European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.5, No.26, 2013

Content Analysis of Effect of Board Size, Composition, Frequency of Meetings and Regulrity in Attendance at Meetings on Financial Performance of Quoted Companies on the Nigerian Stock Exchange 2006-2012

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Abstract

The rampant corporate failures in recent times both within and outside Nigeria make safety of investors' wealth an interesting and important area of research in Accounting. The safety investment and its growth can be deciphered from the trend in the earnings per share of a company. Once the earnings per share falls below acceptable levels the company is bound to wound up. The cases of Enron, Xerox, Adelphia et cetera internationally and Cadbury, NITEL, NEPA, NRC and many banks in Nigeria are very well known. Interestingly the Board of Directors as the top management of these corporate entities is where the bulk stops. The quality of the board, its efficiency and by extension the corporate performance of the entity could be affected by the size and composition of the Board, and frequency of meetings and regularity in attendance at meetings, as critical elements of corporate governance. Therefore, the question normally asked is to what extent do Board size, Board composition/structure, frequency of board meetings and regularity of attendance at meetings by board members impact the corporate performance of companies? The earlier study had used opinion survey of company administrators and managers to assess their perception on the impact of Board size and composition and the related variables on the financial performance of Non-Financial Companies quoted on the Nigerian stock exchange through a structured questionnaire administered to three top ranking managers/accountants in each company and used the Micro soft Special Package for Social Sciences (SPSS) to analyze the responses presented in a 5-point liker scale where the regression showed that there is a significant positive relationship between the Board size, composition, frequency of meetings, regularity of members' attendance and performance of quoted non financial companies. That study had been documented with a recommendation among others that the Board should not be unnecessarily weighty in size but more importantly, the Board should be composed more of outsiders with proven integrity, acumen, experience and skill in corporate management. The current study uses secondary data on corporate financial performance, with a single index of Earnings Per Share (EPS) as dependent variable and Board size, Board composition, Frequency of Meetings and Regularity of Members' Attendance, as independent variables, all collected from Annual Financial Reports of the companies quoted on the stock exchange within the study period to test the hypothesis that : Board size, composition, frequency of meetings and regularity of members' attendance have significant positive effect on corporate financial performance of quoted non – financial companies on the Nigerian Stock Exchange. The Micro soft Special Package for Social Sciences (SPSS) version 16.0 is used to do the regression analysis. It was shown that that there is a significant positive relationship between the Board size, composition, frequency of meetings, regularity of members' attendance and performance of quoted non financial companies as in the earlier study on perception. With R, the correlation coefficient which has a value of <u>0.535,</u> though much lower than in the previous study, indicates that there is a significant positive relationship between the Board size, composition, frequency of meetings, regularity of members' attendance and performance of quoted companies.. R square, the coefficient of determination, shows that F= 9.645 far above 2, Significance = 0.000 and Durbin-Watson = 1.93 indicating that the variation in the performance of quoted companies is explained by the model. This study thus not only corroborates the earlier one but also shows more specifically that a higher percentage outside board membership leads to a higher earnings per share and the fewer the overall size of the Board, the higher the EPS. It is therefore recommended among others that the Board should not be unnecessarily weighty in size but more importantly, the Board should be composed more of outsiders with proven integrity, acumen, experience and skill in corporate management. Moreover members of the BOD should endeavourer to attend meetings more regularly. All these would help improve the EPS of quoted companies and reduce drastically the spate of corporate failures as good corporate governance stand to be engendered.

Key words: Board of Directors, Corporate performance, corporate governance,

INTRODUCTION

Wolfenson (1999) and Akinsulire (2006) agree that corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. This then provides the structure through which the company's objectives are set and communicated, the means of attaining them as well as monitoring performance specified. It is generally also agreed that the Board of Directors (BOD) is central to the corporate governance mechanism in all market economies. In this regard Manne (1965), Alchian and Demtz (1972) and Bonnier and Bruner (1989), assert that, the Board is one of the most important and possibly beneficial internal mechanisms of corporate control being the ultimate stewardship reporter. The board is the primary means through which the shareholders excise control over the affairs of the company. The board is held responsible for all the activities of the company and even for the failure of other elements of the corporate governance chain. The shareholders are helped in this regard by statutory and regulatory provisions and institutions but by far the strength of the internal control mechanism is more germane to the success of the company than all external control measures. Since the internal control mechanism is essentially established by the Board, the Board thus exercises utmost control over the safety, correct and most economic use of the resources of the enterprise. Though, all stakeholders responsible for promoting sound corporate governance, not just the Board, but also the management, audit committee and regulators, are challenged and compelled to ensure that sound corporate governance exist (Williams, 2001). But the issues of structure/composition and size of the BOD as a corporate governance mechanism has continued to receive considerable attention from academics, market participants and regulators. This is premised on the expectation that these issues would exert considerable influence on the overall efficiency of the BOD and by extension the quality of corporate governance and firm performance. However going beyond mere expectation as seen from the previous perception study on this, it is germane to evaluate the extent to which BOD size has actually affected corporate performance *to wit;* the net profit, turnover, earning per share and dividend per share (as dependent variables), during the period covered by the study. This is the task set for itself by this paper. It therefore asks such questions as: to what extent has BOD size affected corporate performance? And, does the percentage of outside directors significantly boost corporate performance? The paper tests hypotheses; that there is a negative relationship between BOD size and corporate performance and that there is a strong correlation between BOD composition and corporate performance. The paper is organized in five parts. . Part one of the paper introduces the work, part two contains the literature review, part three the methodology, while part four presents and discusses the findings and part five concludes.

2. LITERATURE REVIEW

2.1. Board of Directors (BOD)

The Companies and Allied Matters Act (CAMA) (1990) S. 244(1) stipulates that the Directors of companies are persons duly appointed by the company to direct and manage the business of the company. S. 63(3) of the Act puts it simply that ''the business of the company shall be managed by the Board of Directors''. By managing the business of the company therefore, the BOD is expected to control and direct, to administer and to take charge of, and to carry on the concerns of the business establishment. Good corporate governance demands that the Directors do this stewardship assignment transparently and accountably by adhering to company fiduciary duties and ethics (Adekoya, 2011). After all, it is the Principal- Agency theory that creates the relationship between the Shareholders and the BOD. The separation of ownership and control, which occurs as a result of the introduction of external investors, brings to the fore the agency challenge requiring the protection of the principal, in this case the shareholders, through an efficient oversight function by the agent (the BOD). It is presumed that the BOD's effective performance of this monitoring role could be influenced by its composition and quality, its size and diversity, information asymmetries and the board culture (Brennam, 2006). This becomes more critical in the face of a growing trend in the composition of independent BODs and critical corporate committees containing a strong representation of non-executive (outsider) directors, (Baysinger and Hoskisson, 1990; Mallette and Fowler, 1992; and Daily and Dalton, 1994). Cho and Kim (2007) describe the outside director as one who does not have any affiliation with large investors or the management of the company. They neither work for nor have professional relationships with the corporation they govern. Pass (2002), describes outsider- directors also known as non-executive directors as persons who take on numerous responsibilities in the company on a part-time basis. They may sit on various key company committees such as the nominations committee, the remuneration committee and the audit committee. The internal directors are the opposite; they may be the core or large investors or their representatives or those who represent management or labor. What values does each category of directors bring to the table and what should be the ideal mix of internal and outside membership of the BOD? According to the Securities and Exchange Commission (SEC) code of best practices of corporate governance in Nigeria 2003, the BOD should be composed in such a way as to ensure diversity of experience

without compromising compatibility, integrity, availability and independence; members of the BOD must possess upright personal characteristics, relevant core competencies, knowledge on board matters, a sense of accountability and commitment to the task of corporate institutional building.
The outside directors ideally focus on the financial performance, seen as the benchmark of efficient and effective monitoring. They are more likely to dismiss poor performing CEOs than inside directors. They protect their personal reputations as they are given the incentive to monitor the affairs of the company. Hence their presence strengthens corporate governance by enhancing BOD independence from top management, greater objectivity, representation of multiple corporate perspectives and accountability. Along this line, Johnson et al insist that from the agency point of view, outsiders are more likely to carry out their responsibilities more effectively than insiders because the latter is likely to be reluctant to confront a CEO in a Boardroom situation. On the contrary, insiders would not be keen to raise the sensitive topic of CEO performance because they may in all likelihood be beholden to the CEO for their jobs (Zajac and Westphal, 1996).

2.2 Corporate Governance

Corporate governance is synonymous with the responsibility associated with large scale artificial persons that lack the capacity to manage themselves (Salomon v Salomon and CO ltd, 1897). By vesting the day to day running of the entity to a team of directors and senior managers who are distinct from their owners, ownership becomes divorced from management necessitating the guarantee for transparency, accountability and fairness in the management of the enterprise. Mayer, (2000) opines that corporate governance is about control and running of companies where concerns are raised as to who is in control, for how long and over what activities? Deakin and Hughes (1997) posit that corporate governance entails the connection between the internal control machinery of corporations and the general public's notion of the scope of corporate accountability. Hence, it is a set of rules applicable to the direction and control of companies where however, management is seen to connote running a business and governance becomes ensuring that it is run properly (Tricker, 1984). Specifically, corporate governance creates a framework of goals and policies to guide an organization's progress and forms a foundation for assessing Board and management performance (Adedotun, 2003). In a more elaborate tone, Oyediran (2003) stresses that corporate governance looks at the institutional and policy framework for management of corporation from the very beginnings, in entrepreneurship, through the government structures, company law, privatization, insolvency and to market exit. It not only depends on the legal, regulatory, institutional, environmental and societal interests of the communities in which it operates, but also has impact on the reputation and long-term success of a company. However, Adekoya 2011 notes that the responsibility for adopting and implementing corporate governance code lies on the company's board of directors. Empirical evidence on the impact of the size and composition of the BOD on the performance of this role is rather inconclusive. While Baysinger and Butler (1985) and Rosenstein and Wyatt (1997), maintain that the number of outsiders has positive performance implications for the firm, Hermalin and Weisbach (1991), Bhagat and Black (1999) and Dalton *et al* (1999) insist on the opposite. In any case, the argument continues that, the long-term success of corporate governance in a firm could be affected by both size and composition of the BOD. After all, corporate governance in Nigeria within the concept of company management and administration is seen as the exercise of power over the enterprise direction, the supervision and control of enterprise actions, the concern for the effect of the enterprise on other parties, the acceptance of a duty to be accountable and self-regulated within the status and jurisdiction of the Federal Republic of Nigeria. From the prism of the overall rights of shareholders to specific equitable treatment of marginal and minority shareholders which adequate corporate governance is expected to protect and guarantee, the size and composition of the BOD should be a critical factor. The need for the BOD to discharge its functions credibly as provided in the SEC's Code of best practices of Corporate Governance (2003) should demand an appropriate size and mix of internal and outside directors. Little wonder that the Code *inter alia*, provides for the separation of the roles of Chief Executive Officer and Chairman of the BOD; determination of Executive Directors' compensation by non-executive directors; schedule of matters reserved for the Board; the exclusion of non-executive directors in share option schemes and pension arrangements with the company; the establishment of a formal selection process for the appointment of non-executive directors as a matter for the entire board; disclosure in annual reports including Directors' Reports on the effectiveness of the company's system of internal control and the going concern status of the business. On its part, the CAMA i990 provides that the directors of every company must prepare and present annual financial statements including five-year summaries, balance sheets, and profit and loss accounts; and disclose the interest of directors as well as the directors' emoluments. Despite these elaborate provisions that apply across industries, there are industry specific provisions expected to strengthen corporate governance in Nigeria. Hence the Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria published by the Bankers' Committee. In the specific aspect of board size and composition, this code recommends that non-executive directors should comprise a majority of the members of the board. It also stipulates the compulsory appointment of at least (2) independent directors and disclosing the names of such directors in the annual report.

2.3 Corporate Performance

The capacity and ability of a firm to use its assets to generate revenue from its primary mode of business depict its overall financial health. When this is measured periodically, it forms the basis for both horizontal and vertical analysis and comparison. According to Demsetz and Lehn (2004), financial performance involves measuring a firm's policies and operations in monetary terms which are depicted in the firm's return on investment, return on assets, value added, *et cetera.* That is, accounting profit ratios proxy corporate performance. Corporate governance has been found to correlate positively with corporate performance, (Attiye and Robina, 2007) both seen from these accounting ratios of the firm and the movement of its price in the stock market. While the accounting profit ratios are measured by the Accountant constrained only by the standards set by his profession, the performance as reflected by the movement of its price in the stock market is measured by the investors constrained by their acumen, information, optimism or pessimism and general psychology. In either case however, Young (2000) suggests that best governance practices exert a positive influence on firm performance since it prevents management and controlling investors from taking initiatives to expropriate minority investors. This, it is argued impacts positively on the firm's goodwill and ability to attract equity capital from prospective marginal investors. Hence in considering approaches to measurement of firm level financial performance, Sanda *et al* (2003), insist that this is found in social science research based on market prices, accounting ratios and total factor profitability where market prices are readily obtained from national stock exchanges for all listed firms. While profit is a flow concept, profit margin measures the flow of profits over some period compared with revenue and costs and thus there could be gross profit margin, operating profit margin, return on equity *et cetera*. The relationship between corporate governance and firm's financial performance stems from the understanding that economic value is driven by governance mechanisms such as the legal protection of capital, the firm's competitive environment, its ownership structure, CEO-Duality, board composition and size, (the focus of this paper), existence of Audit Committee and financial policy (Uadiele, 2010). In this light, Gompers *et al* (2003) find that stock returns are higher for firms with strong shareholder rights as compared to firms with weak shareholder rights. This suggests that firms with stronger or better corporate governance provisions outperform those with poor governance provisions in terms of profits, capital acquisition and sales growth. They also add that there is substantial evidence showing that weakly governed firms experience lower performance based on operating performance measures, lower sales growth and net profit margins. This has been corroborated by Khatab *et al* (2011) from a study of twenty listed firms in the Karachi Stock Exchange in Pakistan.

2.4 Assessment of Current Corporate Governance Issues and Corporate Performance in Nigeria.

Whereas in the United Kingdom approaches to best practices in corporate governance reflect a deep appreciation that governance should promote both accountability to shareholders and the board's ability to manage the company effectively and efficiently the situation in Nigeria has been different. For instance, the key features of the UK best practices codified by the country's company law and the listing rules demand inter alia; a unitary board with members collectively responsible for leading the company; division of powers at the apex of the company hierarchy, emphasizing the distinction between running the board by the Chairman and running the company by the CEO; a balance of executive and independent non-executive directors where for larger companies, at least 50% of the board members should by independent non-executive directors and for smaller companies at least two independent directors; formal and transparent procedures for appointing directors, with all appointments ratified by shareholders; regular evaluation of the effectiveness of the board and its committees; formal and transparent procedures for setting executive remuneration, including a remuneration committee made up of independent directors and an advisory vote for shareholders; and a significant proportion of executive remuneration linked to performance. The illicit activities and insider dealings of most Nigerian Bank Chief Executives and directors as revealed by the Governor of the Central Bank of Nigeria in 2009 shows a striking different scenario and summarize the level of decadence in corporate governance in Nigerian companies. Corporate governance is yet at a rudimentary stage in Nigeria with less than 40% of quoted companies including banks having recognized the codes of corporate governance, (CBN, 2006). But Nganga et el (2003) insist that corporate governance is a crucial ingredient in the process of encouraging domestic investment as well as inflow of foreign direct investment in Nigeria. They further lament that corporate governance practices in Nigeria reflect systemic governance problems including the inability to ensure effective capacity, constraints by administrators and ineffective implementation of laws. This leads to limited economic growth (Suberu and Aremu, 2010). And in realization of the need to align with international best practices, the Securities and Exchange Commission (SEC) in collaboration with the Corporate Affairs Commission (CAC), inaugurated a seventeen (17) member committee in June 2000 in Nigeria headed by Atedo Peterside, to review and identify weaknesses in the current corporate governance practices in Nigeria and make recommendations for improvement. According to Inyang (2009), the members of the committee were selected to cut across relevant sectors of the economy including members of professional organization, the private sector and regulatory agencies. The committee submitted a draft code, which was widely publicized throughout the country and reviewed in major financial centers of Lagos, Abuja and Port Harcourt to elicit stakeholders' input prior to finalization. The final report was approved in 2003 by the boards of SEC and CAC. The release of the 2003 code marked a watershed in the development of good corporate governance practices in Nigeria. Essentially, the Code stipulated among other things, the separation of the roles of Chief Executive Officer and Chairman of the Board and most importantly, as stated earlier, that the board should be composed in such a way as to ensure diversity of experience without compromising compatibility, integrity, availability and independence. It remains to be seen how far these provisions are being implemented. It also remains to be ascertained, the extent to which the roles of the board as stipulated in the Code, *to wit*: strategic planning; selection, performance appraisal and compensation of senior executives; succession planning; communication with shareholders; ensuring the integrity of financial controls and reports; ensuring that ethical standards are maintained and that the company complies with the laws of the federation; are being carried out under different sizes and composition of the board.

3. METHODOLOGY

The paper is an *ex-post factor research.* Secondary sources of data on the performances of the companies are used for analysis. This study uses secondary data on corporate financial performance proxy: earning per share and dividend per share; and price earnings ratio; as dependent variables and Board sizes, Board composition, frequency of meetings ,and regularity of members' attendance, as independent variables, all collected from annual financial reports of the companies quoted on the stock exchange within the study period to test the hypothesis that : Board size, composition, frequency of meetings and regularity of members' attendance have significant positive effects on corporate financial performance of quoted non – financial companies on the Nigerian Stock Exchange. A total number of 108 quoted companies being the actual number in the list during the period, cutting across AGRICULTURE/AGRO-ALLIED 4 , AUTOMOBILE & TYRE 2, AVIATION 2, BREWERIES 3, BUILDING MATERIALS 4, CHEMICALS & PAINTS 9, COMPUTER & OFFICE EQUIP 3, COMMERCIAL SERVICES 4, CONGLOMERATES 8, CONSTRUCTION 7, CONSUMER GOODS 14, FOOT WEAR & ACCESSORIES 1, INDUSTRIAL DOMESTIC PRODUCTS 7, INFORMATION COMMUNICATION TELL 3, LEASING 3, MEDIA 2, PACKAGING 3, PETROLEUM MKT 7, PRINTING & PUBLISHING 3, REAL ESTATE 1, REAL ESTATE INVESTMENT 1, ROAD TRANSPORT 1, TEXTILES 1, EMERGING MKT 2, HOTEL AND TORISM 3, and HEALTH 10 is used. The Micro soft Special Package for Social Sciences (SPSS) is used to do the regression analysis.

4. PRESENTATION OF FINDINGS AND DISCUSION

Table 4.1 shows the financial performance of the 108 non financial companies quoted on the Nigerian stock exchange between 2006 and 2012. The names of the companies have been deliberately removed. However, they are still reported in their different sections. Apparently the Boards have membership that range from 6 torq6t 15 with the mean at 6. With regards to outside directors, the range is from 2 to 8 with a mean of 3. Essentially, the petroleum, consumer goods and the conglomerates have higher number of Board members as well as a higher percentage of outsiders. These companies also have higher frequency of meetings and higher percentage of attendance by members. For the majority of the companies that have very few outside directors, it is difficult to have a wide range of expertise and experienced board members. In the same vein, integrity, honesty and professionalism may easily be compromised making the policy formulation, monitoring and control inefficient. Again the table shows that majority of the companies had very low financial performance going by their earnings per share, dividend per share and price earnings ratio. Notably, the companies have been categorized into their various sections and it is seen that those in the petroleum, consumer goods and conglomerates in that order outperformed the rest with the exception of the real estate investment company with a high earning per share and another company in the media though with a high earning per share but had not yet declared any dividend. Interestingly, these companies whose actual identities, like the rest have not been disclosed appear to have a better corporate governance indices of larger board membership, more non executive directors, greater frequency of holding and attending meetings and inclusion of relevant professionals in the board more than others. However, the actual impact of these board characteristics is better appreciated from the result of the test of hypotheses.

Main research hypothesis: Board size, composition, frequency of meetings and regularity of members' attendance has significant positive effect on corporate financial performance of quoted non – financial companies on the Nigerian Stock Exchange.

DEPENDENT VARIABLES: CORPORATE FINANCIAL PERFORMANCE PROXIED BY:

1. EARNING PER SHARE (EPS)

INDEPENDENT VARIABLES:

1. BOARD SIZE-
2. BOARD COMPOSITION (NUMBER OF OUTSIDE DIRECTORS)
3. FREQUENCY OF MEETINGS
4. REGULARITY OF MEMBERS' ATTENDANCE (%)

TEST OF CORRELATION AND REGRESSION USING THE SECONDARY DATA

Table 4.2 **Regression**

Notes

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	Memory Required	2300 bytes
	Additional Memory Required for Residual Plots	0 bytes

Table 4.3 Data Set(o)

Descriptive Statistics

	Mean	Std. Deviation	N
EPS	1.5536	3.22272	101
BS	7.7723	2.35746	101
OD	3.6931	1.64160	101
FM	4.0990	.72808	101
RA	66.9406	9.64347	101

Table 4.4 Correlation

Correlations

		EPS	BS	OD	FM	RA
Pearson Correlation	EPS	1.000	.431	.501	.371	.495
	BS	.431	1.000	.917	.567	.750
	OD	.501	.917	1.000	.620	.783
	FM	.371	.567	.620	1.000	.723
	RA	.495	.750	.783	.723	1.000
Sig. (1-tailed)	EPS	.	.000	.000	.000	.000
	BS	.000	.	.000	.000	.000
	OD	.000	.000	.	.000	.000
	FM	.000	.000	.000	.	.000
	RA	.000	.000	.000	.000	.
N	EPS	101	101	101	101	101
	BS	101	101	101	101	101
	OD	101	101	101	101	101
	FM	101	101	101	101	101
	RA	101	101	101	101	101

The pearson correlation shows earnings per share positively related to all the independent variables. However, only the relationship with outside directors is significant at 0.501. This is closely followed by the correlation of 0.495 with regularity of attendance. As for frequency of meetings and board size, the correlation coefficients are 0.371 and 0.431. These are all weak positive relationships.

Table 4.5 Variables Entered/Removed

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	RA, FM, BS, OD[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: EPS

Table 4.6 Modes summary of the regression test with EPS as dependent variable and Board characteristics as independent variables.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.535[a]	.287	.257	2.77801	.287	9.645	4	96	.000	1.934

a. Predictors: (Constant), RA, FM, BS, OD

b. Dependent Variable: EPS

Table 4.6 shows the model summary which reports the strength of the relationship between the model and the dependent variable. Here R is 0.535 indicating a strong positive relationship. The Dependent variable which is earning per share is strongly related to the predictors; board size, number of outside directors, frequency of meetings and regularity of members attendance. But the R Square which is the coefficient of determination is 0.257 showing that less than half of the variation in Earnings per Share is explained by the model as a whole. But the result of the test of the hypothesis is significant at 0.000 signifying that the dependent variable EPS is significantly affected by the independent variables. Hence the EPS of quoted companies in Nigeria is influenced by positive characteristics of the board of directors such as a large size, inclusion of more non executive directors with varied expertise and experience, and sound integrity; frequency of holding meetings and regular attendance at meetings by all members.

Table 4.7 ANOVA result of the regression analysis

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	297.727	4	74.432	9.645	.000[a]
	Residual	740.864	96	7.717		
	Total	1038.591	100			

a. Predictors: (Constant), RA, FM, BS, OD

b. Dependent Variable: EPS

The ANOVA table reports a significant F statistic, 0.000 indicating that using the model is better than guessing the effect of the predictors: Board Size, number of non executive directors, frequency of meetings and regularity of attendance by members; on the earnings per share of quoted companies in Nigeria. That is, the acceptability of the model from a statistical perspective is significant. The F value of 9.645 is greater than 2 . Hence while 74.432 variations in earnings per share is accounted for by this model, only 7.717 of the variation is not accounted for by the model.

Table 4.3 therefore, shows that the result is robust and significant as a very high proportion of the change in the dependent variable is as a result of the effects of these independent variables and neither due to chance nor any other extraneous variable.

Table 4.8 Coefficient results.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-5.831	2.522		-2.312	.023	-10.837	-.825			
	BS	-.322	.299	-.236	-1.078	.284	-.916	.271	.431	-.109	-.093
	OD	.975	.460	.497	2.122	.036	.063	1.888	.501	.212	.183
	FM	-.074	.558	-.017	-.132	.895	-1.182	1.034	.371	-.014	-.011
	RA	.098	.054	.295	1.837	.069	-.008	.205	.495	.184	.158

a. Dependent Variable:
EPS

To determine the relative importance of the significant predictors, we look at the standardized coefficients. The composition of the board in favour of non executive directors represented as OD is 0.497 which shows that it has the greatest impact of all the board characteristics. Outsider members tend to boast of more diversification of expertise, higher integrity, and more objectivity in the management of the affairs of the company. This is followed by the regularity of attendance to meetings with beta = 0.295. The more regular members attend meetings the greater their contribution of ideas and participation in the management of the enterprise. Of note is the very low contribution of the number of meetings held in a year. This has a beta of -0.017 which shows that the number of meetings could increase board expenses and impact negatively on the earnings per share of the company. This equally applies to share board size which tends to be non cost effective if the composition is not right and members do not contribute meaningfully through diversified expertise and regularity in attendance at meetings.

Table 4.9 Coefficient Correlations.

Coefficient Correlations[a]

Model			RA	FM	BS	OD
1	Correlations	RA	1.000	-.492	-.150	-.243
		FM	-.492	1.000	.078	-.137
		BS	-.150	.078	1.000	-.803
		OD	-.243	-.137	-.803	1.000
	Covariances	RA	.003	-.015	-.002	-.006
		FM	-.015	.312	.013	-.035
		BS	-.002	.013	.089	-.110
		OD	-.006	-.035	-.110	.211

a. Dependent Variable: EPS

There is a negative correlation between frequency of meetings and regularity of attendance by members. As more meetings are held, the regularity of attendance to meetings drop. There is also a negative correlation between regularity of attendance and board size (-0.150) and outside directors (-0.243) though all are insignificant. Only board size and frequency of meetings correlate positively at 0.078. But again this is a weak correlation. The only significant relationship is between board size and outside directors. But surprisingly, this is negative suggesting that mere increase in board size does not guarantee higher non executive directors in the board. It does appear that the larger the size of the board and the more there are outside board members, the less frequent the board meets and in the same vein the less the regularity in attendance at meetings by members. It was found that the average membership of the boards of these companies is 10 while meetings are averagely held every quarter resulting to 4 meetings in a year. Though sitting allowances, transportation cost, and attendant board expenses increase with board size, frequency of board meetings and regularity of attendance, but actual remuneration of outside board members tended to be less than the remuneration of executive directors. Outside directors cost less generally than executive directors and this improves the return on equity. Little wonder that the board size and composition correlated more significantly and positively with return on equity than profit margin even when both profit margin and return on equity are found to significantly and positively correlate each other.

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-.6209	6.6399	1.5536	1.72548	101
Residual	-5.77989	13.77049	.00000	2.72188	101
Std. Predicted Value	-1.260	2.948	.000	1.000	101
Std. Residual	-2.081	4.957	.000	.980	101

a. Dependent Variable: EPS

5. CONCLUSION

The study was done using secondary data collected from Annual Reports respectively of 72 financial companies quoted in the Nigerian Stock Exchange during the period covered by the study. Using the correlation and regression statistics analysis through Microsoft Special Package for Social Science (SPSS) model 16.0, the data were analyzed and hypothesis tested to find that Board Size, Board Composition, Frequency of Board Meetings and Regularity of attendance at Board meetings all positively affect the earnings per share of quoted non-financial companies on the Nigerian Stock Exchange. There appears to be a general conflict of interest of the shareholders and that of Executive Directors which is inimical to the maximization of shareholders' wealth. Little wonder that shareholders have a disdain for the excesses of Executive Directors and usually prefer a higher proportion of outside directors. Similarly, a larger sized board incorporates not only a greater number of experts from different fields but also accommodates more credible, transparent, selfless and dedicated non executive directors. Arbitrariness, autocratic, intimidation and over bearing attitudes of either the Chairman of the Board or the Chief Executive Officer of the company are usually cubed and checkmated by a large and Non Executive Directors- dominated Board. The probability of the Chairman doubling as Chief Executive Officer of the company is reduced by a larger sized and outside directors dominated board. Essentially this contributes positively to corporate governance through enhanced transparency and accountability. A sound human capital with robust intellect and experience from outside is therefore recommended by this paper for company boards in addition to regularity of attendance at meetings by board members so as to contribute more meaningfully to the overall management of the companies.

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APPENDIX

Table 4.1 Average Corporate performances of non financial companies quoted on the Nigerian Stock Exchange and accompanying Board characteristics.

S/N	Company	Board Size (BS)	Outside Directors (OD)	No of Meetings per year(FM)	Average Attendance to meetings % (RA)	Dividend per Share(DPS)	Earnings per Share(EPS)	P.E. Ratio
	AGRICULTURE/AGRO-ALLIED							
	1	6	3	4	60	0.50	6.06	3.20
	2	6	2	4	56	0.50	1.88	3.90
	3	4	2	5	60	0.30	0.03	16.67
	4	4	2	3	60	0.03	0.01	4.30
	AUTOMOBILE & TYRE							
	5	6	2	3	55	0.15	0.00	0.00
	6	5	2	3	60	1.10	0.16	10.31
	AVIATION							
	7	7	3	3	56	-	0.80	7.25
	8	6	3	3	58	0.15	0.51	3.82
	BREWERIES							
	9	12	6	5	80	10.00	12.16	16.86
	10	10	5	5	72	1.25	4.39	19.36
	11	8	4	4	75	0.08	0.00	0.00
	BUILDING MATERIALS							
	12	6	3	4	60	0.30	1.35	11.41
	13	8	5	4	75	2.25	7.19	13.35
	14	6	3	4	60	0.04	1.45	4.55
	15	7	3	4	65	0.25	0.87	45.40
	CHEMICALS & PAINTS							
	16	8	5	4	70	0.70	1.81	5.17
	17	6	3	4	67	0.45	0.00	0.00
	18	6	3	3	60	0.10	0.00	0.00
	19	10	6	5	89	2.00	1.69	11.78
	20	6	2	4	60	-	0.00	0.00
	21	6	2	4	60	0.02	0.00	0.00
	22	6	3	4	64	0.07	0.00	0.00
	23	6	3	4	67	0.06	0.16	4.44
	24	10	5	4	71	0.12	0.29	17.62
	COMPUTER & OFFICE EQUIP							
	25	6	3	4	70	0.11	0.00	0.00
	26	10	6	5	88	3.00	7.13	0.73
	27	6	2	4	64	-	0.04	12.50
	COMMERCIAL SERVICES							
	28	8	4	5	65	0.30	0.54	4.28
	29	6	3	4	60	0.05	0.04	12.50
	30	6	3	4	61	0.05	0.10	36.30
	31	6	3	4	62	0.10	0.03	28.00
	CONGLOMERATES							
	32	8	4	4	63	0.12	0.28	6.79
	33	8	4	4	63	0.10	0.00	0.00
	34	10	6	5	75	0.86	1.29	23.68
	35	12	5	4	63	0.10	0.05	122.20
	36	10	6	5	77	1.30	6.87	4.56
	37	10	6	5	76	1.10	1.38	19.93
	38	8	3	4	65	-	0.22	3.45
	39	9	4	4	64	0.10	0.34	18.91
	CONSTRUCTION							
	40	8	3	4	63	0.10	0.00	0.00

	41	8	3	4	64	0.20	0.00	0.00
	42	12	7	5	80	2.00	3.15	14.97
	43	9	4	5	66	0.20	0.00	0.00
	44	8	5	5	68	0.50	3.66	1.54
	45	6	3	4	60	0.01	0.01	50.00
	46	12	6	4	60	0.50	4.50	21.22
	CONSUMER GOODS							
	47	15	8	5	85	2.00	3.81	12.60
	48 cad	8	3	5	80	1.30	0.36	36.84
	49	12	6	5	86	2.00	4.50	13.00
	50	12	6	4	68	0.50	0.73	5.73
	51	15	7	6	90	10.60	16.18	24.99
	52	10	6	4	60	0.50	1.52	26.90
	53	7	4	4	60	0.03	0.06	84.33
	54	10	6	5	69	0.90	2.09	10.28
	55	8	4	4	67	0.60	0.71	9.58
	56 dangote	10	7	4	65	0.50	0.54	11.76
	57	7	3	3	60	0.06	0.01	50.00
	58	8	3	3	60	0.20	0.00	0.00
	59	8	3	3	61	0.13	0.26	10.28
	60	8	3	3	60	0.03	0.00	0.10
	FOOT WEAR & ACCESSORIES							
	61	8	3	3	62	0.15	0.19	18.32
	INDUSTRIAL DOMESTIC PRODUCTS							
	62	*7*	*3*	*4*	*65*	*0.36*	*0.89*	*7.82*
	63	*7*	*3*	*4*	*65*	*0.30*	*0.70*	*8.50*
	64	*7*	*3*	*3*	*61*	*0.20*	*0.00*	*0.00*
	65	*6*	*2*	*3*	*60*	*0.05*	*0.00*	*0.00*
	66	*6*	*2*	*3*	*60*	*0.05*	*0.29*	*38.45*
	67	*6*	*2*	*3*	*60*	-	-	-
-	-68	*6*	*2*	*3*	*60*	-	-	-
	INFORMATION COMMUNICATION TELL							
	69	*6*	*2*	*3*	*60*	*0.00*	-	-
	70	*6*	*3*	*3*	*60*	*0.03*	*0.00*	*0.00*
	71	-	-	-		-	-	-
	LEASING							
	72	*6*	*2*	*3*	*62*	*0.00*	*0.00*	*0.00*
	73	*6*	*2*	*3*	*60*	*0.00*	*0.00*	*0.00*
	74	*6*	*2*	*3*	*63*	*0.08*	*0.20*	*8.55*
	MEDIA							
	75	*6*	*2*	*3*	*60*	-	*0.00*	*0.00*
	76	*10*	*6*	*4*	*95*	*10.00*	-	-
	PACKAGING							
	77	*8*	*3*	*4*	*70*	*0.36*	*1.81*	*8.18*
	78	*6*	*2*	*4*	*62*	*0.13*	*0.07*	*42.29*
	79	*6*	*2*	*4*	*64*	*0.20*	*1.36*	*11.05*
	PETROLEUM MKT							
	80	*12*	*7*	*5*	*89*	*5.20*	*0.00*	*0.00*
	81	*12*	*5*	*5*	*78*	*1.00*	*2.38*	*16.03*
	82	*7*	*3*	*5*	*60*	*0.08*	*0.00*	*0.00*
	83	*12*	*7*	*5*	*90*	*7.00*	*13.68*	*10.31*
	84	*12*	*7*	*5*	*94*	*8.28*	*15.44*	*14.79*
	85	*7*	*3*	*4*	*60*	*0.01*	*0.03*	*19.33*
	86	*14*	*8*	*5*	*97*	*18.35*	*0.86*	*0.49*
	PRINTING & PUBLISHING							
	87	*6*	*3*	*4*	*60*	*0.50*	*0.65*	*11.65*
	88	*7*	*4*	*4*	*63*	*0.40*	*0.37*	*16.65*
	89	*7*	*4*	*4*	*67*	*0.70*	*0.33*	*11.15*
	REAL ESTATE							
	90	*6*	*3*	*4*	*66*	*0.50*	*1.24*	*13.87*
	REAL ESTATE INVESTMENT							
	91	*10*	*6*	*6*	*98*	*97.00*	*10.61*	*9.14*
	ROAD TRANSPORT							
	92	*6*	*2*	*4*	*60*	*0.03*	*0.01*	*69.00*
	TEXTILES							
	93	*6*	*2*	*4*	*62*	*0.10*	*0.00*	*0.00*
	EMERGING MKT							

	94	-	-	-	-	-	-	-
	95	-	-	-	-	-	-	-
	HOTEL AND TORISM							
	96	*6*	*2*	*4*	*60*	*0.10*	*0.96*	*2.36*
	97	*6*	*2*	*4*	*60*	-	*0.00*	*0.00*
	98	*6*	*2*	*4*	*61*	*0.07*	*0.22*	*34.09*
	HEALTH							
	99	*6*	*2*	*4*	*60*	*0.03*	*0.00*	*0.00*
	100	*7*	*3*	*4*	*64*	*0.15*	*0.15*	*48.27*
	101	*6*	*2*	*4*	*61*	*0.03*	*0.00*	*0.00*
	102	*8*	*4*	*5*	*75*	*1.20*	*2.55*	*10.59*
	103	*6*	*3*	*4*	*67*	*0.40*	*0.18*	*16.61*
	104	*6*	*3*	*4*	*67*	*0.50*	*0.07*	*16.86*
	105	*6*	*2*	*4*	*64*	*0.20*	*0.00*	*0.00*
	106	*6*	*2*	*4*	*63*	*0.10*	*0.21*	*5.19*
	107	*6*	*3*	*4*	*63*	*0.08*	*0.00*	*0.00*
	108	*6*	*3*	*6*	*70*	*0.50*	*0.25*	*8.50*

SOURCE: Nigerian Stock Exchange Annual Reports several years.