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THE IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF LISTED COMPANIES: THE COMPARISON OF NIGERIA AND TURKEY

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ABSTRACT

THE IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF LISTED COMPANIES: THE COMPARISON OF NIGERIA AND TURKEY

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This research analyzes the impact of corporate governance dimensions on the financial performance of corporations listed in Nigerian Stock Exchange and Istanbul Stock Exchange (Borsa Istanbul). The research used the total sample of 214 Nigerian and Turkish corporations, 94 corporations were sampled from Nigerian Stock Exchange listed corporations and 120 corporations were sampled from Istanbul Stock Exchange. Linear regression analysis was used to analyze the relationships between corporate governance internal mechanisms which constitute of board size, board independence, board gender diversity, CEO duality, board committees and ownership concentration, with financial performance. T-test was used to analyze the existence and the extent of significant differences between the mechanisms used in the Nigerian listed corporations and Turkish listed corporations. The findings indicate that there is a statistically significant positive relationship between corporate governance committee and financial performance of corporations. Additionally, the presence of female independent directors has a negative but minor relationship with the financial performance of corporations. All other mechanisms used in this research have a positive but weak relationship with the financial performance of the corporations. Besides, at country level it is found that the application of the mechanisms differed between Nigeria and Turkey.

Key Words: Corporate Governance, Board of Directors, Financial Performance.

ÖZET

KURUMSAL YÖNETİMİN BORSADA İŞLEM GÖREN ŞİRKETLERİN PERFORMANSINA ETKİSİ: NİJERYA VE TÜRKİYE KARŞILAŞTIRMASI

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Bu araştırmada, Nijerya Menkul Kıymetler Borsası ve İstanbul Menkul Kıymetler Borsasında (Borsa İstanbul) işlem gören şirketlerin kurumsal yönetim ölçümlerinin şirket performansları üzerindeki etkisi incelenmiştir. Araştırmanın örneklemini, Nijerya Menkul Kıymetler Borsasında işlem gören 94 şirket ve İstanbul Menkul Kıymetler Borsasında işlem gören 120 şirket olmak üzere, toplam 214 Nijerya ve Türk şirketi oluşturmaktadır. Kurumsal yönetim ile ilgili, yönetim kurulunun büyüklüğü, bağımsız üyelerin yönetim kurullarında yer alması, yönetim kurullarının cinsiyet farklılığı, icra başkanı ikiliği, yönetim kurulu komiteleri ve sahiplik yapısı değişkenleri ile finansal performans arasındaki ilişkinin anlaşılması için doğrusal regresyon analizi kullanılmıştır. Nijerya şirketleri ile Türk şirketlerinin kurumsal yönetim mekanizmalarının mevcudiyet ve kapsamları arasındaki farkın analiz edilmesi için t-testi kullanılmıştır. Araştırma bulgularına göre, kurumsal yönetim komitesi ile şirketlerin finansal performansları arasında istatistiksel olarak anlamlı pozitif bir ilişki tespit edilmiştir. Bunun yanı sıra, yönetim kurullarında yer alan bağımsız kadın üyeler ile şirketlerin finansal performansı arasında negatif bir ilişki mevcuttur. Araştırma kapsamındaki diğer tüm değişkenler ile finansal performans arasında pozitif ancak zayıf ilişki tespit edilmiştir. Ayrıca, ölçümlerin uygulaması Nijerya ile Türkiye arasında farklılık göstermektedir.

Anahtar Kelimeler: Kurumsal Yönetim, Yönetim Kurulları, Finansal Performans

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LIST OF ABBREVIATIONS

CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CMB	Capital Market Board
MENA	Middle East and North Africa
MINT	Mexico, Indonesia, Nigeria and Turkey
OECD	Organization for Economic Co-operation and Development
ROA	Return on Assets
ROE	Return on Equity
SEC	Security Exchange Commission

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

1.1.1 Introducing Corporate Governance

The foundation of research in corporate governance by academicians, professionals, and other researchers can be traced back to the work of Berle and Means (1932). Berle and Means (1932) observed that modern corporations are increasingly growing in size; as such there is tendency of separation of ownership and control therefore creating a new perspective in the behavioral theories of corporations. Since after the industrial revolution, corporations have gradually become one of the major drivers of growth and development in almost every economy, however performance of corporations is a concern not only to shareholders but rather to all stakeholders, which include investors, government, customers, suppliers, creditors, analyst, unions, auditors, media and the society as a whole, therefore economic growth and development of any country depends on the potency and efficacy of its corporate governance (Oso and Semiu 2012). The recent focus on globalization resulted in more responsible corporate governance that takes a great care of shareholders and all other stakeholders, therefore corporations today are more accountable and transparent than two decades ago (Yüksel 2008).

There is no comprehensive accepted definition of corporate governance, nonetheless, many scholars, researchers, institutions and organizations attempted to define corporate governance in different views and perspectives. The most acceptable definition is that of the Organization for Economic Co-operation and Development (OECD). According to OECD (1999) corporate governance is a system through which corporations are managed and supervised. Later after the experience of massive corporate scandals from different corners of the globe, OECD (2004) reviewed the definition of corporate governance and provided a more comprehensive definition which states that “Corporate Governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders, Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.” In line with this definition, Sreeti Raut (2013) stated that corporate governance is the collection of laws, practices, processes, rules, and conventions that influence the way a corporation is directed, controlled or administered. According to Monks and Minow (1995) corporate governance is the connection, association and affiliation that exists between several participants which include chief executive officer, investors, employees and management in order to determine the direction and performance of corporations. Corporate governance has also been defined as the broad range of practices and policies that management, board of directors and stockholders utilize in order for management and directors to fulfill their obligations to shareholders and other stakeholders and also manage themselves (Hurst 2004). Gruszczynski (2006) observed that, from the outlook of corporations, corporate governance simply means: autonomous and effective supervisory body, clear and factual account, good and powerful stockholders’ rights and equality in the dealings of all shareholders groups. Ararat and Orbay (2006) stated that corporate governance is linked with the structures and procedures for supervising and controlling of corporations, from financial standpoint, corporate governance is concerned with the means in which corporations’ investors and creditors ensure that they received appropriate return for their invested funds. According to Yüksel (2008) corporate governance entails the supervising of the financial performance of corporations and the supervisors’ ability to study and react to the financial performance. From the above definitions we can easily deduct that corporate governance have to do with the dos and don’ts that shape the relationship between stakeholders and the management of corporations.

The potentiality of maximizing growth in financial sector is subject to the ways corporations are governed in an economy; therefore corporate governance and financial development are interwoven (Ararat and Orbay, 2006). However, Klapper and Love (2002) states that corporations in countries that have general frail legal systems is bound to have low corporate governance status, and good corporate governance is positively associated with market value and performance. Weak corporate governance amounts to a shallow stock market which eventually amounts to slow financial progress, and countries with the reverse case are expected to have improved investment and growth performance (Yurtoğlu, 2003).

On the other hand, Financial performance is a significant concept that communicates the way and manner in which corporation's financial funds and other resources are used to achieve the overall corporate goals of the corporations, it maintains the operation of corporations and provides a better outlook for future opportunities[8] (Sunday, 2008). The failure of high profile corporations and the corporate scandals that occurred in different parts of the globe from last two decade to date, are strongly related to the activities of the boards of directors of corporations, therefore board of directors is viewed as one of the fundamental pillars of corporate governance (Şener, Varoğlu and Aren, 2011). The board of directors is a group of elected persons whose main responsibility is to ensure the best performance of the corporation, board of directors are also responsible for reviewing the mission, vision, values, policies and strategic decisions that affect the well-being of the corporation. Strategic planning, development of aims and objectives, and measurement of management performance against the goals and objectives, are one of the roles of boards in strategic direction (Walker, 1999). Recent debates on the effectiveness of corporate governance mechanisms have been centered to the functioning of the board of directors of firms and ownership concentration of corporations. (Andres, Azofra and Lopez, 2005; Mandacı, and Gumus 2010).

[1.] Throughout this study, financial performance and corporate performance are used interchangeably.

1.1.2 Brief historical overview of Corporate Governance

The concept of corporate governance has been in existence since time immemorial. Historical records show that corporate governance has a long trace of history from antiquity. It was documented that there exist specific corporate bodies that were established specifically to manage the activities of public affairs with a full transparency for common good in the Roman Empire (Oso and Semiu, 2012). Also the evolution of the two major religious eras in the Middle East played a role in the history of governance and religion. In 16th century, England became the most powerful trading nation with a variety of rules and regulations via regulatory authorities such as joint stock companies and Bank of England in order to govern all trading transactions with transparency, accountability, efficiency and effectiveness, and stakeholders' satisfaction (Oso and Semiu, 2012). The first full-documented failure of corporate governance in history was the collapse of South Sea Bubble in 1700s, this create a corporate revolution in term of corporate laws and practices in England. In America, the stock market crash of 1929 play a crucial role in reforming and enacting security laws. In general, there have been series of financial crises and corporate collapse overtime ranging from the secondary banking crisis of 1970s in the United Kingdom, savings and loan crises of 1980s America, East- Asian economic and financial crisis of 1990s and global financial crises of 2008 (Ranti, 2011). The single thing that all this crises have in common is the association of the crises with inadequate or improper corporate governance.

The establishment of Stock Exchange markets is also one of the greatest contributions to the governance of corporations. One major step in the history of corporate governance in Turkey is the liberalization of the capital market that took place from the period of 1980 to 1989. The Capital Market Law of Turkey was enacted in 1981 afterwards came the establishment of the Capital Market Board in 1982. After five-year of planning, arrangements process and formulations, Istanbul Stock Exchange was organized and opened in 1986; the number of traded corporations as of 1986 was eighty. In the span of 12 years, the number of traded corporations in Istanbul Stock Exchange increased from eighty as of 1986 to 274 in 1998, and the total market capitalization was around 12% of the gross domestic products over this period (Yurtoğlu, 2000). On April 3, 2013, Istanbul Stock Exchange was amalgamated with Istanbul Gold Exchange and the Derivatives Exchange of Turkey to establish “Borsa Istanbul” which is now the stock exchange market of Turkey.

On the other hand, The Nigerian Stock Exchange was first instituted in 1961 as Lagos Stock Exchange; it was changed to Nigerian Stock Exchange in 1977. It began its transactions with less than ten corporations in 1961 by 1988 there were 155 listed corporations in the market. By 2001, there was an increase of 100 listed corporations amounting to 255 listed corporations in the market (Ahunwan, 2002). Nigerian Stock Exchange market to date is 53 years old but only 242 corporations were listed in the market as of December 2012 (NSE Annual report, 2012). This is due to some problems of corporate governance which are discussed in the statement of problems of this research.

This research provides a brief overview of corporate governance in Nigeria and Turkey and attempt to compare the practice in these two countries. This research is aimed at analyzing the impact of corporate governance on the financial performance of listed corporations in Nigeria and Turkey.

This research is divided into six chapters. The first chapter is the introductory part of the research, it contains; background of the study, statement of research problem, objectives of the study, research questions, significance and justification of the research, and scope and limitation of the research. The second chapter is literature review, it contains discussion of; the theoretical framework of corporate governance, corporate governance principles, linkage between corporate governance and financial performance, the role of corporate governance internal mechanisms, the corporate governance regulatory environment in Nigeria, and the corporate governance regulatory environment in Turkey. Chapter 3 is titled empirical literature review, it consists of the discussion of prior research and surveys on the relationship of corporate governance internal mechanisms with the financial performance of corporations. Chapter 4 is titled methodology; it includes data collection, variables description, and techniques of data analyses and presentation. Chapter 5 is titled research findings; it shows the result of the empirical statistics and the discussion of the results. The results of the analyses from descriptive statistics, regression analyses and t-test were discussed and explained in this chapter. The last chapter is chapter six, which is the conclusion of the study, in which recommendations are also presented.

1.2 Statement of Research Problem

There has been an increasing interest from academia as well as amongst policy makers in industrial, domestic and international government agencies, in the surge to reinforce corporate governance mechanisms to ensure that executives and directors take good measures to safeguard the interest of stakeholders of corporations (Sanda, Mikailu and Garba, 2005). Corporate governance mechanisms are very crucial to firm performance; however, to what extent the mechanisms vary from one country to another is still unclear (Filatotchev, Lien and Piesse, 2005). Corporate governance mechanisms in developing nations and some emerging market nations are the function of large block holdings and bank monitoring. The block holdings mostly resolves the free rider problems, nevertheless it is accompanied with entrenchment of the owner-manager, threat of exposure and liquidity obstacles. These in turn leads to slow improvement in capital markets and causes barriers to progress (Ararat and Orbay, 2006).

The global financial crises and the bankruptcy and collapse of high profile corporations in almost every corner of the globe serves as a crucial benchmark that signifies the global loopholes in efficiency and effectiveness of corporate governance and its mechanisms. It was stated that, the bankruptcy of Lehman Brothers in 2008 was followed by what has generally been characterized as a period of panic and contagion in the capital markets which eventually leads to financial crises, although there are some controversies about the actual cause of the crises (Beltratti and Stulz, 2009). The case of Tyco is a typical example of accounting fraud and inefficiency of regulations in corporate governance. Tyco was a $60 billion conglomerate company that witnessed massive corporate scandal, the chief executive officer (CEO) of the company was charged with white color crime and fraud. He was sentenced to jail, as a consequence to his actions which include stupendous spending of $2 million of corporation's money for his wife's birthday, he also used the corporation's money to build a $29 million official lounge and decorate it with $11 million interiors. He was also caught evading $1 million sales tax and theft of more than $100 million. On the other hand, case of Lehman Brothers is a good example of moral hazard, in which the reckless decision of the management led the corporation into a serious liquidity and solvency problem with a huge leverage problem and eventually led to the winding up of the corporation. While the case of Enron is a good example of the use of aggressive and manipulative accounting system, accounting fraud and corporate scandals in general, WorldCom the giant telecom company also fell into similar set of problems. It is widely accepted that, it was bad management of both the board of directors and management that triggered these corporate scandals (Yüksel, 2008).

Corporate governance faced several problems in Nigeria ranging from massive corporate scandals to inadequate and ineffective legislations. Many banks and corporations collapsed in the 1990s as a result of insufficient regulations to tackle corporate scandals. The ways of business and dealings in Nigeria have amounted to various corporate scandals that deeply effect shareholders and other stakeholders (Sanda et al, 2005). Corporate governance problems in Nigeria can be analyzed taking into consideration of cases such as Lever Brothers Nigeria Plc. Lever Brothers Nigeria Plc is a public listed corporation in Nigeria which is own by Unilever Group U.K (52%). Between 1996 to 1998 there were reports of serious scandals in the corporation by the senior management officers of the corporation. These reports include insider dealings, shares racketeering and self-interest awarding of supply contracts to firms by the senior managers in order to achieve the personal interest goal of the manager. It was discovered that one of the top managers of the corporation had 18 official cars, and almost all of the corporation's major contracts were handled by his wife's corporation (Ahunwan, 2002). It was also reported that tribalism and nepotism is the key determinant in the recruitment process in the company rather than efficiency and effectiveness considerations (Ogbu, 1998). The corporation was also found to have serious accounting and financial scandals to the level that the Nigerian Stock Exchange suspended the corporation in 1998 for submitting an annual return with massive irregularities. The suspension was as a result that the corporation reported a turnover of ₦4 billion (₦ is the symbol of Nigerian currency called Naira) in the first quarter of 1997 and a profit before tax of ₦791.3 million and profit after tax of ₦554.7 million. After adjustment has been made, it was found that there was a ₦5.8 billion turnover, and profits before tax amounted to ₦351 million, while profit after taxes was ₦244.95. It was observed that, it was after a year, the Nigerian Securities Commission took action against the corporation, which is just suspension (Ekanem, 1998; Moyela, 1998). Another case of corporate scandal is that of Cadbury Nigeria Plc in which financial accounts falsification was discovered executed by managers of the corporation in 2006, leading to the overstatement of more than ₦13 billion in the balance sheet and profit to investors for some years, and a loss of between ₦1billion to ₦2billion in 2006. This leads to a serious situation in the Nigerian Stock Markets, shareholders started to dump their stocks in market. Stakeholders were seriously affected by the exposé. It was observed that there was a ₦7.56 fall in Cadbury share prices from 22nd of November to 15th of December 2006. No action was taken by the Nigerian Stock Exchange on the managers of the corporation that are responsible for these acts which include the auditors, CEO and other top level managers and directors. In contrary, the fired CEO of the corporation was successfully able to sue Cadbury Nigeria Plc for illegal termination of his position (Lincoln and Adedoyin, 2012).

The Stock Exchange market plays a significant key role in corporate governance. The stock exchange market plays an important role in disciplining management by providing two main information. On one hand, it provides information of share prices which provide shareholders and other stakeholders with a significant measure that can be used to evaluate the performance of management. On the other hand, the market automatically presents the threat of hostile take-overs to poorly performing corporations.

But for Stock Exchange Markets to be able to exercise this role efficiently and effectively, the market must be relatively large, developed/developing and have a certain degree of liquidity (Ahunwan, 2002). The Nigerian Stock Exchange itself faced a series of problems that hinders it from expanding and controlling the activities of its listed corporations. The little amount and value of stocks listed in the market is the result of the past and serious problems that affected the market. These problems include liquidity problem, low demand for securities, low trading volume and most importantly a serious delay in the establishment of regulatory body for the market. The Securities and Exchange Commission (SEC) came into existence in 1979, almost twenty years after the establishment of Nigerian Stock Exchange market, and it took another twenty years to enact the Securities and Investment Act (1999). Therefore, Nigerian Stock Exchange functioned for about forty years without a proper governance and legal framework for the discharge of its spontaneous and fiduciary duties (Sanda et al, 2005). According to Ahunwan (2002) another problem that hinders stocks to flow into the Nigerian stock market was the imposition of absolute control over public utilities, infrastructure and social service provision by the Nigerian government through establishing the state owned corporations. Foreign investors, especially British firms have a significant interest to invest in these areas, but the government prohibited foreign ownership. One of the key problems of corporate governance in Nigeria is that appointment to board of directors, senior management positions and sometimes even lower positions is often based on social/political connections, ethnic and/or religious loyalty rather than efficiency and professional qualifications (Lincoln and Adedoyin, 2012). Therefore it is urged that the Nigerian government should introduce tangible reforms that directly affect corporate governance; these may include strengthening company law, reforming the legal system to enforce effective shareholders' rights and liberalizing the capital markets. It is hoped that this research will help in providing empirical evidence that will be useful in the processes of this reform.

In Turkey, corporate governance problem is more of ownership concentration and board monitoring independence issues. Family-controlled corporations and group of corporations are some of the main features of Turkish firms visible by their high degree of ownership concentration and cross-ownership between corporations. In Turkey controlling stockholders always play the principal role in the management and strategic direction of the corporations (Yüksel, 2008). Several of the largest corporations in Turkey are interlocked with one another within Business groups. These business groups which are organized around a holding company are owned and controlled by a single family or a small number of allied families who maintain them as coherent institutions within which funds, assets, supplies and employees may be transferred as desired. The most frequent system of maintaining family control business in Turkey is the holding company. The role of the holding company in the Turkish corporate governance is very crucial. They are legally defined as investment corporations with the sole purpose of acquiring the stock of other corporations and managing them. The biggest family in Turkey is Koç; they owned 15 corporations listed in the Istanbul Stock Exchange as of 2003. As of 2003 the aggregate market value of these corporations accounts for nearly 19% of the total market capitalization of Istanbul Stock Exchange. Next after Koç, the largest business group was Sabancı holding, it controls a total of 71 corporations in which 10 are listed in Istanbul Stock Exchange, their market value accounts to 14% of the total capitalization of Istanbul Stock Exchange. In aggregate, the first five business groups account for almost half of the total market capitalization as of 2003 (Yurtoğlu, 2003). There are only two major business groups in Turkey that are not controlled by families, these are Oyak and İş Bankası. In 2006 13 holding companies and 8 affiliated banks account for 40% of the capitalization of Istanbul Stock Exchange (Ararat and Orbay, 2006). This created a serious problem for the free float of shares and board independence to monitor and control the activities of management in Turkey. According to Robertson (2009), 60% of Turkish corporations are owned by individuals or families. The average number of shares that are not held by corporate insiders (free float shares) in Istanbul Stock Exchange is just 20%, and there were very few public corporations with more than 50% free float. She also found that in more than half of the listed companies, CEOs are the majority shareholders; this makes it very tedious to separate governance from management. Turkey has an underdeveloped equity culture; generally, firms that have little reliance on capital markets also have little incentive in the protection of minority shareholders interest (Robertson, 2009). It is a common practice to see members of the owner family on the board of directors and even in the top managerial position of a company (Yurtoğlu, 2000). There are two types of board members other than family members that are common in Turkish corporations, the first are former military officers or politicians, they are given memberships in the boards mainly for public relations purposes and to solidify relationships with important external constituencies. The second category comprises certain professionals who carry out certain limited functions, probably advising in areas of competence and signaling to the outside world that the company is in good hands (Buğra, 1994). Therefore separation of ownership and control, board independence and board ability to fully supervise and control management is the main problems in Turkey. Separation of management and control of decisions contributes to the development of corporations in which the executives do not have a significant stake in the wealth effects of their verdict (Fama and Jensen, 1983).

To sum up, the general problems that are associated with corporate governance in these two countries and the globe as a whole are corporate scandals, lack of board independence, difficulty in separating ownership and control, and lack of adequate and effective governance legislations. Corporate scandals include accounting fraud, abusive dealing, insider trading (to some extent), and moral hazard.

1.3 Objectives of the Study

There exists a plethora of literature concerning corporate governance from different disciplines by different scholars Including Law, Economics, Accounting and Finance, Management and Sociology (Kiel and Nicholson, 2003). The main reason for the existence of vast amount of research in corporate governance is associated with the board responsibilities of designing vision, missions, strategies, building of corporate cultures and provision of favorable working environment that amounts to increase in shareholders stake, and other stakeholders' participation (Thi, 2011). This research is aimed at investigating the effect of corporate governance internal mechanisms, which include; board size, board independence, board committees, CEO duality, board gender diversity and ownership concentration, on the financial performance of Nigerian and Turkish listed corporations. The specific objectives of this research are:

- To analyze the extent to which board independence may affect the performance of corporations.
- To examine the effect of board size on the financial performance of corporations.
- To analyze the effect of ownership concentration (block holding) on the financial performance of corporations.
- To examine the influence of CEO duality on the financial performance of a corporation.
- To empirically determine the significance of committees such as audit committee, corporate governance committee and risk committee in the board of directors of corporations.
- To investigate how gender diversity in the board of directors of a corporation affects its performance.
- To make a comparison of the entire aforementioned dimensions between the two countries.

1.4 Research Questions

After analyzing the background of this research and the problems associated with corporate governance, in other to achieve the stated objectives, it is necessary to raise and try to answer the following research questions.

- Does board size affect the financial performance of corporations?
- Is there any significant difference in the financial performance of a corporation with gender diversity?
- How does the proportion of independent directors affect financial performance of corporations?

- What kind of relationship does block holdings have with the financial performance of corporations?
- What is the optimum board size in the two countries and what accounts for differences (if any)?
- Does the separation of CEO tittle from Chairman of the board of directors have any direct or indirect effect to the financial performance of corporations in Turkey and Nigeria?
- How do audit committee size and composition affect the financial performance of a corporation?
- Does the existence of corporate governance committee and risk committee in the board of corporation affect financial performance?
- How do the results of the above questions differ between the two countries?

1.5 Significance and Justification of the Study

There is a uniform consensus between all international bodies and researchers of corporate governance that, there cannot be a global homogeneous corporate governance regulations unless the domestic differences and priorities are fully grasped and comprehended (Yüksel, 2008). These two countries corporate sectors represent a significant research laboratory that offers researchers with vast opportunity to extend future research and to make numerous contributions. It allows us to analyze corporate governance effects on performance in situations where the managers and board members are frequently family members, or major stakeholders and where they are often the total or major equity providers, and have interlocking relational holdings in other corporations. At the same time, the corporations constitute of minority shareholders to whom managers and the board are accountable to (Filatotchev et al, 2005). However, the process of development and the rate of globalization of these two countries capital markets is accompanied with a potential growth in the investment of domestic and foreign, individual and institutional investors. The corporate financial scandals that occurred in the United States of America, Europe, Southeast Asia and Africa have resulted to a plethora amount of research in corporate governance. Unfortunately, most of the research done in this area were conducted in the United States (Kiel and Nicholson, 2003) and other developed economies such as UK, Germany and Japan (Kang and Shivdasani, (1993); Aoki, (1990); Sheard, (1989); Tang, (2007); Rhoade et.al, (2000); Byrne and Melcher, (1996); Owtscharov, (2007); Picot, (1998) etc.). However, both Nigeria and Turkey are short of empirical literature in the field of corporate governance and performance of corporations. This research is very significant in that, it is the first of its kind that compare the board composition and ownership concentration of Turkish and Nigerian corporations. To date, only one empirical research exist on the comparison of corporate governance between Nigeria and Turkey, it should also be noted that the research is not a direct comparison of Nigeria and Turkey, but rather it is somewhat an indirect comparison of corporate governance in Nigeria and that of MENA countries including Turkey (see: Oyejide and Soyibo, 2001). These two countries are the members of the Next Eleven countries popularly known as N-11. Although, these countries have significant differences in location, institutional background, firm's characteristics and gender regime (Dang et al, 2012). The two countries form part of the popular acronym of MINT (Mexico, Indonesia, Nigeria and Turkey). According to Matthew Boesler (2013) this acronym was created by Jim O'Neil who was also the inventor of BRICS economies acronym, he stated in his report about MINT economies that "….Mexico, Indonesia, Nigeria and Turkey all have very favorable demographics for at least the next 20 years, and their economic prospects are interesting." Hence this form part of the basic criteria of deciding to study corporate governance in these blessed countries. With the above justifications, it is hoped that this research will contribute enormously to set a basis for other researchers and provide an insight in bridging the gap between developed countries and these two countries in the area of corporate governance and corporate financial performance. Therefore the effect of corporate governance on the financial performance of this class of countries is an important research field (Filatotchev et al, 2005).

1.5 Scope and Limitation of the Study

In this research, all the data used in the analyses were retrieved from the annual reports and financial statements of the sampled corporations. There were 242 listed corporations in the Nigerian Stock Exchange as of December 2012 (NSE Annual report, 2012) and there were 373 listed corporations in Istanbul stock exchange as at 2012 (Hand book for Turkish Capital Market, 2012). However, 94 corporations were sampled from the Nigerian Stock exchange and 120 corporations from Borsa Istanbul. The data used in this research is that of the financial year 2012 as it is the latest data available in most of the corporations at the time of this study. Therefore this data do not represent a series of period and the results could be different if another period were taken into consideration. Hence the result cannot be generalized to the countries. The main limitation of this research is the sample size, and the time. Future studies could address the topic by enlarging the sample to include all of the listed corporations in Nigeria and Turkey. However the study can be improved by considering time series data. Furthermore, comparisons between the two countries could be done by considering other board dimensions and activities such as directors' holdings, board interlocking, affiliated directors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Since after the industrial revolution, corporations gradually have become one of the major drivers of growth and development in almost every economy, therefore performance of corporations is a concern not only to shareholders but rather to all stakeholders, which include investors, government, customers, suppliers, creditors, analysts, unions, auditors, media and the society as a whole, as such economic growth and development of any country is subject to the potency and efficacy of its corporate governance (Oso and Semiu 2012). In this chapter, the theoretical framework of corporate governance is first discussed, followed by corporate governance principles, with the demise of the principles, the threshold of the linkage between corporate governance and financial performance emerge, afterward the role of corporate governance internal mechanisms is discussed, followed by the corporate governance regulatory environment in Nigeria, then the Turkish corporate governance regulatory environment.

2.2 Theoretical Framework of Corporate Governance

Corporate governance is always concerned about the relationship that exists between management, shareholders, and other stakeholders so as to reduce or eliminate problems that can emerge from both the organized and spontaneous transactions of the business, such as moral hazard, adverse selection, and other problems that may arise between management and stakeholders. In trying to clear or solve these problems, many theories have been created, proposed and supported in early numerous research on corporate governance such as Berle and Means (1932), Ross (1973), Jensen and Meckling (1976), Pfeffer and Salancik (1978), Fama (1980), and Edward Freeman (1984). The prime theories that emanate from these researches and their like include Agency Theory, Stewardship Theory, Resource Dependency Theory and Stakeholder Theory Nonetheless; these frameworks are discussed in the following parts.

2.2.1 Agency Theory

Berle and Means (1932) stated that it was the establishment of the contemporary corporations that generate the segregation between ownership and control of resources. As corporations grow, it become necessary for the ownership structure to expand, thus more shareholders will invest in the corporation and when the growth continues, it becomes compulsory to hire professionals that will manage the spontaneous operation of the corporation (Ogbechie, 2011). Agency relationship exist where a person(s) called principal entrust another person(s) called agent, with his wealth, resources, or decision making (Jensen & Meckling, 1976). Therefore when managers act in contrary to the interest of the shareholders[2], agency problem emerge. Hence agency problem is as a result of the separation of ownership and control between investors and management (Fama and Jensen, 1983). This theory emanates from neo-institutional theory of finance, researchers and scholars from various fields including law and diverse social sciences studied extensively the role that corporate governance plays in resolving the agency problem (Owtscharov, 2007). In this theory, the main focal point has been the potential conflict that arises between management and ownership (Aaboen et.al, 2005). The conflict of interest and the surge of management in pursuing their personal self-interest mandate the equity owners to incur agency cost[3] (Ogbechie, 2012). Agency theory sort to minimize or eliminate the agency cost to its possible minimum level, as such many recommendations were made by many researchers and scholars. Some of these recommendations will be explained in

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[2.] Shareholders are the principal while the managers are the agents.

[3.] Agency cost are cost incurred in other to effectively structure, bond contracts with agents that have different interest, excess cost over benefit of a contract and monitor management (Fama and Jensen 1983).

the discussion of the corporate governance mechanisms. The scholars of this theory are of the mutual view that, the prime agency relationships in corporations are the one that exists between shareholders and the management, and between debt holders and shareholders (Oso and Semiu, 2012).The proponent of criticizing this theory such as Edward Freeman (1984) stated that, this theory attempts to assault government regulations by only considering the interest of shareholders rather than the interest of the stakeholders[4]. He further argues that Agency Theory also lack the motivation to incur cost such as the cost of water clean-up or cost of non-pollution. This is because the main concern of shareholders is profit and returns, thus any project or activity that result in less or null profit is not considered as valuable to the shareholders.

2.2.2 Stakeholder Theory

The establishment of the stakeholder theory was as a result of the increase in the need of boards to take into consideration a broader interest of the society[5] (Gay, 2002). Managers have a fiduciary bond with the stakeholders of the firm, and they should be considered in determining the future directions of the corporation rather than be treated as a means to some end of that corporation (Freeman, 1984). This theory is of the opinion that a firm is a complicated connection of contracts between management and all other people (individual or groups) who have a direct or indirect interest in the corporation, who are called stakeholders (Sanda et al, 2005). The scholars of this theory deny the assumptions of agency theory and opine that managers and directors routinely have similar interests with the equity owners of the corporation (Ranti, 2011). According to Oso and Semiu (2012: 9) "The managers should on the one hand manage the corporation for the benefit of it's

4. See the case of Marsh v. Alabama, Green v. Yuba Power and Lerbottom v. Wright. And See Freeman (1984) for more detail.

5. Interest of the society is the interest of the stakeholders which include investors, government, customers, suppliers, creditors, analyst, unions, auditors, media and the society as a whole.

stakeholders in order to ensure their rights and participation in decision making and on the other hand, the management must act as the stockholder's agent to ensure the survival of the corporation to safeguard the long term stakes of each group". This theory stipulates that the fulfilment of stakeholders' interest is significant for a corporation's performance[6] (Jones 1995; Donaldson and Preston 1995; Orlitzky et.al 2003). The theory also believes that the reciprocal relationship that exists between the management and its stakeholders is also a supervisory mechanism that thwarts the management from pursuing there selfish goals (Orlitzky et.al 2003; Jones 1995; Hill and Jones 1992).The proponent of criticizing this theory such as Giles Slinger (1998) mention that this theory destroy the original goal of the business and it yields confusion on ranking of the competing interest of various stakeholders and therefore leading corporations to the creation of unfavorable yardstick that it is often judge with. Jensen (2001) stated that this theory diverts managers from focusing on single-valued goal and that is a weakness that will make the corporation to become a slave of many masters. There are many other criticisms given by different researchers but fortunately cleared[7] in the year 2012.

2.2.3 Stewardship Theory

This theory assumed that directors and managers are honest and trustworthy as such they do not pursue any interest other than the interest of the shareholders, and as a result of the honesty and diligence of the managers, total control should be granted to them (Liang, 1999; Donaldson, and Davis, 1994; Davis, 1991; Donaldson, 1990). The main difference between stewardship theory and agency theory is that, agency theory believe that managers have the tendency to deviate from maximizing shareholders interest and therefore seek to

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6. There is a reciprocal relationship between a corporation and its stakeholders. The corporation cannot exist and operate without the stakeholders, and corporations provide the stakeholders with their want and need. Therefore satisfying the stakeholder's interest has a positive effect to the performance of the corporation.

7. For full discussion and clarification of the criticisms made by many researchers and scholars, see Freeman et.al (2010)

Satisfy their personal self-interest, while stewardship theory asserted that managers are effectively and efficiently honest personnel and as such they should be considered as sufficient stewards of utmost good faith that utilizes their responsibilities and the corporation's resources efficiently and effectively (Kiel and Nicholson, 2003). However, there is no agency cost in this theory, since the management is reliable and managers will not pursue their self-interest against that of shareholders because they assumed that doing so will damage their reputation (Kiel and Nicholson, 2003; Donaldson and Davis, 1994). This theory opines that the fulfilment of the corporate objective also certifies the individual interest of the steward, therefore utility is derived by the steward as a result of the fulfilment of the corporation's objective (Ranti, 2011). Ranti (2012) also states that this theory identifies the significance of managerial environment which encourages full autonomy and discretion that empowers the managers of a corporation. Nonetheless it will reduce or eliminate the agency cost of keeping track of the stewards (Davis et.al, 1997). However, this notion established an insight that, satisfaction derived from collective corporate behaviors of the executives is superior to the benefit that is derived from personal self-interest behaviors (Ogbechie, 2012). According to Sundara-Murthy and Lewis (2003), this theory is neither of economic nor financial nature but rather it is of a psychological and sociological nature which has the tendency of causing mismanagement of resources.

2.2.4 Resource Dependence Theory

The advocates of this theory asserted that corporation's existence and its tendency of continuing existence is a function of its capacity to source significant resources that it need from the environment (Pfeffer and Salancik, 1978). This theory believes that corporations tent to maintain control in the business environment through the sourcing of resources that it needs to prosper, this include the employment of directors that will extend their wealth, status, social connections and other significant traits to the corporation (Stevenson and Radin, 2009; Ogbechie, 2006; Hillman, 2005; D'Aveni, 1990). According to Pfeffer and Salancik (1978) corporation expects directors to use their business connection, knowledge and experience in sourcing the resources that it needs. Ogbechie (2012) add that the use of the directors' social connections, business connections, social status, expertise and experience have the tendency of increasing the financial performance of a corporation and in turn increase shareholders return. The oriented focus of network analyses and its significance according to many researchers is the basis for the foundation of this theory. The resource dependence theory was the outcome of sociological and management researches, this theory believes that board of directors is a significant bridge that connects the corporation with the external resources that the corporation needs in other to maximize its performance (Kiel and Nicholson, 2003). One of the criticisms of this theory is that, it is only concerned with the relationship that exists between the board of directors and the corporation, therefore neglecting all other stakeholders. Kiel and Nicholson (2003) stated that:

> "The key criticism of resource dependence theory is that empirical findings can be interpreted according to the paradigm of the researcher. Pettigrew (1992) noted that the empirical findings could be used to offer two different theoretical interpretations depending upon whether the study was based on resource dependence theory (e.g. Pfeffer and Salancik, 1978) or class based theory (Zeitlin 1974)" (p.190-191).

There are other theories and models beside the discussed ones but the focus of this research is on the theories discussed above. The universal purpose of all the corporate governance theories is to expose the connection between various attributes of the board of directors and corporate governance (Kiel and Nicholson 2003). Other theories and models of corporate governance include; Ethics Theory, Social Responsibility Theory, Anglo-Saxon model, shareholder model, relationship based model/ insider system, German model, Japanese model, Latin model and so forth.

2.3 Corporate Governance Principles

The first corporate governance principles and guidelines were provided by The Cadbury Report of the United Kingdom in 1992, followed by the OECD's Principles of Corporate Governance in 1999 which was reviewed in 2004 (Selekler-Goksen and Oktem, 2009) and the Sarbanes-Oxley Act of United States of America in 2002. Since 1999 OECD's principles are now an intercontinental standard for corporations, institutions, and all stakeholders. These principles upgraded the corporate governance practice in OECD and non OECD countries (OECD, 2004). The principles are discussed below.

2.3.1 Ensuring the basis for an effective Corporate Governance framework

As stated in the 2004 report of OECD corporate governance principles "The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities" (p.17). Effective and efficient institutional, regulatory, and legal framework is the foundation of sound corporate governance framework in an economy. Therefore the corporate governance framework usually consists of some elements of regulation, legislations, voluntary commitments, self-regulatory arrangements, history, tradition, and business culture of the environment. However, these are the main reasons that account for the differences of corporate governance framework in international level, and also account for the dynamic nature of corporate governance framework.[9] Nevertheless, the most significant tool that shapes corporate governance framework is the interactions and complementarity between these different elements and their overall capability in encouraging virtuous, accountable and transparent corporate governance practices. Therefore, economies should monitor and

9. As new experiences emerge and business or economic and/or socio-political circumstances changes, the form and substance of corporate governance framework may alter or may require some modifications.

exercise control over these elements with the purpose of extending and reinforcing its role to corporate performance, economic growth, and market integrity (OECD, 2004).

2.3.2 The rights of shareholders and key ownership functions

Ownership of equity of an corporation provides rights to the equity holder of that corporation, such rights include; the right to receive return on profit of that corporation, right to receive information about the corporation on regular bases, right to purchase, sold, or transfer shares,[10] right to secure means and devices of ownership registration, right to vote and impact on the decision of the corporation at the shareholders general meeting, right to elect and remove board members, right to participate and obtain sufficient information on the decisions concerning fundamental corporate changes, right to vote in person or in absentia, the Stockholders which include institutional stockholders should have the right to discuss and communicate with one other about matters regarding their basic rights subject to exceptions to prevent abuses (OECD, 2004). Thus the corporate governance framework should shield, preserve and accelerate the application of these rights (Thi, 2011). Corporations should strictly uphold and respect all the rights of the shareholders, and provide an environment for the execution of these rights without the feeling of favor or fear by the shareholders. Corporations are also liable for providing unambiguous explanation of these rights for a greater appreciation of the shareholders (Oso and Semiu, 2012).

2.3.3 The equitable treatment of shareholders

This principle stated that all shareholders should be treated equally regardless of their status as minorities or foreigners, as such whenever their rights are violated, they should have full opportunity to obtain effective redress. The confidence of the minorities is always at peak when the legal framework of corporate governance encourages and motivate

[10.] In publicly traded corporation.

minority stockholders to bring lawsuits were they possess judicious evidence that their rights have been dishonored. Hence effective and efficient methods should be in place for the minorities to gain damages for the abuse of their rights at a judicious cost and within a reasonable time. Nonetheless, care must be taking in providing a legal framework that allows for easy redress of rights, the framework should be the type that strike a balance between seeking remedies for right violation and excessive litigation (OECD 2004). In order to ensure fair and equitable treatment of shareholders, distinction should be made concerning ex-ante and ex-post rights.[11] This principle also stated that stockholders that have similar class of shares are to be treated equally and all alteration in voting rights should be approved by the minorities of that class of shares. Furthermore, the minority stockholders are to be shield from sadistic dealings of the majority stockholders, these actions can be in form of direct or indirect pursue of self-interest, either way, the minorities should be protected. The general meetings of corporations should be easy and inexpensive to all shareholders in terms of procedures, processes and elections. This principle also forbid abusive self-dealing and insider trading[12] although not all jurisdictions prohibits these practices, according to OECD (2004) these practices constitute a breach of effective corporate governance if it is against the principle of equitable treatment of shareholders.

2.3.4 The role of stakeholders in Corporate Governance

One of the fundamental strands of corporate governance deals with ensuring the flow of debt and equity to the corporation. Therefore corporate governance is also concerned with encouraging diverse group of stakeholders to partake in the investment of the firm's

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[11.] Ex-ante rights are the rights that are proactive in nature they include, pre-emptive rights and qualified majorities for certain decisions. While Ex-post rights are reactive in nature, they allow the shareholders to seek redress of their violated rights (OECD 2004).

[12.] Abusive self-dealing is a process where by people that are closely associated with the corporation, which includes the substantial stockholders, misuse their ties of relationship at the expense of the corporation and its shareholders, while insider trading is the manipulation of shares in the capital markets (OECD 2004).

human, economic and physical capital. Similarly, corporations should create a favorable environment that promotes wealth-creating co-operation among stakeholders. Thus corporation's governance framework should always consider that, the success of the firm and its long-term goals are achieved by giving attention and comforting stakeholders, and acknowledging their input, involvement and commitments to the corporation. This principle states that all rights of stakeholders that are established by law or through mutual agreements, contracts and/or arrangements are to be respected, and they are to receive sufficient remedy for the abuse of their rights. Employee participation should be encouraged and where the stakeholders partake in the corporate governance process, sufficient, reliable and relevant information should be provided to them regularly and without unnecessary delay. This principle also argues that stakeholders should freely express their opinions about any illegality construed by the board of directors and their rights should not be denied or seized for that. Furthermore, the principle urges corporate governance framework to be supplemented by an effective, liquidity framework in other to protect the rights of creditors.

2.2.5 Disclosure and transparency

Disclosure is the most significant means of informing stakeholders on how resources are managed in a corporation. "The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company" (OECD 2004:49). Minimally, disclosure to public is expected of a company annually, although the requirement of disclosure varies from one county to another. Excellent disclosure system that fosters genuine transparency is one of the significant characteristics of market-based monitoring of corporation. Effective disclosure and transparency are also crucial to investors' capability to practice their rights on an enlightened basis. A superb transparent disclosure promote the attraction of capital and maintains confidence in the stock capital markets, it provides information about the activities of corporations, the structure and corporate policies of that corporation and also the performance of the corporation with respect to environmental and ethical standards, it also provides an insight on the relationship of the corporation and the atmosphere of its operation. As such, disclosure and transparency affect the behavior of corporations. Conversely, the system that fosters weak disclosure and non-transparent disclosure practice is one of the key factors that amount to the loss of market integrity, unethical behaviors in corporations, and corporate irregularities as in the case of Enron. This principle states that transparent disclosure should be made to enable good corporate governance, the disclosure should include; the financial and operating results of a corporation, corporate objectives, related party transactions, substantial ownership and voting rights, full information about board members and executives including their remunerations, predictable risk factors, corporate Governance structures, policies and its implementation, major matters related to employees and other stakeholders with regard to the disclosures. OECD (2004) suggests among others that disclosure should be made in accordance to high quality accounting standards, annual audit is to be accomplished by an independent and certified auditor, and the auditors should exercise due professional care in the conduct of the audit and so forth.

2.3.6 The responsibilities of the board of directors

Good corporate governance framework should foster a good supervision of management by the board, accountability of the board of directors to the corporation and accountability of the board to the shareholders. OECD (2004) states that board of directors is primarily accountable for supervising organizational performance, guiding corporate strategy, shun conflicts of interest, balance competing demands in the corporation, accomplishing reasonable return for investors, operate under the best interest of stockholders and oversee the systems designed to guarantee that the corporation abide by the laws of that environment which include tax laws, competition laws, labor regulations, environmental laws, equal opportunity laws, health and safety laws. In line with the aforementioned responsibilities of the board of directors, this principle suggests; that boards should consist of sufficient non-executive board directors that can be able to carry out independent assessment, evaluation and give positive judgment on issues that have the potentials for conflict of interest, committees such as audit and risk management committees should be established in the board and their authority, composition and working procedures should be explained and communicated by the board. It also suggests that board members should act on a fully informed basis, in utmost good faith, with due diligence and care, and in the best interest of the corporation and the investors. The board of directors should treat all investors justly, board should apply good ethical norms and always consider the interest of other stakeholders, and the board should monitor the effectiveness of the firm's corporate governance practices and provide alterations where necessary. The board should select, monitor, determine the compensation, and when necessary, replace executives of the corporation. The board should make and supervise succession planning, ensure a proper and clear board nomination and elections, supervise carefully issues like abuses in related party transactions and misuse of corporate assets, ensure the true and fairness of the corporation's accounting and financial reporting systems, including the external audit, ensure that proper systems of control are put in place regarding risk management systems, the board should supervise and ensure effective disclosure of information, financial and operational control, and the board should be the type that can exercise objective, firm and independent judgment of corporate affairs of the corporation.

2.4 Linkage between Corporate Governance and Financial Performance

Since the beginning of this research, attempts have been made to link corporate governance and performance of corporations, as explained in the discussion of the theories related to corporate governance. Good governance practice is assumed to result in a better performance of corporations, this is due to the fact that superb corporate governance fosters good monitoring of management, maximizes stakeholders interest, enhances transparency and full disclosure, prevents the expropriation of concentrated investors and ensures effective decision making. The existence of ineffective corporate governance leads to corporate misappropriation, and leads to other problems not only affecting the corporation but rather affecting the corporation, markets, stakeholders and the economy as a whole. Superb corporate governance has a positive effect on both the corporation, market and the country as a whole. At the corporation level, corporate governance leads to low cost of capital, increase in financial results, and increase in liquidity, efficiency and effectiveness in overcoming crises. At market level, it leads to the avoidance of the exclusion of affective managed corporations from the markets. However, at country level, superb corporate governance amounts to increase in nation’s repetition, domestic fund outflow reduction, increases foreign capital investments, improves the capital markets, and helps to overcome crises with limited adverse effect, which in turn leads to a high level of prosperity (Yüksel, 2008). Therefore corporate governance mechanisms should be designed in such a way that they positively affect the performance of corporations. However, every corporate governance mechanism when effectively exercised is expected to add value to the corporation. A research of corporate governance in OECD countries in the year 2004 shows that corporate governance has a direct effect on the performance of corporations (Gruszczynski, 2006). More empirical literature is discussed in the next chapter.

2.5 Roles of Corporate Governance Internal Mechanisms

Corporate governance mechanisms according to Owtscharov (2007) are divided into internal control mechanisms, external control mechanisms, legal and regulatory mechanisms, and Product market competition. This division as he stated is based on Jensen (1993) division of corporate governance internal mechanisms. However, these mechanisms are now grouped into internal mechanism (including ownership concentration) and external mechanisms (which also include legal and regulatory mechanisms and product market competition). Both the internal and external mechanisms should be designed in a way that they explicitly address the agency and other stakeholders’ relationship. The main concern of this research is on the internal mechanisms which include board of directors (composition and characteristics) and ownership concentration.

2.5.1 Board of directors

2.5.1.1 Board size

Board of Directors of a corporation as a whole is pivotal mechanism to the implementation of corporate governance principles (Paul et.al, 2011). Board size is defined as the number of directors in the board of directors of a corporation. Although boards differ in form and size from one corporation to another, and from one country to another (Thi, 2011) efficient and effective board size should be established in every corporation to monitor the top management of that corporation (Kula, 2005). Board size is an important mechanism that affects the value of a corporation (Ranti, 2011). From agency theory perspective, big corporations require large boards so that they can effectively monitor and control the corporation's activities, and resource dependence theory also believes that large corporations will need large amount of resources, as such the corporations should appoint as much directors that can provide those resources (Kiel and Nicholson, 2003). Stakeholder Theory is of the view that boards should consist of sufficient directors that have the accurate background, knowledge and experience for an effective monitoring and effective performance of other board functions. According to the Code of Corporate Governance in Nigeria, issued by the Securities and Exchange Commission (SEC Code 2011), directors of a corporation in Nigeria are allowed to determine the actual size of the board of directors of their corporation with minimum of five members, on the ground that they should ensure an effective balance of skill, knowledge and experience to enable successful and systematic discharge of their responsibilities without compromising independence, integrity, compatibility and meeting attendance of members. Similarly, the actual board size of corporations varies in Turkey, depending on the size of the corporation. Normal board size is assumed to have the range of 5-15 members depending on the corporation.

Large boards are assumed to have a positive correlation with financial performance of a corporation, this is because large boards normally consist of expertise that makes better decisions and are more capable of monitoring the activities of the management which makes it more difficult for the top management and the CEOs to dominate boards with large size (Pfeffer, 1972; Singh and Harianto, 1989; Mak and Roush, 2000; Adam and Mehran, 2003; Kula, 2005; Coles et.al, 2008; Guest, 2008; Ranti, 2011). Conversely, other research shows that larger boards have a negative relationship with firm performance, this is because larger boards have higher problems like; agency cost, free riding, problems of social loafing, lack of cohesiveness, develop factions and lack of fast decision making (O'Reilly et.al, 1989; Lipton and Lorsch, 1992; Jensen, 1993; Yermack, 1996; John and Senbet, 1998; Dehaene et al, 2001; Postma et al, 2003; Singh and Davidson, 2003; Lasfer, 2004; sanda et.al, 2005).

2.5.1.2 Board Independence

Board Independence is one of the significant mechanisms of corporate governance. Members of the board of directors are basically classified as inside directors, outside directors and affiliated directors (Baysinger and Butler, 1985). On one hand, inside directors are the directors that are the employees and/or top managers of a corporation, on the other hand outside directors comprises of independent directors and affiliated directors, independent directors are the non-executive and external directors of the corporation, and affiliated directors are non-employees but with a business or personal relationship with the corporation (Ogbechie, 2012). Board independence is the ratio of independent directors to inside directors in the board of a corporation (Goergen and Renneboog, 2000). According to Agency theory, the boards of corporations should consist of greater proportion of outside directors (preferably independent directors) than inside directors, because independent directors are capable of effective monitoring of management, which minimizes the agency costs (Fama and Jensen, 1983; Fama, 1980). Some scholars went extreme and suggested that except only the CEO, the board should only consist of outside directors (Liang, 1999). Conversely, the advocates of stewardship theory hold that corporate performance is significantly achieved in a board with majority of inside directors; this is due to the fact that inside directors have a great understanding of the corporations they govern more than the outside directors (Donaldson, 1990). According to

Asian Development Bank (1997) cited in the work of Ranti (2011), “The boards of directors in the developing market are unlikely to improve the value of a firm, as the weak judiciary and regulatory authority in this market enables the directors to be involved in biased decision-making that serves the interests of the majority shareholders and the politicians providing a disadvantage to the firm” (p. 57). In Turkey, it is recommended that, the board should consist of the majority of independent directors (OECD 2004), while Capital Market Board (CMB) recommends at least one independent board member (Ararat and Orbay, 2006). Similarly, the code of corporate governance in Nigeria provided that; boards should consist of non-executive directors as majority and at least one independent director (SEC, 2011).

2.5.1.3 Board gender diversity

Board diversity refers to varieties in composition of board members or the portrayal of both gender and ethnic differences on the boards of directors of a corporation (Erhardt, Werbel and Shrader, 2003). Board diversity according to Kang et al. (2007) is of two forms, these are observable diversity and less visible diversity. Observable diversity includes diversity in race/nationality, ethnic background, gender and age. On the other hand, less visible diversity includes diversity in industry experience, education, functional and occupational backgrounds, and organizational membership. The concept of board diversity proposes that corporations’ boards should be designed in a good reflection of the structure of the society with an appropriate representation of ethnicity, gender, and professional backgrounds (Bathula, 2008). Board diversity is supported by the theories of corporate governance on the ground of shareholders-management relationship, stakeholders, sourcing and allocation of resources (Keasey et.al, 1997; Hampel, 1998; Mattis, 2000; Carver, 2002; Daily and Dalton, 2003 etc.) In this research, the main focus will be on gender diversity. There are no any specific requirements for board gender diversity in the Nigerian and Turkish corporations listed in the stock markets. Conversely, there is a plethora of literature with ambiguous results on the relationship between gender diversity in the board of directors and corporate financial performance. On one side, many research show that corporate performance has a positive and direct relation with gender diversity in the board of directors of a corporation (Bilimoria and Piderit, 1994; Carter et al, 2003; Fields and Keys, 2003; Bonn, 2004; Farrell and Harsch, 2005; and etc.). While on the other side negative correlation was found between gender diversity and corporation's performance (Smith et al, 2006; Eklund et al, 2009; Darmadi, 2011). Though the results are conflicting, it is evident that more research suggests that gender diversity increases performance because of reasons like, culture of questioning (Selby, 2000 and Thi, 2011), lack of sufficient qualified directors (Burke, 2000), Bilimoria and Wheeler (2000) mentioned that women directors are champions of change because they tend to be younger than the male directors and female directors are more open and creative with a good approach of doing business (Erhardt et al, 2003; 105).

2.5.1.4 CEO Duality

CEO duality refers to a situation where the positions of CEO and chairman of board of directors are held by one person (Dalton et al, 1998). Many research and surveys have examined the effect of CEO duality and postulated that agency problems are higher when the positions of Chairman of board of directors and CEO are occupied by the same person (Sunday, 2008). CEO duality is usually regarded as improper practice for corporate governance, this is because the boards are regarded as the key monitoring mechanism of the management headed by the CEO, as such it is argued that the management cannot be effectively monitored if the chairman of the board is the same leader of the management that the board monitors (Paul et al, 2011). The proponents of Agency theory argued that one same person should not occupy the positions of CEO and chairman of board of directors at the same time, while the proponent of Stewardship theory argued that CEO duality can improve firm performance because there will be a clear structure that eliminates any internal and external ambiguity concerning responsibilities of corporation's processes and outcomes (Kiel and Nicholson, 2003; Finkelstein and D'Aveni, 1994; Donaldson, 1990). It was also argued that separation of CEO and chairman positions is a superior measure of control than resource or service acquisition (Kula, 2005). The proponents of stakeholder theory hold that CEO duality hampers the general stakeholder acclimatization of the board (Sonnenfeld 1981and Ogbechie 2012). According to the code of corporate governance of public companies in Nigeria, the positions of the Chairman of the Board and CEO should be separated and occupied by different persons in all publicly listed corporations, this is in other to avoid too much concentration of power on one person which may rob the Board of the required checks and balances in the discharge of its duties (SEC, 2011). Similarly, in Turkey CMB recommends the separation of CEO and Chairman positions (Ararat and Orbay, 2006).

2.5.1.5 Board committees

Committees in the board of directors are the roots of pivotal decisions, establishment of committees is a systematic division of responsibilities within the board, and therefore committees are assumed to have a direct relation with corporate financial performance (Kula, 2005). The effectiveness of boards is also a function of the effectiveness of the committees of that board, governance best practices suggest that boards should at least have Audit Committee, Nomination Committee, Remuneration or Compensation Committee, Corporate Governance, and Risk Committee for businesses that have high risk (Ogbechie, 2012). According to Turkish Commercial Law, boards can divide and share responsibilities among one or more members or any sub-committee (Art. 319), but the committees are not compulsory (Kula, 2005). In addition, CMB of Turkey recommends the board of corporations to establish Corporate Governance Committee and Audit Committee, which will be in charge of developing and overseeing the corporate governance practices of the corporation, and for the nomination and compensation of board members and top management (Ararat and Orbay, 2006). According to Spira (1998) cited in the work of Ogbechie (2012) audit committee is a subcommittee that mostly consist of non-executive directors whose jobs largely include issues of auditing, internal control and financial reporting. He further stated that the main role of audit committee is to carry out thorough review on behalf of the board, in other to save time and to ensure the skills and knowledge of non-executive directors are effectively utilized. According to SEC code (2011) The

Board of directors can establish additional committees beside Audit Committee that is required by Companies and Allied Matters Act (CAMA 1990) such as Governance Committee and Risk Management Committee, Remuneration committee and others, depending on the needs, size, and industrial requirements of the corporation.

2.5.2 Ownership concentration

Successful corporate governance is subject to the mixture of equity and fairness in the treatment of shareholders, protection of their rights and a superb ownership concentration (Mandacı, and Gumus, 2010). High ownership concentration is the practice of holding high/majority or great amount of shares by few investors. According to La Porta, Lopez-de-Silanes and Shleifer (1999) it is prominent that families, holding companies, and governments are the archetype controllers and investors of corporations in the vast majority of the countries in the world (Owtscharov 2007). High ownership concentration is not a prominent practice in UK and USA but it is visible to some extent in Germany and Japan due to the fact that the major shareholders of many corporations in Germany and Japan are commercial banks while in Latin America, Africa, Finland, Italy, Sweden, Turkey and most of Asian countries, families are the major shareholders of corporations (Wei, 2007). Diffuse shareholders partake in corporate governance directly and indirectly, directly by voting on critical issues concerning the corporation, such as change in major business strategies, liquidation, mergers, and indirectly by appointing the board members to represent them and oversee the managerial decisions (Ranti, 2011). Also the privatization of government corporations and foreign ownership of indigenous corporation can increase the performance of a corporation, this is because expatriate shareholders require substantial amount of information disclosures, and ensure a consistence monitoring and supervising mechanisms in the corporation (Boubakri et.al, 2004). According to Ahunwan (2002) widely dispersed structure or diffuse ownership structure in the United states of America is as a result of the minority shareholders protection right that they are practicing, therefore ownership concentration is high in an economy that have a deprived shareholders protection. The proponent of Agency theory argued that high concentration causes major shareholders to prioritize their personal interests which results to agency problem (Mandacı, and Gumus, 2010). The key issue in the agency literature is centered on the information asymmetry due to the fact that outside shareholders lack full information about the corporation's performance and operations or the reasons for under-performance (Oyejide and Soyibo, 2001). Disperse and well-informed stockholders can be more effective at employing their voting rights compared to shareholders structure that is small and consists of unapprised shareholders (Ranti, 2011). It is generally accepted that a block-holder is a shareholder that holds at least 5% of the corporation's shares (Owtscharov, 2007). According to Robertson (2009) 60% of the corporations in Turkey are owned by individuals or families. From a sample of 243 corporations listed on Borsa Istanbul in 2006, it was observed that out of 45% of the sampled corporations, in majority of the cases more than 50% of the voting is controlled by one shareholder, and normally the controlling shareholder was either a holding company or controlled by a family such as Sabancı, Koç, Karamehmet, Sahenk or Doğan (World Bank Group, 2006). Therefore ownership is highly concentrated in Turkey. On the other hand, ownership in Nigerian companies was highly concentrated (Ahunwan 2002), it was observed that, on average, between 1995 and 1998 Nigerian government owned 8.1% of the corporations listed on the Nigerian Stock Exchange, the ownership is visible in industries like agriculture (32%), petroleum marketing (17%), building materials (15%), banking and finance (21%), automobile and tires (30%), and insurance (15%) (Oyejide and Soyibo, 2001). Nevertheless the introduction of code of corporate governance for public corporations in 2003 is one of the pillars that help to reduce the ownership concentration level in Nigeria (Society for Corporate Governance Nigeria, 2010). One of the provisions to avoid high ownership concentration and control given by SEC 2011 is that, each board of a listed company should consist of the maximum of two members belonging to the same family as members at the same time (SEC 2011).

2.6 Corporate Governance Regulatory Environment in Nigeria

Corporate governance has experienced various problems and was neglected for a long time, in both government regulation and academia in Nigeria (Ranti, 2011). Every corporation incorporated in Nigeria, whether; private liability corporation or public liability corporation, listed in Nigerian Stock Exchange or quoted in Nigerian Stock Exchange and International Stock Exchange Markets elsewhere, or not quoted at all is subject to the compliance of the provisions of Companies and Allied Matters Act (CAMA 1990). There are many provisions in this act that set a ground for good corporate governance, these include among others, rights of shareholders, rights and duties of directors, board composition and characteristics, power of the company and also lifting of the veil provisions. Corporate Affairs Commission (CAC) is another regulatory body in Nigeria responsible for the incorporation of corporations and providing guidelines for the proper operation of the incorporated corporations. Investment and Securities Act (ISA 1999) is also one of the legislations in Nigeria that allows SEC to regulate the activities of listed corporations in Nigeria, the result of these legislation on corporate governance include among others the Code of corporate governance for public companies (2003 and 2011). In addition, every financial corporation in Nigeria is subject to the regulation of Banks and other Financial Institutions Act (BOFIA 1991). BOFIA 1991 gives authority to the Central Bank of Nigeria to register and regulate Banks and other Financial Institutions (Ranti, 2011). Since 2011 there have been many regulations and enforcement on corporate governance by the Central Bank of Nigeria. The recent adaptation of International Financial Reporting Standards in Nigeria is also another effort in trying to enhance effective corporate governance.

2.7 Corporate Governance Regulatory Environment in Turkey

Corporate governance is mainly governed by the provision of OECD and CMB in Turkey. CMB regulates the activities of the corporations listed in Borsa Istanbul, one of the significant contributions of CMB is the issuance of Corporate Governance Guidelines in

2003 which was reviewed in 2005 and the change of accounting and auditing standards to International Financial Reporting Standards in 2005. OECD guidelines and principles are applicable for all corporations in the OECD countries not only necessarily quoted corporations. Turkish Commercial law also plays a significant role in the improvement of corporate governance in Turkey. Evident of this improvement can be glanced from the proposition of this law in 2005, the Law proposed significant changes and reforms for corporate governance in Turkey. The result of the proposition was the enactment of "The New Turkish Commercial Code" (New TCC), which came into existence in July 2012. The main theme for the enactment of this code is corporate governance. Nongovernmental organizations such as Corporate Governance Association of Turkey, Corporate Governance Forum of Turkey and Turkish Industrialists and Businessmen Association (TUSIAD), also play a crucial role in development of corporate governance in Turkey. These frameworks account to an excellent progress in the Turkish corporate governance practice in a relatively short time (Ararat and Orbay 2006; Yüksel 2008; Selekler-Goksen and Oktem 2009).

CHAPTER THREE

EMPIRICAL LITERATURE REVIEW

3.1 Introduction

The aftermath of the global financial crises coupled with the bankruptcy and collapse of Enron, Lehman Brothers, WorldCom, and other corporations has highlighted the significance of proper corporate governance in today's global market. The corporate financial scandals that occurred in the United States of America, Europe, Southeast Asia and Africa have result to a plethora amount of research in corporate governance. Unfortunately, most of the research done in this area where conducted in the United States (Kiel and Nicholson 2003) and other developed economies such as UK, Germany and Japan and other developed countries. It is evident that there is a limited amount of research and survey on the area of corporate governance in relation to its effect to performance of corporation in developing countries and some emerging countries including Nigeria and Turkey. This chapter consists of the discussion of prior research and surveys on the relationship and effect of corporate governance internal mechanisms on the financial performance of corporations.

3.2 Board Size and Financial Performance

Various research have been conducted on the effect of board size on financial performance, and the results that were generated from these research are ambiguous in nature. Thi (2011) studied on the sample of 100 listed Vietnamese corporations, using the method of Variance Analysis (ANOVA) and multiple regression analysis he tested 2009 financial year data and his result shows that board size has no significant effect on firm performance. This result is consistent with that of Wei (2007) who used a sample of 276

Chinese-listed corporations from 1999 to 2002 and used cross-sectional regression, multi regression and OLS regression to test the data. The result is also similar to that of Kula (2005) who studied using regression analyses 386 non-listed and small corporations in Turkey, Liang and Li (1999) also used multiple regressions to study 228 small private corporations in China and achieved somewhat similar findings. Ranti (2011) also studied 21 listed banks in Nigeria, he used regression analysis and Pearson Correlation as the method of data analyses, the result obtained shows that there is a negative and significant relationship between board size and financial performance.

Conversely, Kiel and Nicholson (2003) studied 348 largest publicly listed corporations of Australia, they used ANOVA and their result shows that board size is positively correlated to financial performance if the firm size is controlled. Similarly, Kyereboah-Coleman (2007) carried out a research on 103 listed corporations from South Africa, Ghana, Nigeria and Kenya with 52 Ghanaian Microfinance corporations, he used Panel Data Framework and various shades of panel data estimations to analyze the data, and the result shows that large and independent boards have a positive effect on financial performance. According to a research conducted by Sanda et.al (2005) which they used a sample of 93 Nigerian quoted corporations for the period 1996–1999, their result argued that corporations should maintain a board size of 10 members. Similarly, Kamaara et.al (2013) studied 20 commercial state corporations in Kenya and also recommends a board size of 10-12 directors. While Tang (2007) examined 117 non-financial corporations listed in the Tokyo Stock Exchange Japan, for the periods of 1989 to 2001, using correlation matrix, least square regression, pooled least square regression, logit regression, first regression and second stage regression analyses methods, his results show that board size reduction is significant to the performance of corporations. Sunday O (2008) examined 20 Nigerian listed corporations between 2000 and 2006, he used OLS as a method of estimation and panel methodology and found a significantly positive relationship between board size and corporate performance. Also Bathula (2008) conducted a research on 156 corporations listed on New Zealand stock exchange as of November 2007, for a period of four years from 2004 to 2007. Generalized Least Squares analysis was used to analyze the financial data and the result shows that there is a positive relationship between board size and financial performance.

3.3 Board Independence and Financial Performance

According to Spencer Stuart Board Index (2012), in U.S.A independent directors consist of 84% of total board membership, this is in line with 2010 and 2011, and the ratio of independent to non-independent directors is 5.3:1 which was 3.8:1 in 2002. The empirical research on board independence and corporate performance is very equivocal, this is due to the fact that there is a great deal of argument as to whether independent or dependent directors/ outside or inside directors are the best in maintaining corporate governance and fostering corporate performance. Sunday (2008) examined 20 Nigerian listed corporations between 2000 and 2006, he used OLS as a method of estimation and panel methodology, his result shows that there is no significant relationship between board independence and corporation's performance. Similar result was obtained by Paul et al (2011), they studied 38 listed Nigerian corporations during the financial year of 2009, and they used cross-sectional design and regression in their methodology and found that outside non-executive directors do not create any economic value in a corporation but the directors have some other advantages. In the same view, Tang (2007) found no consistent correlation between outside directorship and corporate financial performance. Sanda et al (2005) also found no significant evidence that outside independent directorship improves financial performance. Wei (2007) found that high proportion of independent directors or independent supervisory directors have no significant impact on corporation's performance. Ogbechie (2012) researched on the key determinants of effective boards of directors in Nigeria, he used the sample of the publicly listed corporations in the Nigerian Stock Exchange as of May 2010, and used relatively assessment method, validity evaluation technique, and scale measurement methods, the result obtained from this research shows that board attributes except professional human capital, have no significant effect on board effectiveness.

In contrast, Kyereboah-Coleman (2007) found in his result that large and independent board of directors is positively related to corporate performance. Liang and Li (1999) also found that most of the private corporations in China have an insider dominated board structure; nevertheless the presence of outside directors in those boards is positively related with higher financial performance. Rhoades et al (2000) studied on 37 independent published research and surveys on board compositions and its effects, they used meta-analyses, F-statistics, T-statistics and chi-square to test their data, their results show that corporate board independence has a positive but small effect on the financial performance. In a study conducted in Taiwan, Filatotchev et al (2005) examine using regression analyses, a multi-industry dataset of 228 family-owned Taiwanese listed corporations and found that board independence from founding family and board members' financial interests are positively related to financial performance. Thi (2011) also found that independent directors enhanced corporate performance.

On the other hand, Kiel and Nicholson (2003) studied 348 largest publicly listed corporations of Australia, they used ANOVA and their result shows a positive relationship between the ratio of inside directors and the performance of companies.

Selekler-Goksen and Oktem (2009) examined the effect of national and international pressures to improve corporate governance on family business groups in Turkey, using the sample of quoted subsidiaries of the 6 biggest family business group in Turkey during the financial year 2002–2006, they also used one-way-ANOVA and t-tests statistical tools and found that there was no statistical notable variation in board independence of the corporations in Turkey from 2002 to 2006.

3.4 Board Gender Diversity and Financial Performance

Female representation in the board of directors of corporations is an issue that attracts many research and surveys. There are many research mostly conducted by institutions and organizations on this important issue, these research mostly focus on the improvement of female gender representation on the board of directors of corporations and the problems facing boards that are occupied by male directors rather than the effect of board gender diversity on corporate performance. In a research conducted by International Finance Corporation (IFC) in 2011, on FTSE 100 corporations listed in London Stock Exchange, it was stated that there were 12.5% female directors on boards of the corporations in 2010, which was 9.4% as of 2004, as such; the percentage of the representation is increasing very slowly. According to a research on S&P 500 in Spencer Stuart Board Index (2012), from 2002 to 2012 there has been 63% increase in women representation in S&P 500, from 16% in 2002 to 19% in 2007 and 26% in 2012. This shows that board gender diversity growth is more evident in U.S.A than in U.K. According to a research conducted by IFC (2011) titled "Women on Board", it was stated that; in a study conducted by European Union Commission in 2008, it was found that 22.2% of board members of Turkish family-held corporations are female members of the owning families. It was also further mentioned in Gender Gap report of World Economic Forum (WEF) in 2010 that, Turkey constitute of 12% female CEOs and this makes it the second-highest among the 34 OECD countries in addition with Brazil, China, and Russia. In the first Annual Report of women on board in Turkey on a project titled "Independent Women Directors Project" by Sabanci University in 2013, it was recommended that corporations in Turkey should have at least 25% female members in their boards. According to IFC women on board (2011), in the year 2009 women constituted of 9.7% of board members in Turkey. In a research conducted by Credit Suisse Research Institute in 2012 titled "Gender diversity and corporate performance" one of the countries that were involved in the research is Turkey, in which they used the sample of 24 corporations from Turkey, and found that in 2005 corporations that have one or more female board members constitute 30% of the sample and in 2011 it increased to 50% , as such general findings stated that, from 2006 to 2012 corporations that have women in their boards outperformed their counterparts that have no female board representation in terms of share price performance. According to a research conducted by Sabanci University School of Management, presented in the 5th Annual Assembly of PRME summit in 2013 titled "More women on boards for decision quality", it was stated in the paper that, it was the bias towards male directors in the appointment of independent directors that decreases the ratio of women directors from 12% to 11% in Turkey.

Individual research have conflicting results as to whether board gender diversity positively affects performance or otherwise. Erhardt et al, (2003) studied 127 large US corporations using correlation and regression analyses to analyze 1993 and 1998 financial performance data, they found that board diversity is positively related to ROA and investment which are the financial indicators of the corporate performance of the researched corporations. Taghizadeh and Saremi (2012) studied 150 publicly listed Malaysian corporations which were listed in the year 2008, they used correlation and regression analysis to test their hypotheses and found that higher rate of women representation on board of directors increase Return on Equity, which increases financial performance. Fodio and Oba (2012) studied gender diversity in the Boardroom and Corporate Philanthropy in Nigeria, using the sample of 20 listed corporations in Nigerian Stock Exchange they used multiple regression analysis and found a positive and significant relation between board gender diversity and level of corporate philanthropy in Nigeria. Abdillahi and Manini (2013) examined a sample of 9 Kenyan commercial banks using five years data from the year 2007 to 2011 tested with regression analyses, the result shows that positive though insignificant relationship exists between gender diversity and financial performance. Prihatiningtias (2012) researched on a sample of all the Indonesian listed financial corporations from 2005 to 2008, using blue index it was found that gender diversity in the boards is positively related to financial performance measured with Return on Assets (ROA). Ogbechie (2012) also found that diversity in the board of directors and human capital in the boards are the most significant factors of board structure that influence board effectiveness in Nigeria.

Conversely, Dobbin and Jung (2011) studied on a sample of 432 major American corporations for the period 1997-2006. They used pooled cross-sectional time-series models to test the data and their result shows that increase in gender diversity on boards' amount to significant decrease in stock value, which in turn leads to decrease in financial performance. Daunfeldt and Rudholm (2013) also investigate the effect of gender diversity on performance they used a data-set of 20,487 limited corporations in Sweden from 1997 to 2005, and they used random-effects random-coefficients model, the result shows that after two years gender diversity in the board has a negative effect on ROA. Similarly, Ujunwa, Okoyeuzu and Nwakoby (2012) studied a sample of 122 quoted Nigerian corporations they used Fixed Effect Generalized Least Square Regression to examine the data set from 1991to 2008 and found that gender diversity is negatively related to performance of the corporations.

On the other hand, Salehnezhad and Abbasi (2013) examined the sample of 76 corporations listed in Tehran Stock Exchange Iran, with the financial data of 2009 to 2012, they used multivariate regression model to test the data and their result shows no significant relationship between gender diversity and corporate performance. Dang, Nguyen, and Vo (2012) researched on US Fortune 100 and French SBF 120 stock market index in 2010, they used the sample of 76 U.S corporations and 103 French companies, using correlation matrix and regression analyses they also found that female gender representation in the board have no significant relationship with firm performance.

3.5 CEO Duality and Financial Performance

Many studies have provided results that supported Agency theory which calls for the segregation of the position of CEO and Chairman of the Board of Directors, while other research shows that CEO duality is positively and significantly related to corporate performance thus supporting Stewardship theory and other theories. Bathula (2008) examined the sample of 156 New Zealand listed corporations, he used a data belonging to the years 2004 to 2007, the data were analyzed by using Generalized Least Squares analyses and the result shows that CEO duality is positively related to the performance of corporations. Similarly, Thi (2011) shows that CEO duality has a positive relation with financial performance.

Contrast to the above, Rechner and Dalton (1989) examined the shareholder returns of a sample of 141 corporations with CEO duality of Fortune 500 from 1978 to 1983 and found that there is no difference in corporate performance. Ogbechie (2012) found in his research that CEO duality does not have any crucial influence in the board effectiveness of a corporation. Liang and Li (1999) also show that CEO duality have no relation with financial performance.

Sunday O (2008) used panel and OLS as a methodology and found that separation of the position of CEO and Chairman of Board of Directors has a positive effect on corporation's performance. Kyereboah-Coleman (2007) also conclude that CEO duality have a negative effect on financial performance. Results of Sanda et al (2005) also argue for the separation of CEO and Chairman of the Board of Directors. Kula (2005) studied a sample of 386 small corporations that are not listed in the Istanbul Stock Exchange, using regression analyses and OLS method, it was found that separation of CEO and chairman of Board of Directors positions have a positive and significant impact on the corporation's performance in Turkey.

3.6 Board Audit Committee and Financial Performance

Audit committees in the board of corporations are very crucial in monitoring activities. Al-Matari, Al-Swidi, Fadzil and Al-Matari (2012) examined a sample of 135 Saudi listed corporations, they used descriptive statistics, Pearson correlation analysis and multiple linear regression analysis and found that Audit Committee size have a significant correlation with firm performance, but Audit Committee Independence and Audit Committee meetings were found to be insignificantly correlated to financial performance. Saibaba and Ansari (2013) studied a sample of 30 BSE Sensex India listed corporations, they employed pooled regression analyses method to examine the data for the years 2008-09 and 2010-11, and the result shows a positive and significant relationship between Audit Committee and financial measures. Aldamen, Duncan, Kelly, McNamara, and Nagel (2012) studied a sample of 120 corporations listed on the S&P 300 from 2008 to 2009, using correlation matrix, regression analyses, sensitivity analyses and robustness test, they found that Audit Committee positively affect accounting performance and smaller Audit Committees that consist of experienced financial experts are probably related to positive corporate performance. Bouaziz (2012) examined a sample of 26 Tunisian listed corporations with the data of 2007 to 2010, using linear regressions and t-test, it was found that Audit Committee is significantly related to the financial performance of Tunisian corporations. Kyereboah-Coleman (2007) also found a positive and significant relationship between audit committee size and performance.

While Carter, D'Souza, Simkins, and Simpson (2010) studied a sample of corporations in S&P 500 index for a five-year period of 1998–2002, using regression analyses and Hausman Tests of Endogeneity, they found that there is no any significant relationship between board's important committees such as Audit Committee with corporate performance. Sunday O (2008) also couldn't find any significant relationship between Audit Committee and performance. Wei (2007) also found no significant relationship between Audit Committee and performance of a corporation.

3.7 Ownership Concentration and Financial Performance

Mandacı and Gumus (2010) examine "the effects of ownership concentration and managerial ownership on the profitability and the value of non-financial firms listed on the Istanbul Stock Exchange". They used the sample of 203 corporations tested using multiple regression analysis, their result shows that ownership in Turkey is highly concentrated and ownership concentration have a positive and crucial impact on profitability as a measure of financial performance and corporation's value, they also found that managerial ownership in Turkey have a significant negative relation to corporation's value. Leng (2004) studied on a sample of 77 Malaysian listed corporations for a period starting from 1996 to 1999, using both cross-sectional, time-series and panel data regression methods, it was found that increase in the strength of institutional shareholders have a positive impact on corporation's earnings. Wei (2007) also found that when there is small proportion of state-ownership in a corporation's share, there is no negative correlation with performance, but when the proportion is high, say above 50% the state-ownership becomes negative and crucially effect performance, and little non-state-ownership also have a significant positive impact on corporate performance. Boubakri et al, (2005) used a sample of 230 corporations headquartered in 32 developing countries from 1980 to 1997, using multivariate regression analysis, they found that when government relinquishes control of corporations shareholding, it improves profitability, efficiency gains and amounts to increase in output, and they also found that in countries where stock markets are more developed and property rights are protected and enforced, there is always higher improvements in efficiency for corporations. Sanda et.al (2005) also found that director's shareholding is negatively correlated to corporate performance.

While Ranti (2011) found in his research that, a strong and significant positive correlation exists between directors' shareholding and corporate performance. Filatotchev et.al (2005) found that family control is not related to accounting performance measures, institutional shareholding whether foreign or domestic is correlated with positive performance. Berger, Clarke, Cull, Klapper and Udell (2005) used regression analyses to test the data of Argentinean banks in the 1990s, the results shows that state-owned banks have poor long-term performance, and the banks that undergone privatization had poor performance at the time of the privatization, but after the privatization the banks dramatically improved. Owtscharov (2007) researched on a sample of 122 domestic public corporations that are listed on the German stock exchange using the data from 1998 to 2003, using OLS he found that there exists no relationship between ownership dispersion and performance of corporations, nevertheless, institutional shareholding is significantly related to firm performance.

CHAPTER FOUR

METHODOLOGY

4.1 Introduction

This research examined the effect of corporate governance internal mechanisms which include; board of directors mechanisms and ownership concentration on the financial performance of corporations in Nigeria and Turkey. The study also examined the differences between Turkish and Nigerian firms by using the selected corporations listed on Nigerian Stock Exchange and Istanbul Stock Exchange (Borsa Istanbul). It is proposed that the corporations listed on Borsa Istanbul and Nigerian Stock Exchange differ from each other in terms of board composition and ownership concentration. This chapter contains the general description of the data, methods and variables used in the analyses of this study. After the brief introduction, data collection was briefly discussed. This included the brief discussion on the population, type of data, sampling and sample size of the study. Afterwards the variables description was made, that is the description of the dependent and independent variables used in this research. The last part of this chapter is the brief discussion of the techniques of data analyses and presentation used in this research.

4.2 Data Collection

The data used in this research are secondary data; the data were retrieved from the annual reports and financial statements of the sampled corporations. These data were collected through the websites of the corporations whose shares are publicly-traded in Nigerian Stock Exchange and Borsa Istanbul. The data used in this research is that of the financial year 2012, this was the latest data available at the time of this research for majority of the corporations. There were 242 listed corporations in the Nigerian Stock Exchange as of December 2012 (NSE Annual report, 2012) and there were 373 listed on Borsa Istanbul as of 2012 (The hand book for Turkish Capital Market, 2012). However, 94 companies were sampled from the Nigerian Stock Exchange and 120 companies from Borsa Istanbul. Therefore the total sample used in this study was 214 companies. The lists of corporations are presented in Appendix-A and B.

Judgmental sampling was used to select the sampled corporations that have full data of the variables needed for this research. The corporations listed in Borsa Istanbul were sampled from two groups, explained as follows:

- The first was the selection of Turkish Fortune 500 companies out of which 119 corporations are listed on Borsa Istanbul. One corporation was sold to foreign investors and was delisted; therefore the corporation was removed from the sample. And two other listed corporations are sport organizations, therefore they were removed from the sample. In total, the sampled corporations from Turkish Fortune 500 in this research are 116.
- The second was the selection from "The Banks Association of Turkey" (*Türkiye Bankalar Birliği*). Banks data are difficult to get and analyze due to the differences in operation and regulatory bodies. Five banks that have the highest assets listed by this association, were included in the sample, one was eliminated due to lack of full information.

Therefore, in general 120 corporations were selected from the corporations listed on Borsa Istanbul. The sample selection of the corporations listed on the Nigerian Stock Exchange was based on All Share Index (NSE ASI). After the completion of the selection of corporations that have full data needed for this research, it was discovered that financial institutions are the majority of the sample. The possible explanation of this can be associated with the spectacular improvement in corporate governance in the financial sector in Nigeria. This is the consequence of the aftermath of the case of corporate scandals in eight major banks of Nigeria in the year 2010. These banks accounted for 30% of total deposit liabilities and 40% of total assets in the banking sector. The sampled corporations were selected from all the industries represented in the markets. The industries were classified in line with the 2012 Nigerian Stock Exchange classification, they are classified into 10 categories. These are; Aviation and road transportation, Commercial services, Construction and real estate, Financial services, Healthcare, Hotel and tourism, Information and Communication Technology, Media, Printing and Publishing, Petroleum Marketing, and Manufacturing (Ogbechie, 2012). Additional two categories were added, these are Energy, and conglomerates. A conglomerate is a corporation that comprises of different number of seemingly unrelated businesses. There are some energy corporations in the Turkish corporations sample while the energy sector in Nigeria is controlled by the government and is not listed. Table 3.1 shows the distribution of the sampled corporations according to their industries. Most of the corporations in Turkish sample operate in manufacturing industry (58.3%) and most of the corporations in Nigeria operate in financial services industry (39.4%). As presented in Table 3.1, there is no corporation from Hotel and Tourism industry included the sample of the Turkish firms.

Table 3.1: Description of the Sampled Corporations According to Their Industries

			Country			Total
	Industries	**Turkey**	**%**	**Nigeria**	**%**	
1	Transportation	4	3.3	3	3.2	7
2	Commercial Services	15	12.5	4	4.5	19
3	Construction	2	1.7	3	3.2	5
4	Financial Services	4	3.3	37	39.4	41
5	Healthcare	1	0.8	6	6.4	7
6	Hotel and Tourism	0	0	1	1.1	1
7	ICT	9	7.5	3	3.2	12
8	Media, Printing & Publishing	5	4.2	3	3.2	8
9	Petroleum Marketing	5	4.2	8	8.1	13
10	Manufacturing	70	58.3	23	24.5	93
11	Conglomerate/Holding	2	1.7	3	3.2	5
12	Energy	3	2.5	0	0	3
Total		120	100	94	100	214

4.3 Variables Description

The variables used in this study are of two type, which are dependent and independent variables. Dependent variables are related to corporation's financial performance, while the independent variables are the corporate governance internal mechanisms used in this research.

4.3.1 Dependent variables

The dependent variables of this research are variables used to describe or represent financial performance of corporations. Financial performance is a significant concept that communicates the way and manner in which corporation's financial funds and other resources are used to achieve the overall corporate goals of the corporations, it maintains the operation of corporations and provides a better outlook for future opportunities (Sunday, 2008). There are two main financial performance measures that are used to describe financial performance by many researchers, these are Accounting based performance measures and Market based performance measures. Accounting based measures of performance are historical in nature and they are developed for reporting purposes, hence they constitute background and inward looking features, represent previous and present management, and board success in utilization and monitoring of corporate resources, therefore they are the traditional measures of corporate performance (Kiel and Nicholson, 2003). Accounting measures have been widely used by various previous empirical research (Filatotchev et al, 2005). The most common accounting measures used are Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS) and Profit Margin (PM) (Rhoades, et al 2000). On the other hand, market based measures may not represent the historical value of corporation's assets and/or profitability, but are associated to the market overall value of the corporations (Kiel and Nicholson, 2003).

In this research, accounting measures are used to measure performance. Return on Equity (ROE) and Return on Asset (ROA) are used as a measure of corporate performance.

Return on Asset (ROA) in this research is defined as profit after interest and tax divided by the total number of corporation's assets. This shows how profitable a corporation is relative to its total assets, it presents us with an idea as to how corporation's assets are effectively managed by the management. Return on Asset in this research is coded as *ROA*. Return on Equity (ROE) in this research is defined as net profit after interest and tax divided by owner's equity. This measures a corporation's profitability by presenting how much profit a corporation generates with the money that shareholders invested in the corporation. Return on Equity is also coded as *ROE*. Both ROA and ROE have been used by many researchers (Erhardt et al 2003).

4.3.2 Independent variables

The independent variables are based on the corporate governance internal mechanisms. This mechanisms are categorized into two in this study, these are; ownership concentration and board of directors. The board of directors' mechanism in this research comprises of; Board Size, Board Independence, Board Gender Diversity, CEO Duality and Board Committees.

- **Board Size:** This variable is defined as the total number of directors in the board of a corporation. It is coded as *Board_Size* in this research.
- **Board Independence:** This variable is defined as the ratio of independent directors in the board of a corporation. It is coded as *Independent* in this research.
- **Board Gender Diversity:** This mechanism is divided into four variables. The first variable is the ratio of female directors in the board of a corporation, coded as *Female.* The second variable is the ratio of female independent directors seating in the board of a corporation also coded as *Female_Independent,* this variable is a dummy variable represented by 1 if there is a female independent director in the board and 0 if there is no any female independent director in the board of a corporation. The third is also a dummy variable which is represented as 1 if there is a female in the audit committee of the board of a corporation and 0 if there is no

any female director in the audit committee of a corporation, it is coded as *Female_in_Audit*. And the fourth gender diversity variable is also a dummy variable represented as 1 if the chairman of the board of a company is female and 0 if not, it is coded as *Female_Chairman*.

- **CEO Duality:** CEO duality is situation where one person holds the seats of both CEO and Chairman of the Board of directors. This variable is a dummy variable represented by 1 when there is CEO duality and 0 when there is no duality. It is coded as *CEODuality*.
- **Board Committees:** There are three variables that emanated from this mechanism. The first is the number of directors in the audit committee of the board of a corporation coded as *Audit_Committee*. The second variable is a dummy variable represented by 1 if there is a corporate governance committee in the board of a corporation and 0 for otherwise, it is coded as *Governance_Committee*. The third variable is coded as *Risk_Committee* which is also a dummy variable represented by 1 if there is risk management committee in the board of a corporation and 0 for otherwise.

Ownership Concentration: Two definitions were established in other to determine the effect of block holding on the performance of the sampled corporations. The first was related to the Turkish corporations, this is the ratio of family shareholdings of a corporation. The ownership concentration of Nigerian listed corporations is defined as the percentage of shares held by the first top 10 shareholders of a corporation. This is because the block holding in Nigeria is mostly not family holdings but rather institutional holdings and separate shareholders with substantial amount of shares. This variable was coded as *Block_holdings*.

The brief descriptions of all the variables are summarized in table 3.2.

Table 3.2: Variables Descriptions

No	Variable code	Variable Name	Variable Definition	Variable Type
1	*ROA*	Return on Asset	Profit after interest and tax divided by the total assets	Dependent Variable
2	*ROE*	Return on Equity	Profit after interest and tax divided by owner's equity	Dependent Variable
3	*Board_Size*	Board Size	Total number of directors in the board of a corporation	Independent Variable
4	*Independent*	Independent Directors	Ratio of independent directors in the board of a corporation.	Independent Variable
5	*Female*	Gender Diversity	Ratio of female directors in the board of a corporation	Independent Variable
6	*Female_Independent*	Gender Diversity	Ratio of Independent female director in the board of a corporation	Independent Variable
7	*Female_in_Audit*	Gender Diversity	Female directors in the audit committee of a board.	Independent Variable
8	*Female_Chairman*	Gender Diversity	This is a situation where chairman of the board is a female.	Independent Variable
9	*CEODuality*	CEO Duality	The chairman of the board is the CEO of the corporation.	Independent Variable
10	*Audit_Committee*	Audit Committee	Number of directors in the audit committee of a board.	Independent Variable
11	*GovernaceCommittee*	Governance Committee	If corporate governance committee exist in a board	Independent Variable
12	*Risk_Committee*	Risk Committee	if there is risk management committee in a board	Independent Variable
13	*Block_Holdings*	Block Holding	The level of ownership concentration in a corporation	Independent Variable

4.4 Techniques of Data Analyses and Presentation

After the collection of the data and the coding of the variables, descriptive statistics was used to analyze and explain the features of the data. Linear regression analyses were used to analyze the effect of the variables on performance; linear regression analysis requires the identification of one or more variables that represent a data which will be analyzed as a function of the other variables (Andres et al, 2005). T-test was used to analyze the differences between Nigerian and Turkish corporations. Variables were coded and analyzed using Statistical Package for Social Sciences (SPSS). The results obtained from the analyses were presented as in a tabular form and discussed in the next chapter.

CHAPTER FIVE

RESULTS AND DISCUSSION

5.1 Introduction

This chapter presents the analysis of the secondary data collected from the annual report and accounts of the Nigerian listed corporations and Borsa Istanbul listed corporations. The results of the analyses are presented in this chapter in tabular form, and the results are discussed according to their presentation in the tables. Descriptive statistics tables are used to analyze and present the features of the data. Though the differences of the data can be analyzed from the descriptive statistics, t-test is used to analyze and present the differences between the two countries, while linear regression analyses was used to analyze and present the relationship between the dependent variable and independent variables, that is the relationship between the internal corporate governance mechanisms used in this research and the financial performance measures. After the introduction of the chapter, descriptive statistics were discussed followed by the analyses of differences between the countries, afterward the relationship between the variables related to corporate governance and corporate performance is discussed.

5.2 Descriptive Statistics

The descriptive statistics of the board compositions and ownership concentration are given and discussed in a chronological order.

Table 5.1: Board Size

Countries	N	Minimum	Maximum	Mean	Std. Deviation
Nigeria	94	4	18	9.59	2.901
Turkey	120	3	14	7.93	2.119
Total	214	3	18	8.65	2.620

According to Table 5.1, corporations in Nigeria have a relatively larger board with a minimum of 4 directors and the maximum of 18 board members. The average number of board members of the sampled corporations listed in Nigerian Stock Exchange contains approximately 10 directors, with a standard deviation of 2.901.This implies that board size can deviate from the mean by 2.901. This result is in consistent with the result of Sanda et al (2005), in which they stress the need to maintain an average size of 10 directors in the board of Nigerian listed corporations and found that 10 directors are good for performance. It was observed that 22.3% of the Nigerian listed corporations have nine directors in their boards, while 42.6% of the sampled Nigerian corporations have a board size of more than nine directors and 35.1% have less than nine directors in their boards. Although the Code of Corporate Governance in Nigeria calls for the minimum of five board members in listed corporations' boards (SEC Code 2011), this result shows that there are some corporations that still have less than five board members. On the other hand, the minimum number of directors in Turkish listed corporations is three, while the maximum is 14 with an average number of eight (7.93) directors in a board. The standard deviation of the sampled corporations' boards that are listed in Borsa Istanbul is 2.119. It was also observed that 20.8% of the corporations have the board size of seven members while 48.4% of the corporations have more than seven directors and 30.8% of the corporations have three to six directors. When all of the corporations in the sample are taken into consideration, it is observed that, the minimum number of directors in the boards of the sampled corporations is three directors, while the maximum is 18, with an average of nine directors per board. The deviation of the board size of the sampled corporations is standard at 2.620.

Table 5.2 shows that the average number of independent directors in the total sampled corporations is approximately two. There are some corporations that do not have independent directors in their boards and the maximum number of independent directors in one board is eight directors. The average number of independent directors in Nigerian boards is one and the maximum is eight. The standard deviation is 1.390 because 59.6% of the corporations have no independent directors in their boards, 23.4% have only one independent director, 8.5% have two independent directors and 8.5% have three to eight independent directors in their boards. This result show us that most of the listed Nigerian corporations are not in compliance with the SEC code of corporate governance that requires at least one independent director in a board of a corporation. The case in Turkey is slightly different as there is average of two independent directors in the board of the corporation and the maximum number of the independent directors in one board is four. The standard deviation is not as much as that of Nigeria, it is leveled as 0.719, since 77.5% of the corporation have two independent directors in their boards, 15.8% have three to four independent directors, 2.5% have only one and 4.20% have none. Therefore corporations in Turkey are in consistent with the requirement and the recommendation of their corporate governance regulatory bodies, as it is recommended that boards in Turkey should consist of the majority of independent directors (OECD 2004), while CMB recommends at least one independent board member (Ararat and Orbay, 2006).

Table 5.2: Independent Directors

Countries	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Nigeria	94	0	8	0.79	1.390
Turkey	120	0	4	2.11	0.719
Total	214	0	8	1.53	1.251

Table 5.3 shows the number of directors that are in the audit committee of the boards of the sampled corporations. It is observed that there are some corporations that do not have audit committee in the sample. The maximum number of the directors in a single audit committee is 10 and the average is four directors in a committee. There is a considerable difference in the number of directors in the committee. The standard deviation denotes 1.980. The corporations listed in the Nigerian Stock Exchange have a maximum of 10 directors in audit committee and average number of 6 directors. 70.2% of the corporations have six audit committee members, 24.5% have less than six members, 5.3% of the Nigerian listed corporations have audit committee that comprises of more than seven to ten members and only one corporation does not have audit committee. Therefore

the standard deviation of the Nigerian listed corporations sample is 1.115. The maximum number of audit committee members in Turkish listed corporations is five, while the average number of directors in the audit committee is two directors. The standard deviation is 0.458 due to the fact that 93.3% of the corporations have two audit committee members, three corporations do not have audit committee in their boards and 4.2% of the corporations have three to five audit committee members. This is because audit committee is compulsory for all listed corporations in Nigeria that is why it is call "Statutory Audit Committee", while in Turkey audit committee is optional.

Table 5.3: Audit Committee

Countries	N	Minimum	Maximum	Mean	Std. Deviation
Nigeria	94	0	10	5.64	1.115
Turkey	120	0	5	2.01	0.458
Total	214	0	10	3.60	1.980

The next table (Table5.4) explained the CEO duality in both countries. It can be observed that there is no CEO duality in the sample of the listed Nigerian corporations while in 11 Turkish corporations, one person serves as the CEO and at the same time the chairman of the board of directors of the corporation. This is because CEO duality is prohibited by SEC (2011) in Nigeria. And most of the companies in Turkey are family owned; as such it is not a problem when the chairman of the board is the CEO of the corporation if the corporation is wholly owned by his family or by him. The problem mostly arises if the CEO is delegated with the resources of other shareholders. That is the root of Agency problem.

Table 5.4: CEO Duality

Countries	N	Yes	No	CEO DUALITY%
Nigeria	94	0	94	0.0
Turkey	120	11	109	9.2
Total	214	11	203	5.1

Table 5.5 depicts that in both countries the average number of female directors in a board is one and there are some corporations that do not have female directors and the

maximum amount of woman directors in a single board is four. In Nigerian listed corporations, 40.4% of the corporations have only one female director in their boards, 18.1% have two female directors, 9.6% have three to four female directors in their boards, while 31.9% have no female representation in their boards. On the other hand, 40.8% of companies listed in Borsa Istanbul have no female representation in their boards, 45% have only one female director, only 10% have two directors and 4.2% have three to four directors.

Table 5.5: Board Gender Diversity

Countries	N	Minimum	Maximum	Mean	Std. Deviation
Nigeria	94	0	4	1.06	0.971
Turkey	120	0	4	0.78	0.822
Total	214	0	4	0.91	0.899

It is also observed from Table 5.6 that; on average there are no female independent directors represented in the board of the sampled corporations. But there are some minor differences in the two countries. The maximum number of female independent director found in a single board of Turkish company is one, while the maximum is two in Nigerian listed corporations. 90% of the Turkish corporations do not have any female independent director while only 10% have one independent female director. The Nigerian listed corporations also have 88.3% of corporations that does not have female independent director and 9.6% have only one female independent director, while 2.1% have two independent woman directors.

Table 5.6: Female Independent Directors

Countries	N	Minimum	Maximum	Mean	Std. Deviation
Nigeria	94	0	2	0.14	0.404
Turkey	120	0	1	0.10	0.301
Total	214	0	2	0.12	0.350

Similarly, female representation in audit committee of corporations listed in both Nigerian Stock Exchange and Borsa Istanbul is low, on average there is no female director in the audit committee of the corporations. The maximum number of female directors present in the board of Nigerian listed corporations is two which represent only 9.6% of the corporations, with an approximately average number of one female director in the audit committee of a board. The highest number in Turkish listed corporations is one, which represents only 10% of the corporations, while 90% of the Turkish corporations have no women in their audit committee of the board.

Table 5.7: Female Directors in Audit Committee

Countries	N	Minimum	Maximum	Mean	Std. Deviation
Nigeria	94	0	2	0.54	0.667
Turkey	120	0	1	0.10	0.301
Total	214	0	2	0.29	0.541

According to table 5.8, only six Turkish companies have female sitting as chairman of board of directors in the sample while there is no any female chairman in the board of the sampled Nigerian corporations.

Table 5.8: Female Chairman

Countries	N	Yes	No	% of Yes
Nigeria	94	0	94	0.0
Turkey	120	6	114	5.0
Total	214	6	208	2.8

Table 5.9 shows that 42.6% of Nigerian listed corporations have corporate governance committee in their boards while 95% of Turkish corporations have corporate governance committee in their boards. The possible explanation of the differences is associated to the high recommendation of CMB for the establishment of corporate governance committee in Turkish listed corporations' boards. It can be seen from Table 5.10 that 64.9% of Nigerian listed corporations have risk management committee in their boards and whereas 49.2% for the corporations listed in Borsa Istanbul. This is because the majority of sampled Nigerian corporations are financial services corporations and it is

highly recommended by CBN that all financial services corporations should have a risks management committee.

Table 5.9: Corporate Governance Committee

Countries	N	Yes	No	% of Yes
Nigeria	94	40	54	42.6
Turkey	120	114	6	95.0
Total	214	154	60	72.0

Table 5.10: Risk Management Committee

Countries	N	Yes	No	% of Yes
Nigeria	94	61	33	64.9
Turkey	120	59	61	49.2
Total	214	120	94	56.1

Table 5.11 shows the level of block holdings in the two stock markets. The minimum shareholding by the top 10 shareholders of the sampled listed corporations in Nigeria is 1.57% of the total share of one corporation, while the maximum is a situation where the whole shares are wholly owned by less than 10 shareholders. It was observed that in 55.3% of the sampled Nigerian corporations, the top 10 shareholders own 50 to 90 percent of the total corporation's share. In addition, in 36.2% of the sampled Nigerian corporations, the top 10 shareholders own less than 50% of the total shareholdings, while the top 10 shareholders of 8.5% of the sampled Nigerian listed corporations own more than 90% of the shares of their corporations. The average shares that the top 10 shareholders of the sampled Nigerian corporations hold are 58.86% of a total corporation's shareholding. The table also shows that the minimum family shareholding in the sampled Turkish corporations is 8.05% of a corporation's total share and there are some corporations that one family own 99% of the total shareholding of the corporation. It was observed that one family own less than 50% of the total share of the corporation, while in 45% of the sample; one family holds 50 to 90% of a corporation's total shareholdings and in 7.5% of the sample one family hold more than 90% of the total shareholdings of their corporation.

According to Table 5.11, the average amount of family shareholding in the sampled Turkish corporations is 55.30% of a total shareholding of a corporation.

Table 5.11: Ownership Concentration

Countries	N	Minimum	Maximum	Mean	Std. Deviation
Nigeria	94	1.57	100	58.862	23.468
Turkey	120	8.05	99.28	55.309	22.060
Total	214	1.57	100	56.869	22.704

5.3 Analyses of Differences between Nigeria and Turkey

This part shows the significant differences of the applied variables in the two countries. T-test is used to analyze the differences between the variables and how significant is the differences. The table below shows the t-test results of the board size. From the table, it can be seen that the t-test for board size indicates a statistically significant difference ($p < 0.01$) between Turkish and Nigerian corporations (Table 5.12). It was also observed from table 5.1 that the maximum board size of the Nigerian sampled corporations is 18 while that of Turkish corporations is 14. Therefore Nigerian corporations are following the suggestion of Resource Dependence Theory and Agency theory, while the Turkish corporations are maintaining relatively moderate board.

Table 5.12: The Difference of Board Size between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Board Size	Nigeria	94	9.59	2.901	-1.660	-4.835	0.000
	Turkey	120	7.93	2.119			

There exist significant differences in the presence of independent directors in the boards of Nigerian and Turkish corporations ($p < 0.01$). Table 5.13 shows that on average there are two independent directors in Turkish boards while Nigerian boards have the average of only one independent director. Because it was observed from table 5.5 that the maximum number of independent directors that are present in one board of the sampled Nigerian corporations is eight but the maximum in the sampled Turkish corporations are four independent directors in one board.

Table 5.13: The Difference of Independent Directors between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Independent Directors	Nigeria	94	0.79	1.399	1.321	8.990	0.000
	Turkey	120	2.11	0.719			

Table 5.14 also shows significant differences between the numbers of directors in the audit committee of the sampled corporations from the two countries at a significant level ($p < 0.01$). On average, audit committee in Nigerian boards consists of six directors while on average there are two directors in the audit committee of the Turkish corporations. This is because it was recommended by SEC (2011) that the statutory audit committee in Nigeria should consist of not more than six directors, while in Turkey there is no such recommendation.

Table 5.14: The Difference of Audit Committee between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Audit Committee	Nigeria	94	5.64	1.115	-3.630	-32.350	0.000
	Turkey	120	2.01	0.458			

There is no CEO duality in Nigeria; this is because the corporate governance code prohibits the practice of CEO duality in Nigeria (SEC, 2011). Conversely, there are some corporations that practice CEO duality in Turkey, therefore Table 5.15 shows a significant difference ($p < 0.05$) in the practice of CEO duality in the two countries.

Table 5.15: The Difference of CEO Duality between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
CEO Duality	Nigeria	94	0.00	0.000	0.920	3.066	0.02
	Turkey	120	0.09	0.290			

Significant differences ($p < 0.05$) between Nigeria and Turkey in terms of gender diversity in the board of directors of corporations are also shown in Table 5.16. On average there is at least one woman in the board of both country's corporations, hence the differences are in the ratio of the corporations that have female board members and those that does not have any female representation in their boards. It was observed that board gender diversity is less in Turkish corporations compared to the Nigerian corporations from Table 5.5 in the descriptive analyses, full explanation of how Turkish corporations and Nigerian corporations differed in term of gender diversity is given in the explanation of Table 5.5.

Table 5.16: The Board Gender Diversity Differences between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Gender Diversity	Nigeria	94	1.06	0.971	-0.280	-2.288	0.02
	Turkey	120	0.78	0.822			

There is also a significant difference in the presence of female in the audit committee of Turkish corporations and Nigerian corporations ($p < 0.01$), on average every corporation in the Nigerian sample have one female in the audit committee in board of the corporation. On the contrary, on average, there is no female in the audit committee of the boards of Turkish corporations as it is shown in Table 5.18. From Table 5.19, it can be observed that there is a significant difference ($p < 0.01$) in the existence of corporate governance committee between the two countries. 95% of the corporations listed in Borsa Istanbul according to this sample have corporate governance committee in their boards. Only 45% of the sampled listed Nigerian corporations have corporate governance committee in their board of directors.

Table 5.17: Female Independent Director Differences between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Female Independent Directors	Nigeria	94	0.14	0.406	-0.040	-0.821	0.41
	Turkey	120	0.10	0.301			

Table 5.18 Female in Audit Committee Differences between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Female in Audit Committee	Nigeria	94	0.54	0.667	-0.443	-6.479	0.00
	Turkey	120	0.10	0.301			

Table 5.19: Corporate Governance Committee Differences

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Governance Committee	Nigeria	94	0.42	0.496	0.531	10.480	0.00
	Turkey	120	0.95	0.219			

Furthermore, no significant distinction in the existence of risk management committee in the board of the total sampled corporations. Only 65% of the Nigerian listed corporations have risk management committee and most of the corporations that have the committee are financial services corporations. On the other hand, only 53% of the Turkish sampled corporations have risk management committee in their boards (Table 5.20).

Table 5.20: Risk Management Committee Differences between Nigeria and Turkey

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Risk Management Committee	Nigeria	94	0.65	0.480	-0.124	-1.621	0.10
	Turkey	120	0.53	0.608			

Furthermore, there are no statistically significant differences in block holdings of company shares between Nigeria and Turkey (Table 5.21). In both countries, ownership concentration is high.

Table 5.21: Ownership Concentration Differences

Group Statistics	Country	N	Mean	Std. Deviation	Mean Difference	t	Sig. (2-tailed)
Block Holdings	Nigeria	94	58.86	23.468	-3.553	-1.137	0.25
	Turkey	120	55.31	22.661			

5.4 Effect of Corporate Governance on Financial Performance

An effective corporate governance amount to improve performance, drive growth, attract and retain investors, better manage risks and reduce the risk of financial crisis, and this can only be achieved when there is a good transparency and accountability within a country's corporate governance framework (Lincoln and Adedoyin, 2012). In this part, the effect of all the independent variable; which are the internal corporate governance mechanisms, on the dependent variables; which is financial performance of companies measured as ROA and ROE, are determined. Linear regression analyses are used to analyze the relationship between the dependent and independent variables. The effect of the variables on ROA is first analyzed, followed by the effect on ROE. The Table 5.22 below shows the effect of internal corporate governance mechanism on ROA of the sampled corporations. The result of the effect of the corporate governance internal mechanisms on ROA shows that only corporate governance committee has a positive and significant relationship at 10% level with ROA of the total sampled corporations. The result shows that independent directors have a negative but not significant relation with the ROA of the corporations. Female independent directors are also found to be negatively but not significantly related to ROA of the sampled corporations. All other internal mechanisms used have a positive but insignificant relationship with performance measure (ROA). On country bases, Table 5.23 shows that female independent directors and risk management committee have a negative but insignificant relation with the ROA of the corporations listed in Nigerian Stock Exchange. All other variables have a positive relationship with ROA but not significant.

Table 5.22: Total Effect of Internal Mechanisms on Return on Assets

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.032	.064		-.505	.614
CEO Duality	.023	.046	.036	.495	.621
Board Size	.003	.004	.047	.605	.546
Independent Director	-.045	.097	-.046	-.465	.643
Board Gender Diversity	.006	.105	.004	.056	.955
Female Independent	-.015	.034	-.036	-.435	.664
Female in Audit Committee	.019	.022	.072	.867	.387
Audit Committee	.002	.007	.034	.337	.736
Governance Committee	.046	.027	.146	1.666	.097*
Risk Committee	.004	.019	.014	.190	.849
Block Holdings	.000	.000	.061	.842	.401
a. Dependent Variable: ROA	R Square 0.024				

*significant at the level of 10%

Table 5.24 shows that in the sampled corporations listed in Borsa Istanbul, independent directors, board gender diversity, female in audit committee and corporate governance committee have a negative but insignificant relationship with ROA. In addition other variables have insignificant positive relationship with ROA

Table 5.23: Effect of Internal Mechanisms on Return on Assets in Nigeria

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.070	.168		-.415	.679
	Board Size	.003	.008	.051	.422	.674
	Independent Directors	.049	.276	.030	.179	.858
	Board Gender Diversity	.172	.245	.086	.703	.484
	Female Independent	-.047	.082	-.094	-.574	.567
	Female in Audit Committee	.009	.036	.030	.246	.807
	Audit Committee	.005	.021	.025	.210	.834
	Governance Committee	.071	.047	.177	1.516	.133
	Risk Committee	-.028	.050	-.067	-.549	.584
	Block Holdings	.001	.001	.066	.556	.580
a. Dependent Variable: ROA		R Square 0.040				

Table 5.24: Effect of Internal Mechanisms on Return on Assets in Turkey

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.020	.047		.428	.669
	CEO Duality	.026	.022	.115	1.197	.234
	Board Size	.002	.003	.068	.620	.536
	Independent Directors	-.058	.093	-.078	-.630	.530
	Board Gender Diversity	-.103	.065	-.159	-1.582	.116
	Female Independent	.030	.030	.135	.983	.328
	Female in Audit Committee	-.015	.031	-.068	-.482	.631
	Audit Committee	.015	.015	.106	1.039	.301
	Governance Committee	-.019	.035	-.063	-.550	.583
	Risk Committee	.018	.011	.163	1.645	.103
	Block Holdings	.000	.000	.076	.785	.434
a. Dependent Variable: ROA		R Square 0.081				

On the other hand, the results obtained from the test of the internal corporate governance mechanisms effect on ROE have a more interesting result than that of ROA.

Table 5.25 below shows the general effect of the mechanisms on ROE of the total sampled corporations. The result shows that corporate governance committee is positively and significantly related to ROE of the total sampled corporations, while risk management committee is negatively related to ROE at 5% significant levels. All other internal mechanisms are positively related to ROE except the presence of female independent director which is negatively related to ROE at an insignificant level of 80%.

Table 5.25: Total Effect of Internal Mechanisms on Return on Equity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.573	.926		-1.699	.093
	Board Size	.041	.045	.105	.906	.367
	Independent Directors	.436	1.518	.046	.287	.775
	Board Gender Diversity	1.493	1.348	.131	1.107	.271
	Female Independent	-.074	.451	-.026	-.165	.869
	Female in Audit Committee	.107	.201	.063	.536	.594
	Audit Committee	.152	.118	.150	1.283	.203
	Governance Committee	.441	.258	.193	1.713	.090*
	Risk Committee	-.552	.277	-.234	-1.991	.050**
	Block Holdings	.004	.006	.083	.720	.473
a. Dependent Variable: ROE		R Square 0.052				

*significant at the level of 10%
**significant at the level of 5%

In the Nigerian sampled corporations, it is shown in Table 5.26 that corporate governance committee also has a direct and significant relationship with ROE at 10% level. On the contrary, Risk management committee has a significant negative relationship with ROE at a 5% significance level. The presence of female independent directors was also found to be negatively but insignificantly related to ROE. All other mechanisms are found to be positively related to ROE but not significant. In Turkey, according to Table 5.27 number of directors in audit committee is positive and significantly related to ROE. This may be due to the fact that not every company listed in Borsa Istanbul has audit committee in their board. Therefore, presence of audit committees in the boards of corporations has significant effect on their financial performance. The result also shows that corporate governance committee has a significantly negative relationship with ROE. It is shown in the descriptive analyses that 95% of the sampled Turkish corporations have a corporate governance committee, however agency cost of maintaining the committee may influence the ROA of the corporations if the results obtained from the committee is not worth the cost of establishing and maintaining the committee in the boards of the corporations. Similarly, board gender diversity, presence of female directors in audit committee and block holdings has an insignificant negative relationship with ROE. All other mechanisms have a positive but insignificant relation to ROE including CEO duality.

Table 5.26: Effect of Internal Mechanisms on Return on Equity in Nigeria

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.573	.926		-1.699	.093
	Board Size	.041	.045	.105	.906	.367
	Independent Directors	.436	1.518	.046	.287	.775
	Board Gender diversity	1.493	1.348	.131	1.107	.271
	Female Independent	-.074	.451	-.026	-.165	.869
	Female in Audit Committee	.107	.201	.063	.536	.594
	Audit Committee	.152	.118	.150	1.283	.203
	Governance Committee	.441	.258	.193	1.713	.090*
	Risk Committee	-.552	.277	-.234	-1.991	.050**
	Block Holdings	.004	.006	.083	.720	.473
a. Dependent Variable: ROE			R Square 0.102			

*significant at the level of10%
**significant at the level of 5%

Because more significant results are found in the analyses of the relationship between ROE and other independent variables, this research will based its decision in line with Westhman (2009) and Ranti (2012) by focusing some of the research decisions on ROE, Since the results imply that ROE is a better financial performance measure than ROA because it provides more significant relationships than ROA (Ranti 2012). Westhman

(2009) also stated that ROA is a part of ROE; therefore ROE is a better measure of financial performance than ROA.

Table 5.27: Effect of Internal Mechanisms on Return on Equity in Turkey

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.002	.159		.011	.991
	CEO Duality	.019	.075	.024	.254	.800
	Board Size	.008	.012	.071	.666	.507
	Independent Director	.528	.315	.202	1.678	.096
	Board Gender Diversity	-.140	.222	-.061	-.630	.530
	Female Independent	.021	.103	.028	.206	.837
	Female in Audit Committee	-.048	.106	-.062	-.449	.654
	Audit Committee	.139	.050	.275	2.766	.007*
	Governance Committee	-.340	.117	-.321	-2.906	.004**
	Risk Committee	.020	.037	.053	.548	.585
	Block Holdings	-.001	.001	-.052	-.551	.583
a. Dependent Variable: ROE		R Square 0.053				

*significant at the level of 10%
**significant at the level of 5%

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The purpose of this chapter is to briefly summarize the entire research, reach a conclusion and make necessary recommendations from all the quantitative analysis presented in the last chapter. It is hoped that the results obtained from this research would serve as significant information that will help in policies amendment and recommendations as well as add to the existing body of empirical literature of corporate governance effect on the performance of corporations in a developing stock exchange markets such as that of Nigeria and Turkey. This chapter is structured into five parts. After a brief introduction of the chapter, the first part was presented which is the summary of the research, followed by part two which is of the summary discussion of findings of this research, the third part shows the conclusion and the fourth part briefly shows the contributions and limitation of the research. The last part contains the research recommendations.

6.1 Dissertation Summary

This research used secondary data to analyze the relationship between corporate governance internal mechanisms and financial performance of a total of 214 Nigerian and Turkish corporations, 94 corporations were sampled from Nigerian Stock Exchange listed corporations and 120 corporations were sampled from Borsa Istanbul. The data used were obtained from the published annual reports and accounts of the sampled corporations for the year 2012, which are available in the respective websites of the corporations or Nigerian Stock Exchange website and Borsa Istanbul website. The independent variables used in this study are some of the corporate governance internal mechanisms which constitute of; board size, the presence of independent directors, board gender diversity, CEO duality, board committees, and ownership concentration. The dependent variables that have been used in this research are the accounting measures of financial performance. Two accounting ratios were used, these are; return on assets (ROA) and return on equity (ROE). The linear regression analyses were used to find the relationship and the significance of the relationships between these variables. Furthermore, t-test statistics was used to found the existence and the extent of any significant difference between the independent variables of the sampled corporations that are listed in Nigerian Stock Exchange and that of Borsa Istanbul. To comprehend the effects of each of the corporate governance internal mechanisms, the prime corporate governance theories were examined in the literature review these theories are; Agency Theory, Stewardship Theory, Resource Dependence Theory and Stakeholder Theory. The result obtained from the empirical analyses was explained and link with the theories where appropriate. Therefore this study has an eclectic way of summarizing its findings. Afterwards, conclusions and recommendations were presented.

6.2 Summary of Findings

Various research on the effect of internal corporate governance mechanisms such as board of directors' composition and ownership concentration have been primarily focused on western countries and western models. However, corporations in different environment have different cultures, legal and institutional bodies that significantly influence corporate governance-performance relationship. Therefore it is important to test the applicability of the Anglo-American model in different environments (Filatotchev et al, 2005). The findings of this research are summarized one after the other according to the corporate governance internal mechanism used in this research.

6.2.1 Board size

This research reveals that board size have a positive but insignificant effect on financial performance. In both of the countries, the result obtained from the sampled corporations shows that there is a minor positive relationship between the board size and the financial performance of the corporations (for both ROA and ROE). This result is consistent with that of Wei, (2007) and Thi (2012), to mention but a few. The descriptive analysis revealed that on average, the board size of listed corporations in the total sample is approximately nine (8.65). This result implies that on average, there is a relatively reasonable board size of nine directors among the sampled corporations. The board size of nine directors is neither too big nor too small; as such this is in line with the suggestion of Yermack (1996) for a moderate board size. The t-test result shows a significant difference between the board size of the Nigerian corporations with that of Turkish corporations. The maximum, minimum and the average board size of the corporations in both countries are considerably different. The minimum and maximum board size in Nigerian sampled listed corporations is 4 and 18 directors respectively. This reveals that the Nigerian boards are relatively large, and this is in line with the suggestion of Resource Dependence Theory; which states that corporations should maintain large boards so that the board members can use their business connection, knowledge and experience in sourcing the fundamental resources that the corporation needs (Pfeffer and Salancik, 1978). For the corporations listed in Borsa Istanbul, the minimum and maximum board size is 3 and 14 respectively. The Turkish sampled corporations' boards are moderate in size, which is indirectly in line with the suggestion of Agency Theory which states that large corporations require large board size so that they can effectively supervise and govern the corporation's transactions (Kiel and Nicholson 2003), and since ownership is highly concentrated in Turkey, family members are most of the times the executives and the members of the boards, thus there is no need of large board size to monitor and control the management.

6.2.2 Independent directors

Independent directors are found to be insignificant but positively related to ROE of the total sampled companies, this result is in consistent with the results of Paul et al (2008) while the presence of independent directors in the board of the total sampled corporations is found to be insignificant but inversely related to ROA of the corporations, this result is in line with that of Klein (1998). There has been a significant difference in the presence of independent directors between the two countries. The average board of the sampled listed Nigerian boards consists of approximately one (0.79) independent directors, while the average Turkish listed corporations has two independent directors in their boards. The results also show that presence of independent directors are positively but insignificantly related to the financial performance of the Nigerian listed corporations (both ROA and ROE); this result is in line with that of Ogbechie (2012). But for the sampled Turkish corporations, it was found that presence of independent directors in the boards of the corporations have a negative and insignificant effect on ROA, this result is in line with that of Klein (1998), while it is positive and insignificantly ROE, this result is consistent with that of Abdillahi and Manini (2003). The general total sampled results and the results at country level support the Agency Theory perspective which proposed that the presence of independent directors will improve and strengthen monitoring of management and hence increase financial performance (Fama and Jensen, 1983; Fama, 1980). Although the relation shows no significant relationship, the majority of the analyzed result shows that independent directors are positively related to financial performance. The minor or insignificant relation may be the result of the insufficient presence of the independent directors on the boards of the corporations.

6.2.3 CEO Duality

It was found that CEO duality is positively but insignificantly related with the financial performance of the sampled corporations. It was observed that there is no corporation that practice CEO duality in Nigeria. This shows that the corporations in Nigeria are strictly obeying the SEC regulation of the separation of chairman of the board from CEO titles. The insignificant positive relationship found was in line with the result of Liang and Li (1999) and in contrast with the finding of Kula (2005) who also studied on Turkish corporations. Since the result shows a positive relationship, it supports the Stewardship Theory assumption that CEO duality improves the performance of the corporations (Donaldson and Davis, 1991). It is insignificant because only 5% of the sample practice

CEO duality and since the boards of Turkey are dominated by the owner family members (Yurtoğlu, 2000), CEO duality is positively related to performance because the owners of the corporations are executives and the board members, and therefore there is no or very little agency cost.

6.2.4 Board gender diversity

It was found that in general, the total number of female directors in the boards of the sampled corporations is positive but insignificantly related with corporate financial performance (both ROA and ROE). The same result was obtained from the sampled Nigerian corporations, this is consistent with the findings of Dang, Nguyen and Vo (2012); Salehnezhad and Abbasi (2013) and others. This result to some extent supports; Agency theory, Stakeholder Theory and Resource Dependence Theory, because they all proposed the increase in board gender diversity for many reasons (Brennan and McCafferty, 1997; Keasey et al, 1997; Butler 2012). In the sampled Turkish listed companies, it was found that board gender diversity is negatively but insignificantly related to financial performance (both for the two measures). This is in line with the findings of Dobbin and Jung (2011) and others. There are significant differences in gender diversity representation between the countries. Although female are underrepresented in both of the countries, there is less board gender diversity in Turkish corporations than in Nigerian corporations.

It was also found that female independent directors are negatively and insignificantly related to the total sampled corporations' performances. The result is the same with the Nigerian sample results. This finding is in contrary to that of Hampel (1998) who argues that board independence will help in monitoring and supervising management of a firm and gender diversity in the board helps in creating a balanced board which makes individual domination impossible. It was also found that in Turkish sampled listed corporations, female independent directors are positively but insignificantly related to ROA and at the same time have an insignificant negative effect on ROE. There are no statistical significant differences for the presence of female independent directors in the boards of the two countries sampled corporations. On average, the corporations have no female directors in their boards. The descriptive statistics also shows that 5% of the Turkish listed corporations have female as their chairman of the board of directors while none of the Nigerian sampled corporations have female chairman in their boards. Considerable evidence suggested that in Turkey, the descendants of families' business owners have better education of the modern way of doing business, they are more outward oriented and they became better successors that take the lead of their families' corporations under the counselling of their forerunners (Kula, 2005).

The existence of female directors in audit committee is found to have a positive but insignificant effect on the performance of both the general sample and the sample of the Nigerian listed corporations. Negative and insignificant relation was found between the representation of females in audit committee and the performance of the sampled listed Turkish corporations. There is also a significant difference on the representation of females in audit committee between the two countries, in that the average Nigerian sampled corporations have approximately one (0.54) female in the committee, while there are no females (0.10) in the audit committee of an average Turkish sample corporation.

6.2.5 Board committees

Number of directors in audit committee is found to have positive and insignificant relation with performance of the general sample and the Nigerian sampled corporations. These findings are in line with the findings of Leng (2004) and Sunday (2008). On the other hand it is also found that number of directors in audit committee have a positive and significant effect on the ROE of the sampled Turkish corporations, this result is in line with the findings of Kyereboah-Coleman (2007). On the other hand, an insignificant positive relationship exists between ROA and number of directors in audit committee. There is also a considerable significant difference on the number of directors in audit committee of the boards of the Nigerian and Turkish corporations. On average there are six directors in the audit committee of the sampled Nigerian corporations while there are only two directors that are in the audit committee of an average Turkish sampled corporation. The maximum size of the audit committee in Nigerian and Turkish sampled corporations are 10 and 5 respectively. In either way, audit committee is positively related to performance.

Corporate governance committee was found to have a positive and significant relationship with the performance of the general sampled listed corporations. This is an additional prove of all the research and the theories that suggested or found that corporate governance improve performance. ROE of the sampled Nigerian corporations also reports a positive and significant relation with corporate governance committee of the boards of the sampled corporations, while the ROA reports a positive but insignificant relationship with the committee. It was found that there is a negative but insignificant relationship between corporate governance committee and the financial performance of the sampled Turkish Listed corporations. Also, there is a significant difference in the boards of the two countries regarding the establishment of this committee. Only 42.6% of Nigerian corporations have corporate governance committee in their boards, while 72% of the sampled Turkish corporations have a corporate governance committee in their boards. Although the Turkish corporations have more corporate governance committee in their boards, yet negative relationship was found regarding the committee and performance. This result confirms the statement of Ararat and Orbay (2006) which stated that individual distinctive economic, political and environmental factors such as the depth and liquidity of securities markets, the quality of laws, the level of enforcement, disclosure infrastructure, the quality of banking system and culture play a significant role in setting the quality of corporate governance of corporations.

Risk committee is also found to have a positive but minor relationship with the general sample and the Turkish sampled listed corporations, this is in line with the findings of Salin and Rahman (2012), while negative and insignificant relationship was found between the presence of risk committee and the ROA of the Nigerian listed corporations, and a significant negative relationship was found between the presence of risk committee and ROE. There is no significant difference between Nigerian corporations and Turkish corporations for the presence of risk committee.

6.2.6 Ownership concentration

This research found a positive but insignificant relationship between block holding and the performance of the general sampled corporations. The result is the same in the Nigerian sampled corporations. It was also found that the result of the Turkish sampled corporations was insignificantly related to corporations' financial performance, ROA was positively related to block holdings while ROE was negatively related to block holdings. These findings are closely related to the findings of Filatotchev et.al (2005) and Owtscharov (2007). Filatotchev et al (2005) found that ownership concentration by family holding have no significant relation with performance. No significant differences were found in term of ownership concentration and financial performance of the corporations. This shows that ownership concentration does not matters much on the performance of corporations.

6.3 Conclusion

From the analysis of the findings above, this research therefore conclude that there is a significant positive relationship between corporate governance committee and financial performance of corporations. Presence of female independent directors has a negative but minor relationship with the financial performance of corporation. Board size, board independence, board gender diversity, CEO duality, audit committee, risk committee and presence of female directors in audit committee have a positive but weak relationship with the financial performance of corporations. In the theory-based approaches, it is discovered in this research that, there is no single theory that gives a comprehensive clarification of governance-performance relationship, but rather every theory have some components that can be applied in different circumstances.

The overall conclusion of this research is that corporate governance internal mechanisms used in this research have positive but minor relationship with corporate financial performance. In addition, female directors are still under represented in the boards of listed Nigerian and Turkish corporations.

At country level it is concluded that the application of corporate governance internal mechanisms differed Between Nigeria and Turkey. Perhaps environmental and geographical differences, economical differences, technical differences, and socio-cultural differences, may affect the application of this mechanisms, as such the structures and strategies of the corporations operating in different environments may differ from one another.

6.4 Contribution and Limitation of the Study

This research provide an integrated conceptual framework that simultaneously coincide the effect of various internal corporate governance mechanisms on the performance of Nigerian and Turkish listed corporations for the first time. Various variables were analyzed at country level as well as cross-country level. However, to date there is no any research that directly compares the totality of this internal corporate governance mechanism of these two countries. Hence this research will serve as basic information for future research in the comparison of these two MINT economies. This research uses six measures of corporate governance instead of using just a single measure of corporate governance as it is done in most of the prior studies, henceforward this will assist researchers in this field of interest to draw inference. It will also add to the empirical literature of corporate governance-performance relationship.

The main limitation of this research is the sample size, and the time frame. Small sample size research is vulnerable to inaccurate generalization even where significance testing is exercised (Rhoades et al, 2000). Therefore the results of this research cannot be generalized to the totality of the listed corporations of the two countries. Future studies could address the topic by enlarging the sample size to include all of the listed corporations in Nigeria and Turkey. However the study can be improved by considering a time series data. Furthermore, comparisons between the two countries could be done by considering other board dimensions and activities such as directors' holdings, board interlocking, affiliated directors, board functional diversity, CEO compensation, CEO tenure, and Expatriate CEOs.

6.5 Recommendations

The following recommendations are proposed based on the findings of this research.

1) The efforts to improve corporate governance in Nigeria should focus on setting a mandatory law for the establishment of corporate governance committee in the boards of listed corporations.
2) In both Nigeria and Turkey, female directors should be inside directors that serves at the management of a corporation long enough to have a significant knowledge and experience on the modern way of doing business. Since the result shows that female independent directors have a negative relationship with financial performance.
3) Government in Nigeria and Turkey should establish mandatory gender quotas legislations in the same way that countries like Norway, Belgium, France, Spain and Netherlands did. This is because, with all the research recommendations and the institutional efforts to improve board gender diversity, board gender diversity is still very low in the two countries.
4) Steps should be taken for compulsory compliance with the code of corporate governance of Capital Markets Boards of Turkey and the Security and Exchange Commission of Nigeria. It was observed that some companies in this research refused to comply with certain codes of the regulatory bodies.

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APPENDIX

A. List of corporations sampled from Nigerian Stock Exchange

S/N	Company
1	7-UP BOTTLING COMPANY PLC
2	ABBEY BUILDING SOCIETY PLC
3	ABC TRANSPORT PLC
4	ACADEMY PRESS PLC
5	ACCESS BANK
6	AFROMEDIA PLC
7	A.G. LEVENTIS NIGERIA PLC
8	AIICO INSURANCE PLC.
9	AIRLINE SERVICES AND LOGISTICS PLC
10	ASHAKA CEM PLC
11	ASO SAVINGS AND LOANS PLC
12	B.O.C. GASES PLC
13	BETA GLASS CO PLC
14	C & I LEASING PLC
15	CADBURY NIGERIA PLC
16	CHAMPION BREWERIES PLC
17	CHAMS PLC
18	CHEMICAL AAND ALLIED MATTERS PRODUCT PLC
19	CONOIL PLC
20	CONTINENTAL REINSURANCE PLC
21	CORNERSTONE INSURANCE COMPANY PLC
22	COURTEVILLE BUSINESS SOLUTIONS PLC
23	CUSTODIAN AND ALLIED PLC
24	DANGOTE CEMENT PLC
25	DANGOTE FLOUR MILLS PLC
26	DANGOTE SUGAR REFINERY PLC
27	SIM CAPITAL ALLIANCE VALUE FUND
28	DIAMOND BANK PLC
29	ECOBANK TRANSNATIONAL PLC
30	EQUITY ASSURANCE PLC
31	ETERNA PLC
32	EVANS MEDICAL PLC
33	FBN HERITAGE FUND
34	FBN HOLDINGS PLC
35	FCMB GROUP PLC
36	FIDELITY BANK PLC
37	FIDSON HEALTHCARE PLC

38	FIRST ALUMINIUM NIGERIA PLC
39	FLOUR MILLS NIG. PLC
40	FORTE OIL PLC
41	GLAXO SMITHKLINE CONSUMER NIG. PLC
42	GUARANTY TRUST BANK PLC
43	GUINNESS NIG PLC
44	CONSOLIDATED HALLMARK INSURANCE PLC
45	HONEYWELL FLOUR MILL PLC
46	INTERNATIONAL BREWERIES PLC
47	HIS NIGERIA PLC
48	JULIUS BERGER NIG. PLC
49	LAW UNION AND ROCK INSURANCE PLC
50	LINKAGE ASSURANCE PLC
51	MANSARD INSURANCE PLC
52	MAY & BAKER NIGERIA PLC
53	MRS OIL NIGERIA PLC.
54	NIGERIAN AVIATION HANDLING COMPANY PLC
55	NATIONAL SALT COMPANY NIG. PLC
56	N.E.M INSURANCE CO (NIG) PLC
57	NESTLE NIGERIA PLC
58	NEIMETH INTERNATIONAL PHARMACEUTICALS PLC
59	NIGER INSURANCE PLC
60	NIGERIAN BREWERIES PLC
61	NIGERIA ENERGY SECTOR FUND
62	NORTHERN NIGERIA FLOUR MILLS PLC
63	OANDO PLC
64	OASIS INSURANCE PLC
65	OKOMU OIL PALM PLC
66	PHARMA-DEKO PLC
67	PRESCO PLC
68	P Z CUSSONS NIGERIA PLC
69	R T BRISCOE PLC
70	RED STAR EXPRESS PLC
71	REGENCY ALLIANCE INSURANCE COMPANY PLC
72	ROYAL EXCHANGE PLC
73	SOVEREIGN TRUST INSURANCE PLC
74	STANBIC IBTC HOLDINGS PLC
75	STERLING BANK PLC
76	TOURIST COMPANY OF NIGERIA PLC
77	THOMAS WYATT NIG. PLC
78	TOTAL NIGERIA PLC
79	TRANSNATIONAL CORPORATION OF NIGERIA PLC
80	U A C N PLC
81	UNILEVER NIGERIA PLC
82	UNION BANK NIG.PLC

83	UNION HOMES REAL ESTATE INVESTMENT TRUST
84	U B A PLC
85	UNITY BANK PLC
86	UNITY KAPITAL ASSURANCE PLC
87	UNIVERSITY PRESS PLC
88	UACN PROPERTY DEVELOPMENT COMPANY LIMITED
89	VITAFOAM NIG PLC
90	LAFARGE WAPCO PLC
91	WAPIC INSURANCE PLC
92	WEMA BANK PLC
93	ZENITH BANK PLC
94	SKYE BANK PLC

B. List of corporations sampled from Borsa Istanbul

S/N	**Company**
1	TÜRKİYE PETROL RAFİNELERİ A.Ş. (TÜPRAŞ)
2	OMV PETROL OFİSİ A.Ş.
3	TÜRK HAVA YOLLARI A.O.
4	TÜRK TELEKOMÜNİKASYON A.Ş.
5	ARÇELİK A.Ş.
6	TURKCELL İLETİŞİM HİZMETLERİ A.Ş.
7	ENKA İNŞAAT VE SANAYİ A.Ş.
8	BİM BİRLEŞİK MAĞAZALAR A.Ş.
9	FORD OTOMOTİV SANAYİ A.Ş.
10	EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.
11	VESTEL ELEKTRONİK SAN. VE TİC. A.Ş.
12	TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
13	MİGROS TİC. A.Ş.
14	ANADOLU EFES BİRACILIK VE MALT SANAYİİ A.Ş.
15	AYGAZ A.Ş.
16	DOĞUŞ OTOMOTİV SERVİS VE TİC. A.Ş.
17	SELÇUK ECZA DEPOSU TİC. VE SAN. A.Ş.
18	PETKİM PETROKİMYA HOLDİNG A.Ş.
19	COCA-COLA İÇECEK A.Ş.
20	BSH EV ALETLERİ SAN. VE TİC. A.Ş.
21	CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

22	SARKUYSAN ELEKTROLİTİK BAKIR SAN. VE TİC. A.Ş.
23	ÜLKER BİSKÜVİ SANAYİ TİC. A.Ş.
24	TEKNOSA İÇ VE DIŞ TİC. A.Ş.
25	TESCO KİPA KİTLE PAZARLAMA TİC. VE GIDA SAN. A.Ş.
26	GÜBRE FABRİKALARI T.A.Ş.
27	TÜRK TRAKTÖR ZİRAAT MAKİNELERİ A.Ş.
28	BİZİM TOPTAN SATIŞ MAĞAZALARI A.Ş.
29	PEGASUS HAVA TAŞIMACILIĞI A.Ş.
30	AKSA ENERJİ ÜRETİM A.Ş.
31	KARDEMİR KARABÜK DEMİR ÇELİK SAN. VE TİC. A.Ş.
32	ASELSAN ELEKTRONİK SAN. VE TİC. A.Ş.
33	AKSA AKRİLİK KİMYA SANAYİ A.Ş.
34	İZMİR DEMİR ÇELİK SANAYİ A.Ş.
35	KORDSA GLOBAL ENDST. İPLİK VE KORDBEZİ SAN. TİC. A.Ş.
36	ANADOLU CAM SANAYİİ A.Ş.
37	BORUSAN MANNESMANN BORU SAN. VE TİC. A.Ş.
38	BRİSA BRIDGESTONE SABANCI LASTİK SAN. VE TİC. A.Ş.
39	İNDEKS BİLGİSAYAR SİSTEMLERİ MÜH. SAN. VE TİC. A.Ş.
40	BANVİT BANDIRMA VİTAMİNLİ YEM SANAYİ A.Ş.
41	TRAKYA CAM SANAYİİ A.Ş.
42	İPEK DOĞAL ENERJİ KAYNAKLARI ARAŞ. VE ÜRT. A.Ş.
43	SODA SANAYİİ A.Ş.
44	GOODYEAR LASTİKLERİ T.A.Ş.
45	AKÇANSA ÇİMENTO SAN. VE TİC. A.Ş.
46	OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
47	SASA POLYESTER SANAYİ A.Ş.
48	KİLER ALIŞVERİŞ HİZMETLERİ GIDA SAN. VE TİC. A.Ş.
49	BOYNER BÜYÜK MAĞAZACILIK A.Ş.
50	ARENA BİLGİSAYAR SAN. VE TİC. A.Ş.
51	NUH ÇİMENTO SANAYİİ A.Ş.
52	ÇİMSA ÇİMENTO SAN. VE TİC. A.Ş.
53	HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.
54	AKENERJİ ELEKTRİK ÜRETİM A.Ş.
55	TAT KONSERVE SANAYİİ A.Ş.
56	ECZACIBAŞI YAPI GEREÇLERİ SAN. VE TİC. A.Ş.
57	TÜRK PRYSMİAN KABLO VE SİSTEMLERİ A.Ş.

58	İHLAS HOLDİNG A.Ş.
59	SANKO PAZARLAMA İTHALAT İHRACAT A.Ş.
60	ADESE ALIŞVERİŞ MERKEZİ TİC. A.Ş.
61	COMPONENTA DÖKÜMCÜLÜK TİC. VE SAN. A.Ş.
62	ALTINYILDIZ MENSUCAT VE KONFEKSİYON FAB. A.Ş.
63	ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI T.A.Ş.
64	KENT GIDA MADDELERİ SANAYİİ VE TİC. A.Ş.
65	KARSAN OTOMOTİV SANAYİİ VE TİC. A.Ş.
66	TÜRK DEMİR DÖKÜM FABRİKALARI A.Ş.
67	NETAŞ TELEKOMÜNİKASYON A.Ş.
68	ANADOLU ISUZU OTOMOTİV SAN. VE TİC. A.Ş.
69	ÇELEBİ HAVA SERVİSİ A.Ş.
70	İNTEMA İNŞAAT VE TESİSAT MALZEME YAT. VE PAZ. A.Ş.
71	ASİL ÇELİK SAN. VE TİC. A.Ş.
72	ZORLU ENERJİ ELEKTRİK ÜRETİM A.Ş.
73	ARMADA BİLGİSAYAR SİSTEMLERİ SAN. VE TİC. A.Ş.
74	BİMEKS BİLGİ İŞLEM VE DIŞ TİC. A.Ş.
75	DYO BOYA FABRİKALARI SAN. VE TİC. A.Ş.
76	BURSA ÇİMENTO FABRİKASI A.Ş.
77	KARAKAŞ ATLANTİS SAN. VE TİC. A.Ş.
78	MUTLU AKÜ VE MALZEMELERİ SANAYİ A.Ş.
79	DEVA HOLDİNG A.Ş.
80	MONDİ TİRE KUTSAN KAĞIT VE AMBALAJ SANAYİ A.Ş.
81	OLMUKSA INTERN PAPER-SABANCI AMB. SAN. VE TİC. A.Ş.
82	MENDERES TEKSTİL SAN. VE TİC. A.Ş.
83	ŞEKER PİLİÇ VE YEM SANAYİİ TİC. A.Ş.
84	BATIÇİM BATI ANADOLU ÇİMENTO SANAYİİ A.Ş.
85	ALCATEL LUCENT TELETAŞ TELEKOMÜNİKASYON A.Ş.
86	BAGFAŞ BANDIRMA GÜBRE FABRİKALARI A.Ş.
87	BOSSA TİC. VE SAN. İŞLETMELERİ T.A.Ş.
88	ALARKO CARRİER SAN. VE TİC. A.Ş.
89	UYUM GIDA VE İHTİYAÇ MADDELERİ SAN. VE TİC. A.Ş.
90	TÜRK TUBORG BİRA VE MALT SANAYİ A.Ş.
91	İZOCAM TİCARET VE SANAYİ A.Ş.
92	REYSAŞ TAŞIMACILIK VE LOJİSTİK TİC. A.Ş.
93	ANEL ELEKTRİK PROJE TAAHHÜT VE TİC. A.Ş.

94	EGE PROFİL TİC. VE SAN. A.Ş.
95	TÜMOSAN MOTOR VE TRAKTÖR SANAYİ A.Ş.
96	GÖLTAŞ GÖLLER BÖLGESİ ÇİMENTO SAN. VE TİC. A.Ş.
97	ADANA ÇİMENTO SANAYİİ T.A.Ş.
98	VAKKO TEKSTİL VE HAZIR GİYİM SANAYİ İŞLET. A.Ş.
99	MARSHALL BOYA VE VERNİK SANAYİ A.Ş.
100	PARK ELEKTRİK ÜRETİM MADENCİLİK SAN. VE TİC. A.Ş.
101	YÜNSA YÜNLÜ SAN. VE TİC. A.Ş.
102	ÜNYE ÇİMENTO SAN. VE TİC. A.Ş.
103	ATAÇ İNŞAAT VE SANAYİ A.Ş.
104	BAŞTAŞ BAŞKENT ÇİMENTO SAN. VE TİC. A.Ş.
105	KONYA ÇİMENTO SANAYİİ A.Ş.
106	MEPET METRO PETROL VE TESİSLERİ SAN.TİC. A.Ş.
107	KEREVİTAŞ GIDA SAN. VE TİC. A.Ş.
108	ESCORT TEKNOLOJİ YATIRIM A.Ş.
109	EGE SERAMİK SAN. VE TİC. A.Ş.
110	ROYAL HALI İPLİK TEKSTİL MOBİLYA SAN. VE TİC. A.Ş.
111	KARTONSAN KARTON SAN. VE TİC. A.Ş.
112	ALKİM ALKALİ KİMYA A.Ş.
113	DOĞAN GAZETECİLİK A.Ş.
114	MARDİN ÇİMENTO SANAYİİ VE TİC. A.Ş.
115	BOLU ÇİMENTO SANAYİİ A.Ş.
116	EGE GÜBRE SANAYİİ A.Ş.
117	TÜRKİYE İŞ BANKASI
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HOBBIES

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