



Assessing the Connectedness between Corporate Governance Mechanisms and Financial Performance of Listed Oil and Gas Companies in Nigeria

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Abstract

This research examines the nature of relationships that exist between corporate governance mechanisms (board composition, audit committee, board size and corporate governance disclosure) and financial performance (return on equity, profit margin and return on asset) in the Nigerian oil and gas industry. Secondary data from the audited financial statements of the fifteen listed oil and gas companies in Nigeria were employed. The test of hypotheses and other analysis of data were done using Pearson Correlation and regression analysis generated from SPSS, version 17. Findings from the study revealed that insignificant but positive relationship does exist between board composition and the performance of oil and gas companies in Nigeria. Evidence also exist that corporate governance disclosure level has a positive and significant impact on the ROE. This study therefore suggests that board of directors and stakeholders of oil and gas companies in Nigeria should pay more attention towards enhancing the independence of their audit committees and the extent of their corporate governance disclosure in order to enhance their level of profitability.

1.0 Introduction

There has been an upsurge in quest for good corporate governance among companies in various nations for excess of a decade. Corporate governance has assumed a significant position in driving firm's value creation and improving financial performance especially in the face of consistent corporate scandals that have continued to rock corporate entities globally (Korac-Kakabadse et al 2001, Shivdasani and Zenner, 2002, Rose, 2005 as cited by Lawal , 2012). Various theoretical and empirical studies have been occasioned by corporate governance failures both at local and international level yet daily occurrence of financial scandals are on the increase. According to Egwuonwa,(1997),

Corporate governance refers to the control of corporate policy through the power legally vested in a group or groups of people to chart a course of action to be followed by the organization in areas of fundamental importance to its survival, prosperity and proper functioning. It encompasses the mode of structure, the power that determines the rights and responsibilities of the various groups involved in running the organization, the legitimate expectation of the business, the method of operating and the overall accountability of management and of the directors.

No doubt the fall of Enron, WorldCom, Global Crossing and Rank Xerox in USA, Parmalat in Italy, the Maxwell saga in the UK, Daewoo in Korea, Leisurenet and Regal Bank in South Africa are all pointers to the enormous cost of corporate governance failure. It is worthy of note that Nigeria is not immune to this challenge of corporate governance failure as various cases of financial scandal governance are increasingly being recorded and published on daily basis. The cases of Cadbury Nigeria Plc, Oceanic bank Plc, Intercontinental bank Plc, Union bank of Nigeria, Afribank, just to mention a few are part of Nigeria's share of corporate governance failures.

In response to these corporate scandals, countries and agencies around the world began to introduce a series of legislations and guidelines otherwise known as the codes of best practices. These guidelines are a set of norms that regulates the behavior and structure of the corporate board in exercising their monitoring and supervisory roles. Some of the existing codes across the globe include amongst others: UK Cadbury Code, (1992), South Africa King Report (1994), The Organization for Economic Co-operation and Development (OCED) Principles of Corporate Governance (2004), Russian CG Code,

(2002); Security and Exchange Commission (SEC) code of corporate governance (2003), US Sarbanes-Oxley Act (2002), Central Bank of Nigeria (CBN) Code (2006), National Insurance Commission (NAICOM) Code (2009), Pension Commission (PENCOM) Code (2008).

In Nigeria, though several efforts have been directed at curbing the menace of corporate governance failure as shown above, they are however largely limited to listed financial institutions and other non-oil sector thereby excluding insights into the behavior of quoted oil and gas companies in Nigeria. This shortfall is what triggers this study.

A lot of work has been done to examine the relationship between corporate governance and firm performance across the globe but sadly, little has been done in Nigeria Oil and Gas industry despite the prevalent financial scandals which have their roots in corporate governance failures. Despite the fact that most of the world oil and gas are produced in the third-world countries, the industry is still far more exposed to the risk of corruption than other kinds of business. Nigeria which is Africa's biggest oil producer and a host country for western oil majors such as Shell, Total, Mobil and ENI was ranked 144 out of 177 in corruption index (Transparency International corruption perception index, 2013). Complementarily, Chazan, (2012), noted that Oil and gas sector has the highest bribery rate in Nigeria. Thus, primary objective of this research is to explore the relationship between corporate governance and the financial performance of Nigerian oil and gas sector. The rest of this paper is divided into four sections. Section 2 highlights the review of related literature and hypotheses. Overview of the Nigerian Oil & Gas Industry is the concern of section 3. Section 4 is devoted to the research method and analytical procedures. Finally, section 5 focused on the research findings and conclusions

2.0 Literature Review

According to Cheffins (2011), the term of corporate governance first came to light in the 1970s in the United States. However, with the collapse of Enron and world.com, corporate governance has become increasingly important. International organizations such as Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), World Bank and The International Organization of Securities Commissions (IOSCO) have shown interests in the adoption of corporate governance principles as yardstick in countries' assessment and standard settings.

Undoubtedly, the integrity of financial reporting will largely dependent on the conduct of the parties that make up the corporate governance structure. Dar, Naseem, Rehman and

Niazi (2011) listed the parties involved in corporate governance to include: board of directors, shareholders, audit committee, chief executive officer and management.

Azeem, Hassan and Kouser (2013) studied the impact of quality corporate governance on firm performance by using fixed effects estimation method of panel data of 50 largest (by market capitalization) companies listed at Karachi Stock Exchange (Pakistan) for a ten year perspective. The result showed that quality of corporate governance significantly determines firm performance. It is therefore believed that better corporate governance should lead to healthier corporate performance by ensuring better decision-making. In expectation of such an improvement, the firm's value should respond simultaneously to information indicating better corporate governance. This is in conformity with the view by Obiyo (2011) and Adeusi et al. (2013).

Recent studies on these issues are Uwuigbe, (2013), Adeusi, et al. (2013), Duke and Kankpang (2011), Uadiale (2010), Babatunde and Olaniran (2009), Obiyo (2011), and Adegoke (2013). Even though some of these researchers picked one or two listed oil and gas companies in their samples, the results cannot be generalized to have empirically demonstrated how oil and gas companies in Nigeria will response to the relationship between corporate governance and financial performance. Below are the tabular presentation of some studies that have been conducted to establish connectivity between corporate governance mechanisms and the performance of firms. As compiled by the researchers:

Table 1.0: Some previous studies of corporate governance and firm performance

Author(s)	Industry	Performance Measurement variables	Corporate Governance Mechanisms	Methods of Analysis	Research Findings
Ravivathani, T. (2013)	Financial institution	ROA and ROE	Board size, board composition and audit committee	Correlation and simple linear regression model	*Board size, board composition are not significantly correlated with ROE and ROA *Audit committee and ROE are significantly related. * No significant relationship between audit committee and ROA
Dar, L.A., Naseem, M. A., Rehman, R.U., & Niazi, G.S. (2001).	Oil and gas	ROE, PM	Board size, chief executive status, annual general meeting and audit committee	T-test and multiple regression analysis	*significant effect and positive relationship between ROE, board size and annual general meeting * ROE has significant negative relationship with audit committee and CEO status * Positive insignificant relationship between PM, board size and annual

Author(s)	Industry	Performance Measurement variables	Corporate Governance Mechanisms	Methods of Analysis	Research Findings
					general meeting * CEO status and audit committee have a significant negative relationship with PM
Adeusi, S. O., Akeke, N. I., Aribaba, F.O., & Adebisi, O.S. (2013)	Financial institution	ROA	Board size, board composition	Multiple regression	A need for increase in board size and decrease in board composition in order to increase the bank performance
Yasser, Q. R., Entebang, H., & Mansor, S. A. (2011).	30 companies on Karachi Stock Exchange covering all sectors	ROA & PM	Board size, board composition and audit committee, CEO/chairman duality	Multiple regression	Board size should be limited to a sizeable limit and board must be a right mixture of executive and non-executive directors
Younas, Z. I., Mahmood, H., & Saeed, A. (2011).	50 companies on Karachi Stock Exchange covering all sectors	ROA, debt ratio	Board size, CEO-chairman combined structure and audit expenditure	Multivariate OLS regression models	Prior year firm's performance has positive relationship with board size but negative relationship with audit expenditure. Furthermore, any change in prior year firm's performance causes change in CEO duality.
Yasser, Q. R., & Al Mamun, A. (2012).	Five year data of listed companies in Pakistan	Market-based Tobin Q, accounting-based ROA and economic value added	Duality, board Size, supervisory directors, outside independent directors, inside directors	Regression model	The results indicated that independent variables have no effect on firm's performance in terms of Tobin Q, ROA and EVA. When using Tobin Q, ROA and EVA as outcome variables, the results indicated that duality has no influence on firm's performance; supervisory directors, outside independent directors and inside directors also have no significant effect on firm's performance; board size and financial leverage have positive effect on firm's performance

Author(s)	Industry	Performance Measurement variables	Corporate Governance Mechanisms	Methods of Analysis	Research Findings
Chaghadari, M. F. (2011).	selected sample of companies listed on Bursa Malaysia	Return on equity and return on asset	Board independency, CEO duality, ownership Structure and board size.	Linear multiple regression	There is no significant relationship between board independency, board size and ownership structure as independent variables and firm performance as dependent variable.
Moscu, R. (2013).	Companies quoted on Bucharest Stock Exchange	Debt to equity ratio	Board size and board composition	Linear multiple regression	i) Board size has a positive relationship with firm performance, ii) there is a negative association between non-executives directors and firm performance, iii) there is a positive and significant association between firm performance and dummy which take value 1 when the percentage executives on the board is more than non-executives percentage
Duke II, J., & Kankpang, K. (2011)	40 companies on Nigerian Stock Exchange covering all sectors	ROA & PM	Board Size, board chair/chief executive status, reliability of financial reporting, audit committee, code of corporate governance	Least squares regression	Strong relationships were found between a number of corporate Governance variables and firm performance measures. The study also found that there were no material differences between the reliability of financial reporting between quoted and unquoted firms.
Uwuigbe, O.R. (2013)	30 companies listed on the Nigerian Stock Exchange	Share prices over a three-year period	Ownership structure and the audit committee	Regression and correlation analysis	The empirical findings suggest that ownership structure have a negative association with share price, whereas the audit committee is positively related to share price

Source: Compiled by researcher

As evidenced from the above table, no study was exclusively focused on the oil and gas sector. This gap the researcher intends to fill by this study. To this end, the following hypotheses are considered relevant:

1. **H₀:** The relationship between board composition and financial performance of listed oil and gas companies in Nigeria is not statistically significant.
2. **H₀:** There is no relationship between corporate governance disclosure and financial performance of listed oil and gas companies in Nigeria.

3.0 Overview of the Nigerian Oil & Gas Industry

Nigeria is the largest oil producing country in Africa and holds the largest natural gas reserves in Africa. The Nigerian economy is highly dependent on the production and export of its oil and gas resources with Nigeria's oil sector accounting for 95% of its export earnings and about 75% of the Nigerian government's revenue. Presently, Nigerian oil reserves stand at about 37.1 billion barrels, the 9th largest oil reserves in the world while the country's gas reserves are estimated at about 182 Tcf. Overall, the oil sector contributed 14.4% to GDP for 2013, lower than the 15.9% recorded in 2012. These figures, together with associated figures relating to gas production, resulted in a decline in real terms in 2013 compared with 2012.

Oil was first discovered in Nigeria in 1956 at Oloibiri in the Niger Delta region by Shell-BP (the then sole concessionaire) following about 50 years of exploration. Production commenced in 1958 at about 5,000 bpd. The foremost offshore oil discovery was also made by SPDC in 1965 within the shallow waters, south east of Warri. Shortly after, other international oil companies such as Elf, Agip, Total, Mobil and Chevron commenced operations in Nigeria.

Nigeria became a member of the Organization for the Petroleum Exporting Countries (OPEC) in 1971, and established the Nigerian National Petroleum Company (NNPC) in 1977 by Decree 33. Being a member of OPEC, Nigeria is subject to the organization's production quota. Oil production grew to approximately 2MMbpd in the early 70s before declining in the early 80s to 1.24MMbpd. This was precipitated by the fall in global oil demand following the oil price increase in 1979 and the ensuing global economic recession. By the 90s, oil production had picked up and steadied at a range of 2MMbpd to 2.4MMbpd, at a time when oil prices were approximately US\$20/bbl.

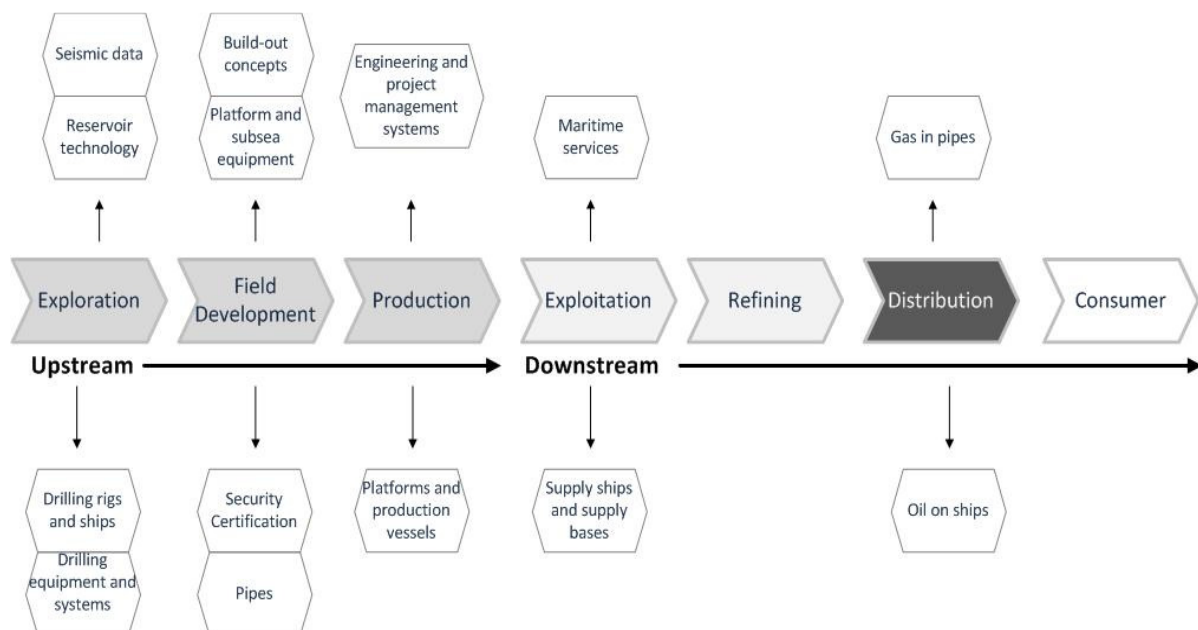
Civil unrest in the Niger Delta region, coupled with poor capital infrastructure investment in production facilities inhibited growth in oil production. In the recent past the industry has benefited immensely from the continued upsurge in world crude oil demand which has kept prices at high levels. The average daily production as at 31 December 2012 and December 31, 2013 were 2.21MMbpd and 2.23MMbpd respectively.

The majority of Nigeria's oil production comes from onshore fields. However, in recent times, there has been significant production coming from the shallow water and deep water areas from projects such as Total's 180Mbp Usan field, which was commissioned in February 2012. According to NNPC, joint venture arrangements accounted for 49.89%

of Nigeria’s total crude oil production in 2013. PSC and service contract arrangements (which are more common in Nigeria’s deep offshore acreage) accounted for 39.22% and 0.40% of the country’s 2013 crude oil production respectively, whilst independents/sole risk and marginal field operators (which include Nigerian companies) accounted for 10.49% of total production in 2013.

In 2011, the US was the largest importer of Nigerian crude oil accounting for 33.0% of Nigeria’s oil production. However, more recently, the US gradually imported less from Nigeria following its discovery of shale. In June 2014, the FG announced that the US has stopped the importation of Nigerian crude oil, and India had taken over as the major buyer of Nigerian crude oil. Other major buyers of Nigerian crude oil are Brazil (7.7%) and the Netherlands (7.1%). Nigeria’s export blends are light, sweet crude oils, with gravities ranging from API 29 - 47 and low sulphur contents of 0.05% - 0.3%. These characteristics allow Nigerian crude oil to trade at a premium to Brent, the North Sea benchmark for crude oil.

Figure 1: Overview of the Nigerian Oil & Gas Industry



Source: http://www.cliqenergy.com/faq_sheets.php

The Niger Delta region has had a history of civil unrest, caused by host community agitation in the face of perceived environmental degradation by the International Oil Companies (IOCs). This has led to severe interruptions of petroleum operations by local militants. Significant efforts have been made by the Government to tackle the problems

in the Niger Delta. For example, the Niger Delta Development Commission was established to, amongst other things:

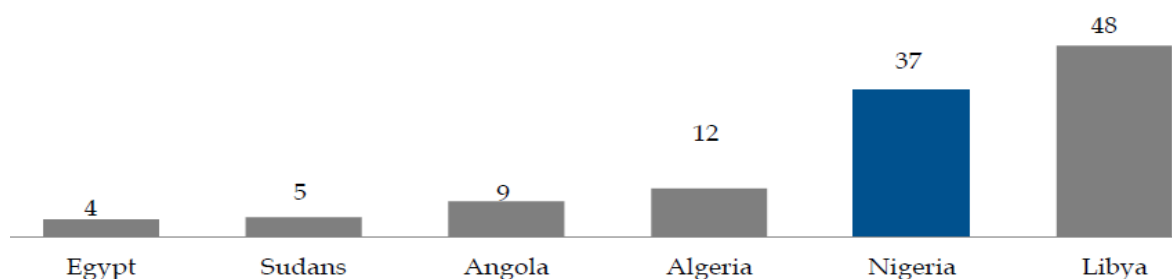
1. Develop the infrastructural needs of the Niger Delta region
2. Manage the sums received from upstream oil companies and the allocation of the Federation Account for tackling ecological problems which arise from the exploration of oil minerals in the Niger Delta area and
3. Alleviate the plight of local inhabitants.

In addition, in 2009, the Government implemented an amnesty program, which has been highly successful in reducing militancy. As a result of this, the oil industry has gradually recovered from the disruptions. Most of the onshore fields in the country that were shut down due to a lack of security (including the Bonga and Escravos fields of Royal Dutch Shell and Chevron Texaco) have been reopened.

Despite this, the oil sector has suffered from significant disruptions in 2011/12 due to the leakages, which caused the temporary shutdown of facilities such as Bonga, a 200,000 barrel per day (bpd) facility, which supplies nearly 10 percent of Nigeria's total crude output. Leakages on the Trans Forcados Pipeline (which is a major supplier to various power stations across the Niger Delta region) also resulted in SPDC declaring a force majeure on its Forcados export program (which has a production capacity of 400,000 bpd) during the fourth quarter of 2011.

Africa's proven oil reserves are currently in excess of 128 billion barrels, representing 8% of the world's proven oil reserves. This is an increase from 123 billion barrels in 2009; a trend which we expect to continuously see in coming years. Despite Africa being home to 8% of the world's proven oil reserves; the continent produces 12% of the world's supply.

Figure 2: Proven Oil Reserves - Africa (2013),



Source: OPEC Annual Statistical Bulletin, 2014

Various new opportunities still exist in Africa. This is evident from the licensing of only 45% of the 4,200 oil and gas blocks available and the emergence of East African countries such as Tanzania and Mozambique as new industry players. A classic example of the developments in Africa is the production of the Jubilee Field located in Ghana which took a remarkable 24 months from development to production. It is hailed as the fastest deepwater development ever, producing 95,000 bpd and demonstrating to the world the possibilities in Africa.

There are a number of challenges facing the Nigerian oil and gas industry which are constraining the industry's growth. Notable among the challenges faced are:

- i. Poor infrastructure
- i. Corruption
- ii. Uncertain legal and regulatory framework
- iii. Set-up costs
- iv. Access to funding
- v. Political influences
- vi. Uncertainty and delays in passing laws
- vii. Security and host community management.

The petroleum industry in Nigeria is regulated by the following acts and agencies:

- a) Ministry of Petroleum Resources
- b) Nigeria National Petroleum Corporation (NNPC)
- c) Department of Petroleum Resources (DPR)
- d) National Petroleum Investment Management Services (NAPIMS)
- e) Nigeria Content Development and Monitoring Board (NCMB)
- f) Niger Delta Development Commission (NDDC)
- g) Oil and Gas Policy Commission
- h) The Petroleum Act 1969
- i) The Petroleum Profit Tax 1958
- j) The Deep Offshore and Inland Basin Production Sharing Contracts Act No. 9 of 1999 (as amended)
- k) The Associated Gas Re-injection Act 1979
- l) Public Procurement Act 2007
- m) Central Bank of Nigeria Act 2007
- n) Nigeria Extractive Industry Transparency Initiative (NEITI) Act 2007

- o) Nigeria Oil and Gas Industry Content Development Act 2010
- p) Sovereign Wealth Funds Act 2011/Nigeria Sovereign Investment Act 2011
- q) The Petroleum Industry Bill 2012

4.0 Research Method and Analytical Procedures

This research (as earlier enunciated) investigates the relationship between corporate governance and financial performance of listed oil and gas companies on the Nigerian stock and Exchange. Studies that establish causal relationships between variables may be termed explanatory studies (Saunders et al.2007 as cited in Adeyemi, & Fagbemi, 2010).

Population, Sample and Sampling Technique

The research population to serve the purpose of this study is the fifteen listed oil and gas companies listed and active on the floor of the Nigerian Stock Exchange. The ultimate test of a sample design is how well it represents the characteristics of the entire population (Emory & Cooper, 2003 as cited in Adeyemi, & Fagbemi, 2010). In order to achieve this, the entire 15 listed oil and gas companies in Nigerian were considered. The period between 2011 and 2012 financial years for the fifteen companies were chosen as our sample and technique is purposive.

The model specification:

$$Y = f(a + \beta_1(\text{BCOM}) + \beta_2(\text{AUDCOM}) + \beta_3(\text{BSIZE}) + \beta_4(\text{CGDI}) + \epsilon) \text{----- (i)}$$

Where: Y= firm performance (ROE, PM and ROA)

BCOM= Board Composition (proportion of representation of non-executive directors on board). AUDCOM= Audit Committee (proportion of audit committee outside to total audit committee) BSIZE= Board Size (total number of the directors on board).

CGDI= Corporate Governance Disclosure Index (total score per company/maximum score) x100.

From equation (i), three equations were derived emerged for this study:

$$\text{ROE} = a + \beta_1(\text{BCOM}) + \beta_2(\text{AUDCOM}) + \beta_3(\text{BSIZE}) + \beta_4(\text{CGDI}) + \epsilon \text{-----1}$$

$$\text{PM} = a + \beta_1(\text{BCOM}) + \beta_2(\text{AUDCOM}) + \beta_3(\text{BSIZE}) + \beta_4(\text{CGDI}) + \epsilon \text{-----2}$$

$$\text{ROA} = a + \beta_1(\text{BCOM}) + \beta_2(\text{AUDCOM}) + \beta_3(\text{BSIZE}) + \beta_4(\text{CGDI}) + \epsilon \text{-----3}$$

Where: ROE= Return on Equity (profit after tax/shareholders' fund)

PM= Profit Margin (profit after tax/turnover)

ROA=Return on Assets (profit after tax/total assets)

Table 2: Level of Corporate Governance Disclosure

S/N	CODE FOR LISTED OIL & GAS COMPANIES IN NIGERIA	SECTOR	YEAR	YEAR	TOTAL	AVERAGE	CGDI
			CGD 2012	CGD 2011			
1	OAD	Oil & Gas	25	21	46	23.000	1.533
2	CAO	Oil & Gas	14	14	28	14.000	0.467
3	CON	Oil & Gas	23	20	43	21.500	0.717
4	ETE	Oil & Gas	21	21	42	21.000	0.700
5	FOR	Oil & Gas	20	20	40	20.000	0.667
6	JOM	Oil & Gas	22	22	44	22.000	0.733
7	MON	Oil & Gas	29	29	58	29.000	0.967
8	MRS	Oil & Gas	20	20	40	20.000	0.667
9	SEP	Oil & Gas	21	21	42	21.000	0.700
10	TON	Oil & Gas	29	29	58	29.000	0.967
11	AFR	Oil & Gas	28	28	56	28.000	0.933
12	NAV	Oil & Gas	8	10	18	9.000	0.300
13	ANI	Oil & Gas	15	12	27	13.500	0.450
14	BEC	Oil & Gas	11	7	18	9.000	0.300
15	RUP	Oil & Gas	14	10	24	12.000	0.400

Source: computed by researcher using data extracted from annual reports and websites of listed oil and gas companies in Nigeria (2014)

Table 2, revealed that all the observed oil and gas companies presented a statement of their corporate governance practice. However, the extensiveness of the disclosure varies between companies. Based on the 30 governance indices used for assessment, Mobil Oil Nigeria Plc, and Total Nigeria plc emerged with highest number of corporate governance disclosure with 29 disclosure items i.e. (97%). On the other hand, BECO Petroleum Product Plc and Navitus Energy Plc disclosed the least governance items with 30% level of disclosure.

5.0 Findings and Conclusions

From the above regression Table 3 below, the coefficient of determination R^2 revealed that the explanatory variables accounted for 43% of change in ROE, 39.9% of change in PM and just 6.1% of changes in ROA.

Table 3: Regression Coefficient for Model 1- 3

$$ROE = a + \beta_1(BCOM) + \beta_2(AUDCOM) + \beta_3(BSIZE) + \beta_4(CGDI) + \varepsilon \dots\dots\dots \text{Model 1}$$

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	-49.995	25.770		-1.940	.064	-103.069	3.079
BCOM	28.479	28.217	.168	1.009	.323	-29.636	86.593
AUDCOM	73.235	30.838	.367	2.375	.026	9.722	136.748
BSIZE	-2.756	1.379	-.345	-1.998	.057	-5.597	.085
CGDI	48.358	16.053	.554	3.012	.006	15.297	81.419
R				0.657			
R Square				0.431			
Adjusted R Square				0.340			
F-Statistics				4.738	0.006 sig		

PM= $a + \beta_1(\text{BCOM}) + \beta_2(\text{AUDCOM}) + \beta_3(\text{BSIZE}) + \beta_4(\text{CGDI}) + \varepsilon$ Model 2

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
2 (Constant)	-17.859	8.460		-2.111	.045	-35.283	-.435
BCOM	2.219	9.264	.041	.240	.813	-16.860	21.298
AUDCOM	39.113	10.124	.614	3.863	.001	18.262	59.964
BSIZE	.068	.453	.027	.150	.882	-.865	1.001
CGDI	1.583	5.270	.057	.300	.766	-9.271	12.437
R				0.632			
R Square				0.399			
Adjusted R Square				0.303			
F-Statistics				4.151	0.010 sig		

ROA= $a + \beta_1(\text{BCOM}) + \beta_2(\text{AUDCOM}) + \beta_3(\text{BSIZE}) + \beta_4(\text{CGDI}) + \varepsilon$ Model 3

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
3 (Constant)	-5.363	18.383		-.292	.773	-43.224	32.498
BCOM	16.851	20.129	.179	.837	.410	-24.605	58.308
AUDCOM	12.236	21.999	.111	.556	.583	-33.071	57.544
BSIZE	-.274	.984	-.062	-.279	.783	-2.301	1.752
CGDI	-4.233	11.451	-.087	-.370	.715	-27.817	19.352
R				0.247			
R Square				0.061			
Adjusted R Square				-0.089			
F-Statistics				0.406	0.803	not sig	

Source: computed by researcher using data extracted from annual reports of observed companies (2014)

Unlike other sectors like banking, the coefficient of determination R^2 is a clear indication that changes in the profitability level of the oil and gas companies is majorly a function of changes in other external factors, which may include: global price of crude oil, OPEC decisions, world trade flexibility, global insecurity, operational risks, government decisions, technical know-how, fund availability, problems from host communities, vandalization of assets, kidnapping, court litigations, penalties and political issues among others and not necessarily the composition of board of directors, board size, audit committee or level of corporate governance disclosure.

Conclusions

Based on the outcomes of our analysis from Model 1, Model 2, and Model 3 in Table 3 above, we concluded that board composition has a positive relationship with financial performance of listed oil and gas companies in Nigeria even though the relationship is not significant. Since the results support our hypothesis 1, we therefore accept the null hypothesis that board composition does not have a significant relationship with financial performance of listed oil and gas companies in Nigeria.

The work of Kajola, (2008) and Adeusi, et al. (2013) support our finding.

With regards to hypothesis 2, we conclude from table 3 above, that there exists a positive relationship between corporate governance disclosure and ROA. For PM, the effect of corporate governance is positive though not significant and a negative relationship with

ROA. It therefore means that ROE and PM are likely going to increase if companies disclose their corporate governance policies and principles.

Based on the foregoing outcomes, we reject the null hypothesis which states that there is no relationship between corporate governance disclosure and financial performance of listed oil and gas companies in Nigeria. The outcome is in line with the study of (Danoshana & Ravivathani, (2013), Gurbuz, et al. (2010)).

Recommendations

Stakeholders in the Nigerian oil and gas industry can leverage on corporate governance as a vital instrument for increasing profitability by taking the following recommendations into cognizance:

- i) Efforts to ensure strong, effective and independent audit committee should be harnessed by the board of directors and shareholders to drive corporate governance policies and practice equivalent to global standard.
- ii) Company's objectives and the processes in place for achieving the objectives should have their roots in established corporate governance framework to drive compliance, penalties for non-compliance. An effective legal framework should be developed to specify the rights and obligations of company, the directors, shareholders, specific disclosure requirements and provisions for the enforcement of compliance with codes of corporate governance.

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