Innovations

Proxy Voting in Corporate Governance and Financial Performance in Nigeria

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Abstract: *This study focused on proxy voting, shareholder influence PVSI in corporate governance and financial performance using oil firms in Nigeria (2013-2023). Proxy voting and shareholder influence PVSI, Executive compensation EXC and Board financial expertise BFE were used as the independent variables; while Return on asset ROA proxy financial performance was used as dependent variable. Population of this study comprised all the thirteen (13) major listed oil and gas firms, while a purposive sampling method was applied to select six firms with the required data for the study. Data was gathered from the six sampled firms and the analyses applied: Descriptive statistics, Pearson Correlations, Variance Inflations Factor VIF and Panel Regression. Among the results showed the existence of a significant relationship among the variances in the estimated regression model. Then, R-square and the adjusted R-square values of the model: individually and collectively accounted for 43% and 37% respectively of the ROA of the studied firms; while the remaining was attributable to other factors beyond this study. The three explanatory variables' results indicated that: PVSI is negative and significant; EXC is positive and none significant and BFE is positive and significant on ROA of the pooled firms for the period. Recommendations based on the findings are: PVSI and EXC, both should be monitored carefully in corporate governance; BFE persons needed to be trained or, better qualified persons should be employed. The study contributes with the inclusion of relatively new variable "proxy voting", result based on the "specific industry"; the vast literatures and empirical review for academia. The implications of this study in practice is that the findings were based on the selected oil sectors and not in all sectors in Nigeria; and thus the PVSI found negative and significant may not be generalized in industries, and in other countries industries until otherwise, confirmed through further studies.*

Key Words: *Corporate Governance; Proxy Voting and Shareholder Influence; Board Expertise; Firm Performance.*

Introduction

Background to the Study

Corporate governance is defined by Hariem, (2022) as a ‘‘combination of rules, laws, practices, process, policies and resolution for effective and prudent management of any organisation’’. Corporate governance also involves such oversight functions employed by corporate board of directors and audit committee in achieving effective management to ensuring integrity of financial reporting process, (Ugwu, 2020). It also shows the nexus between the shareholders and managers in directing and controlling firm operations as a separate entity, (Okonkwo, Anachedo & Ubah (2022). One of the functions of corporate governance is to see to the smooth and proper running of corporate operations in carrying along all stakeholders to achieve firm optimum performances. In other words, it ensures a harmonious working among the stakeholders in business operations, (Bayelign, Ayalew & Sitotaw 2022). The functions includes ensuring that all the mechanisms, processes and structures put in place by management with the available firm resources are most effectively and efficiently utilized to achieve the business objectives. Corporate governance was viewed by Oman (2019) to ensure that all the laws, regulations and the normal corporate practices of institutions that guide business operations are observed by managers and stakeholders. These are the laws, rules and regulations that assist in the governance of institutions, and the proper coordination of them by all stakeholders are regarded as the effective corporate governance. Korolo and Korolo, (2023) were of the view that good ‘‘principles of corporate governance supports approach that considers and balances the legitimate and reasonable needs, interests, and expectations of its stakeholders in an inclusive, ethical, and sustainable manner as part of its decision-making’ and these affect organizational performance, (Akamiokhor, & Okologume, 2022). Another opinion by (Okonkwo, & Azolibe, 2020), was that proper function of corporate governance attracts both local and foreign investors, especially in oil industries.

The history of corporate governance has dated far back in Nigeria business activities. Several efforts have been made in Nigeria business history to forestall a working corporate governance from time past to this very moment. These have evolved several processes, rules and legislations that have been enacted to boast corporate governance practices in many fields of businesses ranging from Company and Allied Matters Acts CAMA, 1968; and CAMD, 1990; and CAMA amended 2004; and others such as: Declaration of Asset Act 1990; National drug law enforcement Agency Act 1990; Special Tribunal (miscellaneous offences) Act 1990; Central Bank of Nigeria (CBN) Decrees No 24 of 1995; Nigerian deposit Insurance Corporation Decrees No 22 of 1998; Bank and Other Financial Institution Decree BOFID, 1999; Economic and Financial Crime Commission EFCC Act, 2004; CBN Prudential guideline for Money Deposit in Banks; Money Laundry Act; and the current corporate governance structure, (Ugwu, 2020)

However, within these periods, corporate governance in Nigerian has not only been "an evolving concept, but has been in real practice in corporations "within the wider society" (Olabisi, & Omoyele, 2020). Corporate governance practices mandate managers to propagate on behalf of shareholder's best interest, (Appah & Tebepah 2023), More-so, the wave of the past early twenty-first century business crises; which in Nigerian financial environment was not left out on the governance problems, financial systemic instability and failure of financial institutions have all propelled the search for proper corporate governance practices, (Imo, 2022. According to Ibitamuno, Onuchuku, and Nteegah (2018) board of directors are seen as important corporate governance mechanism because they uphold both managers and all stakeholder's interest in the firm.

The proper practice of corporate governance mechanism is anchored on the theory of agency problem and the associated free-rider problem that forestalls a single investor or stakeholder to maneuvers the cost of monitoring every corporate governance activities, (Bhagat & Black, 2019). By this, the main functions of board of directors are significant in two reasons, such as oversight and planning (Arowele, 2022). Managerial oversight compels managers to act on behalf of the shareholders and discourages abusive actions by managers and can reduce agency conflicts and also monitor and control management (Gulzar, 2011).

The proper board influences in corporate governance maximize shareholders' interests and thus boast firm performance and stock value, (Hafsat Mohammed & Ali 2023). Again, Ogbulu and Emini (2012) opine that it reduces the probability of top management colluding to appropriate shareholder's wealth and also ensures higher firm performance (Akpanabia, & Umoffong, 2022).

Statement of Problem

From the background of this study, corporate governance structure has solidified as the result of previous global accounting scandals such: Enron, WorldCom, Marconi, Parmalat, Cadbury, and several of them in Nigeria setting, dating back from early twenty century which culminated to poor financial reporting quality (Brown, Falaschetti, & Orlando 2010; Ugwu, 2020). The effects weakened the investors' confidence in business financial reports (Biddle, Hilary & Verdi, 2009; Ugwu & Nwarkoby, 2020). In Nigeria, evidences have shown that financial information of firms' performance is either unavailable or, if provided, lacks credibility and reliability; or false and misleading (Shehu, 2011; Agrawal & Chadha, 2005; Higgs, 2003). This study tries to streamline the focus of other studies relating to corporate governance structure and firm performances and tries to include a relative unpopular variable known as (variable gap in research study) and a shift from the popular studied industries, (Industry gap) with a focus to oil and gas industries in Nigeria and (methodology gap). The study applies unpopular corporate governance

variables such as: Proxy Voting and Shareholders influence; Executive Compensation and Board Financial Expertise

The study tries to separately identify the functions of Proxy Voting and Shareholders influence; Executive Compensation and Board Financial Expertise in investment decisions using samples of oil and gas firms. The study will contributes to the existing literature in several ways as prior studies have found that board financial expertise impact on earning management (Karamanou & Vafeas, 2005; and showed problems in restatement reporting (Agrawal & Chadha, 2005); Krishnan, 2005), also in firm investment (Dionne & Triki, 2005) and firm performance (Francis et al., 2012 but found nothing for board financial expertise .

This study, first discusses the conceptual framework; the second focuses on the theoretical works that covers the hypotheses; the third centers on data collections, population and samples, model specification, and methods of variables identification and analyses; the fourth shows the detailed empirical results and interpretation; and finally the conclusion, contributions to knowledge and implications of the study.

This study focuses on proxy voting, shareholders influence in corporate governance using oil firm financial performance in Nigeria.

The specific objectives are:

To determine the extent to which Proxy Voting and Shareholders influence; Executive Compensation and Board Financial Expertise reflect on financial performance of oil firms in Nigeria.

The research questions are: How do Proxy Voting and Shareholders influence; Executive Compensation and Board Financial Expertise drive financial performance of oil firms in Nigeria.

The hypotheses are as follows: Proxy Voting and Shareholders influence; Executive Compensation and Board Financial Expertise are not significant on financial performance of oil firms in Nigeria.

Conceptual Reviews

Corporate Governance

In Nigeria, the Code of Corporate Governance by Central Bank of Nigeria CBN, (2014) defined corporate governance as the ‘‘rules, processes, or laws by which institutions are operated, regulated and governed’’. According to the definition, the subject matter came up to show the primary focus of promoting a transparent and efficient system that will support the rule of law and encourage division of responsibilities in a professional and objective manner. The corporate governance of a limited liability company is seen as the responsibility of its board of directors. Dozie (2018) asserts that the principles of corporate governance are to include

transparency, accountability, probity and the protection of stakeholders' rights; while Oyediran (2016) indicates that corporate governance shows the methods that corporation power is exercised in controlling of its entire resources in line with its objectives to create maximum wealth and sustain stakeholder's interests. On the other hand, Prowse (2020) says that corporate governance shows the rules, standards of organizations in such economy that governs the behavior of business owners, directors, and managers in their duties to show accountability to outside investors. To Monks and Minow (2016), corporate governance is "the relationship among various participants in understanding the direction and performance of business organizations"; but it is "a structure and processes to direct and control corporations" and show proper accountabilities (Neuberger & Lank, 2018). However, Iskander and Chamlou (2018) say it attracts a long-term foreign capital, that increases local capital markets and encourages local investors.

Again, Oyejide and Soyibo, (2001) explained that corporate governance has two views which they tagged as: a narrow one and this is all about the structures that an entity receives as its basic orientation and direction, (Rwegasira, 2000). Here the authors see the subject as it relates to shareholder's protection, management control which is anchored on the views of agency problems of economic theory. The "broad views; or expanded view is that it is "the heart of both market economy and a democratic society" (Sullivan, 2000). However, Sullivan (2000), who supports broader views of corporate governance, based his ideas on the effects of problems of earlier privatization among the developing countries from the 1980s, while the transition economies in the 1990s are based on institutional, legal and capacity building and the rule of law are the main focus of corporate governance. All these propositions, show that corporate governance has been portrayed as being guided by rules and ethics of business functions, which are probably known and generally accepted as business norms not only in Nigeria, but worldwide. The aim is to boast financial performance and maintain shareholder's interest and drive share values and longevity.

Proxy Voting and Shareholders Influence, (PVSI)

Arnoud, Chester, Jan, Lemma (2023) are of the views that shareholders has the right to participate in corporate governance through their voting at the annual general meetings of the firm known as proxy voting and shareholder influence. Such votes are regarded as part of corporate participation in governance activities. According to the authors, corporations "send proxy statements to shareholders ahead of the annual meetings, and these statements detail the resolutions that are offered for shareholder vote, along with proxy cards with voting instructions". This, kind of voting is one of the methods that gives shareholders opportunity to the structure of answering yes or no as a voting right which the ballots are received as part of a proxy statement vote which gives them right to participate firms' activities. Ying,

Yawen, and Kinsun (2021) were among the first to study the effects of "incentive conflicts proxy voting behavior, and the difference in institutional investors' conflicts of interest and the associated impacts on proxy voting". Ying, et al., (2021) had found that "abnormal returns upon announcements of voting results are more negative when a proposal is opposed and more positive when it fails". David Yermack. (2010) "found that Shareholders use voting as a channel of communication with boards of directors, and protest voting can lead to significant changes in corporate governance and strategy. Lizansha Birla (2023) found that it allows for a fair and democratic decision-making process that takes into account all shareholder's interests.

Executive Compensation, (EXC)

The executive compensation has been seen as an instrument necessary for managerial techniques and proper method of controlling managers' actions and a means of encouraging them to be diligent to improvement firm's financial performance and increase shareholder's stock value (Amzaleg et al., 2014; Essen et al., 2012). Equitable compensation and application of proper and different remuneration methods curtails labour turnover and increase managerial competence. Several compensation, remuneration and incentive mechanisms have been applied in corporate governance executive compensation such as: salary increase, bonuses and profit sharing schemes, stock options encouragement in better performance, training in diversification of managerial skills, health benefits and travelling and life assurance policies etc, (Ugwu, 2023; Essen et al., 2012; Jensen & Murphy, 1990; Song & Wan, 2019; and receiving of direct financial incentives (Krauter, 2013). However, prior literatures have not agreed and pointed out the best method of compensation mechanisms that corroborates the executive interest with that of shareholders. Instead, some have argued that no matter the type and level of compensations applied, it cannot completely remove agency problems and work apathy which ultimately affect firm performance, (Kabir, Li, & Veld-Merkoulova, 2013; Livne, Markarian, & Mironov, 2013; Newton, 2015). Executive compensation models seem efficient in solving agency conflicts and improves firm performance and value (Karim, Lee, & Suh, 2018; Song & Wan, 2019). Many other studies elsewhere have shown evidences of a relationship among executive compensation, firm performance and firm value (Amzaleg et al., 2014; Sheikh, Shah, & Akbar, 2017), including Brazil (Degenhart et al., 2017; Ermel & Do Monte, 2018; Brandão et al., 2019). At the same vein, Amzaleg et al. (2014), shows that CEOs' compensation was sensitive to firm performance in Israeli public companies and result indicated positive to a higher compensation level and a high power of control in the board in comparison among firms that do not. In similar research, in Pakistan, Sheikh et al. (2017) found that compensation from the previous period had a positive and significant effect on the current executive and firm performance. In Brazil, studies

show that compensation is sensitive and positive to firm performance, (Brandão et al., 2019; Degenhart et al., 2017; Elsayed and Elbardan, 2018); while others did not show any significant, (Silva & Chien, 2013; Ermel & Do Monte, 2018; Veloso, Santos, Pimenta, Cunha, & Cruz, 2019). Also, Brandão et al. (2019) found a positive relationship between executive compensation and market value.

A study in France by Zoghlami (2020) found that executive compensation is positive on firm financial performance, but negative on market value and by this indicating that increase in executive compensation improves corporate governance. More so, Blanes, Fuentes, and Porcuna (2020) show the facts that CEO's remuneration points to the differences in firm performance from both accounting and market approaches. In addition, CEOs who have power over board of directors can increase their benefits and include it in bargaining contracts (Bebchuk & Fried, 2003; Murphy, 2013). Further, Kayani and Gan, (2022) studies ''executive compensation and firm performance in the Asia'' and found that the total compensation, salaries and bonuses paid to CEO are positive and increase high performance in support of agency theory and motivates the executives to maximize shareholder's value. Qian, Imen, Huai-Chun, Cheng-Tsu (2022) examined ''financial constraints, firm performance and CEO compensation in U.S'' and found that that there is a negative moderation of financial constraints towards a positive relationships of ''firm performance and CEO compensation''. Clement, Olalekan and Olaniyi, (2023) investigated ''executive compensation strategies and policies fit banks using CEO pay firm performance causal nexus''. The outcome indicates CEO salaries or incentives do not boost bank performance. Farooq, Khan, and Noor, (2023), studied how ''financial constraints moderate between CEO compensation and firm performance" using Tobin's Q. They found that firm performance is positive and significant on CEO compensation in every profitability measurements, but not on Tobin's Q.

Board Financial Expertise (BFE)

Theories have shown that it is better to have financial experts among the board because of their expertise in discovering and discouraging the practice of earnings management, if they are included among the directors than when they are not among. Some past studies have shown how to measure the expertise; identify a person or persons with a financial expert: will include having a degree in areas such as: finance or accounting or auditing (Khan, Saleem Parvaiz, Bashir, Imtiaz, Bae, & Wang, 2022 ; Sarwar, Xiao, Husnain, & Naheed, 2018; Jawad, Naz, & Maroof, (2021a); further the person can also be ''a chief finance officer, accounts officer, who is working as an executive in an investment or commercial bank, or is a financial expert on an audit or a finance committee'' (Güner, Malmendier, & Tate, 2008). The expert must have been vested with the knowledge of market, market risk, and how to identify external and internal risk that are favourable and unfavourable and thus

advice the management to avert losses to improve financial performance, Francis, Hasan, & Wu, (2012). Some studies like Xie, Davidson III, and DaDalt, (2003) found that financial expert has a negative impact on the board and earnings management. Prior studies show significant relationships between board financial expertise and firm financial reporting quality. Carcello and Nagy, (2016) found less impact of discretionary and income-increasing accruals whenever there is a financial expert among the audit committee members, (Bedard, Chtourou and Courteau, 2019).
The study of Krishnan and Visvana than (2017) show a positive association between accounting expertise and audit committee members. However, Zhang et al., (2017) and Hoitash et al., (2019) show that a reasonable high number of financial experts, who are not accounting experts, ‘‘are unlikely to report weaknesses in the internal control over financial reporting’’. Again, Badolato et al., (2014) asserted that accounting and financial expert inclusion in audit committee does not stop the practice of earnings management, but the two are necessary in the board. However, Cohen et al. (2014) indicated that audit committee with accounting and industrial expertise performs better when compared with a committee with only accounting expertise as an indication that both are necessary to enhance financial reporting quality, (Thayla, Taís, Duterval, & Fernanda, 2022)

Firm Performance; Return on Asset (ROA)

According to Ugwu, (2020) shows that it is expedient for shareholders, managers and other interested parties to rely on the information displayed in the published financial statements to forecast performance. It is through the return on assets ROA that investors value the potentials of firms in both current and future using the market valuation models. Investors always expect managers’ expertise to increase the ROA of the firm in anticipation of high returns seen in share rise/value, because an increase in the market value of a company’s shares is from a continual increase in firm financial performance ROA. Poor performance of firms grossly affects its growth prospects and adversely affects its market value; therefore, constant increase in ‘‘performance measure is one that reflects the extent of the growth’’ (Gikonyo, 2008). ROA is considered as a subjective measure of how corporate governance utilized assets from its cradle mode of function to generate' revenues and also as a major measurement of firm's ‘‘overall financial health’’ within a time frame and also in comparison with similar industries all over, (Ugwu, 2020, Okeke, 2015).
Many mechanisms have been used to measures financial performance such as: revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. However some analysts and investors sometimes dig deeper through several financial statements seeking out or to be sure of margin growth rates or if there is any declining debt. However, Selvam, Gayathri, Vinayagamoorthi and Kasilingam (2016) developed a nine-model performance to determine the dimensions of performance such as: profitability, growth, market

value, customer satisfaction, employee satisfaction, environmental audit, corporate governance and social performance and found that they cannot be used interchangeably because they firm performance and stakeholder's demands need and manage independently. As it relates to this study the commonly employed measure firm performance is return on assets (ROA) and this has extensively applied as in (Ugwu, 2020; Brammer & Pavelin, 2008; Cormier, Ledoux, Magnan & Aerts, 2010; Cormier et al., 2011). ROA is a financial ratio that shows the percentage of profit that a firm earns in relation to its overall resources. It is generally defined as net income (or Pretax profit)/total asset. According to (Babalola, 2013; Ugwu, 2020), ROA is calculated as the net profit after tax divided by total assets and indicates the returns generated from the assets financed by the firm. It can be expressed mathematically as:

$$ROA = NPAT$$

It tends to reflects how well managers apply firm's real investment resources to generate profits. ROA is generally accepted as a tool to compare how well a firm performs over years as it considers the overall asset returns from the assets financed by shareholder. ROA shows how effective that corporate governance of a company have been able manage shareholder's funds into net profit. In other words, an encouraging value of measured rate of ROA reflects higher managerial efficiency any firm

Theoretical Framework

Agency Theory by Jensen and Meckling (1976)

Agency theory shows how the agency problems emanate from the separation of firms' ownership and control mechanisms. It explains the interactions among interested parties in the corporate governance structure that are not in agreement but can be streamlined through proper monitoring and a well-planned functioning system. They are majorly two types of agency theory that have been in practice in the management known as: Principal-agent and positivist. In literature understanding "Principal-agent" deals with the overall theory of the principal-agent relationship, which can apply to any agency relationship such as: employer, employee or lawyer-client. Principal Agent seems to have more interest in the overall Agency theory implications when compared with the Positivist postulations. Alternatively, postulators of Positivist centers more finding issues in which the Principal and Agent have varying views or objectives which corporate governance mechanisms tries to harmonize the agent's self-serving behavior. Positivist postulates have centered more on the principal-agent relationship that exist within firm's organigram relationship between shareholders and managers. Agency Theory suits corporate governance as it tends to provide a solution to fundamental problems of absent or distant owners/shareholders that engage professional other than the owner to be agents of the shareholders.

Empirical Review

Rehana, Sohail, Muhammad and Munazza, (2022) investigated ‘‘the financial expertise of the board of directors (BOD’s) on the investment decisions of firms’’ in China and Pakistan within 2009-2020. Their analysis applied ‘‘fixed effect, random effect, and generalized method of moment estimation techniques’’. The study found that, board financial expert is positive on investment, but more profound large firms. Gwala and Mashau (2022) carried a literature review on corporate governance and organizational performance using 42 peer- reviewed journal articles. Their findings show that agency theory seems mostly applied in the study of corporate governance (Fama & Jensen, 1983; Jensen & Meckling, 1976) and most of the literatures show that corporate governance were positive on firm performance. Again, Pucheta-Martínez and Gallego-Álvarez, (2020) made a review of eleven years and other reviews by (Bergh, Ketchen, Orlandi, Heugens, & Boyd, 2019; Panda & Leepsa, 2017) and the summaries portray that agency theory was mostly made the choice to study corporate governance and performance and result mostly reflected positive on performance. Isaac, (2022) chronicled the impact of Corporate Governance on performance of firms in Kenya, using 62 firms from 2015. Primary research design was adopted with descriptive and inferential statistics. The findings show that good ‘‘corporate governance is a requirement for good ‘‘leadership performance, control and a means to significantly promote growth, financial performance, market performance, shareholder return, share value and customer satisfaction’’. In India, Wasdani, et al. (2021) studied ‘‘corporate governance practices and firm performance’’ and applied questionnaire on a sample of 100 firms. The study used Multilevel Factor Analysis scores and the result shows that the first level was significant on performance. Kiptoo, Kariuki and Ocharo (2021) investigated ‘‘corporate governance and financial performance of insurance in Kenya’’ within (2013–2018). They collected data from 51 firms and analyzed it using Regression. The results show that corporate governance is significant on ROA. Specific findings showed that board composition is negative and significant; board diversity is positive and significant and board independence is positive and significant on ROA.

Emodia and Mwanzia (2021) studied ‘‘corporate governance and performance corporation health sector in Kenya’’. Primary data was collected using questionnaires and the results showed a positive and significant effect. A study of ‘‘corporate governance and commercial banks profitability in Nigeria’’, was carried out by Oluwole, (2021) from (2009-2018). The study used secondary data obtained from three bank which was analyzed with regression. The results showed a positive and significant relationship of: Earnings per share; audit committee size; board size; and board number of meeting on the dependent variable. Ibitamuno, Onuchuku and Nteegah, (2021) studied 15 banks’ corporate governance and performance in Nigeria. The variables used: board size, executive; non-executive board members,

interest rate margin, profit level and Return on Asset ROA. They found that none of the variables explained changes found in ROA of banks. Fatimoh (2021) applied both primary and secondary data to study corporate governance effects on banks' performance in Nigeria. The study indicates that corporate governance is significant and positive on ROA of banks. Another study made in Kenya by Osedo, Mwanza and Ogendo (2020) on "effect of corporate governance on Insurance performance adopted both primary and secondary design on a sample of 22 firms. The analysis used regression and the findings show that board size; CEO duality, ownership concentration was not significant on ROA. Within 2006 to 2018, Okonkwo and Azolibe, (2020) investigated corporate governance in Nigerian banks, using secondary data and analyzed with granger causality test. The result shows that corporate governance is significant on performance.

Five banks were sampled using primary design to collect data from 130 respondents by Olabisi and Omoyele, (2020) to ascertain how "corporate governance effects bank ROA in Nigeria". After the analysis, it was found an improper corporate governance and its effect has contributed to past bank failures based on "both poor audit control and directors' negligence" to adhere to corporate due diligence acceptable standard practices. Akinsokeji, (2018) examined board structure on firm performance using 50 manufacturing firms in Nigeria. The regression analysis applied random and fixed effects. The results show that board structure is significant on ROA of the selected firms in Nigeria. Ibrahim, et al. (2018) carried out a study on corporate governance and ROA three banks in Nigeria (2013-2017). The secondary data sourced was analyzed using both descriptive Statistics and OLS Regression. They found that corporate governance is significant on ROA return on assets. Finally, in Asia, Amina, Ehab and Hussain (2017) studied "corporate governance and bank performance" from 226 banks (2009-2013). The findings indicate that audit committee is negative on ROA and board independence is negative on ROA.

Methods of Research

Research Design and Area of the Study

This empirical study employed ex-post facto design that collected data from previously published financial statements as found in Nigeria Exchange Group Ltd Fact Books published within the selected periods. The area of the study centered on oil and gas firms quoted on the Nigerian exchange group from 2013 to 2023 as found in Fact Books.

Population, Sample Size and Sampling Technique of Study

The population of the study consists of all the thirteen (13) oil & gas firms in Nigeria within the period of 2013 to December 31st 2023.

But a purposive sampling of six (6) oil firms was adapted to suit the study purpose for a eleven-year period,

Data analysis techniques

Style of data analyses techniques adapted statistical tools of Descriptive statistics; Pearson Correlation, Panel Least Square Regression and Pre test of Variance Inflation Factor and Multicollinearity Test of variables.

Variables and their Measurement

Variables	Symbol	Metrics Measurement	Expect Signal	Variable Applied Before as in	Theoretical Background
Dependent: Firm Performance	Return on Asset (ROA)	net profit after tax divided by total assets	(+)	Ugwu, (2020)	Jensen and Murphy (1990)
Proxy Voting and Shareholders Influence	(PVSI)	Yes or No in voting right ballots received as part of proxy: Assigned (1) if applied otherwise (0)	(+)	Ying, Yawen, and Kinsun (2021); Lizansha Birla (2023)	Jensen and Murphy (1990)
Executive Compensation	EXC	Total executive compensation of the current year – total compensation of the previous / Market Value in t-1	(+)	Ibrahim, et al. (2018); Thayla, Taís, Duterval, Fernanda, (2022).	Jensen and Murphy (1990)
Board Financial Expertise	BFE	Persons with financial expert: degree in as: finance or accounting or auditing (professional)	(+)	(Khan, Saleem Parvaiz, Bashir, Imtiaz, Bae,& Wang,2022 ;Sarwar, X iao, Husnain,& Naheed, 2018; Jawad, Naz, & Maroof, (2021a	Jensen and Murphy (1990)

Source: Author's Computation, (2024)

Data Presentation, Analysis, Interpretation, Discussions and Summary of Findings, Contribution and Recommendations

Descriptive Statistics Analysis

Table 1: Descriptive Statistics Result

	ROA	EXC	PVSI	BFE
Mean	1.00505	56.1271	7.96610	1.97965
Median	0.94000	50.0000	8.00000	2.00000
Maximum	2.48000	75.0000	10.00000	2.00000
Minimum	0.52000	20.0000	4.00000	1.00000
Std. Dev.	0.30370	11.0905	1.23127	0.41802
Skewness	2.61272	0.29104	1.16493	1.34946
Kurtosis	11.1161	3.70182	3.28446	2.82106
Jarque-Bera	261.433	2.04386	13.5437	17.9858
Probability	0.00000	0.35988	0.00113	0.00011
Sum	58.2400	3075.50	470.000	105.000
Sum Sq. Dev.	5.31461	7134.12	87.9321	10.1354
Observations	66	66	66	66

Where ROA= Return on Asset; EXC= Executive Compensation; PVSI= Proxy Voting and Shareholders Influence; BFE= Board Financial Expert; *Significant @ 1%

Source: Author's Computation, (2024)

The above table describes the mean values for each of the three independent and the dependent variables, the maximum values, minimum values, standard deviation and Jarque-Bera that describe test of normality and shows the nature of the data set of corporate governance of selected oil and gas firms in this study.

The dependent variable, firm financial performance proxy with ROA has mean returned on the asset values as (1.00505), with median values of (0.94000); while the maximum ROA shows the value of (2.48000) and minimum values of (0.52000), showing the differences among the selected firms within these period. The description of the standard deviation of ROA has the values of (0.30370). Then the Skewness, skewed to the right, but bunched to the left of the distribution with the values of (2.61272); while the Kurtosis has the values of (11.1161) which is greater than 3 above the bench mark and thus the distribution appears leptokurtic showing few outliers.

Executive Compensation EXC has a very high mean of (56.1271), the median has the values of (50.0000), with minimum and maximum values of (75.0000) and (20.0000); while possibly the high standard deviation of (11.0905) seems to suggests individual high opinion because of high pay among the executives. The Skewness skewed to

the left as well showing normal distribution; while the Kurtosis shows that it exceeds the norms of 3.00 in the normal measurement.

Proxy Voting and Shareholder Influence PVSI on the board decisions is indicated as part of corporate governance within the days of meetings and shows a minimum of (4.0000) times in a year and a maximum of nine (10.0000) meetings in a year. The Skewness and the Kurtosis are within the normal range in statistical distribution as earlier explained in above.

Board financial expertise BFE was measured and it shows the mean of BFE's qualifications of Persons in different areas as having degrees in finance or accounting or auditing (professionals) with a mean of (1.97965), in approximation of 2 persons and a maximum of (2.0000) and a Minimum of (1.0000), with a normal distributions in the description.

Jarque-Bera values show (261.433) with corresponding probability values of (0.0000) as a normal distribution for all the study variables that seems significant at 1% level of significance. By the outlook, it is an indication that all variables have normal distribution without any outlier likely to distort reliable conclusion. Hence the study adapts Panel Least Square estimations techniques in the testing of the study hypotheses.

Pearson Correlation Matrix

Table 2: Correlation Analysis Result

	ROA	**EXC**	**PVSI**	**BFE**
ROA	1.00000			
EXC	0.09817	1.00000		
PVS	-0.41593	0.19433	1.00000	
BFE	0.07668	-0.11715	-0.01475	1.00000

Where ROA= Return on Asset; EXC= Executive Compensation; PVSI= Proxy Voting and Shareholders Influence; BFE= Board Financial Expert

Source: Author's Computation, (2024)

Pearson product correlation values showed the correlation of the variables to have relatively small values below the benchmark of 0.80, which suggest the absence of non Multicollinearity in the variables. The positive and negative values that show a very weak association and the rest show negative among all the explanatory variables with the dependent variable ROA,

Then a negative and very weak association exists between EXC and BEF board financial expertise respectively; while a positive correlation was established between PVS and board BEP and finally PVS and EXC that have weak positive relationship.

In checking for Multicollinearity, the study observed that there is no two independent variables with a perfect or highly correlation and thereby indicates the absence of Multicollinearity problem in the model used for our analysis.

Test of Multicollinearity Using Variance Inflation Factor (VIF)

Table 3: Variance Inflation Factor

	Result		VIF
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.306428	235.8557	NA
EXC	1.151004	25.06310	1.06777
PVSI	0.000906	45.36026	1.04086
EXP	0.007693	19.77231	1.01727

Where ROA= Return on Asset; EXC= Executive Compensation; PVSI= Proxy Voting and Shareholders Influence; BFE= Board Financial Expert

Source: Author's Computation, (2024)

Variance Inflation Factor (VIF) was used to test for Multicollinearity among the independent variables. The study applies the Pair-Wise rank correlation and found that there is no inter-correlation among all the independent variables from the result of VIF above. The mean bench mark value for testing of VIF coefficient is (10) and the variance inflation factor (VIF) value of all the variables are less than 10 and shows no sign of Multicollinearity, with an average values of less than (2) for each of the variables. Thus the study findings and any recommendations and conclusion will possibly represent the characteristics of our population in this study.

Test of Hypotheses/ Regression Results

Pane Least Result

Table 4: Pane Least Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.19325	0.55355	2.15560	0.0355
EXC	0.00552	0.00337	1.66445	0.1005
PVSI	-0.12210	0.03011	-3.72165	0.0003
BFE	0.06050	0.06550	0.80613	0.4113

R-squared	0.43224	Mean dependent var	1.00409
Adjusted R-squared	0.37455	S.D. dependent var	0.30278
S.E. of regression	0.27696	Akaike info criterion	0.35033
Sum squared resid	4.13941	Schwarz criterion	0.52646
Log likelihood	-5.33579	Hannan-Quinn criter.	0.41900
F-statistic	3.84324	Durbin-Watson stat	1.99557
Prob (F-statistic)	0.00200		

Where ROA= Return on Asset; EXC= Executive Compensation; PVSI= Proxy Voting and Shareholders Influence; BFE= Board Financial Expert;
* Model Significant @ 1%
Source: Author's Computation, (2024)

The above table shows the regression analysis of the selected firms. The F-statistics value is (3.84324) with a P-value of (0.00200) and this indicates that the model's overall analysis variables is generally significant at 1% level of significance. This also suggests that the model was well specified in explaining firm performance ROA. Also, the R. squared value is 0.43224 approximately 43%; while Adjusted R-squared value is (0.37455), approximately (38%) respectively. The R-squared is the coefficient of determination and this stands at 43% of the systematic variations in individual dependent variables that explained the model dependent variable; while about 57% were unexplained but is assumed to be captured by the stochastic error term in the model. Therefore all the independent variables jointly explained only about 43% of the systematic variation in ROA of the selected firms for the period of 11 years; while about 57% were unaccounted for, but was captured by the stochastic error term. The Durbin Watson value is (1.99557), is approximately (2) and this shows that the model is well spread as earlier established that there is none-auto correlation problem or error among each of the independent variables.

Test of the Hypotheses and Discussion of Findings

Ho_1: Proxy Voting and Shareholder Influence PVSI is not significant on financial performance, ROA of firms in Nigeria

From the model above, the PVSI has a negative coefficient value of (-0.1221), and a positive a P-value of (0.0004). It seems from the result that proxy voting and shareholder influences is on the negative output, as such that possibly several number of sitting of the board does not increase financial performance. Testing the hypothesis at 5% level of significance, the study rejects the stated hypothesis and accepts the alternate. The study concludes that PVSI is negative and statistical significant on return on asset ROA of oil and gas in Nigeria. This finding in Nigeria

agrees with the earlier opinions of (Ying et al., 2021) who found proxy voting and shareholders influence to results to abnormal and more negative influence on ROA, when the voting fails; but disagrees with the findings of (David, 2010 and Linzana Birla, 2023), who stated that it is significant to shareholder's value.

H_{02} Executive Compensation EXC is not significant on financial performance, ROA of firms in Nigeria

This model in Nigeria has positive Coefficient values of (0.00562) and a positive probability value of (0.10050), which shows that EXC positively drives on ROA of selected firms in Nigeria with about 0.0055%. Using the 5% level of significance to compare with the computed value above as the test of hypothesis; the study rejects the alternate hypothesis and accept the stated hypothesis that EXC is not significant on financial performance ROA. Thus the study concludes that EXC is positive, but is none significant on ROA. Therefore, its positive coefficient does not increase the return on asset of the quoted oil and gas firms in Nigeria.

This study finding that executive compensation is positive and non-significant on return on assets, disagrees with several other findings in the same areas that found it positive and significant: (Amzaleg et al., 2014; Essien, et al., 2012; (Kabir, Li, & Veld-Merkoulova, 2013; Livne, Markarian, & Mironov, 2013; Newton, 2015; Karim, Lee, & Suh, 2018; Song & Wan, 2019; Sheikh, Shah, & Akbar, 2017; Degenhart et al., 2017; Ermel & Do Monte, 2018; Brandão et al., 2019; Brandão et al. 2019; Zoghlami (2020; Qian, Imen, Huai-Chun, Cheng-Tsu (2022; Clement Olalekan Olaniyi, 2023). But, the result agrees with some of these findings who found them positive and significant: (Silva & Chien, 2013; Ermel & Do Monte, 2018; Veloso, Santos, Pimenta, Cunha, & Cruz, 2019). However, Blanes, Fuentes, and Porcuna (2020) found it positive as regards using both accounting and market approaches and Kayani and Gan, (2022) found it positive and significant in support of agency theory and shareholder's value.

H_{03}: Board Financial Expertise BFE is not significant on financial performance, ROA of firms in Nigeria.

The above model result of BFE in Nigeria has a positive coefficient value of (0.06050) and a positive probability value of (0.4113). The test of the hypothesis compares the computed value with the decision rule of 5% significance level, and thus rejected the stated hypothesis and accepted the alternate hypothesis that BFE is positive and significant on ROA. In other words, BFE drives the firm performance on the positive and thereby seems to increase financial performance. The study therefore concludes that board financial expert BFE is positive and significant on Return of the asset ROA of the selected oil and gas firms in Nigeria for the period under considered. This finding agrees with prior findings of (Rehana et al., 2022; Francis, Hasan, & Wu, 2012; Bedard, Chtourou and Courteau, 2019; Carcello and

Nagy, 2016; Zhang et al., 2017; Cohen et al. 2014; Thayla, Taís, Duterval, & Fernanda, 2022, and Hoitash et al., (2019); while disagree with the findings of (Badolato et al., 2014) who asserted that it does not "stop earnings management".

Findings, Summary of Findings, Conclusion and Recommendation

Findings

The study concludes that Proxy Voting and Shareholder Influence PVSI is negative and significant on return on asset ROA. Executive compensation EXC is positive and none significant on ROA. Finally, Board financial expert BFE is positive and significant on Return of asset ROA of the selected oil and gas firms in Nigeria for the period studied.

Summary of Findings

This study focused on proxy voting and shareholder influence in corporate governance of selected oil firms in Nigeria for eleven (11) years (2013-2023). Outcome of the study analyses show existence of a significant relationship among the variances in the estimated regression model. Thus R-square and the adjusted R-square values of the model in Nigeria individually and collectively accounted for 43% and 37% of the ROA of the studied firms; while the remaining were accountable by the endogenous and exogenous factors beyond this study. The three explanatory variable results indicated that Proxy Voting and Shareholder Influence PVSI is negative and significant; Executive compensation EXC is positive and none significant and finally Board financial expert BFE is positive and significant on Return of the asset ROA of the pooled firms for the period.

Conclusions

Proxy voting and shareholder influence PVSI is an emerging variable as part of corporate governance mechanisms that was included in this research. Although, the study incorporated executive compensation EXC and board expertise BEP as have been applied in many corporate governance variables. However, the commonly applied variables did not underscore the outcome of the unpopular proxy PVSI.

Again, the study was anchored on the principle of separating the management from ownership using agency theory by Jensen and Murphy, (1990) in support of Corporate Governance Codes. More-so, the study data was gathered from six sampled firms for (11) eleven year period that resulted in 66 observations from (2013-2023). The analyses applied: Descriptive statistics, Pearson Correlations, Variance Inflations Factor VIF and Panel Regression and finally, the result found that the model in Nigeria is statistically significant at 1% level of significance.

Recommendations

On the basis of the findings and conclusions of the study, the study recommends that: PVSI was found negative and significant and EXC is positive and none significant both should be applied carefully in corporate governance; and finally BFE which is positive and significant on ROA should be practiced more.

Contribution to Knowledge

The study added among the existing body of knowledge the vast literatures empirical reviews for academia, the relative new variable, the new model and the findings as they effect firm performance in Nigeria.

Suggestion for further studies

Further studies should be carried out on corporative governance in other sectors in Nigeria.

Implications of the Study Findings

The implications of this study findings, especially on proxy voting and shareholder influence should not be ruled out based on its negative and positive effect on governance, rather shareholder can still push harder for the inclusions in governance.

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