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Corporate Governance As a Predictor of Financial Performance in Downstream Nigerian Quoted Oil and Gas Companies

[1]Solanke Abiola Abosede
Department of Accountancy,
The Federal Polytechnic, Bida, Nigeria

[2]Paul Femi Fashagba
Department of Accountancy,
The Federal Polytechnic, Bida, Nigeria

[3]Kabiru Isa Dandago
Department of Accounting
Bayero University, Kano-Nigeria

Abstract: Corporate governance has received attention globally due to the recent corporate failure in manycorporate organizations. Studies have provided evidence that corporate governance and financial performance are related. However, CG has being rarely linked to oil and gas financial performance. Hence this study, examines the effect of corporate governance on the financial performance of quoted Nigeriandownstreamoil and gas companies. The main objective of this study is to find out whether or not corporate governance mechanismshave impact on the performance of the quoted Nigerian downstream oil and gas companies,(ROE) return on equity, Tobin Q and (NPM) net profit margin to measure their financial performance. Secondary data of 11 listed oil and gas companies on the Nigeria stock exchange from 2007 to 2018 were used in the study. The data generated were analyzedusing multipleregressions to examine the relationship between the variables: board size, board independence, board ownership, board gender diversity, audit committee, block ownership concentration, block institutional ownership, block government ownership, CEO ownership, (IVs) and financial performance of the firms (DV). The study found that corporate governance has positive significance effect on the financial performance of the quoted Nigerian downstream oil and gas companies. Thus, among others, the study recommend corporate governance member number on board should be increased to a maximum number since only larger number on board can argued out decision that will be of benefit to the firm.

Keywords: Corporate Governance, Financial Performance, Downstream oil & gas firms, firm Attributes, Nigeria

1. Introduction

Financial performance has become an objective that needs to be accomplished by any organization. Esha (2018) it is the measuring outcome of a firm's strategy and activity in monetary terms.(Idayajothi, Latasri, Manjula, Banu; Malini, 2014; Sri & Sri, 2011;Metcalf & Titaard 1976 and Sidra & Attiya 2013)documented financial performance as identifiers of financial strength and weakness of an organization from the information available in financial statement. One of the advantages of FP is profit increase which is the key component of financial performance. (Hefert, 1991) profitability is the effectiveness with which management employed both the total asset and the net assets as recorded on the balance sheet that is achieved through organization good corporate governance.

Corporate governance is one of the mechanism affecting the way organization is being direct, administered and control, it is a process of customs policies and laws. Good governance improves the organization performance financially and also helps attract more investors by enabling them realize their corporate objectives contributing to sustainable economic development of the country.(Youssef & Bayoumi, 2015; Organisation economic corporation development, 2004; Juneja, 2019 and; While Sodali & Sa ,2012) opine isa set of rules that mark relationship between management board of directors and stakeholders of an organization and influence how that organization is operating, its provide structure through which organization objectives are set and the means of attaining those objective.

Sheleifer & Vishny, 1997; Parkinson, 1994; Gregory, 2000; Sarah, 2017;Triker&Triker 2009 and Mohamad, 2004) direction of the organization, with overseeing and controlling the executive actions of management and with satisfying legitimate expectation of accountability and regulation, is a paper allocation of power and responsibilities among the board of directors, management and the owners of a business.Cadbury, (1992) CG is a way of directing, controlling and monitoring the affairs of the companies, and Wangu, (2017) stated CG safes the firms from financial bankruptcy and wretchedness. However, has become a key factor issue in an organization since the fall of Eron in the year 2001 and Cadbury 1992; this makes government to focus more on corporate governance to restore investor full trust. The central issue in an organization in developing countries today is corporate governance which results to be the system of check and balance in any organization. The assurance of shareholders in the market place has taken a new footage which makes corporate governance become importance discussion among the policy maker in any organization; this has fascinated overall attention on CG because of its obvious importance aim to achieve a specific purpose in an organization.one of the advantage of CG is that its provide a set of rules you can follow to better manage the organization while steering clear ethical violation

It is been perfectly experience that on so many occasion, organization break-down occurs owing to lack of good corporate governance structure. Despite various studies on corporate governance and financial performance, there has been different result, for instance, Ibekwe & Harry (2018) review corporate governance in international oil companies: Ahmed (2011),examine corporate governance and financial performance a study of selected petroleum marketing firms in Nigeria, Ayodele, Aderemi, Obigbemi & Ojeka (2016) focus on assessing the connectedness between corporate governance mechanism and financial performance between 2011-2012, The study use profit after tax as the DV and the ID is board size, board diversity board diligence, board political affiliation. Founding's shows significant relationship between the variables while Urhoghide and korolo (2017) study effect of corporate governance on financial performance of quoted oil and gas in Nigeria. This study use ROA, PM and ROE as the DVs while the ID is board composition, audit committee, board size , and only study the period between 2011- 2012 data. While Kayitesi (2014) conduct a study on The effect of CG on FP of commercial banks in Rwanda and found all measures of CG mechanism does not impact FP of the commercial banks and conclude that financial entities in Rwanda should operate in interest of the shareholders, depositor and the economy. Studies in Nigeria and else were have identified several predictors of financial performance, Dar, Naseem, Rehman & Niazi (2011), Musa & Mailafia, (2014), Ibekwe& Harry (2018), Orazalin, Makarov & Ospanova (2015), Azam, Usmani & Abassi (2011), Ayodele, Aderemi, Obigbemi & Ojeka(2016) and Nuraddeen & Hasnah (2016). Some of the identify predictors are (ROA, PM, ROE, NPM). However, CG has being rarely linked to oil and gas financial performance. In the view of studies that have attempted to predict Performance byCG, the scope of the variables analyzed in the studies have being very narrow or limited. Also, the period analyzed in most of the existing studies have being limited to a single year. Coupled with the non-availability of the companies analyzed on Nigeria stock exchange, this has limited adequate understanding of the influence of CG on FP. Hence this study

2. Empirical Literature

Dar, Naseem, Rahman & Niazi (2011) established the association between financial performance indicator and CG mechanism listed on Karachi stock exchange and findings reveals mix result among the variables and concluded board size should be reduce to a limited number as it has no significant effect, though there is positive effect between performance measure and CGM but not significantly positive. Miko & Kamardin (2016)founds in their research that, with incorporated of CG on board, earnings management can be curbed and reduce to a minimumlevel. Musa & Luka (2014) stated that users of financial reporting statement should only base their confidence in earnings reported on board size and audit committee as this have significant effect on CGM.

While the finding of Orazalin, Makarov & Ospanova (2015) established positive relationship between foreign ownership and management ownership and suggest the CG mechanism should be increased to a maximum number, since it has impact on performance while other studies shows that financial performance indicators like ROA ROE and NPM has significant effect on firms performance which leads to improvement on CG structure .Babatunde, Awoyemi, Atsuwa & Komolafe (2017), examine the link between corporate governance banks performance and crisis in Nigeria, and found out corporate governance board director only have positive link on the performance of banks financially among the variable but found no association between profit after tax and board composition which is the dependent variable. This result indicates that CG positively affects banks performance.

The research of Tusubira & Isaac (2013) investigated the relationship between CG and financial performance among private university in Uganda, study reveals board effectiveness , contingency, board roles ,

policy and decision maker positively affect financial performance. The implication of this result is that there is a link between policy maker and FP of the university because the machineries use in monitoring decision making by the senate council was put in use in order to improve and enhances the FP of the university. Adigwe, Onyewe& John (2016) conducted a study that investigated the effect of internal CG mechanism on banks performance in Nigeria were it was found that there is poor CG in the banks, which now affect the financial performance of the bank and the study also shows that only the board audit committee and directors equity influence banks financial performance positively. Meaning the existence of board audit committee in the bank enhance performance and should be increased on board.

Yinka, Babatunde & Okezie (2014) investigated CG practice and firms' performance between 2003-2010 using both descriptive methods of analysis of Eview 7 statistics software and concluded there is a strong link between the dependent and independent variables, the CG policy should be strictly complied with as these will always have strong and positive effect on firms performance. In a study Gadi, Emesuan & Shammah (2015) ascertain impact of board composition on earnings per share, Return on asset and composition of board committee on financial performance of micro finance bank. Were EPS, ROA, does not significantly determine the financial performance of the banks, except otherwise the board directors complied with the provision of CBN code of CG. These findings were ascertained in subsequent studies. As observed by Adebayo, Ibrahim, Yusuf &Omah (2014) many quoted organization on Nigeria stock exchange are daunted with mere idea of CG in their organization Alhasan & Wuhan (2015) investigated relationship between mechanism of CG and financial performance in textile sector of Pakistan and found that the larger portion of the board size in an organization takes highest part of the organization decision and this can only be reduce if the firms can limit the number of personnel on the board size in order for majority not to carry the votes while making decision so that financial performance of the organization can be improve through the CG policy.

Esra & Allam (2015) traces the impact of CG policies on firm's performance in Bahrain Bourse and found positive significance of CG on FP of the firms. The implication of this is that there is a relationship between CG, ROA, and ROE as a measure of FP. The result of this findings showed compliance of CG in an organization attracts confidence which invites more investors from outside to invest more in their organization.New investors will always invests more in an organization were CG is being complied with and also enhance their financial performance. In contrast to good CG compliance practice found among CG mechanism by Ntim (2003) in a study carried out in UK. Abdulazeez, Adeyeye, Leonard &Yahaya (2016) conducted a study between CG and Performance of listed deposit money banks in Nigeria. The study ascertain that larger number of board size significantly influence the performance of the banks, which is contrary to the work of Alhasan et al (2015) where finding's showed that board size does not influence CG and therefore, board members should be reduce to minimum as it has no effect on banks Performance. This conclusion were in consistent with the study conducted in Kenya by Ngaga(2017) were it was found that only block institutional and ownership enhance Financial Performance of commercial banks in Kenya and suggest management of the bank should adopt more numbers of block institutional and ownership member on board as it will give quality enhancement in financial performance of the banks.

George & Karibo (2014) conclude in his study that the nature of CG control over a sector always had influence on organization performance. Buhallay, Hamdan & Zureight (2017) established in their study in Saudi Arabia that all listed companies should be force to strictly adhere to CG policy for better performance. Lack of good CG in oil companies had always encourage corrupt practice which leads to low Performance of the firm Ibekwe & Hairy (2018). Several studies such as Abdulazeez, Ndibel & Mercy (2016) have noted the importance contribution of CG in organization. Ducvo & Thuyphan (2016) established that large number of board members will contribute unfavorably to firms' performance which is contrary to the work of Abdulazes*et al* (2016) were their founding's showed higher number of board members in organization significantly influence financial performance. This was not in consistent with the founding's of Ibekwe & Hairy (2018) were smaller size of CG cannot argue out a decision that will be of benefits to the firm unlike larger board size were decision can be argued out and reach by the board members because of their larger number.

In another study George, Johnson & Freddie (2014) conducted a study that assesses CG and FP of savings, credit and corporative society in Uganda. The study finds no effective CG in the corporative society even after complying with the policy. There are no any changes in their performance after the practice of CG. Nhung & Thug (2017) investigated the relationship between CG and FP of listed Singaporean companies, where contrary relationship between board size and FP was found: neither is there any association between CEO duality, board independence and FP. It was suggest that, in terms of decision and process and communication, smaller board is

better for efficient and effective enhancement of FP in an organization. The study suggestion was similar to suggestions made in an earlier study by Abdulazees et al (2016) and contrary to the findings of Ibekwe & Hary (2018).

Augustine, Kwaku, Alex & Eric (2017) evaluated the impact of CG practices on the performance of SMEs in Ghana. The study conclude there is no strong association between CG and FP, though positive with an insignificant impact on performance of SMEs and recommends that CG practice should cut across the public listed sectors to bring uniformity in their performance. In another study Malik & Abdul (2017) examine whether there is a significant association between corporate governance members and firm performance using FP as the DV proxy with ROA and the ID as CG proxy with board composition, board size, risk management committee, remuneration commute and gender diversity. The study found no profound impact on their FP and suggest that gender diversity and remuneration committee should be reduce to minimum as it has no effective impact. Rini & Djoko (2018) established the influence of CG index and mechanism of FP of state owned enterprise in Indonesia. The study noted CG index, board committee and Audit committee has statistical significant influence on FP, but stress that government should implement CG on state owned enterprise and regulators should make sure the companies complied with the CG policy by putting in place full monitoring system teem for compliance as it will improve FP of the companies.

Kemp (2014) conducted a study on CG and FP of selected Johannesburg stock exchange industries and founds out there is no link between CG and FP and concludes the CEO should examine the benefits and importance profitable opportunities associated with CG practice compliance. John (2015) test the relationship that exist between CG mechanism and performance of Nigeria banking sector, using secondary data from audited financial statement of the selected banks from 2008-2013 and found board size and financial performance to be negative but statistically significant, while significant relationship was found between directors equity, level of government disclosure and banks performance. The study stress manager disclosure is selective and unethical and suggested banks should be subjected to mandatory compliance of CG code in order to reduce fraudulent practice in the banking sector. Janang, Tinggi & Kun (2018) in their studytechnical inefficiency effects of CG of government linked companies in Malaysia opined that larger board size in CG attracts inefficiency and reduce efficiency in the company

Lasisi (2017) discussed relationship between CG instruments and organizational performance in non-financial firms listed on Nigeria Stock exchange revealed clear statistical link between CG and FP. The study concludedthere is a strong assurance of investors' confidence in an organization were CG is being complied with for a good quality FP. this conclusion was in consistent with the conclusion of a study conducted in London by Tshipa (2017) which was carried out to assess the relationship between internal CG and performance of the company. It was found that CG should be incorporated into their practice to enhance their FP. Wangui (2017) study effect of CG on FP of cross listed firms in East Africa community securities exchanges and found no relationship between CG variables and FP mechanism. This study suggests CG practice should be encouraging more in the firms for good FP. In another study Kayitesi (2014) carried out a study on the effect of CG on FP of commercial banks in Rwanda using return on asset to measure FP while CG was proxy using board size, board composition, board subcommittees and board meeting and result reveals all measures of CG do not significantly affect FP of commercial banks in Rwanda. This study concluded that financial institution should conduct their activities in such a way that it will benefits all stakeholders by not compromising their wellbeing

3. Theorethical Frame Work

There is always separation of ownership and business which leads to Agency problem in a universal manner, agent who is the manager is expected to work for the benefit of the principal who is the owner, but reverse is the case were agent work for their own beneficial interest. Sunder (2001) observed that diversity of private interest motivates individuals to utilize the information in their possession to advance their own interests, which may differ from the interest of the organization. This theory prescribe employees are held accountable in their duty and responsibility, which mean there is a distinct between ownership and management of the organization. Agency theory provided a means of explaining the variance between the owner and the employees to a level were by only continues monitoring and adequate planned remuneration policy can bring a positive relationship between the two parties Youssef & Bayoumi (2015). Theoretically, this study stand with the agency theory were by the study depicts the relationship between CG mechanism and the financial performance variables furthermore, CG is affected by board size, board independence, board ownership, board gender diversity, audit committee, board ownership

concentration, board institutional ownership, board government ownership and CEO duality while the determinant of firms performance are Return on equity, net profit margin and Tobin Q

4. Methodology

This study use a secondary data of annual reports of 11 listed oil and gas firms listed on the Nigeria stock exchange as at 2018 to find out the association that exist between corporate governance mechanism and the financial performance variables of the firm from 2007-2018, Sample size for the study were all the listed oil and gas firm on the Nigeria stock exchange that have data available as at 2018. The proxies that were used to measure corporate governance mechanism were board size, board independence, board ownership, block government ownership, audit committee, block ownership concentration, board gender diversity, and chairman executive ownership and block institutional ownership. Proxy for financial performance of the firm are return on equity, net profit margin and Tobin Q. regression analysis was used to measure the relationship between ROE , Tobin Q and NPM and the explanatory variables. The analysis was done using stata 12, version 13 software

4.1 Model specification

To achieve the objectives of the study, as well as testing the study hypothesis, the multiple regression models was specified as:

Were Y = ROE or TOBIN Q or NPM

Were bs = board size, bi = board independence, bo = board ownership, bgd = board gender diversity, ac = audit committee size, boc = block ownership concentration, bio = block institutional ownership, bgo = block government ownership and ceo = chairman executive ownership

Y = a+b1(bs)+b2(b1)+b3(bo)+b4(bgd)+b5(ac)+b6(boc)+b7(bio)+b8(bg0)+b9(ceo)E…….1 without control variables

Y =a+b1(bs)+b2(b1)+b3(bo)+b4(bgd)+b5(ac)+b6(boc)+b7(bio)+b8(bg0)+b9(ceo)E------2 with control variables

4.2 NORMALTY TEST

Normality test was conducted for ROE, TOBIN Q and NPM using skewness and kurtosis. The results revealed that the data are normally distributed. None of the probability values are significant reflecting the fact that data are normally distributed

Table 1: Normality Test using Skewness/Kurtosis

Variable	Obs	Pr (Skewness)	Pr (Kurtosis	Adj chi2(2)	prob> chi2
ROE residual	111	0.9655	0.2823	1.18	0.5542
TOBIN Q residual	111	0.1184	0.7988	2.56	0.2779
NPM residual	111	0.2908	0.1903	2.90	0.2347

Table 2: Descriptive Characteristics of the Variables

Variable	Mean ±SD	Min	Max
Board size	8.73±2.85	4	16
Board independence	15.30 ±7.71	1	30
Board ownership	21.34 ±18.54	1	56
Board gender diversity	4.65±4.37	1	16
Audit committee	5.63±.95	4	8
block ownership	58.35 ±23.81	6	90
Block institutional ownership	56.17 ±24.68	0	90
Block government ownership	. 18 ±1.33	0	10
CEO ownership	3.65 ±4.89	1	17
Return on asset	55.73±31.75	1	110
Return on equity	57±32.76	1	113
Earnings per share	6.31±16.65	-20.23	143.96
Tobin Q	40.77±24.23	1	87
Net profit margin	52.82±29.34	1	104

Firm listening age	26.17±11.68	1	48
Log of total asset	47.35±24.90	1	92
Sales growth	56.69±32.33	1	109

Source; Authors computation

Table 3: Correlation Matrix

variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
(1) ROA **P-Value**	**1.0** **000**																
(2) ROE **P-Value**	**0.4921** **0.0000**	**1.0000**															
(3) EPS **P-Value**	**0.1.638** **0.0831**	**0.2598** **0.0055**	**1.0000**														
(4) Tobin Q **P-Value**	**0.2222** **0.0180**	**0.2228** **0.0177**	**-0.0109** **0.9090**	**1.0000**													
(5) NPM **P-Value**	**0.6827** **0.0000**	**0.5023** **0.0000**	**0.3707** **0.0001**	**0.2500** **0.0076**	**1.0000**												
(6) BOARD size **P-Value**	**0.0387** **0.6840**	**-0.0085** **0.9288**	**0.1120** **0.2377**	**-0.0670** **0.4806**	**0.0186** **0.8449**	**1.0000**											
(7) BOARD IND. **P-Value**	**0.0900** **0.3430**	**0.932** **0.3264**	**0.1170** **0.2171**	**0.0494** **0.6034**	**-0.0964** **0.3097**	**-0.0449** **0.6367**	**1.0000**										
(8) Board ownership **P-Value**	**-0.1345** **0.1554**	**-0.0922** **0.3313**	**-0.0846** **0.3727**	**-0.2346** **0.0124**	**-0.2001** **0.0336**	**-0.1115** **0.2398**	**0.1254** **0.1855**	**1.0000**									
(9) Board gender diversity **P-Value**	**0.0484** **0.6103**	**0.0372** **0.6953**	**-0.1058** **0.2647**	**0.0035** **0.9703**	**-0.0574** **0.5461**	**0.2406** **0.0103**	**-0.0713** **0.4530**	**-0.0199** **0.8345**	**1.0000**								
(10) Audit committee **P-Value**	**0.0616** **0.5188**	**0.2181** **0.0209**	**0.0874** **0.3593**	**0.1082** **0.2563**	**0.2103** **0.0260**	**0.5647** **0.0000**	**-0.0446** **0.6407**	**-0.0830** **0.3846**	**0.1184** **0.2139**	**1.0000**							
(11)Block ownership **P-Value**	**-0.0061** **0.9488**	**0.1270** **0.1821**	**0.1578** **0.0965**	**-0.0091** **0.9242**	**-0.0152** **0.8739**	**-0.2089** **0.0270**	**0.1524** **0.1087**	**-0.1313** **0.1675**	**-0.0412** **0.6664**	**-0.1753** **0.0657**	**1.0000**						
(12) block inst. Ownership **P-Value**	**0.0160** **0.8672**	**0.1688** **0.0753**	**0.1859** **0.0498**	**-0.0254** **0.7907**	**0.1223** **0.8977**	**-0.2214** **0.0190**	**0.1688** **0.0752**	**-0.1751** **0.0648**	**-0.0369** **0.6992**	**-0.2112** **0.0261**	**0.9700** **0.0000**	**1.0000**					
(13) block govt. ownership **P-Value**	**-0.0858** **0.3683**	**0.1229** **0.1968**	**-0.0132** **0.8903**	**-0.1587** **0.0949**	**-0.0027** **0.9770**	**-0.0742** **0.4350**	**0.0495** **0.6026**	**0.2222** **0.0185**	**-0.0213** **0.8240**	**0.0557** **0.5611**	**0.0663** **0.4875**	**0.0759** **0.4265**	**1.0000**				
(14) CEO ownership **P-value**	**-0.0491** **0.6057**	**-0.0301** **0.7513**	**0.0515** **0.5881**	**-0.1215** **0.1997**	**-0.0027** **0.9770**	**-0.1279** **0.1769**	**-0.0075** **0.9371**	**0.2928** **0.0016**	**-0.0295** **0.7561**	**-0.1446** **0.1281**	**-0.2376** **0.0116**	**-0.2651** **0.0047**	**-0.0729** **0.4452**	**1.0000**			
(15) firm listing **P-Value**	**0.0894** **0.3463**	**0.3484** **0.0002**	**0.0138** **0.8850**	**0.1410** **0.1363**	**0.2354** **0.0121**	**-0.1279** **0.1769**	**-0.0075** **0.9371**	**-0.1075** **0.2571**	**-0.0134** **0.8884**	**0.2175** **0.0212**	**0.4611** **0.0000**	**0.4699** **0.0000**	**0.1424** **0.1341**	**-0.4010** **0.0000**	**1.0000**		
(16) logof total asset **P-Value**	**0.0555** **0.5596**	**0.0641** **0.5003**	**0.2676** **0.0042**	**-0.0682** **0.4729**	**0.1787** **0.0582**	**0.7227** **0.0000**	**-0.0099** **0.9170**	**0.0360** **0.7050**	**0.2310** **0.0138**	**0.6441** **0.0000**	**-0.0774** **0.4175**	**-0.1188** **0.2121**	**0.0799** **0.4021**	**-0.2676** **0.0042**	**0.1036** **0.2747**	**1.0000**	
(17) sales growth **P-value**	**0.1513** **0.1097**	**0.1919** **0.0417**	**0.0525** **0.5809**	**-0.0707** **0.4567**	**0.1567** **0.0975**	**-0.0816** **0.3900**	**0.1195** **0.2076**	**-0.0120** **0.8994**	**-0.0208** **0.8271**	**-0.1454** **0.1262**	**0.0235** **0.8061**	**0.0301** **0.7528**	**-0.0295** **0.7579**	**0.1722** **0.0682**	**-0.1375** **0.1463**	**-0.1068** **0.2602**	**1.0000**

Table 3 present the correlation matrix of the independent and dependent variables. The result reveals that ROA has positive relationship with board size, board independence, board gender diversity, Audit committee, block institutional ownership, firm listing age, log of total asset and sales growth, though the relationship was weak. On the other, ROA has inverse relationship with board size, board ownership concentration, block government ownership and CEO ownership. While it has direct relationship with board independent, board gender diversity, audit committee, board ownership concentration, CEO ownership, firm listing age, log of total asset and sales growth. Similarly, earnings per share has direct relationship with board size, board independent, audit committee, board ownership concentration, CEO ownership, firm listing age, log of total asset and sales growth. While EPS has indirect relationship with board ownership concentration, board gender diversity and block government ownership. Tobin Q has indirect relationship with board size, board ownership concentration, block institutional ownership, board gender diversity, CEO ownership, log of total asset and sales growth and has indirect relationship with other variables.

Table 4 present the findings of the relationship between dependent and independent variables. The dependent variables is financial performance proxy by ROE, EPS and Tobin Q while the independent variables are BS, BI, BOC, BGD, AC, BO, BIO, BGO and CEO ownership and control variables included firm listing age, log of total asset and sales growth. Two models were fitted to examine the relationship between the variables.

Model 1 examines the relationship between financial performance and main explanatory variables and model 2 included the control variables. The result of the model 1 shows that (audit committee) AC and block institutional ownership (BIO) has positive and significant relationship on firm's financial performance. For instance, a unit increase in AC members will lead to 13.83% changes in return on equity while a unit increase in block institutional ownership (BIS) will lead to 1.25% increase on REO. In the contrary, board ownership concentration (BOC) has significant negative relationship with ROE; a unit increase in BOC will lead to decrease in REQ by -1.019%. When control variables were added, audit committee, board ownership concentration, block institutional ownership, firm listing age and sales growth significantly influence ROE.

Table4: Regression analysis showing relationship between ROE and explanatory variables

	Model 1		**Model 2**	
RETURN ON EQUITY	**Coefficient**	**P-value**	**Coefficient**	**P-value**
Board size	-1.852395	0.154	-.9901011	0.536
Board independence	.2296659	0.567	.2363099	0.537
Board ownership	-.1508217	0.396	-.1607957	0.360
Board gender diversity	.1150517	0.869	.0477174	0.943
Audit committee	13.83037	0.001*	9.143191	0.038*
Block ownership concentration	-1.019419	0.054*	-.1.01316	0.046*
block institutional ownership	1.25591	0.017*	1.039275	0.041*
Block government ownership	2.365499	0.310	1.909269	0.388
CEO ownership	.8562142	0.198	1.20717	0.088
Firms listening	-	-	.9449933	0.004*
Log of total asset	-	-	.0625611	0.755
Sales growth	-	-	.2316439	0.010*

Note: P-value < 5% level of significance

Table 5 present the result of multiple regression analysis examining the relationship between Tobin Q and explanatory variables. BS and BOC have inverse relationship with Tobin Q, by -2.00. Similarly a unit increase in BOC will lead to a decrease in Tobin Q by -0.299 other variables in the model, such as BI, BGD, AU, BOC, BIO, BGO and CEO were not significantly related to Tobin Q.

Model 2 included control variables in this model, only BOC was significantly related. BOC consistently has inverse relationship with Tobin Q

Table5: Regression analysis showing relationship between TOBIN Q and explanatory variables

	Model 1		**Model 2**	
TOBIN Q	**Coefficient**	**P-value**	**Coefficient**	**P-value**
Board size	-2.001313	0.046*	-1.004861	0.441
Board independence	.1387367	0.652	.1796549	0.565
Board ownership	-.2993244	0.030*	-.2751908	0.057*
Board gender diversity	.1717292	0.749	.2231907	0.0682
Audit committee	5.015167	0.096	4.636666	0.193
Block ownership concentration	.3533432	0.381	.4226793	0.305
block institutional ownership	-.4303073	0.283	-.5442561	0.188
Block government ownership	-2.359475	0.188	-.2.42202	0.180
CEO ownership	-.453897	0.373	-.4439591	0.439
Firms listening	-	-	.2582677	0.322
Log of total asset	-	-	-.1458774	0.373
Sales growth	-	-	-.0256536	0.724

Note: P-value < 5% level of significance

Table 6, present the result of multiple regression analysis showing the analysis between NPM and explanatory variables includingcontrol variables. Two models were fitted. Model 1 included only the explanatory variables and control variables. The result of model 1 shows that AC has significant and positive relationship with NPM. A unit increase in AC will lead to an increase in NPM by 10.05, in model 2 when control variables were included the result shows that BS, Block ownership, Board ownership, CEO ownership, firm listing, log of total asset and sales growth have significant relationship with NPM.,

Table 6: Regression analysis showing relationship between Net Profit Margin and explanatory variables

	Model 1		**Model 2**	
NET PROFIT MARGIN	**Coefficient**	**P-value**	**coefficient**	**P-value**
Board size	-1.6655	0.168	-3.382472	0.022*
Board independence	-.3585228	0.337	-.364793	0.297
Board ownership	-.2606517	0.116	-.387074	0.017*
Board gender diversity	-.351075	0.589	-.6123866	0.315
Audit committee	10.05431	0.006*	2.85828	0.471
Block ownership concentration	-.7012834	0.153	-.9086385	0.050*
block institutional ownership	.724126	0.137	.7502955	0.105
Block government ownership	-.8084824	0.708	-.1.366751	0.497
CEO ownership	.6203707	0.315	1.455084	0.025*
Firms listening	-	-	.6789908	0.021*
Log of total asset	-	-	.5437493	0.004*
Sales growth	-	-	.175954	0.032*

Note: P-value < 5% level of significance

5. Discussion of findings

The existence of board size, board independence, audit committee, block ownership concentration, chairman executive ownership, firm listing age, log of total asset and sales growth has a positive effects on financial performance of the firm as measure with ROE,. This result implication means that investors will have more earnings at the end of the financial year while firms profit will reduce. However, board size and other variables affected should be reduce to a minimum number on the board in order to maximize firms profit. This result contradicts the findings of Adigwe, Onyewe & John (2016) which result of findings reveals negative effect of Board size, board independence, audit committee, block ownership concentration, chairman executive ownership, firm listing on banks performance.

The result of model 1 indicated audit committee has impact on firms financial performance significantly and positively. This means that firms with larger audit committee and block ownership concentration on their board performs better than those without audit committee and block ownership concentration on board. While in table 2, only block ownership concentration was significantly related to Tobin Q when control variables were added. These results suggest that firms block ownership concentration in a larger number on board does better financially. This result is consisted with the findings of Abdulazes*et all*. (2016), the find positive relationship between block ownership concentration and firms performance of the banks

The result of multiple regression analyses in table 3 reveals the relationship between net profit margin, explanatory variables and control variables the effect of audit committee, board size, block ownership concentration, board ownership, chairman executiveownership, firm listing age, log of total asset and sales growth significantly and positively affects firms financial performance. This result implication showed that having number of audit committee on board explains the variations in performance of the firms financially.

6. Conclusion and recommendation

Features of corporate governance mechanism used in this study on financial performance are significant. The existence of audit committee, board size, board ownership, block ownership concentration, block institutional ownership, block government ownership, chairman executive ownership, firm listening age, log of total asset and sales growth enhance oil and gas industry financial performance. Hence, this study concluded, CGM practices have significant and positive impact on firm's performance of oil and gas industry. However, the study recommends:

1. Since CGM practices was found enhancing FP , the firms should anchored on CGM for higher and better performance henceforth
2. Audit committee and block ownership should be increased to a maximum number on board has its affects firms financial performance positively
3. Corporate governance mechanism with inverse relationship should be reduce on board in other to maximize profit for better financial performance at the end of accounting year
4. Corporate governance member number on board should be increased to a maximum number since only larger number on board can agued out decision that will be of benefit to the firm

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