Corporate Governance Structures And Financial Performance Of Listed Manufacturing Companies In Nigeria

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ABSTRACT
The study empirically investigated the relationship between corporate governance structure and financial performance of quoted manufacturing companies in Nigeria. It specifically investigated the relationship between audit committee membership and return on assets as well as earnings per share of listed manufacturing companies in Nigeria. Secondary data were used for the study. Data were sourced from annual reports and returns of the companies available at Nigerian stock exchange. Study population was all quoted manufacturing companies, while sample of the study was 10 quoted manufacturing firms in Nigeria and for years 2007-2017. Regression analysis was used for data analysis and testing of the hypothesis. The result of the study showed that audit committee membership has a positive and significant relationship with return on asset whilst it showed no significant relationship with earnings per share of listed manufacturing companies in Nigeria. The study recommends amongst others that companies should ensure that a functional board is in place so as to push top management towards effective and efficient management of the companies and their assets towards better performance; The Audit committee membership size of three (3) and above (as suggested by the Cadbury Commission) should be adopted. By having increased number of audit committee members, the companies will have variety of experts who would examine the books and performance of the companies and thus help owners to assess management performance at the same time.

Keywords: Audit committee membership, Earnings per Share; Financial Performance, Governance structures, Manufacturing firms, Nigeria; Return on Assets

INTRODUCTION
Corporate governance is the mechanism, processes, controls, policies, rules and proceedings by which an organization is directed and controlled. It is set up by the board and management of a company to ensure smooth running of the company and guarantees stakeholder’s return on investment (Fodio, 2013). Every Shareholder whether individual or corporate investor who invested in a business to earn a return or investment in are purely based on firm’s financial performance. Gasperato (2005) defines financial performance as the measurement of result of a firm’s business activities in monetary term over a given period of time. Financial performance permeates and true financial information on which investment decisions are made. However, some organization resorts to manipulation of financial data which does not depict a true picture of the financial position of the firm. Thus, occurrence of financial sharp practice gives a bad image not only to the firm in which it occurred, but also to the country (Bhasin, 2013). This falsification of results always create problem for the whole of the business as they might lose their
investment. The investors therefore became financial markets and the companies’, financial information arisen from financial performance. Such instances result in lower investment from domestic and foreign investors, hampering the economic growth of the nation. As a result, interest in corporate governance has increased in both developed and developing countries in an attempt to regain the lost confidence. The infamous financial misadventure such as Enron, worldcom, satyam, etc heightens the call for strong corporate governance. Recently, well publicized cases of accounting scandals in Nigeria have greatly shaken investor’s confidence in the integrity of corporate financial reporting. In the length of such misfortunes, corporate governance assumes much prominence.

It is widely accepted that companies get additional advantage from investors when they voluntarily adopt corporate governance practice in addition to mandatory recommendations (Agaarwal & Williamson, 2006), firm’s efficient and transparent corporate governance is a key to the profitability, desired growth and stability of a firm. Corporate governance has gained more prominence due to the competitiveness of the business world across all sectors, both nationally and internationally. Several studies carried out in developing and developed countries preventing attempt to investigate the association between corporate governance and firm performance but turned out inconsistent result. Some of the studies revealed that improved firm performance is associated to good corporate governance (Baysinger & Butter, 1992; Brickly, Coles, & Terry, 1994; Rhoades, Rechner & Sundaranertly, 2001). While some other studies revealed a negative association between corporate governance and financial performance. (Prevost, Rao & Hossain, 2002; Park & Shin, 2003; Singh & Davidson, 2003). It is against this background that this study was launched to examine corporate governance structure and financial performance of quoted manufacturing firm in Nigeria. The recently well publicized cases of accounting misadventure of renowned corporations like investor’s confidence in the integrity of corporate financial performance. Africa petroleum (now Forte plc) where the auditors failed to disclose 24 billion naira credit facility in the financial statement was unethical and had demonstrated the fragility of professional reputation. These perceived high profile- financial scandal have become a major source of concern and “galvanized considerable interest in and discussion “ on the imperative of “corporate governance” in the reality of financial performance. Beside the shareholder prospect being damned, The confidence of ether stakeholder is lost on the page of window-dressed financial performance in the financial statement of the entities. The code of corporate governance for publics companies in Nigeria by securities and exchange commission (SEC) 2011 and financial Reporting council of Nigeria Act of 2011 were enacted to harmonize activities of relevant professional and regulatory bodies with regard to ensuring effective corporate governance and credited auditors reporting this is a worrisome phenomenon; hence, prompting an empirical investigation to determine the relationship between financial performance of quoted manufacturing companies in Nigeria. Given the problem situation, this study empirical investigates the relationship between corporate governance and enhancing corporate performance of firms in Nigeria.
Study Objectives
The aim of this study was in empirically investigate the relationship between corporate governance structure and financial performance of quoted manufacturing companies in Nigeria. Its specific objectives include to:

1. Ascertain the relationship between Audit committee membership and return on Assets listed manufacturing companies in Nigeria
2. Ascertain the relationship between Audit committee membership earnings per share listed manufacturing companies in Nigeria.

Research Questions
- What is the relationship between audit committee membership return on assets of listed manufacturing companies Nigeria?
- What is the relationship between Audit committee members and earnings per share of listed manufacturing companies in Nigeria?

Research Hypothesis
From the research questions, the following research hypotheses were drawn to show tentative relationship between the independent (predictor) and dependence (criterion) variables.

H01: There is no significant relationship between audit committee membership and return on assets of listed manufacturing companies in Nigeria.
H02: There is no significant relationship between Audit committee members and earnings per share of listed manufacturing companies in Nigeria

Significance of the Study
The manager of the quoted manufacturing companies will benefit immensely from this study by understanding the performance metrics of their companies through corporate governance structures. In addition, the study will also bring to light the benefit of corporate governance structure on financial performance to its users, not just giving them a mere knowledge of its but to make them truly understand the impact it creates to increase profitability. It could be significant to federal government as through the study, the reason why companies fail might become better know. Also an average reader who has a stance in Nigerian companies will benefit from this study because he /she will be able to understand the corporate governance structure of companies better. Finally, a study of this nature will add to the existing literature in corporate governance structure and financial reporting and create a window for further studies.
2. REVIEW OF RELATED LITERATURE
2.1 Conceptual review
Corporate governance
Although corporate governance has been perceived and defined differently by scholars and practitioners, they all have a common direction to the same end. Coleman & Nicholas-Biekpe (2006) define corporate governance as the relationship of the business of the shareholders or broadly as the association of the business to society as a whole. It was defined by Mayer (1999) as the totality of the procedures, architecture and information utilized for directing and controlling the management of an organization. The Organization for Economic Corporation and Development (1999) defines corporate governance as a mechanism on the basis of which companies are directed and managed. The key constituents of corporate governance structures are: Shareholders, Board of Directors and management. Although corporate governance in developing economics received a lot of attention in literature recently, (Goswani, 2001; Carter, Collins & Lorsch 2004; McConnell, Servers, & Lins 2008; Bebechuk, Cohen & Ferrell, 2004), nevertheless, corporate governance of firms in developing economies with special reference to their financial performance is a little researched into. The fundamental argument of corporate governance, as perceived by academicians and other independent researchers can be linked to the work of Berle and Means (1932) who conforms that the contemporary corporations with their acquired large sizes, could create the likelihood of segregation of control over a company from its direct ownership. As a result, the international monetary fund (IMF) has shown concerns about governance issues and has demanded that governance improvements be incorporated in its debt relief program (Khanchel, 2007). The Organization of Economic Corporation and Development (OECD) in 1999, issues an influential OECD principles of corporate governance, meant to help members and non-member countries in their bid to measure and improve the legal, institutional and regulatory for rewarding corporate governance (Nestor & Thompson, 2001).

Figure 1.1: Operational Framework of Corporate Governance Structures and Financial Performance of Quoted Manufacturing Companies in Nigeria.
Understanding Corporate Governance Structure

Corporate Governance came into popularity in the 1970’s in the United State of American. It has been the subject of significant debate in the U.S and around the globe. Bold, broad efforts to reform corporate governance have been driven, in part, by the need and desire of shareowners to exercise their rights of corporate ownership and to increase the value of their share and by extension their wealth. Over the past three decades, corporate director’s duties have expanded greatly beyond their traditional legal responsibility of duty of loyalty to the corporation and its shareowners, (Crawford, 2007). In the first half of the 1990s, the issue of corporate governance in the U.S received considerable press attention due to the wave of CEO dismissals (e.g. IBM, Kodak, Honeywell) by their boards.

The California Public Employees’ Retirement System (Calpers) led a wave of institutional shareholder activism (something only very rarely seen before) as a way of ensuring that corporate value would not be destroyed by the now traditionally cozy relationships between the CEO and the board of directors (e.g. by the unrestrained issuance of stock option, not infrequently back dated. In 1997, the East Asian financial crisis saw the economies of Thailand, Idonesia, South Korea, Malaysia and Philippines severely affected by the exit of foreign capital after proper asset collapsed. The lack of corporate governance mechanism in these countries highlighted the weaknesses of the institution in their economies. These led to Malaysia setting up the finance committee on corporate governance in 1999. The Malaysian code of corporate governance in 2000. The code had undergone reviews ever since then.

In the early 2000s, the massive bankruptcies (and criminal malfeasance) of Enron and WorldCom as well as lesser corporate debacles, such as Adelphia communication, AOL, Arthur Andesen, Global crossing, Tyco, led to increased shareholder and governmental interest in corporate governance. This is reflected in the passage of Sarbanes – Oxley Act 2002. One of the most influential guideline has been the 1999 OECD principle of corporate governance. This was revised in 2004. The OECD remain a proponent of corporate governance principles throughout the world. OECD is the organization for economic cooperation and development. Building on the work of the OECD, other interactional organization, private sectors associations and more than 20 national corporate governance codes, the United Nations Intergovernmental working group of experts on international standards of accounting and reporting (ISAR) has produced voluntary guidance on good practices in corporate governance disclosure. This internationally agreed benchmark consists of more than fifty distinct disclosure items across five broad categories (UNCTAD, 2008).

✓ Auditing
✓ Board and management structure and process
✓ Corporate responsibility and compliance
✓ Financial transparency and information disclosure
✓ Ownership structure and exercise of control right.

The world business council for sustainable development (WBCSD) has done work on corporate governance, particularly on accountability and reporting, and in 2004 created an Issue management tools: strategic challenges for frameworks. This document aims to provide general information, a “snapshot” of the landscape and a perspective from a think-tank/professional association on a few key code, standard and frameworks relevant to the sustainability agenda. In the UK, after the collapse of the BCCI bank in 1992, the Cadbury committee was set up to curb future occurrences. Apart from the Cadbury committee other reforms have since followed like the setting up of the green bury committee in 1995 and the issuing of the Tumbull Guidance in 1999 to aid directors in putting in place sound system of internal control. The other global trends including those of Africa and Nigeria that have led to enthronement of code of corporate governance have been documented by SEC quart (2008:4-5). In Africa, South Africa took the lead in corporate governance reform by setting up a committee on corporate governance known as the king committee. The report of the committee was published in 1994. The report was later reviewed in 2002 following other developments that took place in the South African Corporate world after the first report was published. The International Organization of Securities Commission (IOSCO), the standard setter for securities commission world-wide has also done some work on corporate governance. A recent survey by IOSCO on corporate governance in several jurisdictions focused on the following;
Auditors and audit standard
Issuer disclosure requirements
Bond market regulation and frequency
The role and obligation of market intermediaries
The use of complex corporate structure and special purpose entities
The role of private sector information analysts.

In Nigeria, the Securities and Exchange Commission (SEC) and the Corporate Affairs Commission (CAC) launched a code of corporate governance for public limited companies in 2003. The code was aimed at inculcating the principle of transparency, accountability and fairness in running the affairs of public corporate entities. The provision of the code cover;

- The composition and responsibilities of the board of directors
- The board of directors
- The need to avoid dominance of the company by any individual. In other words, the code does not allow an individual to hold the position of both chairman and Managing Director, these position should be separated and held by different individuals.
- Prescription for frequency and proceedings of meetings
- Reporting and internal control system. The need to promote transparency in financial and non-financial reporting requires the board to ensure that there is a good and effective internal control system in an organization.
- Composition of audit committee. The committee should be established in accordance with the companies and Allied matter Act (CAMA) Section 359 (3&4), which state that more than executive director should be on it.
- Shareholders right and privileges.

Characteristic of Good Corporate Governance
Armstrong (2003), they include:

1. **Disciplines:** This is the type of behavior that is generally acceptable to stakeholders
2. **Transparency:** The board members should transparent in decision making (i.e the board should be epitomized by predictable, open, and enlightened policy making).
3. **Independence:** The board should be independent in decision making and put in place certain principle, processes, roles and responsibilities, etc to ensure the company realize it’s objectives.
4. **Accountability:** This ensures that the performance of the board meets the expectations of the stakeholders in the company. The decision and policies of the board should meet the demand of the stakeholders and moreover they should be held accountable for such decisions.
5. **Responsibility:** They are to ensure strategic guidance of the company affairs, spell out the rules and procedures for making decision and policies on corporate affairs, distribution of rights and responsibilities among different participant in the company.
6. **Social responsibility:** This ensures that firms have a duty to the society corporate firms should be aware of and respond to social issues, ethical standard and societal welfare.
7. **Fairness:** Concerned with promoting corporate fairness, accurate measures should be made on all material matter regarding the corporation.

Board Size:
Board size alludes to the number of directors serving in the board of directors (Jenson & Meckling, 1976). Board size is perceived as a significant characteristic of the board architecture and plays a critical role in influencing firm’s value. Firm’s value can be improved when the board of directors executes the role of discipline on the CEO and management of the firm. Rahata (2005) opines that the board of directors performs two important functions which are advising and monitoring. The sizes of the board of directors have been in contention. Several studies are comfortable with the number of board size being between seven to fifteen directors (Ogbechie, Koufopoulos & Argyropoulou, 2009). But others studies contend that board size should be restricted to seven or eight directors (Lipton & Lorsch, 1992; Jensen, 1993). A smaller board size enhances monitoring and makes it easier for the CEO’s to control the board.
Barnhart & Rosenstein (1998) reveal that firms with small board size have excellent competence in contrast to firms with large board size. However, Large board of directors appears to be important as a result of a vast knowledge and experience accessible. A large board has an assortment of expertise to function in a firm decision making process since the CEO is incapable of influencing a bigger board due to the combined strengths of members which is greater and which can confront any absurd decision of the CEO (Pfeffer, 1972; Zera & Pearce, 1989). In a similar vein, Dalton, Ellstand & Johnson, (1998) and Dallas (2001) opines that large board size promotes decision making in the board due to the range of expertise members which makes it more effective in adverting corporate breakdown. Additionally, Klein (2002) portrays that large boards supports more non-executive directors in choosing members of audit committees to promote sound financial reports. Large board size is capable of depositing the assortments that would assist companies to obtain delicate resources and diminish environmental ambiguities (Pfeffer, 1987; Pearce, & Zahra 1992; Goodstein, Gantum & Boeker, 1994). On the other hand, large board size affects firm’s value negatively due to the existence of agency cost among members of a bigger board. A large board size has the tendency to be less effective in enduring discussion of key issues and to be victim of free rider problems among directors in supervisory management (Hermalin & Weisbach, 2002).

Increase in numbers of directors in the board communication and decisions making problem (Yermack, 1996). Lipton and Lorch (1992) recommended a number board size of between seven and eight. But recommendations on board sizes of between size tends to be industry specific, for example, Adams & Marhnan (2003) portrays that bank holding companies have significantly larger board size than those of manufacturing companies.

**Audit Committee Size and investments Management**

It is the requirements of some Stock Exchanges that the audit committee for the listed companies be made up of three members (Al –Sa’eed & Al-Mahamid, 2011). However, CAMA (1990) sec. 359 specifies the maximum number of audit committee members in Nigeria as six but did not specify the minimum. Bedard, Chtourou & Courteau (2004) have argued that when the audit committee is large, the control and oversight functions over the accounting the financial processes increase. In agreement to this Anderson, Mansi & Reeb (2004) found that large, size audit committees with a large size has the potential to protect and control the process of accounting and finance by bringing in greater transparency. A very large audit committee can bring about dispersion of responsibility and process losses (Karamanou & Vafeas, 2005). The essence of the audit committee is based on two strands of accountability; first management’s accountability to the board, second, board’s accountability to the shareholders. The audit committee’s role stems directly from the board’s oversight function as it oversees, both, internal as well as external, audit processes of the firm (Collier & Gregory, 1999; Bedard et al., 2004; Lee et al., 2004). One of the foremost functions of the audit committee is to review the financial data of the company on continues basis and strengthen internal accounting controls, in order to enhance reliability and integrity of financial reporting. A good system of corporate governance requires a though co-ordinate among the three constituent of audit viz. the board, the internal auditors and the external auditors. The audit committee participates, not only in the process whereby management disseminate information to the auditors and releasing unbiased information reducing information asymmetry between insiders and outsider; but also play an important role in ensuring that statutory auditors are not in the influence of management. Therefore, audit committees can be used as a mechanism to reduce agency problems faced by firms, (Jensen & Meckling, 1976). Several studies and reports have emphasized that the audit committees should consist of independent non-executives directors, who are less likely to be influenced by the management, and therefore, can carry out financial reporting process more effectively (Beasley 1996; Blue Ribbon Committee, 1999).

The number of audit committee members is used as an indication of resources available to this committee (Lin, et al., 2006). Some studies, such as those of Jensen (1993) and Yermack (1996), suggest that the number of members on an audit committee effects its decisions. Bedard et al., (2004) argue that the larger the audit committee, the more likely it is to uncover and resolve potential problems in the financial reporting process because it is likely to provide the necessary strength and diversity of views and expertise to ensure effective monitoring. Empirical studies provide mixed evidence of the impact of audit
committee size reporting quality. Xie et al., (2003) find no significant association between the number of directors on the audit committee and earnings management. Similarly, Abbott et al., (2004) find no impact of audit committee size on earnings restatement. On the other hand, Yang & Krishnam (2005) find that audit committee size is negatively associated with earnings management, implying that a certain minimum number of audit committee members may be relevant to quality of financial reporting.

Financial performance

Financial performance can be determined easily through financial ratio and some of these measures include: Cash flow growth, Earning Per Share (EPS) growth, Asset growth, Dividend growth, Sales growth, Market value added (MVA), Economic value added (EVA) (Coles, McWilliams & Sen, 2001; Abdullah, 2004). The study by Dehene De Vuyst & Ooghe (2001) adopted Return on equity (REO) and return on asset (ROA) as substitute for financial performance in Belgian firms. Chen, Cheung, Stouraities & Wong (2005) adopted market-to-book ratio on firms in Hong Kong. Judges, Naoumova & Koutzevoi (2003) applied a series of indicators including financial profitability, customer satisfaction, products/service quality capacity utilization and process improvements to assess firm performance. For the purpose of this study, current Ratio (CR) was used as measured of financial performance.

Earnings Per Share (EPS)

Earnings is a critical variable that exerts enormous influence on market value of equity share. Earnings that emanates after interest, depreciation and tax are for equity shareholders. Earnings per share are divided by dividing earning (after deduction of tax, interest, preference shareholders dividend and depreciation) on total number of outstanding shares. Earnings per share are powerful forecaster of market value in productive tract. In a study by Faris, Neil, Pfeffer & Reibstein, (2010), it was revealed that a positive and significant relationship exist between market value of stock and net asset value per share. Also, Malaka and Gupta (2002) found out earning per share is an important influencer or share value of major cement firms in India from 1968 - 1988 and five variables (dividends per share, retained earnings, earnings per share, the share price and sales proceeds) were conducted. Earnings per share were discovered to be significant in the determined of share price determinants.

Return on Assets (ROA)

Return on Assets according to Lindo (2008) is the overall designed financial ratio applied to estimate the connection of profit earned to the investment in assets needed to earn that profit. Gallinger (2006) carried out a wholesome analysis of return on assets. He built a model whose variables consist of such indicators as: the return on equity, the return on sales and financial leverage, and the interest expenses. This permits a firm to help management on the favourable occasion of time to transfer the assets in the future. Lindo (2008) noted that the return on asset percent is an alpha that is used to estimate the profit donations needed from fresh investments. Therefore, it pinpoints the rate of return required to at least to preserve existing performance and can be adopted to institute a barrier rates all fresh investment must attain for endorsement.

Return on assets is generally considered as a good measured of comparing the level of profit in an organization to the value of net assets invested in an organization. The assets are undoubtedly the major items that need to be in place for a financial firm to operate and these assets are seen as the current assets and fixed assets. The return on assets (ROA) can simply be calculated as PAT/Total Assets. The figures of net assets can be directly derived from the balance sheet. Return on assets remains a great measure of operational efficiency of any financial organization globally.

Board Size and Financial Performance

Board size is generally believed to impact the monitoring strength and larger boards are believed to act as a more capable monitor of top management (Abdullah, 2004). It is however clear that larger boards lead to a disadvantage in the form of higher spending on the maintenance in addition to difficulties in planning, work coordination, decision-making and holding regular meetings owing to the large number of members. Contrarily, smaller boards can help avoid free riding by individual directors, and increase their decision taking processes. There are some empirical research findings which support the arguments such as studies by (Adams, Hermalin, &Weisbach, 2008; Bonn, Yoshikawa & Phan, 2004 Haniffa & Hadiaib,
studies which revealed a negative link between board size and firm performance. This is further evidenced by Shakir (2008) who also found a negative relationship between board size and firm performance. On the contrary, (Adams & Mehran, 2003; Dalton & Dalton, 2005; Mak & Li, 2001; Pfeffer, 1972; Zahra & Pearce, 1989) found a positive relationship between the two. The findings of Prakash and Martin (ND) on a study of corporate governance and efficiency in Nepalese commercial banks revealed that bigger board size lead to efficiency in commercial banks. Mansi & Reeb (2004) argued that larger board is better than smaller board size in that larger board size have the ability to push the managers to track lower cost of debt because creditors believe that such firms are more effective monitors of accounting process. This position is in consonance with the finding of Adeusi, et al (2013) who also examined the effect of board size on the performance of ten selected banks for a period of six years (2005-2010) using econometric model of linear regression and found that increasing number of board size increases the performance of banks.

**Audit Committee Size and Financial Performance**

Shareholders’ interests are protected through the activities of audit committee because management may not always act in the interest of corporation’s owners (Prakash & Martin, n.d.). Studies in favour of large audit committee posited that when more people are involved in checking the activities of managers, wrongdoings will be reduced and performance will be enhanced. A number of studies which revealed positive relationship between audit committee size and firm performance include, (Biao, Wallace & Peter; Klein, 2002; and Coleman-Kyereboah, 2007). However, other researchers like (Kajola, 2008; and Hardwick, 2003) reported that there is no positive relationship between audit committee size and the performance of firm. From the foregoing, there exist a mixed reaction with respect to the relationship between audit committee size and firm performance.

The position of Prakash and Martins make logical sense as the interest of shareholders can be protected by a number of individuals who will be difficult to manipulate especially when they are large in number. The larger be size of the audit committee, the more the experts will be available to monitor and check the financial reports and give confidence to the shareholders. The Cadbury Commission suggested the number of audit committees to be at least three. Kajola (2008) argued that increased members in the committee suggest more experts available at hand for the overlooking of internal controls and financial reporting. Various accounting standards and principles must guarantee that general rules and regulations are employed by accountants in a large scale when they prepare financial statements and reports reflecting the exact state of the company (Zhang, Zhou, & Zhou, 2007). According to Kyereboah-Coleman (2007), a positive relationship exists between the size of audit committee and performance and its independence is evidenced to be positively related to the effectiveness to monitor mistakes in the financial reporting process.

**2 Theoretical Framework**

The theoretical framework of this study rest on two theories:

1) Stakeholder theory
2) Stewardship theory.

**Stakeholder Theory**

The stakeholder’s theory was adopted to fill the observed gap created by omission found in the agency theory which identifies shareholders as the only interest group of a corporate entity. The stakeholders’ theory attempt to address the question of which group of stakeholders deserve the attention of management. The stakeholder’s theory proposes that companies have a social responsibility that requires them to consider the interest of all parties affected by their actions. The original proponent of the stakeholders theory suggested a re-structuring of the theoretical perspective that extends beyond the owners manager-employee position and recognize the numerous interest groups, Freeman, Wicks & Parma. (2004), suggest that if organization want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization’s purpose.
Stewardship Theory
The stewardship angle suggest that when foremost success in achieved, it also satisfies the individual need of the steward. The stewardship theory recognizes the significance of edifice that enables the steward, tendering optimal accord erected upon trust. According to Davis, Schoorman & Donaldson, (1997), this reduces the cost of functioning directed at monitoring and controlling behaviour. In stewardship theory, “A steward protect and maximize shareholders wealth through firm performance, because, by so doing, the steward’s utility functions are maximized.

A number of studies which revealed positive relationship between audit committee size and firm performance include, (Biao, Wallace & Peter; Klein, 2002; and Colemn-Kyereboah, 2007). However, other researchers like (Kajola, 2008; and Hardwick, 2003) reported that there is no positive relationship between audit committee size and the performance of firms.

Okhalumeh, Ohiokha & Ohiokha (2011) who seek to examine the influence of board composition in the representation of the outsider non-executive directors on the economic performance of firms in Nigeria showed that there was no significant relationship between board composition and any of the performance measure (ROE, ROCE, ROAM, EPS and DPS) using a simple regression analysis through survey for a sample of 38 listed firms in Nigeria.

Adenikinju & Ayorinde (2001), using Nigerian data investigated whether ownership mix and concentration has any variation in corporate performance of publicly listed firms in Nigeria. The study finds that Nigerian firms are highly concentrated and there is significant presence of foreign ownership. The study went further to find that ownership structure has no impact on corporate performance in Nigeria.

Eyenubo (2013) examined the impact of corporate governance and firm performance in Nigeria using regression analysis for 50 firms quoted on the Nigerian Stock Exchange during the period 2001-2010 showed that bigger board size had a significant negative relationship with the indicator of firm financial performance (PAT).

Identification of Gap
The extent literature has revealed the following gaps below for this study to fill. Most of the studies on corporate governance were centered on financial institutions such as banks and insurance etc. The findings from the previous studies have been inconsistent and inconclusive. This current study focused on quoted manufacturing companies in Nigeria which was a departure from the previous studies.

3. METHODOLOGY
The study adopted ex-post facto research design. This research design was adopted because the data is generated from past or historical business activities. The population of the study constitutes all quoted manufacturing companies in the Nigeria Stock Exchange (NSE). The sample size is made up of top ten (10) quoted companies in Nigeria. The study used simple random sampling technique to select the sample size from the target population. The reason for this was based on the availability of financial data from the Nigeria Stock Exchange and those still currently active as at 2017. This study involves a test of relationship, therefore, the Pearson’s product moment correlation (PPMC) and simple linear regression technique was adopted because they are the most suitable to test both relationship variables. The data was analyzed with the aid of Statistical package for Social Science (SPSS) version 21.0.

Operational Measurement of Variables
There are two basic variable used in this study. They are financial performance (dependent) and corporate governance (independent) variables respectively. The dependent variable used in this study is financial performance which the study proxies by return on asset (ROA) and Earnings Per share (EPS). Similarly, the independent is corporate governance measured by Audit Committee Members (ACM) this is taken as the total number of members in the audit committee. It is expected that the higher the number though within the limit set by code of corporate governance, the better the performance, (Klein, 2002)

Model specification
Based on the conceptual frame work and hypotheses stated earlier, the model for this study is specified as follows:
FP = f (ACM) ........................................... 1
Where:
FP = Financial performance (CR)
ACM = Corporate Governance Structures
Therefore:
ROA = f (ACM)
EPS = f (ACM)
Mathematical form of the model is:
ROA = β₀ + β₁ ACM ..................................... 2
EPS = β₀ + β₁ ACM ..................................... 3

4. RESULTS AND ANALYSIS
4.1 Testing of Hypotheses
Hypothesis one:
H₀₁: There is no significant relationship between audit committee membership and return on asset of listed manufacturing companies in Nigeria
Decision Rule: Accept Null hypothesis if calculated F Value is less than Tabulated (critical) value
Table 4.1. Regression Analysis for Hypothesis one: Model Summary

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<th>Model</th>
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<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
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a. Predictors: (Constant), ACM
b. Dependent Variable: ROA

Again, from the regression table 4.1, it revealed a significant F change Figure of 0.025, calculated value of F of 5.158 while tabulated value is 0.213 which is less than the calculated value; we therefore reject the null hypothesis one and accept the alternate hypothesis which states that there is a significant relationship between Audit committee members and return on Assets of quoted manufacturing companies in Nigeria.
Hypothesis two:
H₀₂: There is no significant relationship between audit committee membership and earnings per share of listed manufacturing companies in Nigeria

Table 4.2. Regression Analysis for Hypothesis two:

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<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td>1</td>
<td>.071²</td>
<td>.005</td>
<td>-.004</td>
<td>7.20295</td>
<td>.005</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>df1</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df2</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig. F Change</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), ACM
b. Dependent Variable: EPS

Again, from the regression table 4.10, it revealed a significant change Figure of 0.461, calculated value of F value 0.548 while tabulated value is 0.071 which is less than the calculated value; however based on the significant change value we accept the null hypothesis two which states there is no significant relationship between Audit committee members and Earnings per share of quoted manufacturing companies in Nigeria.

4.2 DISCUSSION OF FINDINGS

Based on the results obtained, it is observed that corporate governance structures have significant relationship with financial performance of quoted manufacturing companies in Nigeria. This therefore implies that the better corporate governance structure in terms of audit committee membership composition that are in place in quoted manufacturing companies the better the financial results that quoted manufacturing firms in Nigeria will observed. This will be particularly witnessed in terms of return to investors in terms of return on assets, earnings per share of the firms.

Looking at Audit committee membership and Return on Assets as depicted in the results table, with the values (R= 0.213 (21%); R² = 0.046 (5%)) shows that 5% of the total variation of financial performance of the firms witnessed was due to the effect of Audit committee size composition in place whilst 0.037 on adjusted basis, the return on assets of the quoted manufacturing companies was just 4% relative to the audit committee membership in place.

A different situation is applicable to Audit committee membership and earnings per share. For H₀₂ whose result indicated an R value (0.071)(7%) and R squared of 0.005 (05%), based on the decision rule, the null hypothesis was accepted as there is no significant relationship between earnings per share and audit committee membership of the quoted manufacturing companies examined. In addition, for R squared of 0.005 indicates that just 05% of total variation of financial performance of the companies in terms of Earnings per share was due to the effect of the Audit committee membership of the companies. Again with adjusted r value of -.004, it means that on adjusted basis, the earnings per share was just -04% relative to Audit committee membership of the manufacturing companies examined. The findings here is in consonance with earlier studies of Kajola (2008) as well as that of Okhalim, Ohokha & Ohokha (2011) that revealed no significant relationship between audit committee size and performance of firms in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

Based on the results obtained, it is thus concluded that:
1. Audit committee membership has a positive and significant relationship with return on assets of quoted manufacturing companies in Nigeria
2. Audit committee membership has an insignificant relationship with earning per share of quoted manufacturing companies in Nigeria.

Consequent on the following conclusions above, the researcher therefore recommends that:
1. The companies should ensure that a functional board is in place so as to push top management towards effective and efficient management of the companies and their assets towards better performance.

2. The Audit committee membership size of three (3) and above (as suggested by the Cadbury Commission) should be adopted. By having increased number of audit committee members, the companies will have variety of experts who would examine the books and performance of the companies and thus help owners to assess management performance at the same time.

REFERENCES


