitability; negative and insignificant association between directors' interest and profitability.

Source: Compiled by researcher based on empirical literature review (2019)

Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Table 1c: Summary of Empirical Literature

Author(s)/ Year	Industry	Corporate Governance Measurement	Profitability Measurement	Method(s) of Analysis	Research Finding(s)
Babatunde and Akeju (2018).	Various.	Board characteristics, audit committee, board independence, size, growth and profit variability.	Net profit.	Multiple regression.	Significant positive relationship between corporate governance mechanisms and firms' profitability.
Agbaeze and Ogosi (2018).	Banking.	Board of directors.	Profit after tax.	Correlation regression.	Positive relationship exist between corporate governance and profitability.
Ghaffer (2014).	Banking.	Board size and board independence.	Return on assets and return on equity.	Regression.	Significant relationship between dependent and independent variables.
Niu (2012).	Banking.	G-Index and E-Index.	Return on assets and return on equity.	Regression and correlation.	No evidence that corporate governance is related to bank profitability.
Ayodele, Aderemi, Obigbemi and Ojeka (2016).	Oil and gas.	Board composition, audit committee, board size and corporate governance disclosure.	Return on equity, profit margin and return on asset.	Correlation and regression analysis.	Positive relationship between board composition and financial performance; corporate governance disclosure has positive and significant impact on return on equity.

Source: Compiled by researcher based on empirical literature review (2019)

International Journal of Business and Management Review
Vol.7, No.8, pp.88-115, December 2019
Published by **ECRTD-UK**
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Table 1d: Summary of Empirical Literature

Author(s)/Year	Industry	Corporate Governance Measurement	Profitability Measurement	Method(s) of Analysis	Research Finding(s)
Babalola (2017).	Manufacturing.	Board size, ownership concentration and chief executive officer duality.	Return on assets and return on equity.	Pooled ordinary least square regression.	Positive and insignificant relationship between board size and profitability; CEO/Chairman duality has a negative impact on profitability.
Sumarno, Widjaja and Subandriah (2013).	Manufacturing.	Rights of shareholders, equitable treatment of shareholders, rights of stakeholders, disclosure and transparency, and responsibilities of the board.	Return on assets.	Panel regression with fixed effect model.	Corporate Governance has a positive, significant and direct impact on firms' profitability and value.
Narwal and Jindal (2015).	Textile.	Non-executive directors, directors' remuneration, board meetings and audit committee members.	Profit after tax.	Correlation and ordinary least square regression.	Strong positive impact between directors remuneration and profitability; negative association between audit committee members and profitability.
Akpan and Riman (2012).	Banking.	Board size and number of shareholders.	Return on assets, return on equity and non-performing loans.	Correlation and regression.	Positive relationship between corporate governance and return on assets as well as return on equity; Positive relationship between corporate governance and non-performing loans.

Source: Compiled by researcher based on empirical literature review (2019)

Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Gap in Literature

As can be observed from Tables 1a to 1d, a number of studies have been conducted associating corporate governance with profitability. Corporate governance is a vast concept and a holistic approach to managing a company and is designed to ensure that the interest of all stakeholders to the company are protected. However, most of the studies on corporate governance and profitability either used only proxies for the board of directors, audit committee or both to investigate the association between corporate governance and profitability. Since corporate governance involves various parties such as the board of directors, audit committee, external auditor and shareholders; this study differs from others because it adopts a holistic approach in investigating the corporate governance performance of oil and gas companies in Nigeria by using measures which represent each of the major parties to corporate governance.

METHODOLOGY

This study adopted the ex post facto research design since the study is a secondary data research.
The population of the study was made up of all quoted oil and gas companies in Nigeria. Currently there are twelve (12) oil and gas companies listed on the Nigerian Stock Exchange as shown on the Nigerian Stock Exchange (NSE) fact book as at December 31, 2018. Ten (10) listed oil and gas companies in Nigeria constituted the sample size for this study. Since the population was small, a census of the entire population ought to have been done; however, two of the quoted oil and gas companies (Anino International Plc. and Capital Oil Plc.) were excluded from the study due to non-availability of data and incomplete data respectively. Thus, ten oil and gas companies quoted on the Nigerian Stock Exchange, representing eighty three (83) percent of the population, were sampled. In terms of level of analysis, the study covered a period of nine years (2010 to 2018), resulting in ninety (90) panel data observations.

Data required for this study were obtained from audited financial statements and annual reports of the quoted oil and gas companies for the nine years under consideration and from the Nigerian Stock Exchange fact book. Content analysis technique was adopted in extracting required data from the financial statements and annual reports of all the quoted oil and gas companies that made up the sample of this study. Descriptive statistics (percentages, mean and standard deviation) were used to analyse data that were obtained during the course of this study while inferential statistics were used to establish relationship between the variables. To ascertain the influence of corporate governance on profitability of quoted oil and gas companies in Nigeria, the researcher hypothesized that:

H_o: There is no significant positive relationship between corporate governance variables and net profit margin of quoted oil and gas companies in Nigeria.

Multiple regression and correlation analyses were used in this study to investigate the relationship, if any, between corporate governance and profitability and to determine the influence of corporate governance on profitability of quoted oil and gas companies in Nigeria. The model for this study is expressed in functional form as follows:

$P = f(CG, CV) + \varepsilon$

Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Where:
P = Profitability
CG = Corporate Governance
CV = Control Variables
ε = Error Term

Econometrically, the model used to estimate the relationship between corporate governance (measured as board independence, board size, board meetings, audit committee independence, audit committee meetings, audit committee competence, external auditor independence, shareholders' involvement and ownership concentration) and profitability (measured as net profit margin) is:

$$NPM_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BM_{it} + \beta_4 ACI_{it} + \beta_5 ACM_{it} + \beta_6 ACC_{it} + \beta_7 EAI_{it} + \beta_8 SI_{it} + \beta_9 OC_{it} + \beta_{10} FS_{it} + \beta_{11} FA_{it} + \varepsilon_{it}$$

Where:
NPM = Net Profit Margin, which is the ratio of net profit and sales.
β_0 = Intercept
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9, \beta_{10}, \beta_{11}$ = Regression coefficients of the independent and control variables.
BI = Board Independence, which represents the proportion of independent non-executive directors to total number of directors on the board.
BS = Board Size, which represents the total number of persons on the board of directors in a given year.
BM = Board Meetings, which represents the total number of meetings held by the board of directors in a given year.
ACI = Audit Committee Independence, which represents the proportion of independent non-executive directors to total number of committee members.
ACM = Audit Committee Meetings, which represents the total number of meetings held by the audit committee in a given year.
ACC = Audit Committee Competence, which represents the proportion of audit committee members with financial literacy.
EAI = External Auditor Independence, rated as 1 where the external auditor is a 'Big Four' firm and 0 where the external auditor is not a 'Big Four' audit firm.

SI = Shareholders' Involvement, which represents the total number of shareholders (expressed in log in form) a given year.
OC = Ownership Concentration, which represents the percentage of shares held by the top shareholders.
FS = Firm Size, represented by natural log of total assets.
FA = Firm Age, represented by the number of years the company has been in business.
ε = Error Term
i = Number of companies
t = Time period (in years).

International Journal of Business and Management Review
Vol.7, No.8, pp.88-115, December 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

DATA PRESENTATION, ANALYSIS AND FINDINGS

Data Presentation and Analysis

Descriptive statistics (percentages, means and standard deviations) were used to establish patterns and determine the nature of the data obtained so as to enhance understanding of the data set while inferential statistics (regression and correlation analysis) were adopted in establishing relationship between the variables. Data used for this study were extracted from the annual reports and accounts of listed oil and gas companies in Nigeria for the period 2010 to 2018.

Descriptive Statistics for Corporate Governance

Table 2 presents the descriptive statistics for Corporate Governance (CG), measured as board independence, board size, board meetings, audit committee independence, audit committee meetings, audit committee competence, external auditor independence, shareholders' involvement and ownership concentration.

Table 2: Descriptive statistics for Corporate Governance

	N	Minimum	Maximum	Mean	Std. Deviation
BOARD INDEPENDENCE	90	0	71	27.52	17.592
BOARD SIZE	90	4	12	8.49	2.100
BOARD MEETINGS	90	1	13	4.70	1.487
AUDIT COMMITTEE INDEPENDENCE	90	0	50	17.68	13.731
AUDIT COMMITTEE MEETINGS	90	2	6	4.02	.687
AUDIT COMMITTEE COMPETENCE	90	0	33	18.61	8.659
EXTERNAL AUDITOR INDEPENDENCE	90	0	1	.73	.445
SHAREHOLDERS' INVOLVEMENT	90	8	13	10.58	1.560
OWNERSHIP CONCENTRATION	90	15.96	90.94	62.3768	21.15914
Valid N (listwise)	90				

Source: Computed by Researcher (2019).

Table 2 reveals that, for the period covered by this study (2010 to 2018), the highest level of board independence in the Nigerian oil and gas sector was 71 percent with a minimum level of zero (0) percent, indicating a range of 71 percent. This result shows that the oil and gas companies sampled had independent non-executive directors on the board at some points within the period under review but did not have independent non-executive directors on the board at some other points. The result also indicates that the board size of listed oil and gas companies in Nigeria for the period covered by this study ranged between 4 and 12 implying that a majority of the listed oil and gas companies in Nigeria sampled maintained a board size of eight (8) members and above; hence, listed oil and gas

companies prefer moderate board size to small board size. The range of 6 (12-4) indicates that listed oil and gas companies in Nigeria did not maintain a consistent board size during the period covered by this study. Furthermore, the mean of 8.49 indicates that an average board size of 8 members was maintained by listed oil and gas companies in Nigeria between 2010 and 2018. This result confirms a reasonable level of compliance by listed oil and gas companies in Nigeria with the Nigerian Code of Corporate Governance (private sector code). Table 2 also shows that the range for board meetings is 12 (13-1). The data implies that the highest number of board meetings held by one or more of the listed oil and gas companies sampled during the period covered by this study was 13 while the least was 1. An average of 4 board meetings annually were held by the companies within the period covered by this study.

The level of independence of the audit committee of the oil and gas companies sampled ranged from zero (0) percent to fifty (50) percent. The result shows that the oil and gas companies sampled had a mix of independent non-executive and executive directors on the audit committee at some points within the period under review but did not have non-executive directors on the committee at some other points. On the average, 17 percent of the directors on the audit committee were independent during the period covered by this study. Table 2 further shows that the range for audit committee meetings is 4 (6-2). The data implies that the highest number of meetings held by the audit committee of one or more of the listed oil and gas companies sampled during the period covered by this study was 6 while the least was 2. An average of 4 audit committee meetings annually were held by the companies within the period covered by this study. However, some of the oil and gas companies sampled did not have a financially literate individual on the audit committee at certain points within the period covered by this study (given the 0 value shown in Table 2). The result also shows that not more than 33 percent of the audit committee members were competent during the period under review and that, on the average, only 18 percent of the audit committee members were competent.

Some of the oil and gas companies sampled engaged big four audit firms in some of the years covered by this study but did not engage a big four audit firm in some other years. Table 2 reveals that 74 percent of the external auditors of the oil and gas companies sampled were big four audit firms while 26 percent were not big four audit firms. Table 2 also reveals that the total shareholders (expressed in log form) of the oil and gas company with the highest number of shareholders is 13 (274,306 in absolute term) while that for the company with the least number of shareholders is 8 (1,829 in absolute term). The average number of shares for listed oil and gas companies in Nigeria between 2010 and 2018 was 10.58 (92,983.71 in absolute term) while the range is 5 (272,477 in absolute term). The result shown in Table 2 further reveals that as much as 90 percent of the shares of one or more of the listed oil and gas companies investigated were held by few shareholders during the period covered by this study. On the average, 62.37 percent of the shares of the listed oil and gas companies sampled were held by a few shareholders.

Descriptive Statistics for Profitability

Table 3 summarises the results obtained in respect of profitability – the dependent variable for this study.

Table 3: Descriptive statistics for Profitability

	N	Minimum	Maximum	Mean	Std. Deviation
NET PROFIT MARGIN	90	.00	62.51	5.3437	11.27280
Valid N (listwise)	90				

Source: Computed by Researcher (2019).

Net profit margin was used as proxy for profitability. Table 3 reveals that the maximum net profit margin of the listed oil and gas companies sampled was 62.51 percent, implying that one or more of the oil and gas companies investigated made as much as 62.51 percent profit from the operations of the company. The company with the highest net profit margin was Seplat Petroleum Development Company (with 62.51 percent net profit margin). Some of the oil and gas companies sampled during the period 2010 to 2018 did not generate any profit in some of the years. The average net profit margin of listed oil and gas companies in Nigeria for the period under review was 5 percent.

Test of Hypothesis

Multiple linear regression statistical technique was used in this study to establish the relationship between corporate governance and profitability and hence determine the composite influence of the measures of corporate governance (board independence, board size, board meetings, audit committee independence, audit committee meetings, audit committee competence, external auditor independence, shareholders' influence and ownership concentration) on profitability (measured as net profit margin).

The hypothesis stated earlier is subjected to empirical test in this section with a view to either accept or reject it. The decision rule is based on the significance of the F-values and p-values obtained. Hence, the hypothesis is rejected where the computed F value is greater than the critical (table) value of F, at 5% level of significance and degrees of freedom; and where the p-value (0.000) is less than the level of significance (0.05).

Regression Analysis of Corporate Governance and Profitability

H_0: There is no significant positive relationship between corporate governance variables and net profit margin of quoted oil and gas companies in Nigeria.

The results of the test are presented in in Figure 2 and Table 4.

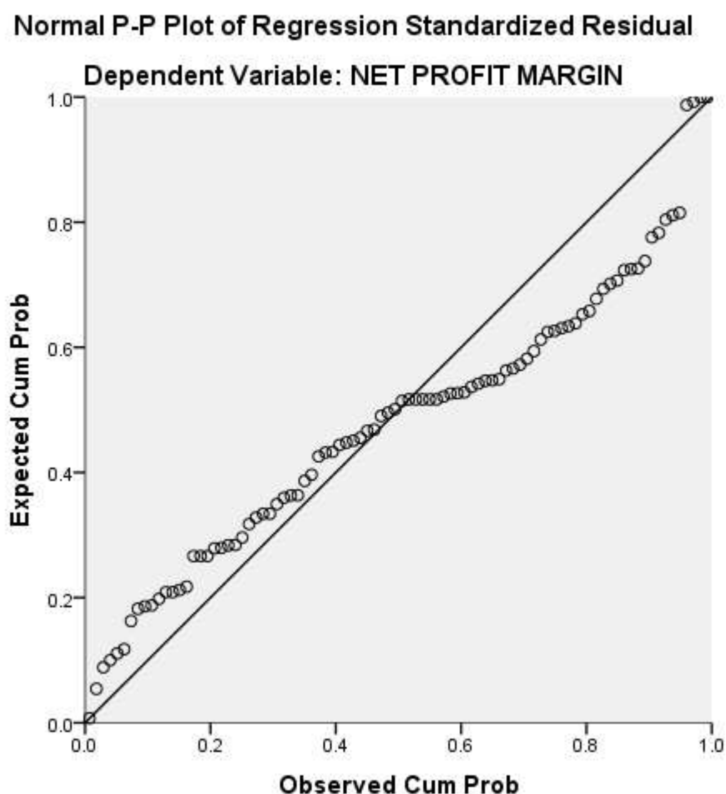

Figure 2: Normal P.P. Plot Showing Relationship between Corporate Governance and Profitability
Source: Computed by Researcher (2019).

From Figure 2, it can be observed that the plotted points lie very close to the line of best fit (regression line). This shows that there is a positive linear relationship between corporate governance (measured as board independence, board size, board meetings, audit committee independence, audit committee meetings, audit committee competence, external auditor independence, shareholders' involvement and ownership concentration) and profitability (measured as net profit margin). Thus, changes in corporate governance variables can be said to account for variability in profitability.

Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

Table 4: Regression Output of Corporate Governance and Profitability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.723[a]	.523	.469	8.21104

a. Predictors: (Constant), OWNERSHIP CONCENTRATION, BOARD MEETINGS, AUDIT COMMITTEE INDEPENDENCE, EXTERNAL AUDITOR INDEPENDENCE, AUDIT COMMITTEE MEETINGS, BOARD SIZE, BOARD INDEPENDENCE, AUDIT COMMITTEE COMPETENCE, SHAREHOLDERS' INVOLVEMENT

Source: Computed by Researcher (2019)

The results shown in Table 4 reveals that the coefficient of correlation (R) is 0.723 and the coefficient of determination (R^2) is 0.523 at 5% level of significance. The correlation coefficient of 72.3% indicates a positive linear relationship and strong degree of correlation between corporate governance and profitability. The coefficient of determination, on the other hand, indicates that 52.3% of the profitability (measured as net profit margin) of the quoted oil and gas companies sampled is influenced by corporate governance (measured as board independence, board size, board meetings, audit committee independence, audit committee meetings, audit committee competence, external auditor independence, shareholders' involvement and ownership concentration) while 47.7% is due to other factors. These results do not support the hypothesis that there is no significant relationship between corporate governance variables and profitability of quoted oil and gas companies in Nigeria; thus, the hypothesis is rejected.

The implication of the coefficient of determination result is that about half of the profitability of quoted oil and gas companies in Nigeria is influenced by corporate governance mechanisms while the other half is influenced by factors such as selling price, expenses, cost reduction and control techniques, research and development, financial and operating leverage, cost of raw materials, capital structure and financial planning, government policies, inventory levels, credit policy, firm size as well as firm age.

The Analysis of Variance (ANOVA) result (shown in the Appendix) is a further confirmation of the fitness of the regression model given the significance of the parameters. The computed F is 9.750 which is greater than the critical (table) value of F (2.04), at 5% level of significance and degrees of freedom of 9 and 89; also, the p-value (0.000) is less than the level of significance (0.05).

FINDINGS

This study found that there is significant relationship between corporate governance and profitability of quoted oil and gas companies in Nigeria. This study has shown that corporate governance influences profitability by 52.3% while other factors such as selling price, expenses, cost reduction and control techniques, research and development, financial and operating leverage, cost of raw materials, capital structure and financial planning, government policies, inventory levels, credit policy, firm size as well as firm age account for 47.7% of the profitability of quoted oil and gas companies in Nigeria. Furthermore, this study has provided statistical evidence that there is significant

difference in the contribution of each of the measures of corporate governance on profitability of quoted oil and gas companies in Nigeria and that shareholders' involvement has the most significant influence on profitability of quoted oil and gas companies in Nigeria.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the findings of this study, it is concluded that quoted oil and gas companies in Nigeria understand the need for an effective corporate governance system given the mechanisms they have implemented as identified in this study. The positive linear relationship between corporate governance and profitability has proven that corporate governance moves in sympathy with profitability. However, the results of this study, based on the regression and correlation tests carried out, suggest that in respect of the specific measures of corporate governance used in this study to investigate the relationship between corporate governance and profitability, the quoted oil and gas companies sampled performed below expectation. Finally, corporate governance influences profitability of quoted oil and gas companies in Nigeria by 52.3 percent; hence, has a moderate influence on profitability of quoted oil and gas companies in Nigeria.

Recommendations

The following recommendations are advanced based on the findings and conclusion of this study:

(i) To sustain the positive linear relationship existing between corporate governance and profitability, quoted oil and gas companies in Nigeria should continually appraise their corporate governance system with a view to determine whether the system is functioning as expected so that corrective actions can be taken to address any deficiency in the system. Such appraisal should focus on the various actors in corporate governance within the company such as the board, audit committee, external auditor, executive management as well as the internal auditor and should be done annually.

(ii) Given that shareholders' involvement, as identified in this study, has the most influence on profitability, shareholders of quoted oil and gas companies should increase the frequency at which they engage the directors on matters affecting profitability. To achieve this, shareholders of oil and gas companies should increase their attendance at general meetings, ensure they always exercise their voting right, always challenge the decisions of the board of directors on matters which they think are not in the interest of the company and set up a committee made up of only shareholders to, on an annual basis, appraise the performance of the directors and its committees.

(iii) Quoted oil and gas companies in Nigeria should continue to maintain large board size provided the cost of doing so is not outrageous and ensure that the board always has a mix of persons with requisite skills, knowledge and understanding of business management and the operations of the company. Quoted oil and gas companies should consider maintaining a board size of between ten (10) and 15 (fifteen) members.

REFERENCES

Abdullah, A. and Page, M. (2009). *Corporate Governance and Corporate Performance: UK FTSE 350 Companies.* The Institute of Chartered Accountants of Scotland, Edinburgh, 4p.

Agbaeze, E.K. and Ogosi, C.D. (2018). Corporate Governance and Profitability of Nigerian Banks. *European Journal of Scientific Research*, 148(3): 358 – 367.

Akinyomi, O.J. and Olutoye, E.A. (2015). Corporate Governance and Profitability of Nigerian Banks. *Asian Journal of Finance and Accounting*, 7(1): 172 – 182

Akpan, E.S. and Riman, H.B. (2012). Does Corporate Governance Affect Bank Profitability? Evidence from Nigeria. *American International Journal of Contemporary Research*, 2(7): 135 – 145.

Anandasayanan, S. and Velnampy, T. (2018). Corporate Governance and Corporate Profitability of Listed Diversified Holding Companies in Sri Lanka. *International Journal of Accounting and Financial Reporting*, 8(1): 294 – 304.

Association of Certified Chartered Accountants (2018). *Corporate Governance from the Inside Out.* Available at https://www.accaglobal.com/ca/en/student/exam- supportresources/professional-exams-study-resources/strategic-business-leader/technical-articles/corporate-governance-inside-out.html (Retrieved May 20, 2019), 8p.

Ayodele, S., Aderemi, A.K., Obigbemi, I.F. and Ojeka, S.A. (2016). Assessing the Connectedness between Corporate Governance Mechanisms and Financial Performance of Listed Oil and Gas Companies in Nigeria. *Journal of Accounting, Finance and Auditing Studies*, 2(4): 155 – 171.

Babalola, O.E. (2017). *Corporate Governance and Profitability of Manufacturing Firms in Nigeria.* (MSc. Dissertation). Babcock University, Nigeria, 5p.

Babatunde, A.A. and Akeju, J.B. (2015). The Impact of Corporate Governance on Firms' Profitability in Nigeria. *International Journal of Business and Management Invention*, 5(8): 69 – 72.

Baker, H.K. and Powell, G.E. (2009). Management Views on Corporate Governance and Firm Performance. *Advances in Financial Economics*, 13: 83 – 118.

Baridam, D.M. (1995). *Business: A Management Approach*. Paragraphics, Port Harcourt, 67p.

BPP Learning Media (2010). *Audit and Assurance: International*. BPP Learning Media Ltd, London, 33p.

Cadbury Report (1992). The Financial Aspects of Corporate Governance. Gee Publishing Ltd., London, 14p.

Emile Wolf International (2010). *Audit and Assurance: UK stream*. Emile Wolf Publishing Ltd, Berkshire, 20p.

Emile Wolf International (2010). *Advanced audit and Assurance: International*. Emile Wolf Publishing Ltd, Berkshire, 30p.

Emile Wolf International (2013). *Governance, risk and ethics*. Emile Wolf Publishing Ltd, Berkshire, 73p.

Federal Republic of Nigeria (2004). *Companies and Allied Matters act*. Princeton Publishing Company, Abuja, 199p.

Financial Reporting Council (2010). *The UK Corporate Governance Code*. Financial Reporting Council Limited, London, 9p.

Financial Reporting Council of Nigeria (2016a). National Code of Corporate Governance. Available at http/financialreportingcouncil.gov.ng (Retrieved August 10, 2017), 4p.

Ghaffer, A. (2014). Corporate Governance and Profitability of Islamic Banks Operating in Pakistan. *Interdisciplinary Journal of Contemporary Research in Business*, 6(2): 320– 336.

Glautier, M., Underdown, B. and Morris, D. (2011). *Accounting Theory and Practice*. Pearson Education Limited, England, 438p.

Hendricksen, E.S. (1977). *Accounting Theory*. Richard D. Irwin Inc., USA, 156p.

Hendricksen, E.S. and Van-Breda, M.F. (2001). *Accounting Theory*. McGraw Hill BookCo, Singapore, 309p.

Huse, M. and Solberg, A. (2006). Gender-Related Boardroom Dynamics: How Scandinavian Women Make and Can Make Contributions on Corporate Boards. *Women in Management Review*, 21: 113 – 130.

Iqbal, K. and Kakakhel, S.J. (2016). *Corporate Governance and its Impact on Profitability of the Pharmaceutical Industry in Pakistan*. *Journal of Management Science*, January – June: 73 – 82.

Julizaerma, M.K. and Zulkarnian, M.S. (2012). Gender Diversity in the Boardroom and Firm Performance of Malaysian Public Listed Companies. *Procedia-Social and Behavioural Sciences*, 65: 1077 – 1085.

Keynes, J.M. (1935). *The General Theory of Employment, Interest and Money*. Available at http://cas2.umkc.edu/economics/people/facultypages/kregel/courses/econ645/winter2011/generaltheory.pdf (Retrieved 30 May, 2018), 41p.

King Committee (2002). King Report on Corporate Governance for South Africa. Available at http://www.ecseonline.com/PDF/King%20Committee%20on%20Corporate%20Governance%20%20Executive%20Summary%20of%20the%20King%20Report%202002.pdf (Retrieved August, 2019), 10p.

Ma, S., Naughton, T. and Tian, G. G. (2010). Ownership and Ownership Concentration: Which is Important in Determining the Performance of China's Listed Firms? *Accounting and Finance*, 50 (4): 871-897.

Malik, J. (2011). Determinants of Insurance Companies Profitability: An Analysis of Insurance Sector of Pakistan. *Academic Research Journal,* 1(3): 315 – 321.

Merriam-Webster (2017). *Merriam-Webster Dictionary*. Merriam-Webster Incorporated, Massachusetts, 51p.

Narwal, K.P. and Jindal, S. (2015). The Impact of Corporate Governance on Profitability: An Empirical Study of Indian Textile Industry. *International Journal of Research in Management, Science and Technology*, 3(2): 81 – 85.

Nielsen, S. and Huse, M. (2010). The Contribution of Women on Board of Directors: Goes Beyond the Surface. *Corporate Governance: An International Review*, 18(2): 136 – 148.

Niu, J. (2012). Corporate Governance and Bank Profitability: Evidence from the U.S. Corporate *Ownership and Control*, 9(2): 206 – 215.

Nwachukwu, C.C. (1988). Management Theory and Practice. Africa-FEP Publishers Limited, Onitsha, 257p.

Nwokoye, N.G. and Ahiauzu, A.I. (1984). *Introduction to Business Management*. Macmillan Publishers, London, 85p.

Nwonyuku, K.N. (2016). Corporate Governance and Profitability of Listed Food and Beverages Firms in Nigeria. *Industrial Engineering Letters*, 6(3): 47 – 105.

Okoye, L.U., Evbuomwan, G.O., Achugamonu, U. and Araghan, I. (2016). Impact of Corporate Governance on the Profitability of the Nigerian Banking Sector. *ESUT Journal of Accountancy*, 7(1): 281-292.

Organisation for Economic Cooperation and Development (2004). *OECD Principles of Corporate Governance*. OECD Publications Service, Paris, 15p.

Organisation for Economic Corporation and Development (2019). OECD Corporate Governance Factbook 2019. Available at www.oecd.org/corporate/corporate-governance-factbook.htm (Retrieved August 5, 2019), 28p.

Pandey, I.M. (2010). *Financial Management*. Vikas Publishing House PVT Ltd, New Delhi, 595p.

Robinson, G. and Dechant, K. (1997). Building a Business Case for Diversity. *Academy of Management Executive*, 11: 21 – 30.

Sreeti, R. (2017). Corporate Governance: Concepts and Issues. Available at https://www.iodonline.com/Articles/corporate%20Governance%20and%20Sustainability%20Concepts%20Sreeti%20Raut.pdf. (Retrieved August 5, 2019), 11p.

Sumarno, J., Widjaja, S. and Subandriah, M (2013). The Impact of Good Corporate Governance toManufacturing Firms' Profitability and Firms' Value. *Signifikan: Jurnal Ilmu Ekonomi*, 5(2): 181 – 196.

Toshniwal, R. (2016). Concept of Profit and Profitability of Commercial Banks in India.*International Journal of Science Technology and Management*, 5(12): 547-551.

Tricker, B. (1984). *Corporate Governance: Principles, Policies and Practices*. Oxford, Oxford University Press, 62p.

Uwuigbe, O.R. (2011). *Corporate Governance and Financial Performance of Banks: A Study of Listed Banks in Nigeria*. (PhD Thesis). Covenant University, Ota, Ogun State, 33p.

Vemula, H. (2017). The Effect of Corporate Governance on Profitability of a Firm: A Study of Indian Automobile Industry. *International Journal of Engineering Technology Science and Research*, 4(8): 142 – 149.

Wang, Y. and Cliff, B. (2009). Is There a Business Case for Board Diversity? *Pacific Accounting Review*, 21(2): 88 – 99.

Weihrich, H., Cannice, M.V. and Koontz, H. (2010). *Management: A Global Perspective*. McGraw Hill, New Delhi, 424p.

Youssef, M.T. (2007). *Corporate Governance: An overview.* Grant Thornton, Egypt, 10p.

APPENDIX
FURTHER REGRESSION RESULTS

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5916.071	9	657.341	9.750	.000[b]
	Residual	5393.695	80	67.421		
	Total	11309.766	89			

a. Dependent Variable: NET PROFIT MARGIN
b. Predictors: (Constant), OWNERSHIP CONCENTRATION, BOARD MEETINGS, AUDIT COMMITTEE INDEPENDENCE, EXTERNAL AUDITOR INDEPENDENCE, AUDIT COMMITTEE MEETINGS, BOARD SIZE, BOARD INDEPENDENCE, AUDIT COMMITTEE COMPETENCE, SHAREHOLDERS' INVOLVEMENT

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	46.872	12.511		3.747	.000
	BOARD INDEPENDENCE	.062	.071	.097	.877	.383
	BOARD SIZE	2.205	.531	.411	4.150	.000
	BOARD MEETINGS	.364	.752	.048	.484	.629
	AUDIT COMMITTEE INDEPENDENCE	-.040	.090	-.049	-.444	.658
	AUDIT COMMITTEE MEETINGS	-3.828	1.527	-.233	-2.507	.014
	AUDIT COMMITTEE COMPETENCE	.085	.138	.065	.617	.539
	EXTERNAL AUDITOR INDEPENDENCE	-5.034	2.431	-.199	-2.071	.042
	SHAREHOLDERS' INVOLVEMENT	-3.806	.806	-.527	-4.721	.000
	OWNERSHIP CONCENTRATION	-.083	.049	-.156	-1.701	.093

a. Dependent Variable: NET PROFIT MARGIN

Correlations

		NPM	BI	BS	BM	ACI	ACM	ACC	EAI	SI	OC
NPM	Correlation	1.000	.179	.468	.168	.125	-.260	.378	.110	-.486	.050
	Significance (2-tailed)		.092	.000	.113	.242	.013	.000	.301	.000	.641
	df	0	88	88	88	88	88	88	88	88	88
BI	Correlation	.179	1.000	-.072	-.053	.533	.097	.047	.108	-.419	.256
	Significance (2-tailed)	.092		.500	.623	.000	.363	.663	.311	.000	.015
	df	88	0	88	88	88	88	88	88	88	88
BS	Correlation	.468	-.072	1.000	.425	-.047	.055	.411	.081	-.102	.067
	Significance (2-tailed)	.000	.500		.000	.662	.608	.000	.448	.340	.533
	df	88	88	0	88	88	88	88	88	88	88
BM	Correlation	.168	-.053	.425	1.000	-.054	.403	.068	.200	-.148	.004
	Significance (2-tailed)	.113	.623	.000		.616	.000	.527	.058	.164	.967
	df	88	88	88	0	88	88	88	88	88	88
ACI	Correlation	.125	.533	-.047	-.054	1.000	-.002	.416	-.108	-.140	-.132
	Significance (2-tailed)	.242	.000	.662	.616		.982	.000	.309	.189	.214
	df	88	88	88	88	0	88	88	88	88	88
ACM	Correlation	-.260	.097	.055	.403	-.002	1.000	-.196	-.054	.161	-.054
	Significance (2-tailed)	.013	.363	.608	.000	.982		.064	.613	.130	.612
	df	88	88	88	88	88	0	88	88	88	88
ACC	Correlation	.378	.047	.411	.068	.416	-.196	1.000	-.058	-.125	-.213
	Significance (2-tailed)	.000	.663	.000	.527	.000	.064		.585	.239	.044
	df	88	88	88	88	88	88	0	88	88	88
EAI	Correlation	.110	.108	.081	.200	-.108	-.054	-.058	1.000	-.544	.288
	Significance (2-tailed)	.301	.311	.448	.058	.309	.613	.585		.000	.006
	df	88	88	88	88	88	88	88	0	88	88
SI	Correlation	-.486	-.419	-.102	-.148	-.140	.161	-.125	-.544	1.000	-.391
	Significance (2-tailed)	.000	.000	.340	.164	.189	.130	.239	.000		.000
	df	88	88	88	88	88	88	88	88	0	88
OC	Correlation	.050	.256	.067	.004	-.132	-.054	-.213	.288	-.391	1.000
	Significance (2-tailed)	.641	.015	.533	.967	.214	.612	.044	.006	.000	
	df	88	88	88	88	88	88	88	88	88	0