Effect of Corporate Governance on the Performance of Quoted Agricultural Companies in Nigeria

AUGUSTINE, Olom Ogar

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: ugbemaya70@gmail.com, Phone No: +234 8083809328

Abstract

The study investigated the effect of corporate governance on financial performance of quoted agricultural companies in Nigeria. Longitudinal panel research design was adopted in this study. The researchers employed purposive sampling technique to select the five (5) Quoted agricultural firms listed on Nigeria Exchange Group. The period considered for this study ranging from a period of ten years (2012 to 2021). The secondary data adopted in this study were gathered from financial statements published on the Nigeria Exchange Group Plc and the individual company's financial statements. The study employed descriptive statistics, correlation matric and panel regression with the help of statistical tool (STATA 13). The random effect regression analysis found out that board size and board of director financial competence have no significant effect on financial performance of quoted agricultural firms in Nigeria. The study concludes that all the independent variable either positive or negative are statistically insignificant on performance of quoted agricultural firms in Nigeria. Therefore, the study recommended reduction of board sizes to the success and survival of corporate listed firms in Nigerian while firms should also increase their size through increase in liquidity and put these to efficient use in order to enjoy economies of scale. The size of the board must not be unwieldy so that company's businesses can be managed effectively and efficiently by the board members.

Keywords: Corporate Governance, Board Size, Board of directors, Financial performance, Return on Equity (ROE)

INTRODUCTION

The phenomenon of corporate governance in a going concern setting has always been an attempt to distinguish between ownership and control, so has to improve the shareholder's equity (Mayowa, Olusola & Olaiya, 2021). This aging problem in corporate governance has continually been a debatable issue among policymakers, regulators, and researchers who tend to find a distinguishing gap in the concept of thought in literature. Corporate Governance is a stringed leaflet that aid to coordinate the business process and system of a corporate organization, set up by the owners and managers. Corporate governance must entail the attribute of satisfying the interest of all internal and external stakeholders and shareholders in the affairs of a firm all around the globe (Mayowa, Olusola & Olaiya, 2021).

Corporate governance mechanisms is a system of structuring, operating, and controlling the activities of a company with a view to achieving long-term strategic goals of satisfying its shareholders, creditors, employees, customers and suppliers (Manukaji, 2020). It is a set of processes, customs, rules and regulations which determines the running of an organization towards achieving its objective. It is also a process, influenced by the board of directors or management and other personnel assigned to provide reasonable assurance and achievement of objectives in effectiveness and efficiency in all operations, reliability of financial reporting and compliance with applicable laws and regulations (Frank & Sundgren, 2012). The none implementation of corporate governance policies had led to the recent global high profile corporate failures, for example the Maxwell Communications Corporation and the Enron in United States of America. All these corporate failures have been accredited to meager corporate governance practices Ngwenze & Kariuki (2017). Since good governance of listed companies has become a priority and the pillar on which it rest are contained in the laws and regulations, regulations around the world have devoted significant time and resources to the development of legislations and policies related to corporate governance. Significant progress has been achieved in Nigeria over the past decade in establishing government frame work for listed companies in Nigeria for instance. The Nigerian latest Code of Corporate Governance (2018) seeks to put in place corporate governance best practices in Nigerian

companies. This Code also promotes public awareness of essential corporate values and ethical practices that will enhance the integrity of the business environment.

An improve performance in agricultural sector is a vital element for economic growth of any nation. According to African development bank report (2016), Agricultural sector performance will propel economic growth, generate employment, reduce poverty and ensure the nation's food security. With the advent of oil some decades ago in Nigeria, the agricultural sector has been experiencing poor investment performance and low yield African development bank report (2016). The methodology adopted by this study distinguishes it from earlier studies as it was able to test for panel effect in the data series and whether the existence of it is fixed or random. Without testing for this and selecting the appropriate regression analysis, the result of the findings could be misleading or porous. Besides, the study is an extension of earlier ones as it covers the period up to 2021. No study on relationship between corporate governance and listed agricultural firms has covered up to this period. Therefore, it is against this background that this study seeks to examine the extent to which corporate governance mechanism affects firm financial performance in the agricultural industries in Nigeria. The major hypothesis underling this study is stated thus:

Ho_1: Board size has no significant effect on return on equity (ROE) of quoted agricultural companies in Nigeria

Ho_2: Board of Director Financial competencehas no significant effect on return on equity (ROE) of quoted agricultural companies in Nigeria

LITERATURE REVIEW

Conceptual Framework

Corporate governance

Olayiwola (2018) defined corporate governance mechanisms as a system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the major stakeholders/participants in the corporation, such as the board, managers, shareholders and even the other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. According to Ammar, Saeed, and Abid (2013), corporate governance is a mechanism through which management takes necessary steps to safeguard the interest of stakeholders. It is also the framework within which rules, relationships, systems and processes are controlled (Osundina, Olayinka & Chukwuma, 2016). Stability and good management can be achieved when firms incorporate corporate governance which is all about complying with stipulated standards, rules and regulations. Sound corporate governance increases the efficiency and value of a firm on the capital market rather than pulling it down and boost the confidence of all stakeholders. Good corporate governance enhances accountability, transparency, ensures efficient and effective use of limited resources, creates competitive and efficient managed companies, attracts and retains investors (Arinze, 2013).

Mayowa, Olusola and Olaiya (2021) defined corporate governance as "the structure by which an entity is controlled and directed. It is concerned with the function of a company's strategic level to successfully head the company and their consensus with its equity holders and other external and internal stakeholders. Corporate governance mechanism is a set of processes, customs, policies, laws and intuitions affecting the way a corporation is directed, administered and controlled. It represents the methods through which organizations are being administered, a structure through which the welfare of different parties with vested interests are harmonized, showing group of interaction between company's administration, its board, its shareholders and other interested parties (Cheema & Din, 2013). The principles of corporate governance mechanism acknowledge that an effective corporate governance system can lower the cost of capital and encourage firms to use resources more efficiently, thereby promoting financial performance.

Board Size

Board size refers to the total number of directors on board of each sample firm which is inclusive of the CEO and Chairman of each accounting year. This will include outside directors, executive directors and non-executive directors (Olayiwola, 2018). It is the responsibility of the board of directors to guarantee that the business is enjoying maximum benefits of prevailing occasions and ensuring that the economic worth of the organization is enhanced, being successful and its ability to make choices that affect the administrators incredibly strong (Uwuigbe & Fakile, 2012). The board should check the behaviors of managers for owners' welfare, decide on crucial issues, hire set of administrative officers and oversee that organizations adhere to the rule while taking responsibility for managing and supervising (Akinyomi, 2013). The Board of Directors uses its powers and responsibilities within the structure of legislation, main contract, regulations and policies, and represents the company in line with the authority given to it at the general meeting of shareholders (Dogan & Yildiz, 2013). The economic worth of an organization would further be enhanced as the board carries out its functions which include supervision of the operations of administrative officers and choosing the employees of an enterprise, appointing and monitoring the activities of an autonomous auditor to boost the worth of the company (Uwuigbe, 2011).

Board of Director Financial Competence

Competence comes from experience, knowledge, skills, attitudes, values and beliefs. In the case of boards, which are the ultimate decision makers for most organizations, the competencies of directors are particularly important. Indeed, the Corporations Act (2001) requires every director to exercise reasonable care, diligence and skill in discharging their duties.

Financial Performance

Financial performance is a measure of how efficient a firm uses its assets to generate revenue from its operating activities. It can be said to be a term that is used to measure the financial health and growth of a firm over a period of time (Dsunday & Ejabu (2020). It can also be used to compare different firms in the same industry. There are different measures of financial performance and since there are many stakeholders in a company, each group has its own interest in tracking the financial performance of that company. The trade creditors will be interested in the liquidity of the company, the bond holders will be interested in the solvency of the company, the shareholders will be interested knowing how well their investment will yield return and the management will be interested in knowing how well the firm perform in the market (Aamir & Sajid 2012). Financial performance is commonly used as an indicator of a firm's financial health over a given period of time. The financial performance of a firm can be defined or measured in various different ways including profitability, gauge return, market share growth, return on investment, return on equity and liquidity. Financial performance was measured by the development of revenues and profits (Magara, Aming & Momanyi, 2015). In order to assess the financial performance of quoted agricultural firms in Nigeria, this analysis employed return on equity (ROE)

Return on Assets (ROE)

Return on equity (ROE) measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Khatab, Masood, Zaman, Saleem, & Saeed, 2011). It is often viewed as a hybrid measure of firm performance because it incorporates profit which is accounting based and equity which is market based. Efficient management of the operation cost will be best reflected by its rate of return on the equity capital. Since managers are responsible for the operation of the business and utilization of the firm's resources, return on equity is a measure that allows users to assess how well a firm's corporate governance system is working in securing and motivating efficiency of the firm's management (Epps & Cereola 2008). Researchers like Tukur and Abubakar (2014), Aamir and Sajid, (2012) and Kumudinni, (2011) used this accounting measure.

Empirical Review

Mayowa, Olusola and Olaiya (2021) examined the impact of corporate governance on firm performance using the accounting measures based on the profitability status of the companies depending on cash flows and inflow from the income statement. The ex-post facto research design was employed. In a sample of selected consumer goods companies, the study revealed that board size has positive significant effect on return on sales. Board size and board independence has positive significant effect on profit margin. It also revealed that board size and board independence negative significant effect on operating cash flow. Based on the findings, it is recommended that the organization should take cognizance of its board size since it influences the rate of turnover which is an intrinsic component of the overall performance of the organization. The organization should make sure the board size is regulated on a low-cost reduction basis so it does not induce a negative impact on the profitability status of the organization. Manukaji (2020) examined the effects of corporate governance on the productivity of quoted agricultural firms in Nigeria. Specifically, the study examined the effect of director's remuneration on productivity of Agricultural firms in Nigeria; Assessed the effect of board size on productivity of quoted agricultural firms in Nigeria; Ascertained the effect of board duality on productivity of quoted agricultural firms in Nigeria and investigated the effect of board gender on of quoted agricultural firms in Nigeria. The study adopted Ex-post facto research design and descriptive, correlation and multiple regression analysis for the data analysis. The study revealed that corporate governance practices positively influenced productivity of agricultural firms in Nigeria. Again, the findings of the study indicate that companies with higher number of board size affected the productivity positively as measured by sales growth. The remuneration of directors had positive and significant influence on productivity, board gender and board dualities had positive influence on productivity although not statistically significant. The study therefore recommends that agricultural firms should determine the optimum payment for the directors that will not affect productivity and the size of board should be maintained in other to create equilibrium between the size of the board and the amount they will be able to maintain in other not to affect performance.

Olayiwola (2018) investigated the influence of corporate governance (CG) on the performance of companies. The objectives of this study were to respectively analyze and determine, individually and jointly, the influence of board size, board composition and audit committee size on corporate performance (CP). The study employed exploratory research design. Ten (10) listed firms were chosen through a purposive sampling technique and data extracted from the annual reports of these firms from year 2010 to 2016. A panel data regression was used to analyse the data. CG was proxied with board size (BS), board composition (BC) and audit committee size (ACS) while performance was proxied with net profit margin (NPM). Findings revealed that board size had a significant negative correlation with NPM, board composition had a significant positive correlation with NPM, audit committee size had an insignificant correlation with NPM and board size, board composition and audit committee size had a significant joint effect on NPM. Thus, it was concluded in the study that smaller board size will increase performance and the board composition should consist more of the non-executive directors while the audit committee also should be reviewed from time to time. Kajola, Onaolapo and Adelowotan (2017) examined the relationship between corporate board size and financial performance of 35 non-financial firms listed on Nigerian StockExchange. The study covers the period 2003-2014. Using panel data regression analysis and Fixed effects model as estimation technique, result reveals a positive and significant relationship between board size (surrogated by the natural log of number of directors on the board) and the two financial performance proxies (Return on assets and Return on equity). The outcome of the study is consistent with some prior empirical studies and provides evidence in support of the argument that companies with larger board members do harness the divergent views of members, thereby coming up with informed decisions that will improve the financial performance of companies under their watch. It is also difficult for chief executive of companies to influence members of the board. For higher financial performance to be achieved, this study recommended an average board size of not less than 9 members for a listed company.

Osundina, Olayinka & Chukuma (2016) examined corporate governance and financial performance of selected manufacturing companies in Nigeria. The objective of this study is to empirically investigate the relationship between corporate governance (measured by Board Structure index, Ownership Structure index and Audit Committee index) and firm's performance (measured by Return on Asset) of selected Nigerian manufacturing companies. The study adopted ex-post facto research design. Random sampling was used to select 30 companies out of a total population of 45 manufacturing companies listed on the Nigerian Stock Exchange, for a time period of 2010 to 2014. Secondary data (financial and non-financial) were collected from the annual reports and accounts of the selected listed manufacturing companies. Multiple regression analysis and descriptive statistics were used in analyzing the data. F-stat and t-stat were used to test the hypothesis. The results of the study show that Board structure index had a significant positive relationship with performance (ROA) of the sampled manufacturing companies. Also, it was found that Audit committee index had a positive but insignificant relationship with the performance (ROA) of the sampled manufacturing companies, while Ownership structure index had an insignificant negative relationship with performance (ROA) of the sampled manufacturing companies. In conclusion, the study revealed that the performance indicator (ROA) related with each component of the Corporate Governance Index in a peculiar manner. It is therefore recommended that reform efforts should be directed towards improving the corporate governance of listed Nigerian manufacturing companies, especially emphasis should be devoted to the variables of Ownership Structure and Audit Committee.

Theoretical Review

Corporate Governance theories range from the agency theory and expanded into stewardship theory, stakeholder theory, resource dependency theory, transaction cost theory, political theory and ethics related theories such as business ethics theory, virtue ethics theory, feminist's ethics theory, discourse theory to postmodernism ethics theory. For the purpose of this study Agency theory and stakeholder theory was considered relevant.

Agency Theory

The Agency theory having its roots in economic theory was exposited by Alchian and Demsetz in (1972) and further developed by Jensen and Meckling in (1976). The Agency theory is defined as the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hire the agents to perform the work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). Meanwhile, Daily, Dalton and Canella (2003) argued that two factors could influence the prominence of agency theory. First, the theory is conceptual and simple theory that reduces the corporation to two participants of managers and shareholders.

Second, agency theory suggests that employees or managers in organizations can be self-interested. The agency theory states that shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000). Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross in 1973, and the first detailed description of agency theory was presented by Jensen and Meckling in 1976. Indeed, the notion of problems arising from the separation of ownership and control in agency theory has been confirmed by Davis, Schoolman and Donaldson in 1997. With agency theory, the agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits, even with the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). It has been argued that instead of providing fluctuating incentive payments, the agents would only focus on projects that have a high return and have a fixed wage without any incentive component. Although this will provide a fair assessment, but it does not eradicate or even minimize corporate misconduct (Muogbo, 2013). Here, the positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximizing shareholders value.

Hence, a more individualistic view is applied in this theory (Clarke, 2004). Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners.

Stakeholder Theory

The Stakeholder theory was embedded in the management discipline in (1970) and was gradually developed by Freeman in (1984), which incorporated corporate accountability to a broad range of stakeholders. Wheeler, Colbert and Freeman (2003) argued that the stakeholder theory is derived from a combination of the sociological and organizational disciplines. Indeed, stakeholder theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science. Donaldson and Preston (1995) opined that this theory focuses on managerial decision making and the interests of all stakeholders have intrinsic value, and no sets of interests are assumed to dominate the others. Unlike agency theory in which the managers are working and serving the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve the like of the suppliers, employees and business partners. It argued that this group of networks is important other than owner-manager-employee relationship as in agency theory (Wheeler, et. al, 2003). On the other end, Sundaram and Inkpen (2004) contend that the stakeholder theory attempts to address the group of stakeholders that deserve and require the attention of the management. Since the purpose of all stakeholders in business is to obtain benefits, it has been argued that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. Also, since the network of relationships with many groups can affect decision-making processes, as the stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders (Babalola, 2014).

METHODOLOGY

Longitudinal panel research design was adopted in this studyas it provides the support needed for collection of information on the existing nature of the phenomenon under study so as to provide and describe the nature of the relationship between the study variables. The population of the study consists of all the five (5) listed agricultural firms on the Nigeria Exchange Group as at 31st December, 2021. The researchers employed purposive sampling technique to select the Five (5) Quoted agricultural firm (Livestock Feeds Plc, Ellah Lakes Plc, FTN Cocoa Processors Plc, Okomu Oil Palm Plc and Presco Plc.). The choice of the study is guided by the availability of relevant data. The data used for this study were secondary data derived from the annual financial statements of the selected companies. The period considered for this study is from 2012 to 2021 i.e., ten (10) years. The study involves time series and cross-sectional data. Descriptive statistics and panel data regression analytical technique was used to observe all variables for the period with the help of STATA 13 package. The study adapted the model of Ngwenze and Kariuki (2017).

The Model is stated thus:

ROE= f (BSZ, BDFC) ----------(*i)*

Where:

ROE = Return on Equity
BSZ = Board Size
BDFC = Board of Director Financial Competence

The Econometric Equation Form of the Model is:

$ROE = \beta_0 + \beta_1 BSZ + \beta_2 BDFC + e_{it}$ ---------- *(ii)*

RESULT AND DISCUSSION

Descriptive Statistics

The descriptive statistics of the dataset from the sampled consumer goods companies are presented in Table 4.1 where the mean, standard deviation, minimum and maximum values of the data for the variables used in the study are described.

Table 1: Descriptive Statistics

```
. summarize ROE BSZ BDFC
```

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	50	.0564	.6406369	-3.6471	1.001
BSZ	50	9.76	2.55199	6	15
BDFC	50	.44598	.1445913	.167	.667

Source: Stata 13 Output

The results from the analysis of the Return on Equity (ROE) shows that the maximum Return on Equity of 1.001 and the minimum of -3.6471 with a standard deviation of 0.64%. The mean board size (BSZ) is about 0.0564 suggesting that agricultural firms listed on the Nigerian Exchange Group (NGX) have relatively moderate board sizes. There is a maximum board size of fifteen (15), minimum board size of six (6) and standard deviation of 2.55, implying that quoted agricultural firms in Nigeria have relatively similar board sizes. The statistics on BDFC- Board of Director Financial Competence has average mean value of 44% (0.44598) with standard deviation of 14% (0.1445913) and minimum value of 17% (0.167). This implies that the board of director in the study area are not too financially competent with the average mean value of 44% as shown from the table.

Correlation Matrix of the Study Variables

The Pearson correlation analysis matrix shows the relationship between the explanatory and the explained variables and also the relationship among all pairs of independent variables themselves. It is useful in discerning the degree or extent of the relationship among all independent variables as excessive correlation could lead to multicollinearity, which could consequently lead to misleading findings and conclusions. The correlation matrix does not lend itself to statistical inference but it is relevant in deducing the direction and extent of association between the variables. Table 2 presents the correlation matrix for all the variables.

Table 2: Correlation Matric

```
. spearman ROE BSZ BDFC, stats(rho) star(0.05)
(obs=50)
```

	ROE	BSZ	BDFC
ROE	1.0000		
BSZ	-0.1280	1.0000	
BDFC	0.0991	0.0638	1.0000

Source: Stata 13 Output

From table 2, it can be seen that all the correlation coefficients among or within the independent variables are below 0.80. This points to the absence of possible multicollinearity.

Test of Research Hypothesis

In this section, the regression results of corporate governance variables and financial performance are presented and analyzed. In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results.

Table 3: Hausman Specification Test

```
. hausman fe re

                 ---- Coefficients ----
              |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
              |       fe           re         Difference          S.E.
--------------+----------------------------------------------------------------
          BSZ |    .0240351     .0127337        .0113015        .0448442
         BDFC |   -.1425895    -.4321304        .2895409         .947461
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(2) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        0.13
                Prob>chi2 =      0.9386
```

Sources: STATA 13 Output

Hausman specification test was conducted to choose the most appropriate model for the study, the test suggests that random effects regression Model is the most appropriate model for the study as evidenced by the chi2 of 0.13 and p-value (0.9386) greater than 0.05 which is insignificant. Following the robustness of the results, the random effect regression estimators were used for the test of hypotheses formulated in this study.

Table 4: Random Effect Regression Result

```
. xtreg ROE BSZ BDFC, re

Random-effects GLS regression                   Number of obs      =        50
Group variable: COY                             Number of groups   =         5

R-sq:  within  = 0.0023                         Obs per group: min =        10
       between = 0.1092                                        avg =      10.0
       overall = 0.0138                                        max =        10

                                                Wald chi2(2)       =      0.34
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.8423

------------------------------------------------------------------------------
         ROE |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         BSZ |    .0127337   .0454061     0.28   0.779    -.0762607    .1017281
        BDFC |   -.4321304   .8274499    -0.52   0.602    -2.053902    1.189642
       _cons |    .1248409   .5850413     0.21   0.831    -1.021819    1.271501
-------------+----------------------------------------------------------------
     sigma_u |   .24145213
     sigma_e |   .64262812
         rho |   .12370642   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Sources: STATA 13 Output

From table 4 above, using the random effect model, the coefficient of multiple determinations (R^2) is 0.0023. This indicates that about 0% of the total variations in return on equity (ROE) is explained by the variations in the independent variables (BSZ and BDFC), while the remaining 99% of the variation in the model is captured by the error term. This indicates that the line of best fit is not fitted. The standard error test is applied in order to measure the size of the error and determine the degree of confidence in the validity of the estimates. Usually if the standard error is smaller than half the numerical value of the

parameter estimates, it can be concluded that the estimate is statistically significant. Having carried out a standard error test on the parameters estimated and as also indicated by their respective probability values, the parameter estimate for board size (BSZ) and board of director financial competence (BDFC) are statistically insignificant, given that the individual probabilities are 0.779 and 0.602 respectively. When taken collectively the value of F-statistics is 0.35. The value of the probability is 0.8423. This result implies that the overall regression is both positive and statistically insignificant at 5%. The coefficient of board size (BSZ) is 0.0127337, while that of board of director financial competence (BDFC) is -0.4321304. This shows that ROE is positively related to board size but negatively related to director financial competence such that a unit increase in board size (BSZ) will have a substantial positive effect on ROE and that a unit increase in board of director financial competence (BDFC) will have a substantial negative effect on ROE respectively. Consequently, when taken collectively and based on the F-statistics value of 5.35 and the probability value of 0.35, which is greater than 0.8423, the two null hypotheses of the study are hereby accepted.

Discussion of Findings

It can be deduced that board size has a positive and insignificant impact on the performance of quoted agricultural firms which provide support for the hypothesis. Theoretically, findings are not consistent with agency theory that proposes that larger board corporate boards improve monitoring function of the board and accordingly improve firm performance. The implication of the results is that large number of directors in the board has positive impact on the performance of the selected firm. It is therefore advised that board size appropriate for firm size for significant impact should be advocated for. This result was in line with the work of (Said, Zainuddin & Haron, 2009) that evidenced a insignificant positive relationship between board size and corporate performance. This work advocates that large board size result to ineffectiveness in communication, coordination and decision making. However, more recently, (Sadou, Alom & Laluddin, 2017) highlighted that larger boards are more effective and have greater influence over companies' performances. Also, the work of Siregar and Bachtiar (2010) found a non-linear relationship between board size and improved corporate performance. The study noted that a large board would be able to exercise better monitoring, but too large board will render the monitoring process ineffective. As result of the relationship that exists between board size and quoted firm performance as indicated above, the null hypothesis was accepted. The regression result of board of director financial competence beta value shows -0.52 with a insignificant value of 0.602. This implies that the higher the board of director financial competence, the higher the reported return on equity. This result indicates that for every one-point increase in board of director financial competence, performance (ROE) reduces by -0.52. The reason for this negative effect between board of director financial competence and firm performance could be as a result of the cost involved, the higher the educational background and wealth of knowledge of the directors the higher the take-home salary and allowances.

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of corporate governance mechanism on the performance of quoted agricultural firms in Nigeria. It specifically investigated the effect of board size and board of director financial competence on firm performance. The study concludes that all the independent variable either positive or negative are statistically insignificant on performance of quoted agricultural firms in Nigeria.
Based on the findings of this study, the following recommendations are made for efficient performance of quoted agricultural companies on the Nigeria Exchange Group:

i. Reduction of board sizes will be critical to the success and survival of corporate listed firms in Nigerian while firms should also increase their size through increase in liquidity and put these to efficient use in order to enjoy economies of scale. The size of the board must not be unwieldy so that company's businesses can be managed effectively and efficiently by the board members.
ii. Agricultural firms should make appointment of board of directors with financial wealth of knowledge and skills so as to enable the firms to maximally reap the benefits of board of directors.

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