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The Impact of Corporate Governance on Firm Value: Evidence from Quoted Nigerian Petroleum Companies

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Abstract: In this study, the author investigated the relationship between corporate governance and firm value of Nigeria quoted petroleum companies. This study used seven quoted petroleum companies in Nigeria that have consistently published their audited annual financial reports between 2013 to 2018 and to ensure adequate observation for statistical testing, researcher adopted a panel multiple regression analysis to identify how the possible firm's specific corporate governance attributes influence firms value in the selected Nigerian quoted petroleum companies. To this end, researcher conducted descriptive statistics, correlation matrix and panel regression analysis. In drawing the conclusion, researcher used the random effect panel regression based on the hausman test, researcher observed that Directors shareholding had an insignificant and negative influence on the value of quoted petroleum companies in Nigeria. Board Size had a positive and significant influence on the value of petroleum listed companies in Nigeria. In the case of Board gender, researcher discovered that large number of female in the board had a positive but insignificant impact on firm value of listed petroleum companies in Nigeria. Board Independence was also found to be positively impacting on firm value but its impact was statistically insignificant. Researcher also observed that ownership concentration which a strong issue in corporate governance had a negative but insignificant influence on firm value of petroleum quoted companies in Nigeria. In the case of our control variables, The Log of total assets which proxy's firm size had negative and significant impacts on firm value.

Keywords: Corporate governance, Petroleum companies, Board gender, Firm value

INTRODUCTION

The country assessment of 2008 on Nigeria's Corporate Governance Report on the Observance of Standards and Codes(ROSC) benchmarks, laws and practice

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against the Organization for Economic Cooperation and Development (OECD) principles of corporate governance focusedprimarily on the firms listed on the Nigeria Stock Exchange (NSE).The ROSC examinedtheset of rules and incentives by which management of firms are directed, controlled. Also the relationship among the board of directors, controlling shareholders, minority shareholders, and other stakeholders (Black, 2001).

International good corporate governance practice revolves around four key elements: strong and professional boards of directors, strong shareholder rights, together with high levels of transparency and disclosure, all supported by a strong legal and enforcement framework. As such good corporate governance can enhance investor trust, attract outside investment, and demonstrate a country's commitment to observe international standards. Ultimately, good corporate governance contributes to sustainable economic development through enhancing the performance of firms thereby increasing their access to outside capital (Black, 2001).

A sound corporate governance practice is particularly significant and important for the Nigerian petroleum industryconsidering that its operations are volatile and riskier than many other types of firms; the character of assets and liabilities are more opaque, leading to an asymmetry of information, less transparency and a greater ability to obscure existing and developing problems. Therefore good corporate governance complements effective supervision and allows supervisors to better allocate scarce resources.

In its full implementation, we believe good corporate governance should protect the interests of stakeholders, build and maintain public confidence, and ultimately contribute to the integrity and stability of the Nigerian petroleum industry. In several studies as by Black (2001), Gompers, Ishii and Metrick (2003), Wolfgang, Gugler and Hirschvogl (2004) and Bauer, Frijns, Otten and Tourani-Rad (2008), they had argued that the quality of governance components in the form of an efficient board of directors and appropriate ownership structure in a firm can increase firm value, as such, Black (2001) concluded that there are significant effects of the quality of governance components to firm value especially in countries with weak laws and weak governance behavior.

Gompers, Ishii and Metrick (2003) showed that there is a positive relationship between governance index and corporate performance in the long-term. Wolfgang, Gugler and Hirschvogl (2004) found that a firm's rating has positive effect on firm value and returns to shareholders. Related to the influence of the quality of

governance components on firm value, Berghe and Ridder (1999) stated that firms that performed poorly could be attributed to a poor governance culture. The effectiveness of the implementation of firm governance is desirable to management and other stakeholders of the firm because the implementation of good corporate governance may fail if firms in the same environment differ in the implementation quality of its governance components (Silveira, Leal, Silva and Barros, 2007).

Similarly, in studies by Heinrich (2002) and Ahunwan (2003), they clearly identified economic, market behavior, regulatory framework and socialdifferences,in addition to the nature, direction, processes and magnitude of activities associated with the operations of firms. In view of the above, it is important to investigate the impact of corporate governance components as board size and composition, audit committee independence, institutional shareholdings, ownership concentration, managerial shareholding and the effect of foreign ownership on the value of listed petroleum firms in Nigeria.

\The sensitivity of Nigeria's petroleum resources is clearly reflected in its importance to the Nigerian economy, because it still remains a major foreign exchange earner, contributing over 80% of government revenues and providing for the development of Nigeria's infrastructures and other industries (Anya, 2002; Chukwu, 2002; Mathiason, 2006). According to the British Petroleum (BP) Statistical Energy Survey, Nigeria as a leading oil and gas producer in Africa currently ranks as the tenth largest oil producer in the world with proved oil reserves of about 37.2 billion barrels and estimates in excess of 187.5 trillion standard cubic feet of natural gas at the end of 2011 (Mbendi, 2014).

The foregoing underscores the vast investments potentials of the Nigerian petroleum industry, hence, investment decisions in the industry is likely to be influenced by firm value-which is the firms' economic performance, and financial accounting information reported in annual financial statements which contains various variables and measures that indicates performance, and these variables and measures serve as yardsticks for the assessment of firms in the Nigerian petroleum industry by various stakeholders (Lehmann and Weigand, 2000). These indicators as observed by Brennan and Schwartz (1985), Breuer (1999) and Xie, Davidson and DaDalt (2003) relative to some pre-established benchmarks, rules, and mechanisms influence the integrity of the financial statements as the primary source of information that captures firm value and ensures protection for shareholders, investors and suppliers.

The integrity of the financial statements depend largely on the quality of the financial information it contains. As sucha new code of best corporate governance practices was introduced in the United States of America (US) in 2002 by the Serbanese-Oxley Act and was also introduced in Nigeria in 2003. The code was introduced with a view to improving the monitoring of managers and protecting shareholders' investments.

Corporate governance in the form of index had been widely used by researchers. Grzybkowski and Wojcik (2006) in their study of governance components for information technology firms mentioned that the rating methodology used by the rating agency was far from transparent, as such Grzybkowski and Wojcik (2006) then proposed a model for measuring the governance component implementation quality, called the Internet Based of Corporate Governance (IBCG) rating, which was fixed based on the OECD principles of corporate governance. The IBCG ratingmodel which is an interaction between corporate governance with internet technology consisted of 120 criteria divided into five major components: board of directors, executive management, shareholders, transparency and technical accessibility.

Similar corporate governance components index was used by Black (2001) for Russia; Gompers, Ishii and Metrick (2003) for the U.S.; Drobetz, Schillhofer and Zimmermann (2004) for Germany; Klapper and Love (2004) for emerging markets; Black, Jang and Kim (2006) for Korea, and Bauer, Frijns, Otten and Tourani-Rad (2008) for Japan.

LITERATURE REVIEW

Governance Components and Firm Value

Corporate governance is an important factor that affects firm value. The components play an important role in affecting firm value by decreasing the agency cost (Yammeesri and Herath, 2010). The Organization for Economic Cooperation and Development (OECD) principles for corporate governance (1999) emphasized achieving social and economic sustainability by creating ample job opportunities in the economy, therefore firms can improve shareholders value and provide benefits to society by following the principles of corporate governance. Further, the disclosure of transparent financial information, the maintaining occupational health and safety, and developing the social and economic culture in an organization can also generate value for the shareholders.

Economic theory suggests that a firm is a nexus of contracts among the different parties and that the need for a regulatory framework for corporate governance arises due to the presence of incomplete contracts in the financial markets (Aghion and Tirole, 1997). This need is intensified by other factors such as market failure; under developed institutions together with incomplete contracts among different parties in the firm such as managers, shareholders suppliers and other stakeholders. All these affect firm value in a negative manner (Aghion and Bolton, 1992; Nam and Nam, 2004). Therefore, the correct procedure of contracting among the different parties in a market can decrease the agency cost, thereby increasing the value to shareholders (Zingales, 1998).

Corporate governance components stress that the control of the board is affected by several factorssuch size, composition and the audit committee independence. The ownership structure component of firm governance includes institutional shareholding, ownership concentration, managerial shareholding and foreign ownership. Consequently, corporate governance encompasses the board of directors and an ownership structure (Makhija and Patton, 2004).

Board Size and Firm Value

The board of directors and its effectiveness as a governance component is one of the most widely studied topics in corporate governance literature, and this refers to the number of directors on the board. As a variable widely used in the literature offirm governance, its value is found by counting the number of directors on the board in afirm as argued by Pfeffer (1972) and Chaganti, Mahajan and Sharma (1985). Several research had focused on board characteristics such as size, composition, diversity, CEO duality and frequency of meetings and their relationship to firm value, with size and composition being the aspects most studied. Literature presents contradicting arguments on the relationship between board characteristics such as board size and composition and firm value (Short and Keasey, 1999; Adams and Mehran, 2002; Xie, Davidson and DaDalt, 2003; Miguel, Pindado and Torre, 2004; Wang, Chuang and Lee, 2010).

Board size plays an important role in corporate monitoring, as such Jensen (1976), Yermack (1996) and Eisenberg, Sundgren and Wells (1998) and Mak and Kusnadi (2005) argued that as board size increases it becomes less efficient due to slower decision making, but other studies such as Wintoki (2007) and Coles, Daniel and Naveen (2008) contented that size is not related to firm value by arguing that

size is dependent on each individual firm's need of advising or monitoring, size, and age.

Corporate governance reforms, most of them based on Sarbanes-Oxley Act (2002) have been published and implemented globally over the last decade. There is very little empirical evidence on the Sarbanes-Oxley's effectiveness or its impact on firm value (Wintoki, 2007; Basu and Dimitrov, 2010). Literature on the relationship between board size and firm value offers mixed findings, hence Fama and Jensen (1983) believe that as board size increases decision-making becomes slower and with free-riding problems it becomes less efficient leading to lower corporate value. In support of this argument Yermack (1998), Eisenberg, Sundgren and Wells (1998) and Mak and Kusnadi (2005) provided evidence that smaller boards are related to higher firm value.

On the other hand we agree with Coles, Daniel and Naveen (2008) who provided evidence that both very large and very small board sizes affect firm value. They believed that this happens due to business complexity. In support of Coles, Daniel and Naveen (2008), Raheja (2005) suggested that there is no optimal board size, since board size tends to depend on either advising or monitoring needs and this changes from firm to firm.

Other researchers such as Lehn, Patro and Zhao (2009) in their study of 88 U.S.firms between 1935 and 2000 found no significant relationship between size and value. But Boone, Field, Karpoff and Raheja (2007) found a positive relationship between board size and firm size, but found no relationship between board size and firm value. However, some researchers have studied this problem with results showing no relationship between board size and firm value. Bonn (2004) and Di Pietra (2008) found no relationship between board size and value for Australian and Italian firms, however in studies that explored the relationships between board size and opportunistic accounting in the developed economies, Jensen (1993), Xie, Davidson and DaDalt (2003), Zhou and Chen (2004) and Wang, Chuang and Lee (2010) revealed inconsistent results. This is because of the consistent conflicting arguments supported by equally inconclusive empirical results that characterize the discussions regarding an effective board size. Therefore relationship between board size and firm value varies from positive tonegative (Yermack, 1996;Eisenberg, Sundgren and Wells, 1998; Loderer and Peyer, 2002; Kyereboah-Coleman and Biekpe, 2005). Board size as a widely used variable in the literature ofcorporate governance is found by counting the number of directors on the board of a firm.

Board Independence and Firm Value

The management of any firm requires a board with strategic vision, in addition to efficient monitoring. Prior studies as those by Kogan and Wallach (1966) and Moscovici and Zavalloni (1969) on group decision making showed that it is generally harder for largergroups to reach an agreement, therefore final decisions of larger groups usually includemore compromises which tend to be less extreme in smaller groups

Literature on board composition and its relationship to firm value is mostly focused on board independence as measured by the proportion of non-executive directors on the board. On board composition, the Sarbanes-Oxley Act (2002) following agency theory principles proposed and set a requirement of a larger percentage of non-executive directors,because it was believed that a larger proportion of non-executive directors lead to greater board independence and better monitoring. This was supported by the belief that non-executive directors are less prone to be entrenched or allied with managers thus they are able to perform better monitoring and advising task (Dalton, Daily, Johnson and Ellstrand, 1999). Authors such as Weisbach (1988), Byrd and Hickman (1992) and Brickley, Coles and Terry (1994) supported this argument by mentioning that under special circumstances boards with a higher proportion of non-executive members add value to shareholders.

However, Coles, Daniel and Naveen (2008) presented conflicting evidence that contradicted the Sarbanes-Oxley Act (200) by mentioning that complex firms such as ones with research and development (R&D) issues need more advising than monitoring, and therefore value is created when larger number of executive directors who provide advice are present in boards.This can lead to better business knowledge thereby providing better advising leading to higher firm value. But Baghat and Black (1997), Hermalin and Weisenbach (2001) and Barnhart and Rosenstein (2005) on the other hand provided evidence on the lack of a positive relationship between board composition and firm value.

However, it is important to note that boards with too many members engender problems of coordination, control, and flexibility in decision-making. Also large boards give excessive control to the CEO, thereby harming efficiency (Yermack, 1996; Fernandez, Gómez, and Fernández, 1997; Eisenberg, Sundgren and Wells, 1998). Hence, the effect of board size on firm value is a trade–off between the advantages of monitoring and advising as against the disadvantages of coordination, control and decision making. Thus for supervisory boards, we differ with the

generalassumption that smaller boards are more effective at monitoring. This is due to lower co-ordination costs which produces better firm value as was confirmed in studies by Yermack (1996) and Eisenberg, Sundgren and Wells (1998).

This view is however not shared by all researchers though, as Dalton, Dailly, Johnson and Ellstrand (1999) and Coles, Daniel and Naveen (2008) argued that larger boards may be better for firms with greater advising requirements. Added to this, Raheja (2005) also argued that optimal board size and composition are functions of the directors' and the firm's characteristics.

Composition is also considered when discussing the advising requirements, because a distinction is made with regards to the independence of executive and non-executive directors. Due to this clear separation of outside and inside directors and the one-board structure, studies on board size and composition had provided an excellent basis to explore their effects on board members. Based on the hypothesis that higher independence of directors should enable a more objective and thorough supervision, the impact of the share of inside to outside directors on firm value is measured. To this end, Hermalin and Weisbach (2003) found no significant relationship between non-executive directors and firm value as measured by Tobin's Q, given that the monitoring and advisory functions of the board differ with firm characteristics and across industries. Thus, larger, growing and older firms devote more effort to stakeholder interest and less to monitoring managers (Adams, 2003). On the other hand, similar firms in the same industry have similar board structures, giving rise to similar governance practices among firms with similar characteristics (Macey& O'Hara, 2003).

While board research finds mixed results on the effectiveness of firm boards in the U.S. according to Stoeberl and Sherony (1985), Morck, Shleifer and Vishny (1989), Millstein and MacAvoy (1998), Denis and McConnell (2003), linck, Netter and Yang (2008) and Lehn, Patro and Zhao (2009),regulation distinguishes the petroleum industry from other industries (Belkhir, 2004). Thus, the study by Caprio, Laeven and Levine (2003) showed the importance of the institutional components of firm governance, which leads us to believe that firms' boards in the petroleum industry play a major role in controlling and advising managers.

To close the gap between board composition and firm value, an examination of the board effectiveness is necessary. Kaplan (1994) showed that German boards are effective in replacing management board members when performance is poor. Although governance literature offers no conclusive results concerning the effect of

appointing independent directors (Hermalin and Weisbach, 1991; John and Senbet, 1998), a positive relation is expected with the presence of non-executive directors.

The problem of research on the independence of directors remains that the degree of independence is unobservable (Hermalin and Weisbach, 2003). However in a survey of the study carried out on board composition and performance by Coles, Daniel and Naveen (2008), it was confirmed that this problem had no stringent impact on firm value. This builds on Raheja (2005) who argued that the optimal board structure is determined by the trade-off between maximizing the incentive for insiders to reveal their private information, minimizing coordination costs among outsiders and maximizing the ability of outsiders to reject inferior projects.

Composition of the board of directors is measured by using the proportion of non-executive directors, which is defined as the number of non-executive directors out of the total number of directors. Non-executive directors are often nominated for their beneficial impact on firm value, since their independence should minimize the inherent conflicts of interest between managers and shareholders (Linck, Netter and Yang, 2005).

Board Gender and Firm Value

Diversity on the board is clearly well encouraged in corporate governance literature. Such diversity as is often advocated include: combination of executive, independent and non-executive directors, diversity of experience and expertise and skill (Rhodes and Peckel, 2010). Other areas of diversity often ignored include: Social diversity, racial diversity and gender diversity.

Board gender diversity is becoming a strategic issue as some institutional investors are beginning to see gender diversity as a crucial criterion of the investment policy (Carter, Simikins& Simpson, 2003). Some research studies have shown that boards gender diversity falls within the scope of the so called "business case" of diversity that was introduced by Cos & Blake (1991) and Robinson &Dechant (1997). It is argued that board gender diversity will benefit the firm in financial terms which should be regarded in the context of shareholder value (Dang, Nguyen &Vo, 2012). Women ordinarily are more careful and this may be brought to bear on risk taking and this is likely to lead to better protection of the firm's investments and assets. They are also sometimes more painstaking and this may lead to better investment decisions.

As noted by O'Reilly III & Main (2012), at the bottom of the argument is the belief that increased demographic diversity among corporate boards will help to

improve decision making and hence positively affect firm performance. Apart from the increased number of women who are getting educated and the social awareness being created about gender equality, the increase in the number of women on the board is explained by the robustness of the evidence of performance effect of board gender diversity (Daily, Certo& Dalton, 1999; Hillman, Cannella& Harris, 2002; Lublin, 2011; Valenti, 2008). O'Reilly and Main (2012) raised a poser; "If there were no convincing business case for the appointment of women outsiders, why would a CEO or a board approve a token to the board?"

The findings of prior empirical studies strongly support more women on the board of directors. Oba (2013) found that female directors' presence had a positive statistical significance on financial performance using return on capital employed (ROCE) as a proxy for financial performance.

This is supported by the results of the findings by Man and Kong (2011) and Burke (2000) which suggest that the presence of women directors and firms' performance are correlated positively. Also, Dang, Ngurjen&Vo (2012) found that firms with at least three (3) women on corporate boards have a better performance, as measured by Tobin's Q and returns on assets (ROA), and they are significantly large in terms of sales.

However, Shukeril, Shinl&Shaaril (2012) found no relation between board gender diversity and firm performance that increasing or decreasing females on the board would not give significant effect to firm performance. There appears therefore to be conflict in findings from empirical studies on the relationship between board gender diversity and firm performance. What this many mean is that the mere presence of females on corporate boards does not add to performance but how the females on the boards are able to use their different skills, experience and expertise to bring about positive improvement in the performance of such boards.

Directors Shareholding and Firm Value

There has been much studies which indicated that managerial ownership affects firm value, because equity holding by management could motivate managers to make financial decisions for their own benefit or shareholders' interest thereby leading to increase or decrease in firm value (Morck, Shleifer and Vishny, 1988; McConnell and Servaes, 1990; Short and Keasey, 1999; Miguel, Pindido and Torre, 2004). Thus, the effectiveness of incentives is potentially a function of the level of managerial ownership in the firm (Davies, Hillier and McColgan, 2005).

Some studies as Boone, Laura, Karpoff and Raheja (2007) and Aggarwal, Erel, Stulz and Williamson (2009) had provided evidence that supported the nonlinear relationship hypothesis between managerial ownership and firm value. While some other studies which includes James (1984), Crespi, Garcia and Salas (2004) and Adams and Ferreira (2007) had shown that the relationship between managers and shareholders has the potential to influence financial decision-making which in turn impacts upon firm value.

The issue about how managerial ownership affects firm value is also important, because Brailsford, Oliver and Pua, (2002) argued that firm managers and external block owners are two key groups of shareholders who have powerful influence on the decisions in a firm's resource allocation. In the pioneering work about the relationship between managerial ownership and firm value from Morck, Shleifer and Vishny(1988). Using piecewise linear regressions to estimate the relationship between Tobin's Q and the shareholdings of the board of directors for 371 Fortune 500 firms in 1980 found a positive relation between ownership and Tobin's Q in the 0% to 5% board ownership range which was dominated by the convergence of interest effect of management; while there was a negative and less pronounced relation in the 5% to 25% range in which the entrenchment effect overpasses the convergence of interest effect.

We agree with Jensen and Meckling (1976) and Demsetz and Lehn (1983) who argued that managerial equity ownership will provide managers incentives to maximize firm value. Using U.S. data, Morck, Shleifer, and Vishny (1988) empirically showed a non-linear relation between firm value and managerial ownership where firm value increases up to a certain level of managerial ownership of about 5% and then decreases as management holdings further rise. Similar results were also found in McConnell and Servaes (1990) and Hermalin and Weisbach (1991), but no evidence was found of a non-linear relation between firm value and managerial ownership from their study of Japan. However they found that firm value was positively related to managerial ownership in Japan which is consistent with the prediction by Jensen and Mecking (1976).

In an empirical research in contrast to that from studies using U.S. data, Kroszner and Philip (2001) attributed the less pronounced entrenchment effect to the large inter-firm shareholdings and firm ownership structure in Japan. They also found that at low to moderate levels of firm equity ownership, Tobin's Qfalls as firm equity ownership rises, and at higher levels of firm ownership this relation is reversed at

some specifications. Cho (1998) found that managerial ownership impacts upon firm value because shareholding motivates management to make investment decisions on their own or for the shareholders' benefit, which consequently affects firm value.

Short and Keasey (1999) and Miguel, Pindido and Torre (2004) in studing the association of management ownership and firm value using United Kingdom (UK) and Spanish data found similar conclusion respectively. Davies, Hillier and McColgan (2005) echoed the above conclusions but extended the specification of management holdings from cubic to quintic and found similar nonlinear relationship between managerial ownership and firm value. Ruan, Tian and Ma (2009) employing a data set that comprised of firms identified as S&P 500 observed that capital structure can also act as an intermediate variable, which is affected by managerial ownership but eventually influences firm value.

The theoretical evidence about how managerial behavior influences financing behaviors directly and indirectly emerged in the middle of last decade, such that Zwieble (1996) developed a model in which managers choose debt by their own interest. Novaes and Zingales (1995) also developed a set of a managerial model to explore how self-interested managers expropriate firm value by the tool of leverage. Wang (2006) similarly developed a contingent claims model to explain the role that shareholder-manager conflicts play in risk choice and financing decisions.

Friend and Lang (1988) in support of entrenchment arising from managerial ownership examined whether managerial entrenchment induced by insiders' equity holding at least in part motivates capital structure decisions on a basis.

Berger, Ofek and Yermack (1997) used cross-sectional analysis to find evidence that firm leverage is affected by the degree of managerial entrenchment, and that entrenched managers seek to avoid debt. While Brailsford, Oliver and Pua(2002) used evidence from Australia to get a nonlinear relation between the level of equity stake owned by insiders and capital structure measured by debt-equity ratio, and supported the effects of convergence-of-interests and management entrenchment. Leech and Leahy (1991) and Kim, Krinsky and Lee (1997) based on the convergence of interests hypothesis, proposed that managerial shareholding is positively correlated with firm value. Similarly, Thomsen and Pedersen (2000) mentioned that managerial shareholding and firm value are simultaneously determined, such that firm value has positive effects on the managerial shareholding, and managerial shareholding has positive effects on firm value. On the contrary, the entrenchment hypothesis

states that a higher managerial shareholding gives the management greater control of the firm and reduces the effects of external controls on the management. Several studies have found a correlation between managerial shareholding and firm value and indicated that the relationship is possibly nonlinear (Morck, Shleifer, and Vishny, 1988; McConnell and Servaes, 1990).

In support of the study by Holderness and Sheehan (1988), they posited that where a large-block shareholder is an outsider, driven by the incentives from external supervision, this shareholder will endeavor to monitor managerial performance; that such external supervision can result in an improvement of firm value, and however according to Demsetz and Lehn (1985), substantial shareholding is not significantly correlated with firm value. Since La Porta, Lopez-de-Silances and Shleifer (1999) proposed the concept of cash flow rights and control rights, issues associated with ultimate control, pyramid structures, and cross-shareholdings have been much emphasized. Besides, according to the convergence of interest's hypothesis, if the managerial shareholding is high, the interest of the management will be more consistent with that of external shareholders. (Mehran, 1995) Therefore, if the controlling shareholders have higher cash flow rights, there will be stronger incentives for them to accept supervision (La Porta, Lopez-de-Silances and Vishny, 2002).

However, literature previously cited largely focused on the relationship between managerial shareholding, financial policies and firm value in developed economies, but debate on whether such a relationship has universal relevance in firms within emerging markets is not yet resolved (Lins, 2003; Wei, Xie and Zhang, 2005). All of these studies found that there is a nonlinear relationship between managerial ownership and firm value in a large number of firms in emerging economies, thus revealing that management and insiders have the ability to engage in expropriation of shareholders' benefits.

Ownership Concentration and Firm Value

This refers to the proportion of a firm's shares owned by a given number of the largest shareholders. The link between firm value and ownership structure is often viewed as going through the interaction and power distribution between the owners and managers of firms. In this context, the issue that has received major attention without resulting in a consensus, is whether concentrated or dispersed ownership is more conducive to good governance.

In a study by Shleifer and Vishny (1997) which focused on the agency problem arising from the separation of ownership and control, they argued for the desirability of concentrated ownership because it results in better monitoring of managers, maximization of shareholder value while providing external finance for firms. Models that stress the importance of managerial initiative and incentives to acquire information in situations of high uncertainty concluded that concentrated ownership may affect firm value (Aghion and Tirole, 1997).

A high concentration of shares tends to create more pressure on managers to behave in ways that are value-maximizing, and in support of this argument, Morck, Shleifer and Vishny (1988), Gorton and Schmid (1996) and Shleifer and Vishny (1997) suggested that at low levels of ownership concentration is associated with an increase in firm value, but that beyond a certain level of concentration the relationship might be negative. Other studies such as Eisenberg, Sundgren and Wells (1998) and Hermalin (2006) reported results not totally in agreement with the hypothesis of a positive relationship. Using a set of variables suggested by Yermack (1996), the authors reported no evidence to support the hypothesis of a positive relationship between firm value and ownership concentration similar to studies by Holderness and Sheehan (2003) and Mínguez-Vera and Martín-Ugedo (2007).

Majority ownership provide the owner the rights to staff management and alter supervisory boards, or transfer firms' assets and adopt strategic decisions at general shareholders' meeting. Through management and supervisory boards, majority ownership also allows more direct executive control over the firm.

Blocking minority ownership gives the right to block a number of decisions, such as those related to increasing or reducing assets and implementing major changes in business activities which the majority shareholder may strive to implement at the general shareholders' meeting. Similarly, legal minority ownership is potentially important since the law entitles the holder of such a stake; at the general shareholders' meeting where such holder can obstruct its decisions at the general shareholders meeting by delaying implementation through lengthy court proceedings. Thus, effective legal minority shareholders may use their ownership position to delay or completely block the implementation of decisions by the majority shareholder(s).

Similarly, dispersed ownership also results in greater liquidity of a firm's stock. This is viewed by some researchers as improving the information value of the stock market and therefore firm value (Holmstrom and Tirole, 1983). Ownership dispersion may be optimal provided it can give rise to controlling stakes when

managerial decisions need to be blocked, or restructuring needs to be carried out (Bolton and Von Thadden, 1998).

Following the above another form of ownership structures that have gain attention in literature isInstitutional Shareholding;Ownership structure also involves a number of factors such as director's shareholding, managerial shareholding, substantial shareholding, and institutional shareholding. Several studies had pointed out that insider shareholding and firm value exhibit a non-linear relationship. McConnell and Servaes (1990) discovered that insider shareholding and firm value have a parabolic relationship, and similar to Morck, Shleifer and Vishny (1988), Hermalin and Weisbach (1991) also presented the same findings. But Demsetz and Len (1985) argued that ownership structure is an endogenous outcome of a competitive selection in which various cost advantages and disadvantages are balanced to arrive at an equilibrium organization of the firm, as such a firm's ownership structure is not correlated with firm value.

The agency problem occurs when there is a conflict between cash flow rights and control rights. Previous studies had indicated that the degree of control right deviation can be used to measure the quality of corporate governance components (La Porta, Lopez-de-Silances and Vishny, 2000). The larger the deviation, the more controlling shareholders will be motivated to erode the assets of the firm as well as the interests of external investors. In this case, the quality of corporate governance will be inadequate. Institutional shareholders possess professional knowledge and supervising abilities so that they are more capable of monitoring the operations of the firm thereby contributing to firm value (Fama and Jensen, 1983; Chaganti, Mahajan and Sharma 1985; McConnell and Servaes, 1990).

Institutional shareholding is usually represented by a dummy variable in studieson governance and firm value relationship (Gompers, Ishii and Metric,2003; Klapper and Love, 2004; Black and Khanna, 2007; Black, Gledson-de-Carvalho and Gorga, 2010; Black, Gledson-de-Carvalho, Khanna, Kim and Yurtoglu, 2013).

There have also been a number of studies thatdocument the relation between firm value and foreign ownership structure. It has been noted that the potential conflicts of interests arising from management and foreign ownership are frequently unraveled in favor of management which may not necessarily maximize firm value. Claessens and Djankov (1999) provided evidence that foreign ownership largely expropriated minority shareholders in Japan. In another study by Kroszner and Philip (2001) investigating how Tobin's Qis affected when a firm is largely owned by foreign investors in Japan, found minimal foreign ownership during the sample period.

However, Vafeas (1999) using Tobin's Qas a proxy for firm value while studying the relationship between foreign ownership and firm value found that domestic financial institutions are poor monitors, while foreign institutional investors serve valuable monitoring functions. In that same study, Tobin's Qwas positively correlated with the presence of foreign institutional ownership and negatively correlated with the presence of domestic institutional ownership. They further pointed out that when domestic financial institutions are less transparent, they are more likely to engage in questionable practices which may be detrimental to the minority shareholders.In support of the views expressed in these empirical findings which are consistent with the theoretical framework of Coles, Daniel and Naveen (2008) that explained that an increase in the fraction of foreign ownership possibly indicates a general decline in equity ownership.

Foreign institutional investors can be considered as major outside investors up to a certain level of ownership. This view is consistent with the theoretical prediction by Shleifer and Vishny (1986) where they argued that large shareholders are expected to effectively monitor management using enough voting control to reduce the agency problems. On the other hand, at high levels of foreign ownership, we may consider a foreign management's entrenchment hypothesis which is an extension of the work of Chhaochharia and Grinstein (2007).

At very concentrated foreign ownership levels, it is assumed that both ownership and managerial control are closely associated. It may therefore be possible to predict that significantly increased foreign ownership may allow foreign owner-managers to become entrenched and pursue non-value maximizing managerial behaviors.

METHODOLOGY

In this study the Ordinary Least Square (OLS) multiple regression model as a tool for data analysis was used to reveal the relationship between corporate governance components, control variables and firm value. The regression specified the relationship among the dependent variable, independent variables and control variables. This method is very relevant and has dominated empirical research especially where the dependent variable is continuous.

MODEL SPECIFICATION

The study examined the relationship between corporate governance components and firm value. The general multi-factor valuation model is:

$$VOF = f(CGC, \varepsilon) \quad (1)$$

Where: VOF = value of a firm

CGC = corporate governance components

ε = error term.

The model shows that the dependent variable firm value (regress and) can be affected by the independent variables (regressors) which are the corporate governance variables.

Two *(2)* control variables, return on assets and return on equity are included to control for exogenous factors in view of their direct relationship with firm value. Thus;

$$VOF = f(CGC, COV, \varepsilon) \quad (2)$$

Where VOF, (firm value) will be measured by Tobin's Q, CGC (corporate governance components)stands for board size, board composition, audit committee independence, institutional shareholding, ownership concentration, managerial ownership and foreign ownership, while COV (control variables) represents return on assets and return on equity.

The functional relationship suggests that firm value can be affected by corporate governance components and the control variables. It specifies that the firm value (Tobin's Q) depends on the corporate governance components and the control variables for the sampled firms. The functional relationship between the variables is given in the following regression equation as:

$$Yi_t = a+\beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} + \beta_4 X_{it} + \beta_5 X_{it} + \beta_6 X_{it} + \beta_7 X_{it} + \beta_8 X_{it} + \beta_9 X_{it} + \varepsilon_{it} \quad (3)$$

By incorporating the dependent and independent variables into the equation, the model of the study is as follows:

$$\text{Tobin's } Q = a + \beta_1 BSZ_{it} + \beta_2 FBD_{it} + \beta_3 BOIND_{it} + \beta_5 OWC_{it} + \beta_6 DIRHOD_{it} + \beta_9 SIZE_{it} + \varepsilon_{it} \quad (4)$$

Where: Tobin's Q = Value of firm *i* at time *t*

BSZ = Board size of firm *i* at time *t*

FBD = Female in the board of directors of firm *i* at time *t*

BOIND = Board independence of firm *i* at time *t*

OWC = Ownership concentration of firm *i* at time *t*

DIRHOD = Directors shareholding of firm *i* at time *t*

SIZE = Log of total asset of firm *i* at time

a, **β** = Parameters to be estimated

ε = error term

The sign of β_1 is negative as literature suggests a negative relationship between firm value and a bigger board. $\beta_2$being the coefficient of board composition has a negative relationship with firm value. β_3, β_4, β_5, β_6, and β_7 are positive as audit committee independence, institutional shareholders, ownership concentration, managerial shareholding and foreign ownershipdid not harm firm value. Similarly β_8; and β_9 are positive as return on assets and return on equity has a positive relationship with firm value for the sampled firms.

DATA PRESENTATION AND ANALYSIS

Tobin Q_1 – Corporate Governance Model

While Tobin Q is the major dependent variable for this study, we also attempted to see if these same corporate governance and our control variables can be useful in understanding the behavior of Tobin Q_1 of our sampled companies. The firm's value (Tobin Q_1) panel data regression results obtained is presented in Table 1.

Table 1: TobinQ1panel regression results

	Expected Sign	*TobinQ (Fixed Effect)*	*TobinQ (Random Effect)*
C		**4403.561** (2.792002) [0.0092]	**1591.933** (1.874869) [0.0692]***
DIRHOD	+	**-261.7084** (-1.098883) [0.2809]	**-86.98237** (-0.509461) [0.6136]
BSZ	+	**-7.656474** (-0.353523) [0.7263]	**31.52426** (2.00202) [0.0531]***
FBD	+	**6 5 . 8 4 7 9 5** (1.101487) [0.2797]	**31.20917** (0.559961) [0.5791]
BOIND	+	**-10.33796** (-0.049643) [0.9607]	**123.966** (0.855946) [0.3978]
OWNC	+	**-55.13926** (-0.239548) [0.8124]	**-154.0045** (-0.939473) [0.3539]
Log SIZE	+	**-556.1017** (-2.850213) [0.008]*	**-238.8427** (-2.081569) [0.0448] **

	Expected Sign	*TobinQ (Fixed Effect)*	*TobinQ (Random Effect)*
R-Squared		0.419	0.179
Adj-R-Squared		0.179	0.0388
F-Statistic		1.74(0.107)	1.27(0.29)
Hausman Test (Chi-Sq)		-	12.004 (0.062)***
N(n)Unbalanced Observations		42(7)	42(7)

Source: Author (2024)

Note: (1) Parentheses ( ) are t-statistic while bracket [ ] are p-values
(2) * 1%, ** 5%, ***10% level of significance

In Table 4.4, we presented the two panel data estimation techniques results (fixed effect and random effect) for Tobin Q_1. A cursory look at the F-statistics, R-squared and adjusted R-squared values for both the fixed and random effect model clearly shows that corporate governance and our control variables provide a similar results with the Tobin Q model, we therefore based our results interprtatation on the TobinQ panel regression.

In Table 4.3, we presented the two panel data estimation techniques results (fixed effect and random effect). The results revealed difference in their coefficient magnitudes, signs and the number of insignificant variables. In estimating the fixed effect panel regression method we follow the assumption of no correlation between the error term and explanatory variables in the panel model while in the case of random effect we assume that the error term and explanatory variables are correlated.In selecting from the two panel regression estimation techniques, the Hausman test was conducted and the test is based on the null hypotheses that the random effect model is preferred to fixed effect model. A look at the p-value of the Hausaman test (0.04) shows that we should reject the null hypotheses and accept the alternative hypotheses at 5% level of significance. This means that we should adopt the fixed effect panel regression results in drawing our recommendation. This also implies that the fixed effect results would be more appealing statistically when compared to the random effect.

Following the above, we will therefore discuss the fixed effect results from Table 4.3. In Table 4.3, we observed that from the fixed effect results. The R-squared and adjusted R-squared values were (0.4388) and (0.206). This indicates that all the independent variables and cross-sectional dummy of each company jointly explain about 20% of the systematic variations in TobinQ of our sampled companies over the six-year period (2008-2013). This means that any model that includes cross-

sectional dummy variables to our selected corporate governance and control variables would be able to explain about 20% of what happens to Tobin Q. The above average R-squared value is realistic as it clearly shows modeling the heterogeneity effect of each company can help in better understanding the behaviour of earnings per share (EPS). The F-statistics (1.88) and its p-value (0.079) show that the EPS panel fixed regression model is generally significant and well specified. The F-Statistic also shows that the overall TobinQ panel fixed regression model is significant at 5% levels.

In addition to the above, the specific finding from each explanatory variable from the fixed effect panel regression models are provided as followings:

Directors shareholding (DIRHOD), based on the coefficient of -794.22 and p-value of 0.24 was found to have a negatively impact on TobinQ and this was not statistically significant at 5% and 10% levels. This result, therefore, suggests that we should accept hypothesis four (H_4), which suggests Managerial shareholding has no significant impact on firm value of listed petroleum firms in Nigeria. This negate the findings of Morck, Shleifer and Vishny(1988) Using piecewise linear regressions to estimate the relationship between Tobin's Q and the shareholdings of the board of directors for 371 Fortune 500 firms in 1980 found a positive relation between ownership and Tobin's Q in the 0% to 5% board ownership range which was dominated by the convergence of interest effect of management; while there was a negative and less pronounced relation in the 5% to 25% range in which the entrenchment effect overpasses the convergence of interest The justification for our findings is based on the argument that in emerging market like Nigeria, directors' holdings has a non linear relationship with firm's value.. Our argument can be related to the findings of Lins, (2003), Wei, Xie and Zhang, (2005) previously cited largely focused on the relationship between managerial shareholding, financial policies and firm value in developed economies, but debate on whether such a relationship has universal relevance in firms within emerging markets is not yet resolved. All of these studies found that there is a nonlinear relationship between managerial ownership and firm value in a large number of firms in emerging economies, thus revealing that management and insiders have the ability to engage in expropriation of shareholders' benefits.

Board Size (BSZ), based on the coefficient -21.091 and p-value of 0.73**,** appears to have a negative influence on our sampled quoted companies' TobinQ performance and was statistically insignificant at 10% since its p-value was greater than 0.10.

This result, therefore, suggests that we should accept hypothesis one (H_1), which stated that Board size has no significant impact on firm value of listed petroleum firms in Nigeria. This support the finding of Wintoki (2007) and Coles, Daniel and Naveen (2008) contented that size is not related to firm value by arguing that size is dependent on each individual firm's need of advising or monitoring, size, and age.. While the argument of positive relationship was based on premise that the larger the board sizes the better the chances that more quality ideas and better decisions would be made for the benefit of the shareholders. In Nigeria case, we argued from our findings that large board are not significantly useful for better value performance rather they lead to higher directors cost and decrease earnings performance. This means that large board increase cost rather than improving cost efficiency in most Nigeria companies.

Number of female on the boards (NUWOMEN), based on coefficient of 188.67 and p-value of 0.269 also appeared to have had a positive and insignificant influence on our sampled quoted companies' Firm's value (Tobin Q). This result, therefore, suggests that we should accept hypothesis three (H_3), which suggests that female directors on the boards have no significant influence on firm value performance. This means that the inclusion of women on a company board although had a positive influence but was insignificant in improving value for shareholders. This finding does not conform to the works of Nguyen &Vo (2012), Man & Kong (2011) and Burke (2000) which suggest that the presence of women directors and firm financial performance are significantly and positively related, but supports the findings of Shukeril, Shinl&Shararil (2012) which conclude that there is no significant relationship between board gender diversity and firm value performance. The possible explanation for this is that the mere presence of females on the board does not guarantee higher firm performance without reference to the quality of skills, education, experience and contributions of the females on the board.

Board Independence (BIND), based on the coefficient of -27.191 and p-value of 0.96 was found to have a negatively impact on firm's value (Tobin Q) and this wasnotstatistically significant at 5% and 10% levels. This result, therefore, suggests that we should Accept hypothesis five (H_5), which suggests that board independence is not significantly related to firm value in Nigeria petroleum industry. This negate the findings of Rosenstein and Wyatt (1990) and Byrd and Hickman (1992) that firms with high proportion of outside directors will perform better. It also rejects the findings that better performed firms are dominated by outsiders'boards of directors

(Pfeffer&Salancik 1978; Vafeas, 1999). The justification for our findings is based on the argument that in Nigeria, directors' compensation is very high and sometimes not properly fix by the remuneration committee. Therefore, more outside directors means more cost and earnings drop drastically. Our argument can be related to the findings of Weisbach (1988); Daily and Dalton (1992); Daily and Ellstrand (1996); Klein (1998); Weir and Laing (2001) and Bhagat and Bolton (2005) who said that no positive significant relationship exists in terms of accounting profits performance and board independence.

Ownership Concentration (OWNC), based on the coefficient of -154.767 and p-value of 0.8119 was found to have a negatively impact on firm's value (TobinQ) and this was not statistically significant at 5% and 10% levels. This result, therefore, suggests that we should accept hypothesis two (H_2), which suggests Ownership Concentrationhas no significant impact on firm value of listed petroleum firms in Nigeria. This negate the findings of Shleifer and Vishny (1997) which focused on the agency problem arising from the separation of ownership and control, they argued for the desirability of concentrated ownership because it results in better monitoring of managers, maximization of shareholder value while providing external finance for firms. A high concentration of shares tends to create more pressure on managers to behave in ways that are value-maximizing, and in support of this argument, Morck, Shleifer and Vishny (1988), Gorton and Schmid (1996) and Shleifer and Vishny (1997) suggested that at low levels of ownership concentrationis associated with an increase in firm value, but that beyond a certain level of concentration the relationship might be negative.

Firm Size (LOGSIZE=0.0068) which was measured using the log of total asset had a negativebut significant impact on firm's value (Tobin Q). This means that large quoted companies in Nigeria do not necessarily generate high value than smaller companies in our sample. This clearly shows that size though a significant factor but is not the only strategy for competitive advantage in delivering better firm's value (Tobin Q)results to shareholders in Nigeria. Our finding on firm size, is consistent with the findings of Hudaib&Haniffa (2006), Alzharani, Ahmad & Aljaaidi (2011) and Choi, Han & Lee (2012) but negate the findings of Aljifri&Moustafa (2007) that there is no positive relationship between firm size and firm performance. But though there are gains from increased size of firms, those gains can be lost ifthe firm is not creative and responsive enough to stay competitive and sustain such results.

CONCLUSION AND RECOMMENDATION

This academic project has examined the relationship between some measures of corporate governance and firm value using evidence from seven sampled petroleum listed companies in Nigeria over the period of 2008 to 2013. The measures of corporate governance used in the study are: board independence, board size, number of women on the boards of directors, director's shareholding and ownership concentration. Firm size was used as a control variable. The study used two measures of firm values Tobinq and Tobinq1; while most other past studies have the ratios of market capitalization to book value of equity (Tobinq1) in this study will also use (Tobinq) book value of total assets less book value of equity, and market value of equity divided by total assets as suggested by Doidge, Karolyi and Stulz (2001). From the study we can conclude and inferred that large board have the tendency to increase firm value significantly among the sampled petroleum listed companies in Nigeria while board independence, board gender, directors shareholding and ownership concentration had insignificant influence on firm value, we also observed that large petroleum listed companies in Nigeria are more likely to witness loss in firm value than small ones. Finally we conclude that predicting firm value of petroleum companies in Nigeria with corporate governance variables may not yield any reliable statistical conclusion due to the fact that corporate governance is only a small subset of the problems most petroleum companies faces in Nigeria. We therefore recommend an optimal board size of eight (8) based on our descriptive statistics results to petroleum listed companies in Nigeria. This support the argument that spending on large board is a major decreasing factor to earnings and firm value.We also therefore recommend thatto revert the insignificant positive influence of board gender on firm value, thatSEC and NSE should develop codes of best practices that foster board gender diversity, but this should be done in such a way that there is guaranteed meaningful gender diversity on the boards so that females are not elected to the boards just as symbols on the boards or as tokenism and legitimacy since the presence of female directors on corporate boards does not, in itself, affect performance; females should be on the board only if they are qualified **a**nd have something to offer.

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