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Corporate Governance Code Reforms and Financial Performance of Non-Financial Companies In Nigeria.

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ABSTRACT

The study investigates effect of corporate governance code reforms on financial performance of quoted non-financial companies on the Nigerian Stock Exchange. The specific objectives of the study were to determine whether corporate governance code reforms has any effect on firm financial performance using Return on Equity (ROE) and Net Profit Margin (NPM) as a measure of firm financial performance. Ex-post facto research design was used and a sample of 75 quoted non-financial companies with complete and comprehensive published annual reports for the period under review (2011-2020) was used for the study. The Generalised Least Square (GLS) regression was employed to investigate the relationship existing between the variables. The results reveals specifically, that corporate governance reforms has a significant impact on ROE and NPM, which appears to be persistent even after the reform years. The study concluded that corporate governance code reforms has greater effect on financial performance of sampled companies. The study recommends that corporate governance code reforms should be encouraged in all developing nations.
Keywords: Corporate Governance, Code Reforms, Financial Performance

1. INTRODUCTION

Corporate governance is the system by which a company's board of directors established and works toward achieving objectives by providing effective and efficient separation of ownership and control. It comprises putting in place and maintenance of independent validation mechanisms in the organization that ensures the reliability of a good system of internal controls used by the board of directors to monitor compliance with the adopted strategies with regard to risk tolerance (Herman & Joy, 2020). Corporate governance is concerned with various systems adopted in which all interested parties in the continued survival of firm attempt to ensure that managers and other insiders adopt strategies that safeguard the interest of the stakeholders with regards to accountability and transparency. Those measures are made mandatory by the separation between ownership of a business and the management, which forms a vital characteristic of the modern firm. In the same vein, it was observed that corporate

governance goes beyond the internal control mechanisms, customs, policies, laws and institutions, regulations of an organization, but that corporate governance structure also includes corporate ethics, accountability, disclosure and reporting (Durga, 2019).

Empirical studies have shown that corporate governance plays an important role in improving the financial performance of a firm and there is a direct relationship between the two (Klapper & Love, 2003; Eissa et al. 2019; Gompers et al., 2003; Fama & Jensen, 2012, Durga, 2019).Literatures on corporate governance suggest that the roles of regulatory authority, board, management, suppliers, customers and creditors are important in improving firm performance.

Firm financial performance is a concept that supports the effective and efficient use of financial resources to achieve overall corporate objectives which include both shareholders wealth maximization and profit maximization objectives. Firms with good track records in term of financial performance tend to attract more investors. Firm financial performance is one of the determinants used by investors to make investment decision. Financial performance has received significant attention from researchers especially in accounting and strategic management. The reason for this is not farfetched as financial performance has implications to organization‘s health and long-term survival. Empirical research studies have shown that firms with stronger stockholder rights, that is, better-governed firms are more valuable (Gompers, et al, 2003 and Bebchuck et al., 2004). That is, firm with strict adherence to known corporate governance codes and practices perform better and have the investors' confidence in the management of the corporation.

In Nigeria, corporate governance code have been dynamic over the years hence there is need to investigate the effect of these frequent changes on corporate governance codes on financial performance of quoted non-financial companies in Nigeria.

Studies have shown that good corporate governance reduces the likelihood of corporate failure resulting from poor financial performance. There are still considerable argument of late concerning the effect of corporate governance codes reforms on the financial performance of corporate entities. The corporate governance landscape in Nigeria has been very dynamic. In 2003, Securities and Exchange Commission (SEC) adopted a Code of Best Practices on corporate governance for publicly quoted companies in Nigeria. In September 2011, the new SEC Code of corporate governance for Public Companies was released in Nigeria to address the weaknesses of the previous code. In April 2015, Financial Reporting Council of Nigeria (FRCN) released its first draft of National Code of corporate governance which is applicable for all public companies. However, most studies on corporate governance have not made any attempt to reflect these dynamic periodic changes in their analysis (Olayiwola, 2018; Umar & Sanni, 2020). The implication is that these studies assumed erroneously that the governance codes have remained static all through the period and this shields the ability to investigate the effect of corporate governance code reforms on financial

performance using Nigeria as case study. Consequently, this study will address this gap by disaggregating the study to incorporate periods of policy changes by introducing a corporate governance code reform dummy that can provide an estimate of the effect of corporate governance code reform.

2. LITERATURE REVIEW

Conceptual Review

Corporate Governance

Researchers, authors and some scholars view corporate governance from different perspective. Some notable organizations also contributed to the development and definitions of corporate governance. Cadbury (1992) defined corporate governance as an instrument used to discipline organizations. The Organization for Economic Cooperation and Development (OECD) 2010, considers corporate governance as the system by which business corporations are directed and controlled. In another words, corporate governance has as its core the decision-making process at the level of the board of directors and top management and the mechanisms, internal or external, that guaranty that decision-process outcomes, are according to the objectives of the firm and its shareholders (Mulbert, 2010). Strandbery (2001) views corporate governance as being determined by the equity allocation among inside and outside investors.

Corporate governance is also seen to concern the relationship between the internal governance mechanism of corporations and society's conceptions of the scope of corporate accountability (Deakin& Hughes, 1997). Fama and Jensen (2012) argued that corporate governance is a framework that controls and safeguards the interest of all stakeholders of an entity. The stakeholders include mangers, employees, customers, shareholders, executive management, suppliers and the board of directors. To them, the essence of corporate governance is to protect and safeguard the investment of shareholders.

Maimako (2010) complemented the above view by affirming that corporate governance is an internal system which incorporates policies, procedures, processes and people. The researcher further upheld that corporate governance is predicated upon accountability, transparency, probity and focus on long term success of a company.

Perhaps the most instructive and encompassing definition of corporate governance was proffered by Central Bank of Nigeria (CBN, 2010) as a process of customs, policies, systems, laws and procedures that govern institutions and the manner these rules and regulations are applied and controlled. It includes compliance with legal and statutory requirements. This definition seems to be more exact and appropriate because it considers the recognition and protection of rights of all stakeholders.

This study aligns with corporate governance as arrangements and mechanisms put in place to ensure efficient and effective control of the affairs of an entity for optimal maximization of shareholders wealth as well as adequate compensation for other stakeholders. This study therefore conceptualized corporate governance as the checks and balances, both

internal and external activities of managers in corporate entities, which ensure that companies are accountable to all their stakeholders and their environment in all areas of their business activity.

Firm Financial Performance

The performance or value of a firm can be seen as the amount of utility or benefits derived from shares of a firm by the shareholders. Firms with high value from the sales of their shares can be said to be performing well financially. Such high valued firms attract investors a lot thereby increasing the firm's prospect of further expansion. Performance is however, a difficult concept, in terms of definition and measurement. It has been defined as the end result of activity, and the appropriate measure selected to assess corporate performance is considered to depend on the type of organization to be evaluated and the objectives to be achieved through that evaluation.

Hill and Jones (2009) similarly asserted that the key measure of an organization's financial performance is its profitability. For the purpose of this study, firm financial performance was measured using Return on Equity (ROE) and Net Profit Margin.

Return on Equity (ROE)

One accounting based measure of performance in corporate governance research is return on equity (ROE). Therefore, return on equity is a measure that shows investors the profit generated from the money invested by the shareholders (Epps & Cereola 2008). It measures the profitability of shareholders‟ investment and shows the net income as a percentage of shareholders‟ equity. ROE is considered a measure of how effectively management is using a company's assets to create profits. It is calculated as:

$$\text{ROE} = \frac{\text{Annual Net Income}}{\text{Average stockholders' equity}}$$

Net Profit Margin

The net profit margin, or simply net margin, measures how much net income or profit is generated as a percentage of revenue. It is the ratio of net profits to revenues for a company or business segment. Net profit margin is typically expressed as a percentage but can also be represented in decimal form. Net Profit Margin is a profitability ratio and is the ratio between income before tax and sales (Rose, 2008). In the study carried out by Salami (2013) showed the same trend impacts the NPM to the rate of Return on Equity. In particular, the proportion of ROE in last year will impact the way to the ROE of the current year because the decision of the leadership of the company in the past would be effective in the future. Coefficient Net Margin impact in the same way to ROE, higher coefficient indicates businesses are performing well, high profitability and a positive influence to the magnitude of future ROE. The calculation of this ratio is:

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Total Revenue}}$$

To determining the financial situation of the enterprise, the time to consider to look at their profit statements at least five to ten years, because profits in a single year may be ambigous (Herman & Joy, 2020).

Theoretical Review

A number of theories have been developed to explain the model of corporate governance and performance of firms during the last two decades. For the purpose of this study, agency theory was reviewed.

Agency Theory

The principal –agent theory is generally considered the starting point for any argument on the issue of corporate governance. Berle and Means (1932) stated that the fundamental agency problem of modern firm is primarily due to separation between finance and management. Separation of ownership and control is seen as the main problem of modern firms, as these firms are therefore run by the professional managers who are the agents and cannot be held accountable by shareholders.

The principals are faced with the problem of selecting the most capable managers, and also with the problem of giving the managers (agents) the right incentives to make decisions aligned with shareholders interest.

Agency theory was developed by Jensen and Meckling (1976). They suggested a theory of how the governance of a company is based on the conflicts of interest between the company's owners (shareholders), its managers and major providers of debt finance. Each of these groups has different interests and objectives. Jensen & Meckling (1976) argued that agency theory can be viewed as a nexus of contracts, implicit and explicit, among various stakeholders, such as shareholders, bondholders, employees, and the public which involves delegating some decision-making authority to the agent. The agents here are the managers of corporations while the principal refers to all the shareholders.

In a nutshell, a principal-agent relationship arises when the person who owns a firm is not the same as the person who manages or controls it. Investors need managers' specialized human capital to generate returns on their investments and managers may need the investor's funds since they may not have enough capital of their own to invest. In this case, there is separation between those giving out the fund and those managing the firm, that is, there is a separation between ownership and control (Berle & Means 1932).

A critique of the agency theory is the implicit presumption that, the conflicts are between strong, entrenched managers and weak, dispersed shareholders. It has led to an almost exclusive focus in both analytical work and reform efforts, of solving the monitoring and management entrenchment problems, which are the main corporate governance problems in the principal-agent context with dispersed ownership. (Maher & Terry, 1999). The analytical focus of the agency theory on how to solve the corporate governance problem is too narrow says another critique of this theory (Mathias, 2002). It should be noted that shareholders are not the only ones who make investments in a firm, the effective performance or success of a firm is a result of team work that involves contributions from several resource providers.

Empirical Review of Relevant Prior Studies

Researches done by other researchers are discussed below.

S/N	AUTHOR(S)/ YEAR	METHODOLOGY	VARIABLES USED	STATISTICAL TOOLS	KEY FINDINGS AND CONCLUSIONS
1	Waleed et al. (2020)	53 non-financial listed companies from India and 53 non-financial listed companies from GCC countries for the period 2009–2016.	Dependent: ROE and Tobin's Q. Independent: Corporate governance scores/ratings	ordinary least squares (OLS)	Results revealed that board accountability (BA) and audit committee (AC) have an insignificant impact on firms' performance measured by ROE and Tobin's Q. Similarly, transparency and disclosure (TD) have an insignificant negative impact on firms' performance measured by Tobin's Q. Moreover, the country dummy results show that Indian firms are performing better than Gulf countries ones in terms of corporate governance practices and financial performance
2	Umar and Sanni (2020)	15 quoted deposit money banks in Nigeria. (2015-2019).	Dependent: ROA Independent: Board size, Board composition and Firm size	Panel regression techniques	Findings showed that there is significant relationship between board composition, board size and firm size and the ROA of deposit money banks in Nigeria.
3	Lina and Laith (2020)	All listed Jordanian Banks (2014 to 2017).	Dependent: ROE and ROA Independent: board size, board diligence, audit committee size and audit committee diligence	Multiple regression analysis	The study reports significant effects of the board size, board diligence, audit committee size and audit committee diligence separately on ROE by considering two controlling variables; namely, firm size and return on assets.
4	Kiradoo (2019)	Selected UK firms (2013-2017)	Dependent: ROA Independent: CEO duality, board size and ownership concentration	regression analysis	The various mechanisms are taken into considerations for the internal control and external control of the corporate governance. The study provides descriptive data analysis and regression analysis shows the direct connection between corporate governance and increasing profitability of the firm.
5	Enilolobo et al. (2019)	Ten(10) listed food and petroleum firms over a period of seven (7) years (2011-2017)	Dependent: ROA Independent: Board size, audit committee, board independence, and ownership structure	Panel regression analysis	CG mechanisms of BI, AC and OS have positive effect on financial performance of the food and petroleum firms in Nigeria. However, the result revealed that CG mechanism of board size has negative effect on the financial performance of food and petroleum companies in Nigeria.
6	Eissa et al. (2019)	30 Indian hotel companies listed on the Bombay Stock Exchange (BSE) ranging from 2013/2014 to 2015/2016.	Dependent: return on assets (ROA), net interest margin (NIM), and earnings per share (EPS Independent: the board of directors (size, composition, and diligence), audit committee (size, composition, and diligence) and institutional ownership	multiple regression analysis	The results confirm that board size, board diligence, audit committee size, and institutional ownership have a significant impact on ROA, while board composition, audit committee composition, audit committee diligence and company age have an insignificant effect on ROA. With respect to NIM model, the results indicate that board composition, board diligence, audit committee composition, institutional ownership and size of the company have a significant impact on NIM, while board size, audit committee size, and audit committee diligence have an insignificant effect on NIM. In terms of the EPS model, the results suggest that board size, board composition, board diligence, audit committee composition, and company age thus have a significant impact on EPS, while audit committee size, audit committee diligence, and institutional ownership have somewhat of an insignificant influence with EPS.
7	Mohammed (2019)	cement firms listed in Saudi stock market during the period of 2012-2016.	Dependent: ROA Independent: board independence, board size, board meeting and audit type	Ordinary Least Square (OLS)	the results of the study revealed that managerial ownership and firm size have a positive and significant impact on firm performance. However, board independence, board size, board meeting and audit type have no effect on the financial performance.

8	Olayiwola (2018)	Ten (10) listed firms in Nigeria were chosen(2010 to 2016).	Dependent: net profit margin (NPM) Independent: board size (BS), board composition (BC) and audit committee size (ACS)	Panel data regression analytical technique	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.
9	Urhoghide and Korolo (2018)	12 quoted oil and gas companies in Nigeria (2008 - 2015)	Dependent: PAT Independent: board Size, Board diversity, Board PA,CGD, board diligence	GLS	Board size, board gender diversity and corporate governance practices have significant positive impact on financial performance while board political affiliation has significant negative relationship with financial performance of quoted oil and gas companies in Nigeria.

Source: Researcher's Compilation 2022

3. METHODOLOGY

This research work employed the ex-post facto research design. The ex-post facto research design as stated by Onwumere (2009) is the type of research involving events that have already taken place. This design is suitable for this research because it is not possible to directly manipulate or control the independent variables because the events have already taken place and therefore the research is been conducted after the fact. The population of the study comprises of all non-financial companies quoted on the floor of the Nigerian Stock Exchange. As at December 2020, there are 134 non-financial companies quoted on the Nigerian Stock Exchange (NSE Factbook, 2021) and this constitutes the population for the study. However, after filtering the data and removing those with incomplete data, companies whose full annual report were not accessible and companies that were listed after the 2011, the study arrived at a sample of 75 firms and this was eventually used for the study. The method of sampling was done using the simple random sampling technique. The study used secondary data retrieved from corporate annual reports of the sampled companies for the period 2011-2020 financial years. The study utilized the Generalized Least squares (GLS) regression estimation to analyze data. Consequently, the model for this study is presented below:

MODEL 1

$ROE_{jt} = \lambda_0 + \lambda_1 \text{CG-Ref}_{jt+} \mu_{jt}$---------- (1)

MODEL 2

$NPM_{jt} = \lambda_0 + \lambda_1 \text{CG-Ref}_{jt+} \mu_{jt}$---------- (2)

Where

FP=Financial performance proxied by ROE and NPM

CG-REF= Corporate governance reform

J =jth firm

t = time period

4. RESULTS AND DISCUSSION

The study utilizes the Panel regression analysis using Generalized Least Squares (GLS) technique. The reason for the panel regression is that it has the additional advantage that it allows for the examination for variations among cross-sectional units simultaneously with variations within individual units over time. Thus, omitting relevant unobservable factors would misspecify the model from the econometric standpoint and would inevitably produce biased (or inconsistent). The results are presented below.

Table 4.1. ROE Regression Result

Variable	Aprori sign	Random Effects Estimates	Fixed Effects Estimates	Pooled OLS
C		0.7701* (0.1100) {0.0000}	0.5477* (0.1079) {0.000}	0.8265 (0.0561) {0.000}
CG-Reform Period-Dum				
D_2010	+	0.3211 (0.0564) {0.9764}	0.0022 (0.0631) {0.0281}	0.0766 (0.0843) {0.9416}
D_2011 Reform-Year	+	0.0045 (0.0163) {0.7845}	-0.0009 (0.0012) {0.0432}	0.0055 (0.0122) {0.8015}
D_2012	+	0.0109 (0.0164) {0.5076}	0.0067 (0.0043) {0.1227}	0.0145 (0.0217) {0.5050}
D_2013	+	-0.0467 (0.1664) {0.0051}	-0.0487 (0.0046) {0.000}	-0.0410 (0.0218) {0.0606}
D_2014		-0.0568 (0.1680) {0.0008}	-0.5296 (0.0056) {0.000}	-0.0489 (0.0218) {0.0255}
D_2015	+	-0.0629 (0.0169) {0.0002}	-0.0566 (0.0061) {0.0000}	-0.0560 (0.0219) {0.0107}
D_2016 Reform Year	+	-0.0486 (0.0172) {0.0049}	-0.0466 (0.0069} {0.0000}	-0.0416 (0.0223) {0.0592}
D_2017	+	-0.0422 (0.0172) {0.0154}	-0.0465 (0.0079) 0.0000	-0.0339 (0.0221) {0.1255}
D_2018	+	0.0264 (0.0181) {0.1466}	0.0410 (0.0086) {0.000}	0.0388 (0.0221) {0.0899}
D_2019		0.0371 (0.0425) {0.0263}	0.07684 (0.0534) {0.1514}	0.1039 (0.4626) {0.8223}
AR(1)			0.5579 (0.0098) {0.000}	0.103977 (0.462667 {0.8223}

Model Parameters			
R^2	0.1202	0.913	0.123
Adjusted R^2	0.1015	0.900	0.104
F-statistic	6.4402	75.897	6.596
Prob(F-stat)	0.000	0.000	0.000
Durbin-Watson	1.029	1.904	0.59
Model Diagnostics			
χ^2_{Hetero}	(0.3927)	χ^2_{Norm}	0.6712
$\chi^2_{Serial/Corr}$	(0.862)	$\chi^2_{Hausman}$	11.232
$\chi^2_{Wald\text{-}Test}$	(0.00)		(0.000)

Source: Researcher's computation using STATA (2022)

Table 4.1 show the regression results examining the impact of corporate governance on firm financial performance measured by ROE. The $\chi^2_{Hausman}$ statistic and p-value (11.232, p=0.00) indicates that the fixed effects model estimation is the appropriate estimation for the model indicating the existence of significant correlations between firms specific disturbances and the beta's. The model reveal that R^2 and Adj R^2 stood at 91.3% and 90% respectively which suggests that firm life cycle accounts for about 90% of systematic variations in firm performance of the firms in the sample. The χ^2_{Hetero} p-value (0.3927) implies the homoscedastic behaviour of the errors and the $\chi^2_{Serial/Corr}$ p-value (0.862) also reveals the absence of serial correlation. In addition, χ^2_{Norm} p-value (0.6712) reveals that the series follow a normal distribution. The F-stat of 75.89 (p-value = 0.00) which is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variable cannot be rejected. It is also indicative of the joint statistical significance of the model. The estimation results also shows the coefficients of the period dummy variables used to capture time effects of corporate governance. In dynamic panel data models, dummy variables may be introduced to the least squares to explain the effect of each individual unit of a cross section which is unobserved but correctly specifies the model of relation.

The consistency of the dummy approach to dynamic modelling of the effect of a variable across time was examined by Okeke and Okeke (2016) and comparing it with other estimator types and it was found to be consistent. This approach is free from biasness and inconsistency of the Least Square dummy variable (LSDV) estimator occasioned by the introduction of a lagged endogenous explanatory variable which introduces autocorrelation into the model. In Nigeria, the periods of corporate governance reforms have been in 2003 and then in 2011,

a new corporate governance code was released and then in 2018, a new code was also introduced. The results reveal that in Yr-2010, the coefficient is positive and significant which suggest that the CG-reform of 2003 which extended till 2011 still had some positive impact on firm performance. The D_2011 CG dummy is positive and significant at 5% which indicates that the introduction of the 2011 code of corporate governance had a positive and significant impact on firm performance. The persistence of the positive effects of the governance codes on firm performance is seen in the significant coefficients of the preceding period dummies; D_2013 (p=0.000), D_2014 (p=0.000), D_2015 (p=0.000), D_2016 (p=0.000) and D_2017 (p=0.000). In, 2018, a new general code of corporate governance was also introduced and the period dummy; D_2018 is positive and significant (0.0410, p=0.000) indicating that the introduction of the code has a direct positive impact on firm performance and the effect is also seen to persist into 2019 as the period dummy; D_2019 is also positive and significant at 5% (0.0768, p=0.1514). Hence, we reject the hypothesis that Corporate Governance reforms has no significant effect on ROE.

Table 4.2. NPM Regression Result

Variable	Aprori sign	Random Effects Estimates	Fixed Effects Estimates	Pooled OLS
C		0.4880* (0.0764) {0.000)	0.0002 (0.000) {0.2927)	0.4904* (0.1038) {0.000}
CG-Reform Period-Dum				
D_2010	+	0.0001 (0.000) {0.8649}	0.6586 (0.4491) {0.6594}	1.6642 (0.1257) {0.000)
D_2011 Reform-Year	+	-0.0008* (0.0010) {0.4302}	0.0004* (0.000) {0.000}	-0.0038 (0.0013) {0.4085}
D_2012	+	-0.0102* (0.0001) {0.000}	-0.0001* (-10.78) {0.000}	0.0002 (0.0013) {0.8806}
D_2013	+	-0.0141* (0.0048) {0.0035}	-0.0002 (0.000) {0.000}	0.0010 (0.0046) {0.8205}
D_2014		0.0112* (0.0009) {0.000}	0.7832 (0.242) {0.0023)	-0.0006 (0.0013) {0.6406}
D_2015	+	-0.0016 (0.0001) {0.000}	9.96e-05 (0.0099) {0.9921}	-0.0154 (0.0022) {0.000}

D_2016 Reform Year	+	0.0001 (0.000) {0.8649}	0.0053 (0.0348) {0.8802}	1.8615* (0.0656) {0.000)
D_2017	+	-0.0008* (0.0010) {0.4302}	-0.00222 (0.0183) {0.9034}	-0.0077* (0.0027) {0.0054}
D_2018	+	-0.0102* (0.0001) {0.000}	0.0009 (0.0059) {0.9884)	0.0009 (0.0014) {0.5290}
D_2019		-0.0141* (0.0048) {0.0035}	-0.0025* (0.000) {0.000}	0.0020 (0.0049) {0.6821}
AR(1)			-0.0036* (0.0003) {0.000}	0.3339* (0.0214) {0.000}
Model Parameters				
R^2		0.2187	0.6811	0.1907
Adjusted R^2		0.1809	0.6056	0.1531
F-statistic		7.998	63.950	7.809
Prob(F-stat)		0.000	0.000	0.000
Durbin-Watson		1.029	1.97	1.430
Model Diagnostics				
χ^2_{Hetero} $\chi^2_{Serial/Corr}$ $\chi^2_{Wald\text{-}Test}$		(0.966) (0.144) (0.000)	χ^2_{Norm} $\chi^2_{Hausman}$	0.509 15.866 (0.000)

Source: Researcher's computation using STATA (2022)

Table 4.2 show the regression results examining the impact of corporate governance on firm net profit margin. The net profit margin is the ratio of net profits to revenues for a company or business segment. Expressed as a percentage, the net profit margin shows how much of each Naira collected by a company as revenue translates to profit. Net profitability is an important distinction since increases in revenue do not necessarily translate into increased profitability. The $\chi^2_{Hausman}$ statistic and p-value (15.866, p=0.00) indicates that the fixed effects model estimation is the appropriate estimation for the model indicating the existence of significant correlations between firms' specific disturbances and the beta's. The model reveals that R^2 and Adj R^2 stood at 68.11% and 60.56% respectively which suggests that firm corporate governance accounts for about 68% of systematic

variations in firm performance of the firms in the sample. The χ^2_{Hetero} p-value (0.966) implies the homoscedastic behaviour of the errors and the $\chi^2_{Serial/Corr}$ p-value (0.144) also reveals the absence of serial correlation. In addition, χ^2_{Norm} p-value (0.509) reveals that the series follow a normal distribution. The F-stat of 63.95 (p-value = 0.00) which is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model.

The estimation results also shows the coefficients of the period dummy variables used to capture time effects of corporate governance. The results reveal that in Yr-2010, the coefficient is positive though not significant which suggest that the CG-reform of 2003 which extended till 2010 still had some positive effect on NPM impact on firm performance though this did not appear significant 6 years after the initial introduction of the code in 2003. The D_2011 CG dummy is positive and significant at 5% which indicates that the introduction of the 2011 code of corporate governance had a positive and significant impact on NPM. The persistence of the positive effects of the governance codes on NPM is seen in the significant coefficients of the preceding period dummies; D_2012 (p=0.000), D_2013 (p=0.000), D_2014 (p=0.000). However, a weak effect of corporate governance is observed in D_2015 (p=0.9921), D_2016 (p=0.8802), D_2017 (p=0.9034). In, 2018, a new general code of corporate governance was also introduced and the period dummy; D_2018 is positive and significant (0.0009, p=0.000) indicating that the introduction of the code has a direct positive impact on NPM and the effect is also seen to persist into 2019 as the period dummy; D_2019 is also positive and significant at 5% (0.0025, p=0.000). Hence, we reject the hypothesis that Corporate Governance reforms has no significant effect on NPM.

5. CONCLUSION

The results reveals specifically, that corporate governance code reforms in Nigeria over the years has a significant impact on ROE and NPM, which appears to be persistent even after the reform years. The study recommends that corporate governance reform should be encouraged in Nigeria. From the findings from the study, the need for corporate governance code reforms cannot be overemphasized as well as compliance with corporate governance codes in Nigeria. Recurring corporate scandals continue to reiterate the need to ensure the effective governance of corporations across the globe. In particular, they have led to the emergence of Codes of Best Practices in different countries. Nigeria is no exception.

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