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machinery of Public Administration faces many pressures owing to its working in a political setting. As an executive arm of the government or political executive Public Administration cannot remain aloof from it and has to endure political interferences in its day to day life. At the same time Public Administration has limited resources at its disposal and has to deliver best results by making use of them. There is a direct proportionate relationship among undue political interferences and administrative capability, that is to say, greater the undue political interferences much greater are the risks of lowering of administrative capability. In such kind of situations public administrators always work in the state of dilemma and encounter many difficulties in establishing and maintaining the balance between the expectations of political executive and the ideal of public interest. Simultaneously, the weakening of moral fabric of society and deterioration of ethical values are impacting Public Administration machinery due to integral involvement of ecological aspect in its functioning. What is worrisome is that this deterioration of ethical values has given rise to rampant corrupt practices which have percolated down the hierarchy and have become deeply engrained. These are very adversely affecting the quality of delivery of public services and the resultant impacts. Even though numerous commissions and committees have been constituted and are being constituted and many deliberations have taken place and are being taking place at various forums and yet the problem is prevailing. The simple reason behind is the apparently visible ethical downfall. The greed and lust of human beings have increased to a very large extent and these have resulted in unholy nexus between all culprits, public administrators being one of them. Unless and until the ethical values are restored in the society no wholesome measures will ever be taken up and the problem will continue to acquire more ghastly and dreadful countenance. In such a scenario talks of sustainable development will go on without delivering much result. It is a high time that in the interest of humanity, especially of future progeny, the importance of chaste actions should be well-realized and should be followed earnestly. Then only human beings, communities and nations will prosper and do wonders.

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GOVERNMENT REGULATIONS AND SURVIVAL OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN KWARA STATE

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Abstract

Small and Medium Scale Enterprises (SMEs) have been recognized by government and development experts, most especially the developing countries of Africa, as the main engine of economic growth and major factor in promoting private sector development and partnership. Nigeria has facilitated the growth of SMEs through the creation of many agencies, institutions and promulgation of laws and regulations that aid government in regulating and boosting the growth and development of SMEs. Therefore, this study seeks to examine the impact of government regulations on the survival of SMEs in Kwara State. Other specific objectives were to *examine the extent to which government regulations influence the survival of SMEs and determine the nature of the relationship that exists between tax policy and growth of SMEs.* Questionnaire was served to 144 out of 226 registered SMEs in Kwara State through stratified, simple random sampling technique. The two hypotheses formulated were tested through regression and correlation analysis. *Findings of the study revealed that* government regulations have significant influence on the survival of SMEs (r^2=73.2%, p-value<0.05) and that strong relationship exist between tax policy and the growth of SMEs (P-value<0.05). *The study therefore recommends that government should legislate against multiple taxation and make funds available to regulatory agencies and financial institutions established statutorily to cater for the growth and survival of SMEs.*

Keywords: Government Regulations; Government Policies; Small and Medium Enterprises; Tax Policy.

Effect of Corporate Governance on the Performance of Oil and Gas Firms in Nigeria

By

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Abstract

Inadequate financial disclosures by firms make it difficult for interested stakeholder(s) to monitor the performance of the firms. Corporate governance provides a mechanism for ensuring optimal financial information disclosure by firms. Consequently, this paper evaluates the effect of corporate governance on the performance of oil and gas firms in Nigeria. The study used a sample of six (6) oil and gas firms quoted on the Nigerian Stock Exchange (NSE) for a period of nine (9) years spanning from 2005 to 2013 using random sampling method. Panel regression technique was adopted in analyzing data collected. It was found that board size has positive effect on Profit After Tax (PAT), but negative effect on Return on Equity (ROE) and Return on Asset (ROA), firm size has positive effect on ROE, ROA and PAT, Audit committee (AUDCOM) has positive effect on ROE and ROA, but a negative effect on PAT. Ownership concentration has no significance effect on performance. It is concluded that corporate governance has significant effect on the performance of oil and gas firms in Nigeria. Thus, it is recommended that moderate board composition should be maintained, Audit committee chairman should be a non-executive member, and ownership should not be concentrated in the hand of directors.

Keywords: *Audit committee, Corporate governance, Firms' performance, Ownership concentration, Board composition, Financial disclosure*

Introduction

After the discovery of oil in Nigeria, the performance of the oil and gas sector improved the sector and the economy of Nigeria to a large extent. However, the lack of transparency in the oil and gas industry in Nigeria has affected the country's image significantly. Nyemah (2011) asserted that in spite of the discovery in the oil sector, many of the people of Nigeria are still wallowing in poverty due to poor performance of the oil and gas sector as a result of non transparency and fraudulent practices. Also, inadequate financial disclosures of firms make it easy for them to camouflage fraudulent deals and difficult for any concerned stakeholder to monitor their performance.

According to the Code of Corporate Governance given by the Securities and Exchange Commission (SEC), directors hold a duty of loyalty to the stakeholders and the organization.

Ramsay (1997) opined that director's objectives are to ensure appropriate care, diligence and act in honesty in the best interest of the company. Instead of fulfilling this purpose, directors seek to satisfy their own interest against the interest of the organization at large. This is a huge challenge because business can perform effectively only if its directors can be trusted to hold the entity's interest paramount.

In order to gain back the confidence that has been lost as a result of these of poor corporate governance, transparency and disclosure level, the Security and Exchange Commission (SEC) inaugurated a national committee in September 2008 for the review of 2003 Code for companies in Nigeria to address the weaknesses and improve the mechanism for its enforceability. According to Iyanga (2009), the variables of corporate governance: transparency, financial disclosure, independence, board size, board composition, board committee and board diversity are set out in the main agenda of most meetings and conferences of the World bank, the International Monetary Fund (IMF) and the Organisation of Economic Co-operation and Development (OECD). Good corporate governance practices are therefore considered as an important factor in running the affairs of the company in the best interest of the shareholders. It assists in controlling the performance of the board in business operations. The benefits of having good corporate governance at different levels include a better and cheaper access to capital; and firms with good corporate governance practices tends to out-perform their poorly governed counterparts and it reduces financial crisis (International Finance Corporation (IFC), 2004).The board of directors has a part to play in corporate governance as their main duty is to supervise the management of the organisation to ensure proper accountability to shareholders and other stakeholders.

Appreciable efforts have been made by previous researchers in this area, by Dar, Nazeem and Naizi (2011), Yasser, Entebang and Mansor (2011), and in Nigeria by Akpan and Amram (2014) as well as Peter and Bagshaw (2014). This study provides empirical evidence from Nigeria. Findings from this work would serve as important information to the oil and gas sector on how the performance can improve the industry.

To achieve the objectives of this study,, the following hypotheses were formulated:

I. There is no significant relationship between corporate governance and return on asset(ROA) of oil and gas firms;

ii. Corporate governance does not have significant effect on return on equity (ROE) of oil and gas firms.

iii. Corporate governance does not have significant effect on profit after tax (PAT) of oil and gas firms.

Literature Review

Corporate governance is a set of processes, norms, and policies affecting the way a company is directed, administered and controlled. The organization for Economic Co-operation and Development (OECD) (2002) takes a broad view of corporate governance and defines it as the full set of relationships among a company's management, its board, its shareholders and other stakeholders. According to Barret (2002) corporate governance is concerned with "how an organization is managed". The internal group is comprised of the board of directors, executives and other employees.

Whittington (1993) suggests that financial reporting is an important element in corporate governance, and that some corporate failures may be attributable to inadequate financial reports. Although in comparison to the 500,000 companies registered in Nigeria, only a little over 200 companies have their shares listed on the Nigerian Stock Exchange (NSE). Nevertheless, the Exchange plays an important role in the governance of these companies, through steps taken to improve the quality of their financial reporting. On behalf of the SEC, the NSE monitors compliance with the financial reporting requirements of listed companies. It acts as the guardian of the ordinary shareholder, through its influence on financial disclosure. For example, all listed companies have to obtain prior approval of the contents of the annual report to be circulated to members before an Annual General Meeting. The reasoning is that the market is made more transparent as companies seek to satisfy the conditions for selection as winners of the award. It is presumed that companies will readily subject themselves to the rigours of qualifying for the award, seeing that their satisfaction of the elaborate selection criteria will rub off positively on the relationship between management and shareholders, prospective investors and the public at large (Okike, 2007).

The stakeholder theory was developed by Ed Freeman in the 1980s. Wheeler, Colbert and Freeman (2003) argued that the stakeholder theory is derived from a combination of the sociological and organizational disciplines. In an article extending the stakeholder theory, Jensen (2001) recognized the multiplicity of stakeholders and opined that certain actions of management might have conflicting effects on various classes of stakeholders. This implies that the managers have a range of objective functions to optimize, something that Jensen sees as an important weakness of the stakeholder theory "because it violates the proposition that a single-valued objective is a requirement for purposeful or rational behavior by any organisation" (Jensen, 2001).

Dar, Naseem and Niazi (2011) studied the relationship between four corporate governance mechanisms and two performance measures of Karachi Stock Exchange listed Oil and gas firms for the period of 2004-2010. T-test and multiple regression analysis were used. The result showed a positive relationship between Return on Equity and board size as well as annual general meeting. The researchers recommended that board size should be limited to sizeable number and the post of the chief executive and chairman should be occupied by different persons.

Yasser, Entebang and Mansor (2011) studied corporate governance and firm performance in Pakistan. They examined the relationship between four important corporate governance mechanisms (board size, board composition, CEO/chairman duality and audit committee) and two firm performance measures (return on equity and profit margin) using a sample of 30 Pakistani listed firms between 2008 and 2009. The results provided evidence of a positive significant relationship between return on equity and profit margin and three corporate governance mechanisms (board size, board composition and audit committee) and a negative relationship with CEO duality.

Akpan and Amram (2014) studied the relationship between board characteristics and company performance (measured by turnover) in Nigeria. A simple random sampling technique was used to select the 90 companies. The study used multiple regression technique on 90 sampled firms from the main board of Nigerian Stock Exchange from 2010 to 2012. The empirical evidence of the study showed that board size and board education are positively and corporate governance, and that some corporate failures may be attributable to inadequate financial reports. Although in comparison to the 500,000 companies registered in Nigeria, only a little over 200 companies have their shares listed on the Nigerian Stock Exchange (NSE). Nevertheless, the Exchange plays an important role in the governance of these companies, through steps taken to improve the quality of their financial reporting. On behalf of the SEC, the NSE monitors compliance with the financial reporting requirements of listed companies. It acts as the guardian of the ordinary shareholder, through its influence on financial disclosure. For example, all listed companies have to obtain prior approval of the contents of the annual report to be circulated to members before an Annual General Meeting. The reasoning is that the market is made more transparent as companies seek to satisfy the conditions for selection as winners of the award. It is presumed that companies will readily subject themselves to the rigours of qualifying for the award, seeing that their satisfaction of the elaborate selection criteria will rub off positively on the relationship between management and shareholders, prospective investors and the public at large (Okike, 2007).

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Peters and Bagshaw (2014) examined empirically the impact of corporate governance mechanisms on firm financial performance using listed firms in Nigeria. Content analytical approach was used to obtain data through the corporate website of the respective firms and website of the Securities and Exchange Commission. A total of 33 firms were used for the study cutting across three sectors - manufacturing, financial and oil and gas. The results of the study showed that most of the corporate governance items were disclosed by the case study firms. The result also showed that the banking sector has the highest level of corporate governance disclosure compared to the other two sectors. The result thus indicates that the nature of control over the sector have an impact on companies' decision to disclose online information about their corporate governance in Nigeria.

METHODOLOGY

Model Specification

The study adopted the model from the work of Dar, Naseem and Niazi (2011) stated below

$$PERF = \alpha + \beta(BSIZE) + \beta(AGM) + \beta(CEO) + \beta(AUDCOM) + \varepsilon$$

$$ROE = \alpha + \beta(BSIZE) + \beta(AGM) + \beta(CEO) + \beta(AUDCOM) + \varepsilon$$

From the above model the study formulated a new model shown below. As this study attempts to check the effect of corporate governance on the performance of oil and gas firms in Nigeria, Board size, Firm size, Ownership concentration and AUDCOM as Independent variables are measures of Corporate Governance; while Return on Equity (ROE), Return on Asset (ROA) and Profit After Tax (PAT) as dependent variables measured performance. Implicitly, the models are stated as thus:

Model 1

ROE = f(Corporate Governance)

ROE = f(Board size, AUDCOM, Firm size, OC)

$$ROE_{it} = \alpha + \beta_1 Boardsize_{it} + \beta_2 AUDCOM_{it} + \beta 3 Firmsize_{it} + \beta 4 OC_{it} + \mu_{it}$$

Model 2

ROA = f(Corporate Governance)

ROA = f(Board size, AUDCOM, Firm size, OC)

$$ROA_{it} = \alpha + \beta_1 Boardsize_{it} + \beta_2 AUDCOM_{it} + \beta 3 Firmsize_{it} + \beta 4 OC_{it} + \mu_{it}$$

Model 3

PAT = f(Corporate Governance)

PAT = f(Board size, AUDCOM, Firm size, OC)

$$PAT_{it} = \alpha + \beta_1 Boardsize_{it} + \beta_2 AUDCOM_{it} + \beta 3 Firmsize_{it} + \beta 4 OC_{it} + \mu_{it}$$

Where:

X_1 = Board size (total number of Directors on the Board)

X_2 = AUDCOM (A dummy variable, taking a value of 1 for the chairman of audit committee if he is a non- executive member and 0 if otherwise.

X_3 = Firm size (firm size in terms of total assets)

X_4 = Ownership Concentration (The proportion of shares owned by the largest shareholders divided by the number of largest shareholders).

α = intercept

$\beta_1 - \beta_4$ = Parameter of Estimate

$\mu_{it} = \varepsilon_{it} + \lambda_i$

ε_{it} = stochastic error term

λ_i = cross-sectionals individual difference (Composite Error)

apriori expectation is that $\beta_1 - \beta_4$ should be > 0

The study utilized data from the secondary source. The sources of data for the study were the Nigerian Stock Exchange (NSE) and the website of the firms through which the annual reports of six (6) selected oil and gas firms for 2005 to 2013 study period were obtained.

DATA PRESENTATIONS, RESULT AND DISCUSSIONS

Preliminary Analysis

Table 1: Multicolliniarity Test – Correlation of the Independent Variables

	Board size	CEO Status	OC	Firm Size
Board Size	1			
AUDCOM	0.353	1		
OC	0.268	0.466	1	
Firm Size	-0.044	0.026	-0.086	1

Source: Author's Computations 2017

Table 1 shows the relationship between the independent variables. There is absence of multicollinearity between each pair of independent variables.

Table 2: Correlated Random Effects – Hausman Test

Variable	Chi-Sq statistic	Chi-Sq d.f.	Prob.
Model 1	6.032	4	0.110
Model 2	2.744	4	0.433
Model 3	0.849	4	0.838

Source: Author's Computations 2017

Table 2 presents the summary result of Hausman test which shows the fixed and random effect of the cross-sectional data used to test the individual difference among the cross-sectional data (firms). For all the three models of this study, random effect is preferred which indicated by prob (0.110, 0.433 and 0.838) respectively at 5% significant level

Hypothesis Testing

Table 3: Corporate governance and Return on Equity

Dependent Variable: Return on Equity (ROE)

Variables	Coefficient	Std. Error	t-statistic	Prob.
Intercept (C)	3.192	1.626	1.963	0.056
Board Size (log X_1)	-0.537	0.210	-2.454	0.020
AUDCOM (X_2)	0.918	0.405	2.597	0.011
Firm Size (log X_3)	0.284	0.131	2.203	0.041
Ownership Concentration (X_4)	-1.140	1.687	-0.676	0.503
R-squared	0.621			
Adjusted R-squared	0.536			
Std. Error	0.406			
F Statistic	6.121			
Prob (F- stat)	0.000			
Durbin Watson stat	1.441			

Author's computations 2017

Table 3 shows the linear relationship between corporate governance and return on equity (ROE) of quoted oil and gas firms in Nigeria with the use of multiple panel regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation has a good fit with 62.1 percent of return on equity is explained by the variables in the equation. This result means that R^2 is highly significant in terms of the goodness of fit. In terms of the signs and magnitude of the coefficients which signify the corporate governance and return on equity (ROE), it can be seen that the variables AUDCOM (X_2) and Firm size (X_3) concur with apriori theoretical expectation with positive sign 0.918 and 0.284 respectively, while variables Board size (X_1) and Ownership concentration (X_4) do not concur with negative sign -537 and -1.140 respectively. The significant coefficients of firm size (X_3) and AUDCOM (X_2) exogenous variable clearly have positive significant effect on return on equity (ROE) which is indicated by prob (0.041 and 0.011) respectively as against the findings in Dar *et al* (2011) where AUDCOM has a negative effect on ROE, while board size (X_1) plays negative significant role indicated by prob (0.020) at 5% level of significant. This agrees with Yasser *et al* (2011) where board size was positively correlated with ROE. The positive sign in Firms size (X_3) means that 1% increase in the turnover (firm size), will result in 0.284% increase in ROE. If the AUDCOM chairman is a non-executive member, the ROE will increase by 0.918% and 1% increase in the board size will result in 0.537% decrease in the ROE. This implies that the board size should be moderate, a minimum of five (5) members and maximum of ten (10) members. Ownership concentration (X_4) does not have any effect on ROE, indicated by prob (0.503). Overall, the result of the F-statistic (6.121) revealed that corporate governance has significant effect on the ROE of quoted oil firms in Nigeria which indicated by prob (F-stat) 0.000.

Table 4: Corporate governance and Return on Asset
Dependent Variable: Return on Asset (ROA)

Variables	Coefficient	Std. Error	t-statistic	Prob.
T	7.167	2.047	3.501	0.001
Board Size (log X_1)	-1.325	0.365	-3.633	0.000
AUDCOM (X_2)	0.777	0.317	2.450	0.018
Firm Size (log X_3)	0.540	0.178	3.030	0.004
Ownership Concentration (X_4)	-1.675	2.124	-0.788	0.435
R-squared	0.588			
Adjusted R-squared	0.479			
Std. Error	0.512			
F Statistic	3.559			
Prob (F- stat)	0.003			
Durbin Watson stat	1.483			

Author'sComputations 2015

Table 4 shows the linear relationship between corporate governance and return on asset (ROA) of quoted oil firms in Nigeria with the use of multiple panel regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation has a good fit with 58.8 percent of return on asset explained by the variables in the equation. This result means that R^2 is highly significant in terms of the goodness of fit.

In terms of the signs and magnitude of the coefficients which signify the corporate governance and return on asset (ROA), it can be seen that the variables AUDCOM (X_2) and (Firm size) X_3 concur with *a priori* theoretical expectation; with positive sign 0.777 and 0.540 respectively. However, variables Board size (X_1) and Ownership concentration (X_4) do not concur with negative sign -1.325 and -1.675 respectively. The significant coefficients of firm size (X_3) and AUDCOM (X_2) exogenous variable clearly have positive significant effect on return on asset which is indicated by prob (0.004 and 0.018) respectively, while board size (X_1) plays negative significant role indicated by prob (0.001) at 5% significant level. This means that 1% increase in the turnover (firm size), will result in 0.540% increase in ROA. If the AUDCOM chairman is a non-executive member, the ROA will increase by 0.777% and 1% increase in the board size will result in 1.325% decrease in the ROE. Variable ownership concentration (X_4) does not have any effect on ROA indicated by prob (0.435). Overall, the result of the F-statistic (3.559) revealed that corporate governance has significant effect on the ROA of quoted oil firms in Nigeria **which indicated by prob (F-stat) 0.003.**

Table 5: Corporate Governance and Profit after Tax
Dependent Variable: Profit after Tax (PAT)

Variables	Coefficient	Std. Error	t-statistic	Prob.
Intercept (C)	49.934	21.553	-2.317	0.025
Board Size (log X_1)	3.565	2.292	1.556	0.127
AUDCOM (X_2)	-0.426	0.252	-1.692	0.097
Firm Size (log X_3)	0.186	0.008	22.851	0.000
Ownership Concentration (X_4)	-1.713	7.359	-0.233	0.817
R-squared	0.942			
Adjusted R-squared	0.932			
Std. Error	1824			
F Statistic	91.935			
Prob (F- stat)	0.000			
Durbin Watson stat	2.112			

Author's Computations 2015

Table 5 above shows the linear relationship between corporate governance and profit after tax (PAT) of quoted oil firms in Nigeria with the use of multiple panel regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation has a good fit with 94.2 percent of profit after tax is explained by the variables in the equation. This result means that R^2 is highly significant in terms of the goodness of fit.

In terms of the signs and magnitude of the coefficients which signify the corporate governance and profit after tax (PAT), it can be seen that the variables Board size (X_1) and Firm size (X_3) concur with *a priori* theoretical expectation with positive sign 3.565 and 0.186 respectively. However, variables AUDCOM (X_2) and Ownership concentration (X_4) do not concur with negative sign -0.426 and -1.713 respectively. The significant coefficients of firm size (X_3) exogenous variable clearly have positive significant effect on return on equity which is indicated by prob (0.000) at 5% level of significant. This means that N1million increase in the turnover (firm size), will result in N0.186million increase in PAT. Other variables like board size (X_1), AUDCOM (X_2) and ownership concentration (X_4) are not significant at 5% significant level. This means that they do not have significant effect on PAT indicate by prob (0.127, 0.097 and 0.817) respectively. Overall, the result of the F-statistic (91.935) revealed that corporate governance has significant effect on the PAT of quoted oil firms in Nigeria **which indicated by prob (F-stat) 0.000.**

Summary of Findings

From the analysis, the study found that:

i. board size and ownership concentration have a negative effect on ROE, while Firm size and AUDCOM have a positive effect on ROE;

ii. firm size and AUDCOM have a positive effect on ROA, while board size and ownership concentration have a negative effect on ROA; and

iii. he board size and firm size have a positive effect on PAT, while ownership concentration and AUDCOM have a negative effect on PAT.

Recommendations

Based on the findings, corporate governance is a very essential factor that determines firm's performance. Organizations should therefore comply with code of corporate governance. The study recommends that:

i. firms should not have a board size that is too large or too small, a maximum of (10) members and minimum of five (5) as given by SEC would make performance of board more effective;

ii. chairman of the audit committee should be a non-executive member and the committee should have at least three (3) non-executive members out of six (6) members in total as directed by the SEC; and

iii. ownership should not be concentrated in the hands of directors, institutional investors should be allowed greatly in the firm.

Conclusion

Based on the objectives and the results of the findings, this study concludes that corporate governance has significant influence on the performance of oil and gas firms in Nigeria. The variables individually have negative and positive influence on the performance of the firms, but generally there is a positive relationship between corporate governance and performance of oil and gas firms.

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