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The Perception of Investment Analysts on the Corporate Governance of Nigerian Banks

Folajimi Ashiru

A Thesis Submitted in Fulfilment of the Requirements for the Degree of Doctor of Philosophy in Management at Durham University Business School

Durham University Business School

Durham University

United Kingdom

2019

Durham University
Business School

The Perception of Investment Analysts on the Corporate Governance of Nigerian Banks

Folajimi Ashiru

Abstract

This study is the first (to the best of this researcher's knowledge) to provide a ranking on features of good corporate governance drivers and how these features influence investment decision making. The study was conducted in a developing country (Nigeria) context with the aim to espouse more relevant empirical and theoretical underpinnings (stakeholder-agency, signaling, and social cognition theories) different from the ubiquitous agency theory Anglo/Saxon corporate governance model. In developing countries, due to the weak institutions, all stakeholders are exposed, even those with contracts. Moreover, developing countries' businesses environment has a prevalence of strong dominant individual or family shareholders presence in firms. Therefore, this study focused on external constituents and differs significantly from the internal focus (on firm performance and organizational power and politics) of prior corporate governance research, and extends the understanding of the features of good corporate governance drivers. The research adopted a mixed method approach. The quantitative models were tested using data obtained from 141 investment analysts who make investment decisions in Nigeria. The quantitative models were assessed using an ordered logit regression analysis approach.

Further, the research employed the semi-structured interview technique to examine the psychological reasoning of investment analysts (27 interviews) when firms project good corporate governance drivers' features. The interviews were analyzed using a thematic analysis approach. The study provided conclusive evidences, and the findings were divided into three governance mechanisms; 1. Board structure and composition mechanism, 2. External Ownership Mechanism drivers, 3. Accountability mechanism drivers.

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Dedication

To my late father, Alhaji Folabo Jamiu Ashiru, a man of vision and love. I also dedicate this to Tito and Toni, especially for lost time. May the favour of Allah continually go before you.

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Declaration

I, the author of this thesis, declare that this thesis is the result of my own work. The material contained in this thesis has not been formerly published nor submitted to any other institution. The copyright of this thesis shall remain with the author, hence acknowledgment related to any information derived from it should be noted. No quotation from it should be published without the author's prior written consent and information derived from it should be acknowledged.

Folajimi Ashiru

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Please accept my sincere apologies if I have forgotten to acknowledge you here. I am humbly grateful.

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Chapter One: Introduction

"Shareholders are stupid and impertinent. Stupid because they give their money to somebody else without any effective control over what this person is doing with it, and impertinent because they ask for a dividend as a reward for their stupidity" Carl Furstenberg, German Banker (Rajan & Zingales, 2003).

Nevertheless, regardless of opinions held about investors, investors must continue to invest hence corporate governance presents mechanisms to make investments less "stupid" and expectations for returns less "impertinent."

1.1 Background and Motivation

Corporate governance is a broad concept whose goals operate through a number of mechanisms. The stakeholder – agentic (Hill & Jones, 1992) framework suggests that drivers of good corporate governance can protect stakeholders' interests and maximize the firm's earning potential (Shleifer & Vishny, 1997). These drivers[1] as identified and collated by numerous studies (e.g., Lim et al., 2007; Filatotchev et al., 2007; Adegbite, 2015) are grouped into internal and external governance mechanisms. The varying conceptualization of governance mechanism as practiced by firms has necessitated researchers (e.g. Domadenik et al., 2017; Hou et al., 2017; Miletkov et al., 2015; Adegbite, 2015) to devote extensive attention to corporate governance of firms usually with the aim of linking the governance practices with financial performance measures (Nag et al., 2007). Furthermore, researchers (e.g., Boyd & Solarino, 2016; Lim et al., 2007) have drawn attention to the role of particular governance mechanisms in helping firms achieve optimal decision making. This is because the adoption of corporate governance mechanisms is seen as positive for firms, capital markets and national economies (La Porta et al., 2000). Therefore, for firms to be optimally beneficial to stakeholders, the corporate governance mechanisms and drivers must be appreciable to all stakeholders.

[1] The drivers are board independence, board heterogeneity, board reputation, foreign (institutional) investors, effective shareholder activism, voluntary disclosure, independent audit committee, pay for performance and board evaluation.

Consequently, one of the ways firms project their going concern nature is through self-projected governance, which is often directed by regulation. Corporate governance regulation is designed to ensure that an effective framework exists to underpin the relationship between an organization and those who hold future financial claims against that organization (Zingales, 1998). Holders of such claims may include shareholders, commercial lenders, investment analysts who represent investors and other stakeholders all of whom are important from a public policy perspective. All of these groups rely on the good stewardship of executives and managers in the organization to meet these claims when they arise (Jensen & Meckling, 1976).

Therefore, the governance drivers projected by firms can help resolve the agency conflict. However, there are two types of agency conflicts, depending on ownership setting. Type 1 agency conflict typically assumes that conflict exists between management as agent and shareholders as principal (Jensen & Meckling, 1976). This conflict happens in situations where the firm owners or shareholders as capital providers are separate from management who have been employed to manage the firm on behalf of the shareholders. Type 11 agency conflict, on the other hand, occurs between majority and minority shareholders because of concentrated ownership setting. This kind of agency problem prevails in a country or company, where the ownership is concentrated in the hands of few persons or with the family owners, then the minority shareholders find it difficult to protect their interests or wealth (Demsetz & Lehn, 1985).

However, in spite of the different types of agency conflicts, most corporate governance (especially of specialised industries) is usually researched from an inside-out perspective with studies (e.g., Mark, 2017; Hsin-Yu et al., 2016; Warren & Wayne, 2016) considering firms compliance or otherwise with codes of corporate governance as set by a country's relevant institutional bodies. For these specialized industries, corporate governance seems to gain more prominence among stakeholders especially during times of market failures or crisis (Barth et al., 2012; Chan-Lau, 2010; Levine, 2010; Merrouche & Erland, 2010). In order to achieve acceptability,

members of specialized industries must abide by rules which govern and sets their category apart. Subsequently, upon achieving a high level of legitimacy, categories become forms (Hannan et al., 2007) which makes stakeholders perceive firms in a particular industry as having similar qualities. Hence, abiding by industry rules brings a level of homogeneity (Di Maggio & Powell, 1983). Firms that fail to abide by the codes will lose legitimacy and will not appeal to the target audience (King & Whetten, 2008; Zuckerman, 1999). This occurs because audience members find it difficult to evaluate the offerings of deviant firms (Leung & Sharkey, 2009), or they view such firms as unattractive (Leung, 2010). However, despite this obvious requirement to abide by the codes of their categories, firms must still differentiate themselves from other members of the category (Deephouse, 1999; Navis & Glynn, 2010; King & Whetten, 2008; Zuckerman, 1999; 2004).

For example, to help prevent periodic crisis or failure and to enable stakeholders to have enlightened relationships, the financial sector of most countries have a specific industry code of corporate governance to which producers in the financial sector must abide by. To this end, all financial institutions are expected to meet minimum regulatory standards as dictated by the regulatory code of corporate conduct. Therefore, there is some homogeneity (Di Maggio & Powell, 1983) forced upon banks in most countries as the banks have been presented with a uniformed code of corporate governance to follow at a minimum. The abidance to the uniform governance codes might mean stakeholders in the banking sector assume corporate governance practice of the banks are superficial (Adegbite, 2012, Osemeke & Adegbite, 2016; Di Maggio & Powell, 1983). This phenomenon becomes even more pertinent if banks operate in weak institutional contexts where the "rules of the game" (North, 1990, p. 3) are significantly different from what is obtainable in developed countries. Such homogenous phenomenon means the corporate governance of banks is important to different stakeholders for different reasons. As firms' existence and continuity are related to stakeholders support and acceptance (Gray et al., 1995), firms should provide tools and mechanisms to address the needs of different stakeholders and their different concerns (Rowley, 1997). Moreover, according to Donaldson & Preston (1995) and Schneper & Guillen (2004) what is perceived as good corporate

governance by some stakeholders might not necessarily be what is understood by another stakeholder. What then is good corporate governance?

Good corporate governance requires a sincere effort at self-evaluation and improvement on a regular basis. Zingales (1998, p. 499) described the governance system as "the complex set of constraints that shape the ex-post bargaining over the quasi-rents generated by the firm." This governance system definition by Zingales (1998) encompasses a wide net of stakeholders including shareholders, investors, creditors, employee and as well as the environment and community. This supposes a firm's governance structures are designed to help the firm maximize its earning potential to the benefit of not only shareholders but also all stakeholders (Claessens & Yurtoglu, 2013).

For specialized sectors such as the banking sector, a group of important stakeholders are the investors since they control the majority of stocks of publicly traded companies (Zorn et al., 2004). Investors can be retail or institutional. While retail investors are numerous in their numbers, institutional investors are custodians of large reserves of funds. Therefore, institutional investors represent a critical stakeholder of the financial sector as they provide access to essential capital required by financial sector players for financing activities (Zorn et al., 2004). Indeed, the capital provided by institutional investors is more readily available than capital provided by shareholders as institutional investors take an objective view of firms with the intent to make a profit from their investments. Inestment analysts make investments on behalf of institutional (and indeed retail) investors.

Investment analysts are security specialists who analyze the performance and future prospects of a company by gathering and processing information about the firm from published reports as well as directly from management through quarterly earnings, conference calls and intermittent meetings (Brauer & Wiersema, 2018). Investment analysts can be of two types. First, there are investment analysts who only analyse and share their expert opinions about a firm with the investment community through their research reports and recommendations of the firm's stock (strong buy, buy, hold, under-perform, and sell) (Pollock & Rindova, 2003). Second, there are investment

analysts who not only analyse, but also make investment decisions typically on behalf of their employers or investors, who might prefer to rely on experts for their investment decisions. Investment analysts of concern in this research are those that make actual investments in Nigeria on behalf of clients. Hence, investment analysts are considered prominent information intermediaries in the financial markets (Jensen & Meckling, 1976) and their recommendations have significant impact on investment decisions (Frankel et al., 2006). The importance of investment analysts makes them to be stakeholders that firms will want to pay attention to (Wiersema & Zhang, 2011). For specialized sectors such as the banking sector, investment analysts are particularly important, since investors, especially institutional investors, whom they represent control majority of stocks of publicly traded companies (Zorn et al., 2004). Given the importance of investment analysts, producers in the financial sector seek to project their firms positively to investment analysts, in the hope that investment analysts have a positive perception of the producer firms. Hence, especially in less developed countries where institutions are weak, corporate governance can act as an alternative institutional mechanism (Anderson & Reeb, 2004). Therefore, the projection of good corporate governance represents one avenue for producers in the financial sector to attract investments from investment analysts.

Investment analysts regularly make investment decisions. These investment decisions are almost inevitably complex, and thus create significant challenges for investment analysts. Like many high-level strategic choices, investment decisions may involve large amounts of ambiguous data (Coff, 2003; Jemison & Sitkin, 1986), which causes information overload. This information must often be evaluated under considerable time pressure because of concerns regarding secrecy and competitive bidding (Jemison & Sitkin, 1986). Therefore, investment decisions require sophisticated, strategic thinking about how unfolding events may change the value of the target firm (Capron, 1999; Capron et al., 1998). The decision-making complexity means investment analysts must be able to effectively recognize good corporate governance drivers that will influence their investment decision making. The importance of identifying relevant drivers of good corporate governance cannot be underestimated as investment analysts are more concerned about protecting themselves (and their

firms) from being exploited rather than disciplining management (Claessens & Yurtoglu, 2013).

This need for self-protection or awareness is even more pertinent in developing countries, where the principal-agent problem (type 1) is not the most prevalent, but rather the principal – principal agency challenge (type 11) (Adegbite, 2015). In such weak institutional environments, good corporate governance reduces risks and encourages minority shareholders and creditors to provide more financing to firms (Claessens & Yurtoglu, 2013). According to OECD principles of corporate governance, the corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board and the board's accountability to the company and the shareholders (OECD, 2004). Unsurprisingly, Chen et al., (2009; 2011) find that firm-level corporate governance significantly lowers the cost of capital in developing countries with the effect more pronounced in countries with particularly poor legal system. Similarly, according to Gugler (1999), in situations where banks implement governance systems that facilitate the efficient mobilization and allocation of funds, it will lower the capital cost, boosts the capital information, and, consequently, stimulates productive growth within the firm. Thus, one can infer that to lower costs of capital or loans in developing markets, investment analysts can use firm-level corporate governance as a form of a substitute to the legal protection afforded stakeholders (Anderson & Reeb, 2004).

Consequently, as posited by Claessens & Yurtoglu (2013 p. 19), "the question then arises, why firms, markets, and countries do not adjust and adopt voluntarily better corporate governance measures. The answer is that firms, markets, and countries do adjust to some extent, work only imperfectly and involve considerable cost". In any case, Schneider & Scherer (2015) advocated that the dominant approach to corporate governance which concentrates on the primacy of shareholder (Daily et al., 2003, Judge, 2009) does not properly consider the risk accruing from changing economic and political conditions of business firms operating in a global environment nor the resulting legitimacy problems of business firms. Especially as major factors that shape firms governance structure are the overall country's development, institutional

environment (Nakpodia & Adegbite, 2018) and in developing countries especially, the individual firm's ownership structure (Claessens & Yurtoglu, 2013).

Therefore, for corporate governance to help investors make better decision, researchers need to focus on corporate governance practices, the firm-level analysis positions that allocate power, looking beyond conventional approaches in law and financial economics that position corporate governance as good enough panacea to the problems of agency costs inherent in firms (Fama & Jensen, 1983; Jensen & Meckling, 1976). It is pertinent to move away from the inside out perspective narratives and also consider the external perspective narrative. This external stakeholder perspective narrative will consider governance practices of firms from the viewpoint of the audience rather than industry actors. Especially considering that for specialized industries, drivers of corporate governance might mean different things to different stakeholders (Donaldson & Preston, 1995; Schneper & Guillen, 2004).

Interestingly, the delicate nature of specialized sectors such as banking means that regulators are always primed to minimize crisis. This leads the regulators to introduce code of corporate governance which are supposed to be means or mechanisms which reduce agency conflicts and help the alignment of interests (Goranova et al., 2017). However, recent research has begun to document that some firms' actual practices do not always acquiesce to codes as introduced by the regulators (Bednar et al., 2015; Chizema et al., 2015). This might not be unconnected to the fact that many codes of corporate governances are merely an adoption of the ubiquitous Anglo/Saxon models of corporate governance (Adegbite et al., 2013).

Furthermore, the homogeneity presented by the corporate governance practices of banks in developing countries might prevent differentiation, hindering the ability of investment analysts to make informed decisions. The homogenous characteristic of banks results from the fact that they are heavily regulated. This heavy regulation is necessitated due to the critical part that banking institutions are required to play in economic development, the opacity of their activities and assets, and the readily-available source of revenue from public depositors and the need to protect depositors (Adegbite, 2012; Alenazi, 2016). For these reasons, governments (of different

countries) through their respective regulatory agencies have laid down regulations governing banks. Indeed, the strict regulation of the commercial bank industry is a practice emphasized by most countries around the world.

Further, the international standards set up by the International Monetary Fund (IMF), Bank for International Settlement (BIS) and World Bank have placed pressure on governments to ensure their heavy involvement in the banking sector. However, the government regulations introduced have been noted to distort bankers' behavior, and inhibit the implementation of individual processes of corporate governance (Alenazi, 2016). In the light of this enforced homogeneity, what corporate governance drivers matter to investors? The lack of differentiation by banks necessarily means stakeholders might hold contrasting opinions on what constitutes good corporate governance. Especially in highly regulated industries such as the banking sector, stakeholders might have differing opinions on what represents good corporate governance and on the level of importance of the drivers of good corporate governance.

Thus, in an attempt to extend existing literature on the drivers of good corporate governance, (Adegbite, 2015; Okike, 2007; Filatotchev et al., 2007) this research identifies drivers of good corporate governance that lead to decision making from the perspective of investment analysts. Furthermore, the governance literature does not provide a comprehensive assessment of the validity of individual features of drivers of corporate governance in a systematic way (Black et al., 2017; Filatotchev et al., 2007). This research, which relies on stakeholder-agency, signaling and social cognition theories, takes a psychological approach to corporate governance by investigating investment analysts' perspective to what represents good corporate governance drivers, using the Nigerian banking sector for context. (Nigeria is a developing country with a significantly developed financial sector).

1.2 Contextual Study Site

This research has chosen Nigeria as a contextual study site and Nigerian Banks as firms of interest for many important reasons. Nigeria, located in West Africa is the most populous country in Africa with an estimated population of about 190.87million

(UN, 2018), composed of 250 tribes, and could be the world's third largest population by 2050 (IMF, 2018). The country has a GDP of USD376.3bn (IMF, 2018) making it Africa's largest economy (IMF, 2018). The Nigerian economy grew by an average of 6.5% from 2005- 2015 (World Bank, 2015)[2]. Oil and gas sector constitutes only 11% of the country's GDP but accounts for 95% foreign exchange earnings making the country largely a mono-export economy. Hence, fluctuations in prices of oil affect the revenue generation capacity of the country. Service sector constitutes about 50% of the GDP while agriculture has a 23% share. (CBN, 2016). The country is also largely a consumer nation importing its needs from different parts of the world. Being the 27th largest economy in the world (IMF, 2018), her importance in Africa and indeed the world cannot be overemphasized. Enjoying a stable democratic government since 1999 (Yusuf et al., 2018), the United Nations Conference on Trade and Development (UNCTAD) (2014) reports that Nigeria has remained a major attraction in Africa for Foreign Direct Investments (FDI) over recent years. Its ability to continually attract these foreign investments could be weakened by the state of its corporate governance. However, investors are willing to pay a premium for better-governed firms in less-developed markets (Khanna & Zyla, 2012).

In developed countries, the general value system of the people has more implications for corporate governance than political networks (Hollingsworth & Lindberg, 1985). This value system might not necessarily be present in developing countries. Hence, characterized by weak institutions (Adegbite, 2015) and pockets of powerful business and political elites (Nakpodia & Adegbite, 2018), Nigeria presents a peculiar challenge for potential investors and indeed all stakeholders that should normally be interested in tapping into the country's vast potentials. Instructively, Nigeria has a relatively developed financial sector (Alade, 2012) regulated in line with world standards (Levine, 2012). However, the financial sector is not immune from the weak institutions prevalent in the environment, hence, despite the regulations, the challenges faced by stakeholders in the financial sector are well documented (see Adegbite, 2012).

[2] Nigeria recently exited a recession, and its GDP is projected by the IMF to grow at a rate of 2.1% for 2018 and 2.3% for 2019

Nevertheless, Nigeria is a leading light in corporate governance research in Africa and indeed developing countries (Ahunwan, 2002; Okike, 2007; Amao & Amaeshi, 2008; Amaeshi & Amao, 2009; Adegbite et al., 2013; Nakpodia et al., 2016). The distinctiveness of Nigeria's corporate governance system can provide different dynamics to the ubiquitous agency problem frequently researched from the Anglo-American perspectives (La Porta et al., 1999). This distinctiveness lends itself to the Nigerian banking sector. As stated earlier, corporate governance in Nigeria banking sector is characterized by homogeneity by banks due to the mandatory requirement of the Central bank of Nigeria (CBN) for all banks to meet a specified code of corporate governance. Despite this mandatory governance requirement, stakeholders still have to contend with weak institutional environments. Characteristic of environments with weak institutions (and largely informal environment) are dominant shareholders and elites (Nakpodia & Adegbite, 2018). These elites or dominant shareholders are often associated with autocratic behavior (Carl et al., 2004). Subsequently, this informal institutional environment impacts governance framework (Globerman & Shapiro, 2003; Strange et al., 2009). In developing countries, the more power vested in top management relative to other stakeholders (Hofstede 2001), the more decisions are dominated by a few. For example, directors on boards of banks are supposed to be independent of management and make their own decisions on issues, but in Nigeria the CEO or the Chairman is typically overbearing (Adegbite, 2015). Hence, trust in compliance with governance regulations is vested in external organizations rather than internal structure. The perception of external stakeholders will be that bureaucratic processes internally might blur firms operations and reporting, seemingly in a bid to protect the organization and the dominant shareholders to the detriment of other stakeholders (Hofstede, 2001).

The importance of investment analysts makes them to be stakeholders that firms want to pay attention to (Wiersema & Zhang, 2011). For specialized sectors such as the banking sector, investment analysts are particularly important, since investors, especially institutional investors, whom they represent, control majority of stocks of publicly traded companies (Zorn et al., 2004). Consequently, this present research recognizes that formal and informal institutional structures determine

consumer/audience choices (North, 1990). In situations whereby formal institutions are weak, informal institutions; such as norms governing interpersonal relationships, must be escalated by firms and individuals for strategic and performance decision-making processes (Peng & Heath, 1996). As a result, investment analysts have to address the various challenges of their investment decisions, as they cannot rely upon the regulatory environment in countries with weak institutions. These developments challenge the dominant approach to corporate governance that regards shareholders as the only stakeholder group in need of special protection due to risks not covered by contracts and legal institutions (Schneider & Scherer, 2015).

Furthermore, the banking sector in Nigeria presents moderate representativeness of developed corporations in sub-Saharan Africa (Lewane, 2012). The development of the financial sector makes the banking sector closest to corporate governance scholarly representations of the agentic issue. Moreover, the banking sector in Nigeria is highly regulated and follows the international financial reporting standards (IFRS) (Abdulkadir, 2012). In addition, the financial sector in Nigeria is the most organized sector in the country and is quite transparent, which enables it to attract many investors' (local and international) interests (Lewane, 2012). In particular, the bedrock of any country's development lies with its financial sector (Millineux, 2006) hence, it is not surprising that the banking industry is by far one of the most scrutinized sectors in any country and is characterized by intense regulation (Mechelli et al., 2017).

Yet, while previous studies might have documented the weaknesses in the governance and regulatory practices in Nigeria (ROSC 2004; Okike, 2007; Okike & Adegbite, 2012; Osemeke & Adegbite, 2016), most of the studies have mainly stopped at highlighting some of these corporate governance regulatory challenges, without providing fundamentally new perspectives for stakeholders to make important decisions such as investments. To the best of the researcher’s knowledge, the literature on corporate governance in developing countries does not provide a comprehensive assessment of the validity of individual governance driver features in a systematic way. Nor does it provide a ranking of individual driver features in terms of their relevant importance vis-à-vis other features in the same “family” of the ‘good’ governance benchmarks (Filatotchev et al., 2007). There is a need to identify these

important drivers and features that describe them, especially in a weak institutional context, where there is a need for reliance on corporate governance indicators (Anderson & Reeb, 2004). Especially as there are different corporate governance practices for different countries and among different sectors (Khanna et al., 2006).

1.3 Research Gaps

It is evident many corporate governance studies are focused on one or two core areas while neglecting other important drivers of corporate governance (Filatotchev et al., 2007). The effectiveness of this individual driver analysis is questioned especially when contradictory or ambiguous results are obtained for similar drivers (Li et al., 2010; Bear et al., 2010; Barnea & Rubin, 2010). The presence of other corporate governance elements further complicates the results of such isolated empirical corporate governance studies. Moreover, for individual firms, a different set of practices might produce more appropriate corporate governance structure (Agrawal & Knoweber, 1996). Hence rather than seeing corporate governance drivers in isolation, they may be better understood in terms of a complete combination (Li et al., 2010; Bear et al., 2010; Barnea & Rubin, 2010, Filatotchev et al., 2007). Indeed, some prior studies (e.g., Ryan & Wiggins, 2002; Cheng, 2004; Wu & Tu, 2007; Coles et al., 2008) have supported the view that firm-level governance factors have potential to solve agency problem. As a result, researchers build corporate governance indices and test whether they predict firm value or performances even though these indices are imperfect (Black et al., 2017). The unreliability of these indices led Black et al., (2017) to suggest caution in relying on research using corporate governance indices as a basis for firm-level governance changes or country level legal (regulatory) reforms. Consequently, Adegbite (2015) reported nine firm level antecedents, which determine good corporate governance practices in Nigeria a developing country. However, Adegbite's research took views of board members and industry experts on what constitutes drivers of good corporate governance and did not provide for the views of expert stakeholders who might hold divergent views on signals emanating from the producer firms. Indeed different drivers can substitute or compliment

themselves (Dalton et al., 2003; Hoskisson et al., 2002) permitting various interpretations by stakeholders. This current study will test nine antecedents of good corporate governance in a weak institutional setting in a particular category of producers (Nigerian banks) from the viewpoint of investment analysts with the aim to determine what particular corporate governance features lead to investment decision making.

Also, Schneider & Scherer (2015 p.318) hold that a "democratization of corporate governance required by law or soft law might be a way to indirectly tackle governance gaps." Just as Schneider & Scherer (2015) propose that further research is necessary to find ways to process and balance compliance claims of an organization and its efficiency. Gomez & Korin (2008) show that corporate governance practices of firms are necessary to signal trustworthiness and establish confidence such that investors are willing to invest in the firm and that other stakeholders' consent to the activities of the firm. Therefore, corporate governance, which plays a central role in securing corporate accountability, has to adapt to the changing economic and political operations conditions of corporations if it is to remain capable of filling this objective. Hence, instead of corporate governance being centered on the protection of corporate shareholders, it needs to secure corporate accountability to all those affected by corporate action, even indirectly (Schneider & Scherer, 2015; Brauer & Wiersema, 2018). This research will provide empirical evidence revealing what corporate governance drivers signal to investment analysts.

Furthermore, different industries might have different corporate governance drivers (Khaana et al., 2006). Indeed, contingencies of industries may also differ depending on contextual environment making generalization quite difficult. Therefore, industry focus research might be critical and important for policymaking or public understanding (Filatotchev et al., 2007). Jizi (2013) underscores the fact that there is a dearth of studies, which have considered the importance of examining the impact of banks internal corporate governance mechanism and reconciling its consequences on banks value. Therefore, further research is needed on why particular governance drivers as projected by banks might not mean the same thing to the external stakeholders such as investment analysts. Especially in a weak institutional

environment where there is evidence that firms through selective compliance to a multiplicity of codes (Osemeke & Adegbite, 2016) can signal effective or ineffective corporate governance. This study will present the psychological underpinnings to what the features of drivers of good corporate governance drivers in the banking sector of Nigeria mean to investment analysts.

1.3 Research Questions

Expectedly, investment analysts who invest in the banking sector rely on regulatory induced governance practices for their decision-making. However, the undesirable effects of a weak institutional environment (Adegbite et al., 2013), escalates the importance of corporate governance drivers and perception of these drivers. Hence, while codes of corporate governance have been variously introduced, and are mandatory for the banking sector in Nigeria, the impact of these codes on corporate governance practices cannot be deemed satisfactory (Okpara, 2011). Similarly, the homogeneity and convergence prospects of corporate governance regulations and codes have been subjected to constant scrutiny (Khanna & Palepu, 2004; Yoshikawa & Rasheed, 2009; Osemeke & Adegbite, 2016).

Therefore, what do important stakeholders such as investment analysts perceive when banks project governance drivers? The corporate governance literature on governance mechanisms in developing countries leaves the following questions unanswered; 1a. Which board structure and composition governance drivers' features matter to investment analysts for investment making decisions and why? 1b. Which external ownership governance drivers' features matter to investment analysts for investment decision making and why? 1c. Which accountability mechanism governance drivers' features matter to investment analysts for investment decision making and why? This research focuses on these questions.

As a result, taking into account Nigeria's investment climate on the one hand, and grounding in prior literature as well as established regulatory codes on the other hand, this study examines the perception of investment analysts on nine firm-level antecedents of good corporate governance in Nigeria (Adegbite, 2015; Filatotchev et

al., 2007). These drivers are also represented in the code of corporate governance for banks by the Central Bank of Nigeria.

1.4 Research Methodology

This study employs a mixed methodology. Mixed methods research integrates both quantitative and qualitative data (Boyd et al., 2012; Johl et al., 2012). The mixed method approach helps to overcome the deficiencies in studies that engage either a quantitative technique or a qualitative approach (Creswell, 2013). For example, quantitative research is less likely to answer 'why' a phenomenon (shareholder behaviour) occurs (Creswell & Clark, 2011), providing an opportunity to apply important elements of one approach to research that engages another approach. Thus, this approach enables us to unpack the various rationalisations that inform the response of investment analysts to the features of good corporate governance drivers.

Survey method

Following the work of researchers such as Filatotchev et al. (2007), Adegbite (2015), McCahery et al. (2016), the identified features of good corporate governance were used to develop a survey questionnaire, and the respondents were invited to score each classification on a 5-point Likert scale, with 1 = strongly agree and 5 = strongly disagree. This was appropriate given that the item inter-correlations were strong (Guadagnoli & Velicer, 1988). A comprehensive database of investment analysts who purchase equities or fixed income transactions in Nigeria was compiled. The database contained detailed information (emails, phone numbers) of 1, 250 investment analysts. Questionnaires were circulated to them all and 161 responses were received, 141 of which were useable in the survey. 115 (8.2%)[3] of the useable questionnaires were completely filled. This response rate is acceptable and comparable to similar surveys (e.g., 5.3% in Brav et al. (2008a), 4.3% in Dichev et al. (2013), and 5.4% in McCahery et al. (2016)). The survey was administered anonymously to mitigate

[3] The low response rate is primarily the result of the mass emailing using the obtained comprehensive investment analysts' database. If one excludes the mass emailing, the response rate is substantially higher at 40.2%

concerns of untruthful or strategic answers. It was also emphasized that individual responses would be treated as confidential[4]. The survey questionnaire (full detail of the questionnaire items is provided in Appendix 1) was distributed and collated using Qualtrics, a web-based survey tool. The survey questions were modifications from previous studies and were pre-tested to ensure their validity, reliability and contextual relevance (Adegbite, 2015; Bryman & Bell, 2015).

This methodology was aimed at achieving two objectives. First, a relatively high score across the population of respondents would indicate the high importance of specific features in a family of drivers of good corporate governance. Second, following McCahery et al. (2016), ordered logit regressions was used to show the relationship between the feature of a driver and decision making. Ordered logit regression allows the interpretation of all regression coefficients as suggestive evidence with respect to the underlying theoretical arguments but not as tests of causality.

Interview Method

Consistent with previous research on corporate governance in Nigeria (e.g., Uche et al., 2016; Amao & Amaeshi, 2008; Adegbite et al., 2013; Nakpodia & Adegbite, 2018), the quantitative data was complemented with semi-structured interviews to further validate the theoretical framework, triangulate the results, and flesh out the findings with illustrative quotes. Semi-structured interviews were conducted between December 2017 and January 2018. Participants were drawn from senior investment analysts who are experienced and understand the Nigerian business environment. They include managing directors, chief investment officers, senior asset managers and fund managers. All these executives were familiar with drivers of good corporate governance. The experience of the participants enabled this research to benefit from their knowledge of the topic thereby improving the objectivity and reliability of the research design. Also, this enriched data prevented similitude and served as a control

[4] Furthermore, discussions with a number of the respondents indicated that they were quite passionate about the topic and would not have spent time filling the questionnaire if they intended to answer untruthfully.

mechanism upon which different views were assessed and compared with one another (see Adegbite, 2015).

The interview data collected for this study were analysed using the NVivo 11 application package which allows for the subjective interpretation of the content of text data through a systematic classification process of coding and identifying themes or patterns (Hsieh & Shannon, 2005).

1.5 Contribution

This study contributes to the body of knowledge in the following ways; Firstly, whereas, Adegbite (2015 p.319) answered the pertinent question of "how firms can, by themselves, promote good corporate governance in weak institutional settings" , the research did not reveal what investment analysts interpret the drivers of corporate governance as projected by these firms in developing countries to mean. Projected corporate governance drivers by firms might not necessarily be viewed in the same manner by investment analysts. Therefore, it is necessary to reveal what investment analysts perceive when they are presented with the corporate governance mechanism drivers of Nigerian banks. This is important for many reasons not least because it will enable both local and international business firms operating in developing countries to position themselves for favorable investment decisions. In providing insights to this lacuna, this research inquiry employs a sectoral study in Nigeria in order to investigate what particular features of governance mechanism drivers matter to investment analysts in a weak (corrupt) institutional environment. Using the banking sector also enables the stakeholder-agentic challenge to be appropriately appreciated as investment analysts might be latent or active principals.

Secondly, the discussions herein are about the perceptions of investment analysts on the governance drivers. Using already established constructs, this study developed a survey for quantifiable measurement in direct response to the call by Adegbite (2015) for test on the governance drivers (and propositions) that project good corporate governance practices. As a result, this study developed testable hypotheses on the significance or otherwise of each driver features on investment decision making. This

is done in an attempt to reveal which specific features adequately describe each governance drivers. Subsequently, the opinions of some of the top executive investment analysts were obtained to understand the "why" behind the choices.

Thirdly, the institutional theoretical account has been variously used to supplement some of the limitations of agency theory (Adegbite & Nakajima, 2011; Nakpodia, 2015) in corporate governance research, especially in Nigeria. However, neo-institutionalism may not fully capture the dynamics of corporate governance as the theory does not contemplate the contingencies that promote institutional change (Buck & Shahrim, 2005). This study in response to a call for management scholars to engage more with psychological research in the business field (Connelly et al., 2011) relied on less investigated social cognition theory to provide investment analysts insights applicable in weak governance environments. Potentially, this research provides coherent theoretical generalization that can go beyond the Nigerian case and help in providing generalizations for developing countries with weak institutional environments. Discussions in this study also help to overcome the criticism that the social cognitive theory is too broad, as this research obtained opinions of a specific group of experts on corporate governance drivers.

Further, this study offers a stakeholder-agentic approach to understanding corporate governance drivers. The rise of institutional theory (Davis, 2009a; Davis, 2011) and advent of agency theory, (Dobbin & Jung, 2010; Shapiro, 2005) have perhaps made the shareholder-value oriented corporate governance more popular. Dobbin & Jung (2010) however criticized this approach as they argued it leads to short-termism in corporate policy. This study obtained the perspective of important economic agents using a stakeholder-agentic approach to understand if features of governance drivers signals projected by actors in a sector were similarly received by the audience especially investment analysts. We also extend the signaling theory by focusing on investors' perception of features of corporate governance drivers as signaled by actors in the banking sector.

Empirically, this research further adds to the budding literature on corporate governance in African countries (Briston, 1978; Abor, 2007; Kyereboah-Coleman,

2007; Mangena & Chamisa, 2008; Sanda et al., 2010; Bokpin, 2011; Mahadeo et al., 2012; Mangena et al., 2012; Ntim et al., 2012; Ntim & Soobaroyen, 2013; Adegbite, 2015; Nakpodia & Adegbite 2018). Nigeria is an African giant with ambitions to be one of the top 20 economies in the world by the year 2020, by being able to maintain its economic leadership role in Africa. Very much on the way to meeting this target, the need for Nigeria to institute an effective corporate governance framework that recognizes the increasingly important role of investors/investment analysts cannot be overstated.

Finally, whereas the cavernous lacuna in literature on corporate governance in Nigeria is receiving increasing scholarly attention (Okike, 2007; Adegbite & Nakajima, 2011a, Adegbite, 2015, Nakpodia et al., 2016; Nakpodia & Adegbite, 2018), authors have predominantly focussed on the environmental determinants of corporate governance in the country. This study extends the micro-level descriptions of the growing empirical literature by presenting perspectives of investment analysts on identified firm-level drivers of good corporate governance in Nigerian banks. The discussions in this study are not only useful to the Sub-Saharan African business scholarship but also provides pointers to bank executives on which drivers of good corporate governance signals that can help them attract much-needed investment.

1.6 Thesis Structure

After this introduction, chapter two is the theoretical framework of the entire thesis. The different theories of relevance in corporate governance are discussed. Following which the stakeholder-agency (main theory), signaling and social cognition theories (supporting theories) of this research are elaborated.

Chapter three is a comprehensive literature review which discusses corporate governance in developed countries, developing countries, Nigeria, Nigerian banking sector and code of corporate governance in Nigeria. This part also provides a review of mechanisms of good corporate governance in developing countries context, investment analysts and investment decision making.

Chapter four combines the theoretical underpinnings and the literature review to develop the research hypotheses. In all 33 hypotheses were developed. Undertaking

a research activity requires a rigorous methodological procedure to enhance its success (Bryman, 2015). To this end, chapter five represents the research methodology of the thesis. The study examines the perspectives of investment analysts as it regards corporate governance drivers projected by Nigerian banks. To do this, a mixed method was adopted. Firstly, the compatibility of the selected research design with the research objectives and questions is discussed. The chapter also addresses the challenges in using a mixed-methods research design. Secondly, the chapter discusses the quantitative research design, methodology, statistical analysis of data used in this study, and the justification of the chosen data and research design. Thirdly, the theoretical framework that underlies the qualitative research method, the design of the semi-structured interviews and the process of data collection and data analysis using a thematic analysis approach.

Chapter Six presents the investment analysts' perspective on board structure and composition drivers features and how these features impact investment decision making. For easy following, the chapter is divided into three parts (a. board independence driver features, b. board heterogeneity driver features, and c. board reputation driver features). Each part presents the statistical summaries of the features of the mechanism drivers and the control variables used in the developed models for the mechanism drivers. The quantitative and qualitative findings of the investment analysts' perspectives of drivers are then integrated. Following which a conclusion is presented.

Chapter Seven presents the investment analysts' perception of external ownership mechanism drivers' features and their impact on investment decision making. For easy following, the chapter is divided into two parts (a.foreign institutional investors driver features and b. effective shareholder activism driver features). Each part of the chapter presents the statistical summaries of the features of the external mechanism driver and the control variables used in the developed models for the mechanism driver. The quantitative and qualitative findings of the investment analysts' perspectives of drivers are then integrated. Following which a conclusion is presented.

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Chapter Eight presents the investment analysts' perception of accountability mechanism drivers features. Again, for easy following, the chapter is divided into four parts (a. voluntary disclosure driver features, b. independent audit committee driver features, c pay for performance driver features and d. board evaluation features). Each part of the chapter presents the statistical summaries of the features of the accountability mechanism driver and the control variables used in the developed models for the mechanism driver. The quantitative and qualitative findings of the investment analysts' perspectives of drivers are then integrated. Following which a conclusion is presented.

Chapter Nine is the thesis conclusion showing the results and findings of the thesis. The chapter also reveals the implication for theory, developing countries, and investors. Finally, limitations and future research direction are provided.

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Chapter Two: Theoretical Framework

2.1 Introduction

The theoretical framework of this study focuses on how investors perceive the signals of corporate governance drivers and to what extent these drivers influence decision making. Theory is important as it helps us to describe and understand how events occur; phenomenon is arrived at, and reasoning is developed. Theories do not necessarily mean we will not get unexpected relationships or occurrences as a theory will not necessarily tell us "what to do, but it will tell us what is possible to do and what is not possible to do" (Iskander, 2008, p. 109). Theory helps us eliminate a number of situations when we have to choose among alternatives (Champers, 1996).

Corporate governance studies have been served with many theories. These include agency, stakeholder, stewardship, signalling, behaviorial and institutional theories. The introductory part of this chapter will highlight agency, stakeholder, stewardship and institutional theories none of which will be relied on solely or primarily by this research. It will also explain why these theories do not particularly address the questions of this present study. Subsequently, the research theories (stakeholder-agency, signaling, and social cognition) will be discussed in the light of their appropriateness to developing country context.

2.2. Theories not utilised in this study

i. The agency theory assumes that the ability of a firm to maximize its wealth is advanced by minimizing possible conflicts between its main actors (Fama & Jensen, 1983). This possible conflict is usually referred to as the agency problem (Jensen & Meckling, 1976). While agency theory has provided scholars with the dominant theoretical inspiration for understanding corporate governance, it has also been criticized in favor of more accommodating theoretical views (Eisenhardt, 1989; Hillman & Dalziel, 2003; Judge Jr. & Zeithaml, 1992). Researchers increasingly realize that there is not a single agency model that adequately depicts corporate governance in all national contexts (La Porta et al., 1997, 1998; Lubatkin et al., 2005a). The agency theory satisfactorily explains situations where

executives/managers (agents) can have economic self-interest, which will naturally affect firm performance and the subsequent payoff to the shareholders, it misses essential bases of human behavior, upon which cooperation and collective action are possible. The weak institutional environment prevalent in developing countries such as Nigeria, and the stakeholders of interest in this research (investment analysts) weakens agency theory as a theory to use in isolation for research focused on investment analysts' perspective on governance drivers. See more on agency theory in appendix 4a.

ii. Stewardship theory, rooted in sociology and psychology, is usually presented as the alternative theory to agency theory (Davis et al., 1997). This is because stewardship theory rather than assume a divergence of principal and agent interests defines human relationships around a more robust behavioral model. In spite of suggestions that executives/stewards in "loosely coupled, heterogeneous organizations with competing stakeholders and competing shareholder objectives are motivated to make decisions that they perceive are in the best interests of the group", (Davis et al., 1997, p. 25), this study is not concerned with the motives of managers to perform or serve. This present study concerns itself with the perspective of investment analysts on which features of good corporate governance drivers are important for investment decision-making purposes and why. As a result, the stewardship theory is not appropriate for this study especially as it accounts mainly for managers as stakeholders and not investors or investment analysts. See more on stewardship theory in appendix 4b.

iii. Stakeholder perspective can be traced to 1930's depression era when used by General Electric Company to engineer its survival (Preston & Sapienza, 1990). The theoretical concept here is that the general society expects firms to behave properly in a manner that guarantees their going concern and in manners that befits their social and economic roles. Freeman, (1984) defines a stakeholder of a firm as those who can affect or are affected directly or indirectly by the firm's success or otherwise. They can also exercise some form of power or discretion over the firm or its activities (Donaldson & Preston, 1995). Stakeholders are classified into two groups: primary stakeholders (e.g employees, management, investors, regulators, etc.), whose

participation is essential for the survival of the firm, and secondary stakeholders (e.g analysts, NGOs, regulators, etc), who are not essential to the survival of the corporation although their actions and response can significantly damage or benefit the corporation (Freeman, 1984; Clarkson, 1995). However, the broad nature of the stakeholder theory makes it only partially suited for this present study. Although the stakeholder theory supports a concept where non-financial measures are designed to investigate firm activities (Logsdon & Lewellyn, 1998), it fails to recognize the agency challenges that exists between managers and investment analysts who make investment decisions on behalf of their clients. See more on stakeholder theory in appendix 4c.

iv. Institutional theory is a well-developed theory in management studies that presupposes that firms are not just concerned or affected by internal environment but also by its external regulatory, normative and cognitive institutional environment (Scott, 1995). Institutionalism assumes that organizations conform to accepted standards of behavior in an effort to enhance their survivability by gaining legitimacy with other external organizations. Leading from this, the institutional theory is based upon the idea that much of what shapes organizational structures and behaviors are a reflection of patterns that have evolved from doing things over a period. As a result, the prediction of organizational practices and their explanations can be arrived at by examining industry traditions and patterns (Eisenhardt, 1988; Judge & Zeithaml, 1992). Thus, from an institutional theory perspective, in order to gain competitive advantage, firms in particular concentrated industries adopt similar strategies (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995) which leads to some form of homogeneity (D'Aveni, 1994). This action makes some firm activities fashionable (Sharma & Vredenburg, 1998).

This current study concerns itself not with the conformity or otherwise of banks with mandatory regulations which produces the isomorphism. Instead, the study focuses on perspectives of investment analysts and how features of drivers of good corporate governance can influence their decision-making. The study is not primarily concerned with Nigerian banks' legitimacy or compliance with codes of corporate governance. Therefore, while the institutional theory has some relevance to this current research,

it does not provide enough impetus to answer the research questions, which are concerned about perspectives of investment analysts on features of good corporate governance drivers that leads to decision making. Theories that explain the agentic relationship between external stakeholders and firm and psychological reasoning for actions these external stakeholders engage in are more relevant to this research. See more on institutional theory in appendix 4d.

2.3 Core Theoretical Framework. Stakeholder-Agency Theory

Review of existing governance literature reveals that agency theory (Jensen & Meckling, 1976) and stakeholder theory (Freeman, 1984) are the two dominant[5] perspectives used to explain corporate governance relationships. Hence, by combining the agency and stakeholder theories, Hill & Jones (1992) conceptualized the stakeholder-agency theory. This theory proposes a paradigm that helps explain certain aspects of a firm's strategic behaviour, the structure of management-stakeholder contracts, the form taken by the institutional structures that monitor and enforce contracts between managers and other stakeholders and the evolutionary process that shapes both management-stakeholder contracts and the institutional structures that police those contracts (Hill & Jones, 1992). The theory as conceptualized by Hill & Jones (1992) is particularly suited to this research due to individual limitations of both agency and stakeholder theories.

For example, agency theory explains the conflicting relationship between managers and stakeholders assuming the presence of information asymmetry, the opportunistic behavior of agents, and conflicts of interests between the principal (shareholder) and agent (manager). Therefore, it is desirable to monitor the agents closely in order to align the principal–agent goals, reduce conflicts, and maximize the wealth of stockholders (Halme & Huse 1997). Agency theory contends that effective corporate governance improves a firm's capability to deal with emerging challenges and reduce agency conflicts (Haniffa & Cooke 2002). Additionally, it maintains that the internal governance mechanism must act effectively to hold the agents accountable for their

[5] There is a recent thrust in the use of institutional theories in corporate governance research in Nigeria by some researchers (e.g., Adegbite et al., 2013; Nakpodia, 2015; Adegbite, 2015; Nakpodia et al., 2016).

actions (Li et al., 2008). The agency literature in this vein suggests that effective corporate governance enhances a firm's legitimacy (Michelon & Parbonetti, 2012) and improves financial performance (Jo & Harjoto, 2011). Also, keeping in view the stakeholders' demand for sustainable corporate development, Gul & Leung (2004) argue that the agency theory better explains the role of governance in stakeholders' management. Similarly, Haniffa & Cooke (2002) maintain that effective board performance is vital in order to curb managers' opportunism. Other proponents of agency theory such as Kolk (2008), Ienciu et al. (2012), and Buniamin et al. (2011) argue that effective governance can reduce the agency problems by holding managers accountable to the wide variety of stakeholders. However, although researchers have used the agency theory framework to explain the corporate governance mechanisms, this framework seems unable to cover all the aspects of relationships that might exist between agents and principals or principals and principals or agents and investment analysts who represent their principals.

The findings of recent research show that companies all over the world are facing increased stakeholder pressure to be sustainable (Chen & Wang, 2011). The stakeholders' need for information about ongoing operations has increased remarkably in the last couple of decades (Haniffa & Cooke, 2005; Fernandez-Feijoo et al., 2012). Stakeholders expect companies to disclose not only financial but also non-financial information (Fernandez-Feijoo et al., 2012). This led Jensen & Meckling (1976) and Hill & Jones (1992) to argue that the board of directors is the supreme stakeholder of business firms and its duty is to align the goals of management with those of the wider variety of stakeholders. As a result, under stakeholder theory, Michelon & Parbonetti (2012) argue that good corporate governance enhances firm-stakeholder relationships by fostering corporate sustainability. Further, Barako & Brown (2008) divide the stakeholder theory into two branches—managerial and ethical. Following Deegan (2000) and O'Dwyer (2002) who named managerial as a positive and ethical as a normative branch of stakeholder theory, Donaldson & Preston (1995, p. 6) argue that all the branches of stakeholder theory are 'mutually supportive' and advocate the conflict-free management–stakeholder relationship.

However, the stakeholder-agency theory as applied in this research differs from the agency theory, as its underlying market assumptions are not the same as those used in the agency theory (Hill & Jones, 1992). The agency model predominately concerns itself with implicit contractual relationships, (Giudice et al., 2013; Miletkov et al., 2014). For example, the agency theory assumes a single dyadic type of relationship between investors and banks in an efficient market. Agency theory, therefore, assumes that the primary purpose of corporate governance systems is to provide shareholders with some level of assurance that their interests will be protected by managers who are trying to achieve outcomes that are consistent with the shareholders' objectives (Shliefer & Vishny, 1997). However, investment analysts (who act on behalf of their principals) are vast with some already holding some form of equity in firms while others might not hold equity for any given length of time or indeed hold any equity at all. Thus, while agency theory is useful in providing an understanding of how the self-interested economic motivations of managers can impact firm performance and the subsequent payoff to the shareholders, it misses essential stakeholders such as investment analysts who are external to the firm and who rely on signals from the investee firms for their decision making processes.

Consequently, although the agency theory has provided scholars with the dominant theoretical inspiration for understanding corporate governance, it has also fostered critics who have argued for a more nuanced approach to understanding corporate governance through a pluralistic theoretical view (Eisenhardt, 1989; Hillman & Dalziel, 2003; Judge Jr. & Zeithaml, 1992). The agency theory also suffers from another significant limitation in international business governance research. The theory presupposes the operation of an efficient and competitive market environment, where corporate ownership is dispersed, information asymmetries are minimal and competitive pressures are maximal (Udayasankar et al., 2005). In many developing market economies, however, these agency theory presumptions are predominantly invalid (La Porta et al., 1999; Adegbite, 2015). Other scholars such as Perrow (1986) claimed that agency theory addresses no evident problems, and Hirsch & Friedman (1986) called it excessively narrow, focusing only on stock price.

Similarly, the stakeholder-agency theory differs from the stakeholder theory. Freeman's (1984) main argument is that executives are responsible for managing and coordinating the constellation of competitive and cooperative interests of various stakeholders. The instrumental approach of stakeholder theory (Donaldson & Preston, 1995; Jones, 1995) calls for the formulation and implementation of processes that meet the requirements of stakeholders because they control vital resources. It also suggests that stakeholder satisfaction will ensure the long-term survival and success of the firm (Freeman, 1984; Waddock & Graves, 1997). In such situations and to fulfill their different claims, stakeholders that own resources pertinent to a firm's success will be willing to provide their resources. This can improve financial objectives (Jones, 1995; Hillman & Klein, 2001). However, the strategic value obtained from stakeholder relationships have been criticized. Sternberg (1997) posit that stakeholder theory undermines private property and accountability, as it transfers to all stakeholders the right to determine how firms' owners' assets are used.

Moreover, the stakeholder framework stipulates that the owner's assets should be used not for the benefit of shareholders only, rather for all stakeholders. Consequently, stakeholder orientation cannot provide better corporate governance, managerial conduct or corporate financial performance. Drawing on agency theory, Williamson's (1993), explains the doubtful positive link between a stakeholder orientation and firm performance. According to Williamson (1993), agency problems between owners and managers are aggravated when managers act on behalf of non-shareholder stakeholders.

The question then still arises; who really counts as important stakeholders for firms (Freeman, 1984)? Indeed, most studies still rightly treat shareholders as the main stakeholders of a firm although there are many other relevant stakeholders (Selznick, 1996). However, what is certain is that stakeholders such as investment analysts are becoming more and more critical to firms fitting in with the stakeholder-agency perspective when they hold some form of agentic relationship with the firm. Hence, even though the stakeholder theory's underlying philosophy is much broader than the agency theory, and accommodates external and internal perspectives of anyone with connections to the firm (Conyon & He, 2016; Haβ et al., 2016), it cannot fully explain

investment analysts relationship with firms nor can it explain how investment analysts perceive features of drivers of good corporate governance which can lead to investment decision making.

In this regard, agency and stakeholder theories complement each other by advocating the alignment of existing stockholders' (majority and minority), interests or latent stock stakeholder, and management goals (Hill & Jones, 1992). Both frameworks discourage the opportunistic behavior of management (Michelon & Parbonetti 2012). Walls et al. (2012) contend that one theory independent of the other is unable to explain why and/or how social targets should be included in corporate strategic goals. It is also evident from the literature review chapter 3 that many researchers use different theories to hypothesize or conceptualize governance relationships in developing countries (Nakpodia & Adegbite, 2018; Adegbite, 2015; Okike, 2007). This study acknowledges the lacuna of a single theoretical framework (Walls et al., 2012) and provides support for adopting different theories to study the different drivers of corporate governance and the impact of these drivers' features on investment decision making. Hence, we rely on the complementarities of both agency and stakeholder theories as propositioned by Hill & Jones (1992). This lack of a singular theoretical governance perspective provides the rationale of combining both agency and stakeholder theories to explain the perspective of investment analysts to good governance drivers signaled by banks. Therefore, following Hill & Jones (1992); Iskander (2008) and Hussain et al.'s (2018) theoretical framework and considering investment analysts as an important stakeholder group, the study uses the stakeholder-agency theory for hypothesizing on the relationships between good governance features and investment decision making relationships.

Moreover, the scrutiny of managerial actions has intensified as a result of increased pressure from customers and unions, more governmental regulations and advancement in media communications (Hussain et al., 2018). Hence, as more stakeholders are engaged in monitoring and disciplining managers, a stakeholder-agency approach (Hill & Jones, 1992) is an appropriate framework to connect drivers of good corporate governance and investment decision making. This approach frees management from the constraints of a single objective function, should make resource

allocation more flexible, and importantly, effective for the pursuit of a broader array of stakeholder ends. This process will involve a trade-off between simplicity, on the one hand, and flexibility and complexity, on the other (Mitchell et al., 2016). The presence of this potential trade-off is positive, in that the outcomes of the intra-corporate invisible hand are open to the possibility of contributing to a wider array of social goods; as the simplicity of single-objective management can be balanced against the complexity of trying to satisfy multiple objectives (Mitchell et al., 2016). However, this trade-off must be considered in light of Jensen's (2001) argument that simplicity is necessary not just for the sake of it, instead, for the sake of making managerial decisions sharper and possibly avoiding agency losses (that reduce shareholder wealth). This concern also arises in a stakeholder-agentic corporation (i.e., for stakeholder agency losses) because there is a unique role for management, as "the only group of stakeholders who enter into a contractual relationship with all other stakeholders" and as "the only group of stakeholders with direct control over the decision-making apparatus of the firm" (Hill & Jones, 1992, p. 134).

Therefore, the way to lure stakeholders is by satisfying their interests and implementing policies aimed at improving a firm's image. The problem, as Sternberg (1997) has already pointed out, is that the implementation of such policies may be incompatible with all legitimate business objectives and undermines basic property rights. The stakeholder-agency theory provides a lens for understanding the perspective of investment analysts (who make investment decisions on behalf of investors in Nigeria) as it regards what corporate governance drivers of firms' signals in developing countries and if the signals of the drivers lead to investment decision making. Hill & Jones' (1992) conception of a "nexus of contracts," stakeholder-focused corporation suggests that corporations can be viewed as quasi-markets within which various stakeholders, along with (and mediated by) management, engage in invisible hand–style transactions through which they pursue some bundle of objectives (Mitchell et al., 2016). In this research, the line of research hypothesizing that features of drivers of good corporate governance may or may not be connected with positive investment decision making is developed. This study develops arguments for this research grounded on stakeholder theory and agency framework,

the two theories that stakeholder-agency theory relies on, to justify the existence of an association between features of drivers of good corporate governance and investment decision making. The arguments provided explain the relationship between investment analysts decision making based on their perspective of Nigerian banks' 1) board structure and composition governance drivers' features, 2) external ownership governance drivers' features and 3) accountability governance drivers' features.

In developing countries especially, the negligence of regulatory institutions (Osemeke & Adegbite, 2016; Yakassai, 2001) escalates the importance of good corporate governance. A Mckinsey report of 2002, suggests that over 82 percent of investors rely on corporate governance practices of firms in developing countries to make investment decisions. In these developing countries, the primary assumption of efficient markets is breached, as the environment is replete with weak institutions (La Porta et al., 1999; Perrow, 1986: Putterman, 1984; Okike, 2007; Adegbite, 2015). The weak institutional environment prevalent in developing countries makes the principal –principal agency problem more pertinent thereby leaving stakeholders such as investment analysts (who act on behalf of their principals) exposed. However, despite the weak institutional environment, investment analysts must still make investment decisions relying on their perception of firms' adherence or otherwise to good corporate governance practices and the trustworthiness of the firms' financial statements. Stakeholder-agency theory adequately deals with all investors as some investors invest/divest depending on market indices or their specific needs and might not be involved with the firm in a principal-agent/principal relationship but instead are "latent stakeholders." Hence, this study links the agency and stakeholder theories to explain the implicit and explicit relationships important stakeholders might hold with a firm (Hill & Jones, 1992).

Finally, the stakeholder-agency theory can be applied when investigating a phenomenon which generates mutual interests between different stakeholders, not focusing on only trade-offs (Moriarty, 2014). These interests can involve investment analysts who are interested in making effective investment decisions for specialized sectors such as the banking industry. This present study uses the stakeholder-agency

theory (Hill & Jones, 1992) to explain how investment analysts perceive banks' corporate governance behavior in the society. The theory explains the process that shapes relationships between management of firms and investment analysts who rely on drivers of good corporate governance cues signaled by firms in weak institutional environments. The relationships hypothesised in this study, will metamorphize as agentic relationship due to the economic interest of investment analysts. The stakeholder- agency theory is particularly suited for this present study as it supports a concept where non-financial measures are designed to investigate firm activities (Logsdon & Lewellyn, 1998) especially as the main stakeholders of concern are investment analysts whose primary interest is profit making on behalf of their clients/firms.

2.4 Theoretical Support Framework. Signaling Theory

Signaling theory is centered on communication between individuals, companies and regulatory agencies (Kabbach de Castro, 2009). Spence (2002) posits that the signaling theory is concerned mainly with bridging information asymmetry that might exist between parties (Spence, 2002). Basically, what information is the sender signaling and what is the receiver interpreting? Stiglitz (2002) highlights two broad types of information where information asymmetry is important. 1. Information about quality and 2. Information about intent. Information about quality is important when one party is not fully aware of the characteristics of another party while information about intent can help accentuate behavior characteristics of another party (Elitzur & Gavious, 2003). The signaling theory suggests that firms with superior information transparency signal better corporate governance and better performance (Rotchschild & Stiglitz, 1976) to stakeholders.

Management scholars have also utilized signaling theory to explain the influence of information asymmetry in an array of research contexts. Stiglitz (2002) postulated that when people know things differently or know different things, then information asymmetry may occur. Typically, in countries with weak institutions as typified by many developing countries including Nigeria, information asymmetry seems to be the norm. Inadvertently, when information asymmetry exists, signaling theory provides a

means to describe the behavior and characteristics of the parties involved. Furthermore, markets have imperfection information, even though some researchers expect such imperfect markets to behave perfectly (Stiglitz, 2008). Corporate governance signaling by firms can be used to provide relevant firm-specific information, which will help eliminate information asymmetry and position firms favorably (Lee et al., 1983) to its stakeholders. In order to signal successfully, banks will use credible corporate governance signals (Eccles et al., 2001). Banks in Nigeria signal the practice of good corporate governance through certain drivers. Theoretically, investors react to news or available information (Merton, 1987) and the level of revealed information assists in reducing information asymmetry. We can infer thus that signaling theory helps in bringing to fore the cost of information acquisition. For example, a recent study of corporate governance shows how management signal the unobservable quality of their companies to potential investors using the observable quality of their financial statements (Zhang & Wiersema, 2009). Another example is when diversity researchers use signaling theory to explain how firms use diverse boards to signal adherence to social values to a range of organizational stakeholders (Miller & Triana, 2009).

Furthermore, firms signal certain behavior by the information they provide publicly. For example, Chahine & Filatotchev (2008) in their study carried out in France found that more disclosure by firms is positively associated with better IPO pricing. Also, Certo (2003) and Filatotchev & Bishop (2002) posit that a new firm floating an IPO will have directors from different fields in a bid to signal ‘legitimacy' to potential investors. Therefore, with a lower level of information asymmetry and fewer agency problems, a firm's value is likely to be improved, helping the firm achieve better shareholders value (Diamond & Verrechia, 1991; Watson et al., 2002; Kothari et al., 2009). Moreover, companies are prepared to anticipate and match stakeholder expectations in the absence of mandatory guidance on corporate governance matters and raise the issues of transparency, accountability, and opportunism in reporting (Osemeke & Adegbite, 2016).

It must be noted that research on industry signals is an under-researched aspect of signaling theory. For example, in specialized industries such as the banking sector,

stakeholders might be influenced differently based on the institutional, task environment or the industry competitive environment signals (Sanders & Boivie, 2004). As a result, some management scholars, e.g., Zhang & Wiersema (2009), Certo (2003) and Osemeke & Adegbite (2016) have used signaling theory to explain information asymmetry in corporate governance. This current study focuses on the perception of investment as it regards the corporate governance practices of Nigerian commercial banks. The study will reveal which of the corporate governance drivers features signaled by banks lead investment analysts to make investment decisions. The signaling theory supports the core theoretical framework as it provides a mechanism by which banking sector actors signal non-financial cues to investment analysts.

2.5 Theoretical Support Framework. Social Cognitive Theory

One of the more important theories of human behavior is the social cognitive theory (Bandura, 1986) as the theory focuses not only on the individual's behavior but also on social cognitive factors (environment and personal). This current study relies on social cognitive theory (Bandura, 1989) in relation to investment analysts' perception of features of drivers of good corporate governance in Nigerian Banks. This theory is especially relevant to this present study as it looks at interactive human psychosocial functioning in terms of behavior, cognition, trust, other personal factors and environmental events (Wood & Bandura, 1989). The theory "accords a central role to cognitive, vicarious, self-regulatory and self-reflective processes" (Wood & Bandura, 1989, p. 362). Decisions of individuals are influenced by internal cognitive processes and external social situations (Cooper & Lu, 2016). This is because the environment of people predicts their behavior (Bandura, 1989). This environment includes social norms, access within the community, peer influence and values (Bandura, 1991). Social environment can be said to include virtual and real world (Narayan, 2013). Further, social cognition can be traced to research on individual perception (Asch, 1946; Cantor & Mischel, 1979a; Schneider et al., 1979), cognitive schemata (Alba & Hasher, 1983; Anderson, 1982; Reder & Anderson, 1980), categorization (Rosch et al., 1976) and decision making which enables individuals achieve their set objectives (Kotter, 1982; Mintzberg, 1973; Stewart, 1967). Investment analysts create their

decision support systems and selectively process the information generated by their environment (George, 1980). This research leans on social cognition theory to understand and predict investment analysts' decision-making based on their perception of features of good corporate governance drivers signaled by Nigerian banks.

Furthermore, financial knowledge may be categorized as objective and subjective knowledge (Friestad & Wright, 1995). Objective knowledge is tangible, unbiased and measurable, while subjective knowledge is about one's belief and perceptions of knowledge. Ultimately, the decision of the investment analysts to invest is subjective. An investment analyst's decision depends on the expected costs, his knowledge of financial techniques and his risk perception. The risk perception is entirely a subjective factor. For a good investment decision, the investment analyst needs to understand the possible opportunities using both objective and subjective knowledge. A wrong investment decision can lead to investors losing their investments. Therefore, in developing countries, it is essential for investment analysts to understand the drivers of good corporate governance to obtain the maximum value from their investment appraisal process. In investment evaluation, the corporate governance drivers projected by firms must match the information held by the decision maker (Avram et al., 2009); in this case the investment analyst's views.

Corporate governance drivers as projected by banks will mean different things to different stakeholders but are critical for attracting investors. Newell et al. (1958) proposed that decision makers (develop heuristics, or shortcuts to aid them in decisions in which risks are highly uncertain (see Barnard, 1938; Prietula & Simon, 1989). Banks' projection of good corporate governance practices represents an avenue for the banks to position themselves to investment analysts who want to make investments even though most investors base their decisions on market and financial data (Tyebjee & Bruno, 1984; MacMillan et al., 1987; Robinson, 1987; Zacharakis & Meyer, 1998). However, under more extreme uncertainty, investment analysts especially early-stage investment analysts also rely on other less-explicit social factors for decision-making. These social factors include high-status affiliations (Burton et al., 2002), familiarity with other members of syndicates (Kelly & Hay,

2003), the quality of the management (MacMillan et al., 1986), the way the firm is projected (Martens et al., 2007), all of which facilitates investment analysts' sense-making about the investment opportunity (Navis & Glynn, 2011). These social factors (high-status affiliations, firm projection, quality of management, etc.) fit with features of corporate governance divers being investigated in this present research.

The social cognitive theory is very adaptive and dynamic (Kock, 2004) and has been employed in many fields. For example, it has been used in organizational management (Wood & Bandura, 1989), e-government system (Loo et al., 2009; Rana & Dwivedi, 2015), internet banking adoption – consumer behaviour (Boateng et al., 2016), technological innovation adoption (Compeau et al., 1999; Ratten & Ratten, 2007), tourism sustainability (Font et al., 2016) and accounting fraud (Shi et al., 2017). In addition, the study by Domino et al. (2015) relied on social cognition theory to examine the antecedents of individual corporate accountant's perceptions of fit between the individual accounts and their organizations' ethical climate. However, to the best of this researcher's knowledge, this theory has never been used to study the perception of investment analysts when considering the importance of features of drivers of good corporate governance in decision-making. The social cognition theory can be used to support reasons why individuals make certain individual decisions or behaviors (Bandura, 1986). The theory touches on aspects such as social environment, cognition, and beliefs about capabilities, which are relevant to explain sections of this present study.

This theory will also help provide a theoretical underpinning for potential decision making of investment analysts based on their perception of drivers of good corporate governance that banks signal. Based on this theory, features of drivers of good corporate governance investment analysts perceive to be important to their decision-making processes will be identified. These features are taken as the external social environmental factors that influence the schemas of the individual audience. Following from this, this present study will argue that an investment analyst's decision-making process can be influenced based on cognition and beliefs on the perception of features of drivers of good corporate governance. According to Bandura's theory, humans learn to satisfy their needs, wishes, and desires by

observing the outcomes of behaviors and events, where the observations lead to expectations about what will happen in the future and about one's ability to perform behaviors and to express emotions. Individuals compare their behaviors with those of others and make value judgments about their own and others' behaviors. In this way, according to social cognitive theory, it is not simply the external conditions alone that determine behavior (as extreme behaviorists might claim), but it is also the decisions one makes based on one's cognitions ("knowledge") about the conditions. Hence, social cognition theory can function as a cognitive map rather than a limited capacity model when based on the decision-making processes of highly experienced individuals (Davis, 1992). Mishina et al. (2012 p.460), suggests "that individual members of a stakeholder group notice similar types of cues, react in a similar manner toward those cues, and hence arrive at a similar conclusion." For this particular study, perspectives of highly experienced investment analysts are sampled. We survey and interview investment analysts as a stakeholder group. Some strategy researchers have argued that a given stakeholder group consider different firm attributes which the stakeholders might hold important to designated interests (see (Agle et al., 1999; Carter & Deephouse, 1999; Dukerich & Carter, 2000; Lange et al., 2011; Love & Kraatz, 2009; Mahon, 2002; Pfarrer et al., 2010; Rindova & Fombrun, 1999; Rindova et al., 2006; Wartick, 2002).

Other behavioral theories such as implicit personality theory and stereotyping are limited in their ability to explain social cognitive processes mainly due to their respective restrictiveness. Implicit personality theory looks at personality traits while stereotyping signals demographic cues. Social cognition theory on the other offers a more general framework for explaining and predicting selection decisions (Davis, 1992). The theory strives to reduce information-processing complexity allowing a broad content base (Davis, 1992).

The next section provides a conclusion to the chapter.

2.6 Conclusion

This chapter has reviewed the limitations of the dominant corporate governance theories (agency and stakeholder) in addressing the research questions. Similarly, the researcher discussed the limitations of institutional theory in addressing the research questions despite the contextual nature of the study. This is because the main concern of the research is the opinions of investment analysts who are economic agents mainly concerned with profits and not necessarily conformity of firms to society.

Consequently, the chapter explained the rationale behind adopting the Hill & Jones' (1992) conceptualization of the stakeholder-agency theory as the core theoretical underpinning for this study. To address the social-environmental context and the reasoning of the investment analysts, the researcher employed signalling and social cognition theories as support theoretical frameworks.

The next chapter provides a comprehensive review of the literature covering corporate governance definitions, practice in developed and developing countries, codes of corporate governance in Nigeria as well as corporate governance mechanism. Also, a review of investment analysts and their operations in Nigeria is discussed.

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Chapter Three: Literature Review

3.1 Introduction

In chapter two, the research theories of this study were presented. However, in addressing the study research questions, it is necessary to build upon credible evidence, drawing from a review of previous relevant research. This is the focus of this chapter. The review will cover corporate governance definitions, relevant issues in corporate governance across the globe and developing countries. Subsequently, it will focus on corporate governance in Nigeria and further narrow down to the corporate governance in the banking sector. Corporate governance mechanisms, drivers and features prevalent in Nigerian banking sector are discussed. Finally, investment analyst and investment decision making process are discussed. Issues emerging from the reviews above provided the basis for identifying gaps in the literature. This thesis seeks to address these gaps in conjunction with the study research questions.

3.2 Corporate governance definitions

Corporate governance ensures that the boards of directors do their jobs properly (Nwanji & Howell, 2004). Governance also protects shareholders' rights, enhances disclosure and transparency, provides an effective legal and regulatory enforcement framework, and facilitates the effective functioning of the board. The main objective, as the 'traditional' disclosure studies argue, is to fulfil the needs of stakeholders in terms of improving transparency, satisfying the decision needs of interested parties (Meek et al., 1995), reducing agency costs (Jensen & Meckling, 1976; Poshakwale & Courtis, 2005) and reducing information cost in stock markets (Cormier & Gordon, 2001; Verrecchia, 2001).

However, for a recent practice, corporate governance has transcended most companies worldwide. These companies subject themselves to some form of corporate scrutiny to gain public trust, which ensures their going concern status. Moreover, governance practices go hand in hand with common law practices (La Porta et al., 1999). Therefore, particularly in developed countries, where dispersed share ownership is common, corporate governance permits the shareholders to have

more influence over firms and the dispersed shareholders are also able to apply pressure for compliance (Bebchuk & Weisbach, 2010; Shleifer & Vishny, 1986).

The Organisation for Economic Corporation and Development (OECD) defines corporate governance as the arrangement of relationships and analogous responsibilities among a core group consisting of shareholders, board members and managers designed to best foster the competitive performance required to achieve a firm's primary objective as well as act accountably and responsibly (OECD, 2004). Consequently, corporate governance could be seen as the mechanism of managing the internal and external network of relationships of firms which helps them achieve their primary objectives (Aguilera et al., 2006; Money & Schepers, 2007).

Governance would usually have been directed by shareholders who naturally seek to protect their investments as firms are usually run by agents (managers) on behalf of shareholders. However, other stakeholder's interests also need to be protected, and corporate governance provides a means by which this objective can be seen to have been met. Specifically, corporate governance involves defining goals of an organization, how the firm is monitored internally and externally, who the management are and its succession plans, how discipline and professionalism are maintained (including rewards and sanctions) and performance indicators (Nwagbara & Ugwoji, 2015). Essentially, it includes shareholders and management of a corporation as key actors; in a wider context, it involves all players (stakeholders) within and outside a firm, who partake in the mission and vision of a firm as dictated by shareholders (Nwagbara & Ugwoji, 2015). Therefore, corporate governance is also defined as "a set of control mechanism that is specially designed to monitor and ratify managerial decisions and to ensure efficient operation of a firm on behalf of its stakeholders" (Donnelly & Mulcahy, 2008, p. 416).

The corporate governance definitions described thus far have focused mainly on developed countries where firm ownership is not concentrated in individuals or families but instead is quite dispersed among different shareholders who appoint a functional board of directors' who in turn act as a good external control to management. However, in developing countries where institutions are weak, the

common beliefs of dispersed ownership and a "pronounced separation of ownership and control" are not realities. Distributed ownership is an "exception rather than the rule" as most organizations are controlled either by families or dominant/concentrated ownership. (La Porta et al., 1999; Adegbite, 2012; 2015).

Furthermore, societal culture influences corporate governance (Mackenzi, 2007) as well as political and legal legislations. Hence, from a sociological perspective, Davis (2005, p. 143) posits that corporate governance "describes the structures, processes, and institutions within and around organizations that allocate power and resource control among participants." Similarly, from the psychological aspects of governance, corporate governance refers to the set of institutions and structures that allocate power, rights, and responsibilities among a corporation's various stakeholders, especially shareholders and managers (Benton, 2014). Stakeholders such as investment analysts who operate in developing countries require the corporate governance practices of firms for investment decision-making purposes. Therefore, following Benton (2014), one can say, corporate governance in developing countries with weak institutions, is the way a firm (through its management) projects itself to its environment as pursuing its shareholders' vision and mission while being accountable to all stakeholders.

In any event, meanings of good corporate governance are rooted in evidence coming from various streams of social sciences including economics, finance, law, political science, sociology, and management studies. Good corporate governance is seen as involving both the reduction of risks to shareholders or other stakeholders as well as enabling managers to engage in business activities, which will benefit all (Keasey et al., 1997). Table 2.1 below provides sample definitions of corporate governance in different disciplines.

Table 3. 1 Corporate governance definitions from different fields

	Sample Definition (s) of Corporate Governance	Author	Journal/Source
Accounting	"Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment."	Shleifer & Vishny (1997, p.737)	Shleifer, A., and Vishny, R. (1997). A survey of corporate governance. *Journal of Finance*, 52(2), 737-783.
Economics	"The complex set of constraints that shape the ex-post bargaining over the quasi-rents generated by the firm."	Zingales, (1998, p. 499)	*The New Palgrave Dictionary of Economics and the Law*. London: Macmillan.
	"A framework within which the integrity of a transaction is decided."	Williamson, (1979, p. 235)	Williamson, O. (1979). Transaction-cost economics: The governance of contractual relations. *Journal of Law & Economics*, 22(2), 233-261.
Management	"Corporate governance is the system by which companies are directed and controlled."	Cadbury Committee (1992)	Sir Adrian Cadbury Committee Report 1992
	"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."	OECD (2004 p. 11)	OECD (2004). Organization for Economic Co-operation and Development (OECD). 2004. OECD Principles of Corporate Governance
	Comparative corporate governance is the study of relationships between parties with a stake in the firm and how their influence on strategic corporate decision making is shaped by institutions in different countries	Aguilera & Jackson. (2010)	Aguilera, R. & Jackson, G. (2010). Comparative and International Corporate Governance. *The Academy of Management Annals*, 4(1), 485-556.
	Refers to who controls the capitalist firm, especially the modern joint stock, public limited, giant corporation, as well as what for, how and to what effect.	Pitelis (2004)	Pitelis, C. (2004). (Corporate) Governance, (Shareholder) Value and (Sustainable) Economic Performance. *Corporate Governance: An International Review*, 12(2), 210-223.

Legal	"The whole set of legal, cultural and institutional arrangements that determine what publicly traded corporations can do, who controls them, how control is exercised, and how the risk and returns from the activities they undertake are allocated."	Blair (1995, p.3)	Blair, M. (1995). *Ownership and control: Rethinking corporate governance for the twenty-first century*. Washington, DC: Brookings Institute
	the principles and legal and contractual frameworks that define and regulate the sharing of power in a corporation	Page, (2005)	*Corporate governance and value creation.* The Research Foundation of CFA Institute
Sociology	"The structures, processes, and institutions within and around organizations that allocate power and resource control among participants."	Davis, (2005, p.143)	Davis, (2005). New directions in corporate governance. *Annual Review Of Sociology*, 31, 143-162.
Politics	The system that not only promotes growth and protects investors but also generates employment and fosters equality of opportunities	Gourevitch & Shinn (2005)	Gourevitch & Shinn (2005. *Political power and corporate control: The new global politics of corporate governance*. Princeton, NJ: Princeton University Press.

3.3 Corporate Governance across the World

Corporate governance as a regulatory induced practice is a relatively new phenomenon (Rezael, 2008), which gained traction worldwide mainly as a result of corporate scandals. Even in developed countries, regulatory induced corporate governance is less than 30years old (Tricker, 2015). In the UK, the Sir Adrian Cadbury report, which was published in 1992, can be said to be the bedrock upon which corporate governance codes were set for UK companies. This Cadbury report developed a "set of principles of good corporate governance which were enacted into a code of best practice and incorporated into list rules of London stock exchange" (Filatotchev et al., 2007, p. 7). Subsequently, other reports such as Rutterman internal control report of 1995, Greenbury's report on directors pay, Myners review on the role of investors/institutional investors and companies, etc. have emerged to make a more robust code of corporate governance in the UK.

Similarly, in the USA, strong regulatory enforced corporate governance can be said to have taken off fully in the 2000s especially after the Enron and WorldCom crises of 2001 with the enactment of the Sarbanes-Oxley Act of 2002. Although the U.S model is usually taken as a benchmark for shareholder-oriented corporate governance and sometimes equated with a "model" for good corporate governance, the system of corporate governance in the United States is a moving target. However, the US governance model continuously undergoes changes which international audiences fail to appreciate. The "one size fits all" system of U.S. law led to discussions on the benefits of mandatory rules compared to more flexible sets of principles based rules (Anand, 2006). In the past, corporate boards were mainly made up of directors, chosen from firm executives and former executives, or friends of the CEO (Mace, 1971). These inside directors had a predominately advisory role, and would rarely mount a major challenge to CEO decisions.

On the other hand, the Communitarian model appears as the leading model in continental European countries, especially in countries such as Germany and France. This model, often characterized by a high concentration of ownership equity with dominant family shareholdings (Tricker, 2015), focuses on addressing the expectations of a wider spectrum of interests; hence Aguilera (2005) described it as a stakeholder-oriented system.

Japanese governance represents another interesting case. Japanese firms traditionally had a system dominated by lifetime employment, cross-shareholdings, and an important governance role being played by banks (Nakajima, 1999; Adegbite, 2010). Jackson (2004) posited these values are being eroded due to innovations and legal reforms in corporate governance, even if they have not fully disappeared. Indeed, Japanese corporate governance model is similar to the stakeholder oriented model practiced in Germany. However, the Japanese classical model places emphasis on companies interrelation through cross-holdings and interlocking directors (known as Keiretsu) rather than antagonism (Mallin, 2006) and makes the governance model arguably different from other stakeholder oriented models such as practiced in Germany. Although there are many young firms that are family controlled and some that are foreign controlled, control and ownership is mostly separated in the majority of the firms. Hence, basically, Japanese firms owned through a cross-holding of shares held by lenders (principally banks) and business partners as a symbol of altruism and commitment (Adegbite, 2010).

Overall, the 1990s had an inconsistent effect on corporate governance. The governance mechanisms shifted managerial interests away from the long-term development of the firm and linked their interests with shareholder value (Gordon, 2007). The system seemed successful and thus put corporate governance on the reform agenda worldwide, culminating in the OECD guidelines in 1997 that were mainly modeled upon a stylized version of current U.S. practices. However, for a recent practice, corporate governance has transcended most companies worldwide. These companies subject themselves to some form of corporate scrutiny to gain public trust, which ensures their going concern status. Ultimately, governance practices go hand in hand with common law practices, therefore, in developed countries, dispersed share ownership is common (La Porta et al., 1999). This permits the shareholders to have more influence over firms, and the dispersed shareholders are also able to apply pressure for compliance (Bebchuk & Weisbach, 2010; Shleifer & Vishny, 1986). Expectedly, developed countries generally adopted corporate governance earlier than developing countries (Sahin, 2015).

3.4 Corporate Governance in Developing Countries

Corporate governance research, which is typically underpinned by the transaction cost/agency theory, has focused mainly on developed countries where organization ownership is quite dispersed and board of director's act as a good external control to management. While convergence theorists (Coffee Jr, 1999; Guillén, 2000) have examined the possibilities and implications of corporate governance convergence, factors such as political forces (Roe, 2003) and institutional elements (Aguilera & Jackson, 2003) continue to result in diversity in corporate governance approaches. Developing countries, according to Judge et al. (2008), are relatively poor economies some who have shown rapid development potential, such as China. Judge et al. (2008) demonstrate a correlation between economic development and governance systems, as 21 countries, whose stage of economic development was classed as 'emerging,' all embrace the emerging corporate governance model (Nakpodia, 2015).

Considering the economic challenges in developing countries, an efficient governance system is critical to economic survival. Claessens & Yurtoglu (2013) suggest that a good corporate governance structure benefit firms in developing countries and can facilitate greater access to financing, lowering the cost of capital, equitable treatment of all stakeholders and better performance. However, given the challenges in these economies, the development and practice of corporate governance has been weakened. For instance, the regulatory mechanism for implementing corporate governance in these countries are unconvincing, with some countries practicing a mix of both the principles-based and the rules-based mechanism (see Berglof & von Thadden, 1999). The level of economic development has also meant that the engagement of corporate governance to deal with infractions has remained unpopular (Nakpodia, 2015). The lack of good institutional framework, has further limited governance in these countries. Klapper & Love (2004) in their study involving 14 emerging countries, noted that firm-level governance is lower in countries with weak legal institutions thereby hindering governance ideals.

Hence, in developing countries, trust in compliance with governance regulations will be seen to be vested in external organizations rather than internal structure. The perception will be that bureaucratic processes internally might blur firms operations and reporting

seemingly in a bid to protect the organization (Hofstede, 2001). Recent research in developing economies suggest main conflicts are principal-principal conflicts between majority shareholders (family, state or concentrated ownership) and minority shareholders (Young et al., 2008; Chang, 2006; Jiang, 2006). Characteristics of environments with weak institutions (and largely informal environment) are dominant shareholders and influential leaders (Nakpodia & Adegbite, 2018). In developing countries, the more power vested in top management relative to the employees (Hofstede, 2001) the more decisions are dominated by a few. These leaders are often associated with autocratic behavior (Carl et al., 2004). Therefore, if the stakeholders do not understand the institutional situation or challenges of principal-principal conflicts governing the firm in developing economies, then corporate governance reform policies might be inconsequential, and this might produce unplanned for results (Peng et al., 2008). Especially since in most developing economies, the control function of the board of directors is mainly seen as window dressing. Thus, the informal institutional environment impacts governance framework (Globerman & Shapiro, 2003; Strange et al., 2009).

Building on "rules of the game" metaphor, North (1990, p.3) defines institutions as the humanly devised constraints that structure human interaction. Similarly, Scott (1995, p.33) defines institutions as “regulative, normative and cognitive structures and activities that provide stability and meaning to social behaviour.” Therefore, institutions can be classified broadly as formal and informal ones. According to Peng et al., (2008), institutions govern societal transactions in the area of politics (e.g., corruption, transparency, etc.), Law (e.g., economic liberalization and regulatory regime) and society (e.g., ethical norms, attitudes towards entrepreneurship). Despite the institutional environment importance, scholars have rarely studied further than the environment or task situations to investigate the interaction among institutions, organizations and strategic choices (Teegen et al., 2004; Narayanan & Fahey, 2005), though recently this is changing as more and more researchers understand the need to contemplate contextual situations. This has meant laws and regulations (formal institutions), and norms and cognitions (informal institutions) have been assumed away as "background" conditions. (Peng et al., 2008). Many researchers suggest that handling or treating institutions as "background" will not enable us to understand fully relationships among firms, its environment, its

audiences and indeed the firms' performance (Ingram & Silverman, 2002; Lewin & Kim, 2004; Oliver, 1997).

Hence, when considering developing economies, the normal treatment of institutions becomes even more glaring as inappropriate (Narayanan & Fahey, 2005). Contextual studies of institutional environment (such as Nakpodia & Adegbite, 2018; Nakpodia et al., 2016; Adegbite, 2015; Kogut, 2003; Leung et al, 2005; Peng, 2002; 2003; 2006; Redding, 2005; Teegen et al, 2004) dealing with the firm's relationship with its broader; environment, will find it almost impossible to apply typical mainstream theories in developing countries, hence new reasoning and major modification are necessitated (Kiggundu et al., 1983). Adegbite & Nakajima (2011b) showed two classes of institutional effects on corporate governance: those external (macro) and those internal (micro) to the firm. They provided empirical evidence to suggest that the external institutional environments, which profile a firm's corporate governance, consist of the country's social, economic, political, and legal environments, whereas those internal to the firm consist of the firm's/industry's values, culture, history, and ethics. They noted that this model represents an encompassing framework that provides illumination on certain institutional effects and relationships, thereby encapsulating the complex dynamics and realities of governance in modern-day corporations. Such research has, however, fallen short in developing a psychological understanding of why and how actors in weak institutional environments react to firm-specific cues.

Hence, whereas this present research recognizes that formal and informal institutional structures influence audience choices, (North, 1990), where formal institutions are weak, informal institutions; such as norms governing interpersonal relationships, must be escalated by firms and individuals for strategic and performance decision-making processes (Peng & Heath, 1996). Therefore, it is imperative researchers pay more attention to the sociological and psychological consequences of corporate governance in developing countries as the Anglo-American assumption of dispersed ownership and control, is not in consonance with the empirical realities in developing countries (Jiang, 2006).

The next section reviews corporate governance in Nigeria.

3.5 Corporate Governance in Nigeria: Mechanism and Structure

3.5.1 Introduction

In Chapter one, the growing economic profile of Nigeria and the theoretical implications of corporate governance scholarship in Nigeria were discussed. To enrich that discourse, this section focuses on areas of corporate governance in Nigeria, the regulatory mechanism for establishing good corporate governance and codes of corporate governance in Nigeria.

3.5.2 Nigerian Governance Model

Corporate governance is about how an organization is managed and commitment to values and ethical business conduct. Governance covers a firm's culture, policies, firm structure and the way in it deals with different stakeholders. For a solid corporate governance practice, a firm must conduct its affairs in such a manner as to ensure fairness to all stakeholders. Firm responsibilities entails quality management, visionary leadership, entrenched values and goals, respect for law and sense of social responsibility all of which corporate governance helps in achieving (Aguilera et al., 2008; Ofo, 2010). Effective corporate governance practices in Nigeria are essential to maintaining public trust (Wilson, 2006; Dabor & Adeyemi, 2009) helping to attract domestic and foreign investments (Oni, 2007). The corporate governance model in Nigeria mostly follows the Anglo-American model, with particular emphasis on protecting shareholders' interests (Adegbite, 2012; Okike, 2007; Ahunwun, 2002). This stems from the fact that Nigerian corporate law and legislation is derived primarily from British corporate law. Despite the similarities in the governance models between Nigeria and the Anglo-Saxon model, there are contextual differences, such as social norms, highly hierarchical social structure, and concentrated ownership structures, which may hinder the effectiveness of formal corporate governance mechanisms in Nigeria (Adegbite, 2012; Okike, 2007; Ahunwun, 2002).

Consequently, there evolved a mixed theoretical frame for corporate governance in the country, where agency and stakeholder theories were majorly prominent in shaping the Nigerian corporate governance structure. Nonetheless, one must, however, note that the configuration of corporate governance and accountability in the country has been a mix

of several other theories on the subject. In the summary below, Yakasai (2001, p. 239-240) identified five major theories in this regard and specifically examined their Nigerian applications): "(a) Stewardship hypothesis with the requirement that directors show a fiduciary duty towards the owners of the company. Implied in this theory is the fact that the power of directors over the enterprise is derived from their democratic appointment by shareholders at the Annual General Meetings (AGMs). In most less developed countries today, this largely remains a theory that has not and might not ever be practiced especially in those nations with dictatorial regimes. In Nigeria, until recently, the AGMs of many of the large corporations were fait accompli to rubber stamp government appointments and directives. (b) Organizational theory which traditionally recognizes the peak of organizational structure as the chief executive officer (CEO) and that the board of directors (BOD) is a mere imposition on such a structure. So for as long as functional reporting obeys such a structure, the BOD will remain a mere rubber stamp of the CEO's decisions. This theory draws its predominant application in less developed countries due to the ownership and control structure of enterprises most of which are family businesses and too small in size to warrant the type of corporate democracy witnessed in multinational companies such as HSBC, BT, House of Fraser, General Electric, etc.. (c) Stakeholder hypothesis which gathered momentum in the 1970s reflecting a societal fear that the large multinational corporations (MNCs) had become too imperialistic and powerful to be held accountable solely through the classical stewardship hypothesis. Environmentalists and consumerists particularly find a perfect ally in the stakeholder theory. The role of environmentalists in the oil-producing areas of the world such as the Niger Delta region in Nigeria is a classic example. Furthermore, the genesis of the government's domineering investment in the oil sector in Nigeria derived from this theory that oil was so strategic to the country that the whole nation became the all-important stakeholder. The same arguments were proposed as the premises for promulgating the moribund Nigeria Enterprises Promotion Acts of 1972, 1977 and 1989. (d) Agency theory postulates a different perspective of the nature of man seeking self-interest rather than an altruistic goal and as such cannot always be trusted. This is a real problem in any untransparent developing nation whereby corporate executives milk their companies and become “fat cats” while the investors become anemic, a situation very prevalent during

the Structural Adjustment Programme (SAP) years in Nigeria. (e) The classical theory of the firm which recognizes four factors of production, the most important being the entrepreneur, who organizes and manages other inputs and he is responsible for the decisions, control, and direction of the company.

For the developing countries of sub-Saharan Africa, things are not as straight-jacketed because of many factors/problems such as the consequences of colonization, the interventionist role of domestic governments, the poverty level and the impairment of private initiatives, amongst others. As a result of the impact of these theories, opinions typically differ with regards to the content, boundary, and relevance of corporate governance in developing countries, and Nigeria in particular (Tricker, 1996). This theoretical distortion further suggests that countries matter for corporate governance (Khanna et al., 2006). They matter because they determine what firms benefit or lose when they adhere to notions of good corporate governance principles (Doidge et al., 2004). While there is no corruption-free society, in a developing country such as Nigeria, corporate governance issues are often discussed amidst the larger problem of endemic corruption. Particularly, firms have traditionally been less encouraged to adopt good corporate governance principles. This has conventionally left investors (especially minority shareholders) without efficient protection.

Social environment determines what represents legitimacy and how firms and competition will react (March & Simon, 1993). Meyer & Rowan (1977, p. 340) posit that "institutionalized products, services, policies, and programs function as powerful myths and many organizations adopt them ceremonially." Leading from this, when society or institutions that govern firms in societies dictate new acceptable standards, firms strive to incorporate the new practices or procedures in their processes. The objective of the firm is its going concern nature regardless of the efficacy of the newly acquired practices or procedures. Hence, the ability of a firm to successfully integrate and embed these new practices in its processes increases their legitimacy.

In Nigeria, firms are also likely to imitate their direct market competitors when they have relationships with other firms who also imitate their competitors (Westphal et al., 2001). This is so because firms often learn about corporate governance from the information

transferred through relationship obtained via networks (Benton, 2014). Firms may adjust their governance to match the average governance across all network neighbors (Benton, 2014). Status and reputation can sometimes explain network emergence with regards to corporate governance and relationships with high-status firms and directors are more sought after, which in turn generates still greater status (Davis & Robbins, 2005). Similar to the study by Benton (2014) on networks, Nigerian firms prefer to form relationships with corporations that are already highly regarded or more popular firms or with companies with whom they share a third party tie. This indicates the need for legitimacy as they tend towards homogeneity.

However, especially in weak institutional environments, firms typically claim adherence to the mandated regulatory corporate governance codes, but there is evidence that actual practices are heterogeneous (Khanna et al., 2006). Generally, in Nigeria, most firms quoted on the Nigerian stock exchange claim to achieve regulatory compliance with the code of corporate governance. Even though public information on corporate governance practices of firms is still limited or difficult to interpret in many regards by stakeholders. Nevertheless, good corporate governance practices have potential to partially compensate for weak institutional environments (Duner & Kinan, 2005; Klapper & Love, 2004) by distilling out the homogeneity in industries of a particular producer group. Therefore, in Nigeria, firm-level practices matters more to firm value due to the weak institutional environment and weak investor protection (Duner & Kinan, 2005; Klapper & Love, 2004).

The prime agency for controlling and regulating all companies in Nigeria is the Corporate Affairs Commission (CAC) even though the prevalent weak institutional environment has made the CAC negligent (Okike, 2007). Moreover, securities law is regulated at the general capital market level, and the emphasis of the Nigerian Securities and Exchange Commission (SEC) is usually on disclosure rather than substantive provisions regarding company structure (Hollister, 2005). In a bid to maintain their legitimacy status, firms tend to bridge the gaps by presenting conformity with the institutionalized rules regardless of their actual activities (Meyer & Rowan, 1977). Therefore, it can be argued that the structures of many firms are more a reflection of their institutional environment or requirements rather than a presentation of their actual activities (Meyer & Rowan, 1977).

Leading from the homogeneity and the weak institutional environment therefore, the corporate governance projected by firms might not necessarily be an accurate representation. Neither might stakeholders assume the governance projected to be a true representation. This might not be unconnected to the corruption prevalent in such environment (Nakpodia & Adegbite, 2018).

3.5.3 Corporate Corruption in Nigeria

Corruption occurs when the power of official position is used for personal gain in a manner that contravenes (Nakpodia, 2015; Jain, 2001). Although corruption remains a global concern, it is endemic in Nigeria (Okike, 2007) and has been severally identified as the bane of the Nigerian economy (Akindele, 2005; Lawal, 2007). It has become rooted in the sociocultural, political and economic domains of the country (Shehu, 2005).

As a consequence, the practice of corporate governance has not been spared the destructive effects of corruption. Previous literature emphasizes a negative relationship between governance and corruption (Jain, 2001). Evidence indicates that in countries with high levels of corruption, good corporate governance practices of firms resident in those countries are affected (Caron et al., 2012).

Adekoya (2011) opined that, as firms cannot be isolated from the corruption that exists in their operational domain, corruption has infiltrated every stratum of Nigerian firms. This concern, as noted by Ahunwan (2002), has severely restricted the capacity of Nigerian entrepreneurs to entrench sound ethical practices. In Nigeria, the magnitude of corruption is escalated because of the indiscriminate use discretionary power (Ogbeidi, 2012), the extraction of economic rents (Tignor, 1993; Osoba, 1996) and the existence of weak institutions (Adegbite & Nakajima, 2011a). For example, the crisis, which engulfed the Nigerian banking sector in 2009, was attributable to poor corporate governance (Adegbite, 2012).

Firms often violate rules set by firms for and about themselves. Many firms do not implement decisions. Hence, researchers have established that there is a gap between what organizations represent formally and how they are informally (Dalton, 1959; Downs, 1967; Homans, 1950). Moreover, in some situations, the firms conceal actual actions or make them quite vague. Hence, some of the activities of firms, which are myths,

become institutionalized appearing to be actual formal structures (Meyer & Rowan, 1977).

Given the extent of corruption, some literature (e.g., Aluko, 2002; Lawal, 2007) posits that corporate governance will continually be exposed to challenges until corruption is managed to the barest minimum possible. Therefore, in developing countries where corruption is rampant, even though firms project certain corporate governance drivers, stakeholders still need to apply discretion in decision-making.

3.6 The Legal Regime for Banks in Nigeria

3.6.1 Introduction

The Companies and Allied Matters Act (CAMA), the Investment and Securities Act (ISA), and Banks and Other Financial Institution Act (BOFIA) are the three legislations that govern banks in Nigeria (Unini, 2015).

3.6.2 Companies and Allied Matters Act

Companies and Allied Matters Act (CAMA) is a mandatory legal document that deals with issues ranging from firm formation, duties and functions of directors, down to winding up and dissolution. It also states the powers of shareholders and lists the major players in corporate administration and governance of firms (Unini, 2015).

CAMA also states the basic contents of the annual reports and stipulates that financial statement must have been rendered and submitted at least 21 days before the date of the the general meeting of the shareholders (Unini, 2015).

3.6.3 Investment and Securities Act

"The Investment and Securities Act 2007 (ISA) established the Securities and Exchange Commission (SEC). The SEC is the main regulatory body for capital market and securities investments in Nigeria and ensures the protection of investors in Nigeria against fraud. Before floating shares publicly, registration must be done with (Unini, 2015).

The ISA Act places the fudicial responsibility on the Board of Directors of firms. Expedient prosecution for contravention of the provisions of the Act is done through the Investment and Securities Tribunal (IST). So, while CAMA deals with the incorporation,

the issue of shares and other company securities, and winding up of companies, ISA deals with the offer of shares to the public and the regulation of the capital market (Unini, 2015).

3.6.4 Banks and Other Financial Institutions Act

Banks and Other Financial Institutions Act (BOFIA), assigned the regulation and supervision of banks and other financial institutions in Nigeria to the Central Bank of Nigeria (CBN). The CBN under BOFIA is empowered to regulate the financial sector and is the banker of last resort. The CBN is essential especially due to the sensitive position financial insitutions hold in the society. The CBN ensures those saddled with fuducial responsibility do not derelict their duties. BOFIA provides for the prosecution of any director who contravenes the provision of the Act. It also states how books of account should be maintained following extant accounting standards as may be prescribed by the CBN or other legislation from time to time. External auditors' appointment must be approved by CBN (Unini, 2015).

In the exercise of the foregoing powers and responsibilities, the CBN drafted the Mandatory Code of Corporate Governance for Banks in Nigeria.

The next subsection reviews the code of corporate governance in Nigeria.

3.6.5 Corporate Governance Regulation in Nigeria

The Sir Adrian Cadbury report, published in 1992, can be said to be the bedrock upon which corporate governance codes were set. Similarly, in the USA, strong regulatory enforced corporate governance can be said to have taken off fully in the 2000s especially after the Enron and WorldCom crises of 2001 with the enactment of the Sarbanes-Oxley Act of 2002. The seeming success of this system put corporate governance on the reform agenda worldwide, culminating in the Organisation for Economic Corporation and Development (OECD) principles in 1997 that were largely modeled upon a stylized version of current U.S. practices. Expectedly, developed countries generally issued codes of corporate governance earlier than developing countries (Sahin, 2015). Effects of globalization and driven by financial integration (Khanna et al., 2006), many countries have issued corporate governance codes which they expect firms to adhere to voluntarily or mandatorily (Guillin, 2000; Nestor & Thompson, 2000).

For Nigeria, its first formal corporate governance code could be traced to the Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria, which was issued by the Bankers' Committee in August 2003 (Okike, 2007). This Code was initiated by the Banker's committee due to the banking crisis of the 1990s. The committee adduced poor corporate governance as a major contributor to the financial sector distress. The voluntary Code applied to all financial institutions operating in Nigeria at the time (Wilson, 2006) but was considered weak as it was not regulatory enforced. The Code was based on 11 Principles. These are: Responsibilities of the Board of Directors, Structure of the Board of Directors, The Chairman and the Chief Executive Officer, Appointments to the Board, Proceedings of the Board of Directors, Directors' Remuneration, Board Performance Assessment, Risk Management, Financial Disclosure, Relations with shareholders, and Audit Committee. (Report of Nigerian Bankers committee, 2003).

Although the first Code was detailed, it was not enforceable and made little impact (Ofo, 2013). Furthermore, in October 2003, just two months after the Banker's committee's Code, the Securities and Exchange Commission (SEC) issued the Code of Best Practices on Corporate Governance in Nigeria (Ofo, 2013). Being the first regulatory issued code, the SEC code impacted the corporate governance scene in Nigeria (Okike, 2007, Ofo, 2013). Soon after the release of this first SEC code, there was numerous developments in the corporate world. However, the SEC was slow to react thereby making the SEC code inadequate to address industry specific realities (Ofo, 2013). This led to regulators of specific sectors to issue industry-specific corporate governance codes. These codes, not only took into account the current situations of the specific sector it was made for (Osemeke & Adegbite, 2016).

Following the consolidation exercise for banks in Nigeria in 2005, the Central Bank of Nigeria (CBN) issued a mandatory Code of Corporate Governance in 2006. The Code was meant to address the identified weaknesses in the corporate governance of banks in Nigeria (Wilson, 2006) and to forestall and deal with post-consolidation challenges. Failure to comply with the code of corporate governance will ensure the banks are subjected to different disciplinary measures ranging from fines to retrieval of banking license (Ofo, 2013). CBN updated its code of corporate governance in 2014 and renamed

it Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in the Nigerian Banking Industry.

Lastly, owing to calls for a uniformed corporate governance code that can apply to all firms operating in Nigeria, the Financial Reporting Council of Nigeria (FRCN) introduced the combined code of corporate governance conduct for all Nigerian companies October 2016. This combined code as introduced by FRCN raised many concerns amongst industry players, stakeholders, and professionals given its far-reaching effect on management structures of private entities coupled with the jurisprudential issue relating to its validity (Nwafuru, 2016). The combined code was therefore criticized for its stifling provisions, which run afoul of existing corporate legislation and sector-based codes of corporate governance (Nwafuru, 2016), leading to its suspension in December 2016. The combined code has been re-introduced in 2018 but is still subject to final approval. Unlike the suspended 2016 code, the new code covers all companies (public, private, concessioned and privatized companies). It also covers private- holding companies of public companies (Adegbite, 2018). The not-for-profit code remains suspended. The proposed 2018 combined code contains 28 core principles and 230 practices which are recommended to enable flexibility of different regulators and companies implementing the principles (Adegbite, 2108). The 2018 combined code aims to standardize the practice of good corporate governance and induce voluntary compliance with the highest ethical standards across the Nigerian market.

From the foregoing, it is evident that corporate governance regulations continue to evolve with new codes of conduct for corporate governance or revisions of existing ones emerging over time (La Porta et al., 2002; Berger et al., 2005). In Nigeria, there exists a multiplicity of governance codes. Osemeke & Adegbite (2016) define corporate governance regulatory multiplicity as the presence of different codes of conduct, which are there to regulate different and intertwined stakeholders in the corporate sector. In response to criticism such as those from Osemeke & Adegbite (2016), the FRCN introduced the combined code of corporate governance. Despite this valiant attempt by the FRCN to retaining the sectoral codes alongside the FRC code, the combined code might be burdensome on SMEs and seems to concentrate on the primacy of the shareholders (Adegbite, 2018). This study focused on the banking sector which has a

mandatory code of corporate governance which players in the sector must compulsorily abide. In any case, Moghalu (2011) argued that multiplicity of codes in a single country helps to satisfy different stakeholders especially firms in different industries who may have different stakeholders that have peculiar needs/expectations that cannot be accommodated with a single "one size fits all" code of corporate governance (Engle, 2007).

Ironically, more processes do not necessarily mean better regulations, compliance or even good practices. Indeed, over-regulation detracts firms from being innovative, taking risks and can even directly affect a firm's fortunes (Walsh & Seward, 1990). Perhaps not surprisingly, corporate governance codes are followed more in liberated countries with strong foreign institutional investors (Aguilera & Cuervo–Cazurra, 2004). Aguilera & Cuervo-Cazurra (2004) also reported that in today's world, countries with weak legal protections are likely to introduce corporate governance codes even if many countries with weak legal and civil systems rarely revise their codes (Aguilera & Cuervo-Cazurra, 2004).

In most developing countries, the weak institutional environment means corporate governance is mainly treated as a ceremonial activity as it maintains appearances and validates the firms (Merton, 1940; March & Simon, 1958). Especially as regulation which can be considered an additional governance mechanism, can reduce the effect of other governance in coping with corporate governance problems effectively (Andres & Vallelado, 2008). Moreover, that a country's regulatory body makes it mandatory to adopt certain rules and disclose certain category of information, does not mean the quality of information provided is accurate as this is still dependent on firms management (Kent & Steward, 2008).

Table 2.2 below is a compilation of all codes of corporate governance that have ever been issued in Nigeria.

Table 3. 2 History of code of corporate governance in Nigeria

Title of Code	Month/Year Issued	Code Issuer	Nature of Code	Pertinent Features of Code	Remarks
Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria	August/2003	Nigerian Bankers Committee	Voluntary	Focused on 11 governance Principles. These are: Responsibilities of the Board of Directors, Structure of the Board of Directors, The Chairman and the Chief Executive Officer, Appointments to the Board, Proceedings of the Board of Directors, Directors' Remuneration, Board Performance Assessment, Risk Management, Financial Disclosure, Relations with shareholders, and Audit Committee	First recognized code of corporate governance issued in Nigeria.
Code of Corporate Governance in Nigeria	October/2003	Nigerian Securities and Exchange Commission	Voluntary	Dealt with the role and composition of the board, and recommended minimum (5) and maximum (15) board members. Dealt with rights of shareholders and establishment of Audit Committee	Lacked any impetus in the Nigerian space as enforcement/monitoring was non-existent
Code of Corporate Governance for Banks in Nigeria - Post Consolidation	April/2006	Central Bank of Nigeria	Mandatory	Followed most of the existing principles of the August 2003 code but recommended a maximum board membership of 20. Also re-emphasized the recommended separation of roles of chairman and CEO. Recommended minimum establishment of Audit, Credit and Risk Management Committees	First mandatory code which was enforced after a banking consolidation exercise in 2005 which moved the minimum capital base of commercial banks from N2bn (approx. to $15.4M @ $1: N130 as at Dec 2005) to N25bn (approx. $192.3M)
Code of Corporate Governance for Public Companies	April/2011	Nigerian Securities and Exchange Commission	Mandatory	This code supersedes the 2003 Nigerian SEC code. It recommends that the majority of board members should be non- executive directors with at least one independent director.	This code suggests that when there is a conflict between multiple codes concerning a company, the code with stricter provisions shall apply
Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in	May /2014	Central Bank of Nigeria	Mandatory	This code superseded the CBN code of 2006. It maintains most of the guidelines of the 2006 code but recommends the establishment of Risk Management, Board Audit (not the same as statutory Audit Committee) and Board Governance	This code also made recommendations for Discount Houses. Discount houses provide an avenue for the trading of government securities like treasury bills.

the Nigerian Banking Industry				and Nomination Committees as a minimum for Banks. Also stipulated that all committees must submit a charter for CBN's approval. It also introduced whistleblowing guidelines	
National Code of Corporate Governance 2016 (the "Code")	October/2016 *Suspended December 2016	Financial Reporting Council of Nigeria	Mandatory for Private Sector. Comply or explain for non-profit organizations		Made up of 3 distinct sections: Code of Corporate Governance for the Private Sector; the Code of Governance for Not-for-Profit entities; and the Code of Governance for the Public Sector. The Code of Corporate Governance for the Private Sector (the "Private Sector Code") is mandatory while that for the Not-for-Profit entities will be operated on a "Comply or Justify non-compliance" basis in a manner similar to the United Kingdom's Corporate Governance Code. On the other hand, the Code of Governance for the Public Sector will not become immediately operative until an executive directive is secured from the Federal Government of Nigeria for that code to take effect.
Draft of the Nigerian Code of Corporate Governance (NCCG) 2018	June/2018	Financial Reporting Council of Nigeria	Mandatory for Public & Private Sector. Remains suspended for non-profit organizations	Recognizes existing sectoral codes. Hence, contains 28 principles as the core of the code and 230 practices, which are recommended to enable flexibility of different regulators and companies implementing the principles.	Still proposed and not yet fully implemented.

3.7 Governance of Nigerian Financial Institutions

3.7.1 Introduction

Preceding discussions have concentrated on the general nature of corporate governance regulation in Nigeria. In this regard, several corporate governance factors and their specific peculiarities in the Nigerian context have been examined. In this part, the author analyses the particular dimensions of the corporate governance regulatory model of the Nigerian banking sector.

3.7.2 Background

The corporate governance of financial service sector and more specifically of banks in developing countries has been almost ignored by researchers (Caprio & Levine, 2002). Even in developed countries, the corporate governance of this sector has been vaguely discussed in the literature (Macey & O'Hara, 2001). Most corporate governance and voluntary disclosures studies have been conducted using a sample excluding financial sector due to its special disclosure requirements (Reverte, 2009; Chau & Gray, 2010) or used a mixed sample of financial and non-financial firms. Such samples ignore the difference in reporting regulations and the regulatory bodies governing the banking sector and mandatory special reporting requirements (Jizi, 2013; Jizi et al., 2014). Banks governance is more sensitive to society influences since depositors who form a major part of a bank's stakeholders are the core funding source (Grove et al., 2011). Hence, effective governance in the financial sector efficiently monitors management behavior, avoids the risk of ethical violation and bad reputation (Arora & Dharwadkar, 2011).

Following the argument above, the corporate governance of banks in developing countries is essential for many reasons. First, banks have a dominant position in the financial systems of developing countries and are essential engines of economic growth (King & Levine, 1993). Second, banks in these developing countries are major sources of finance for the majority of firms. Third, banks in developing countries provide the means of transactions and are the main store for the economy's savings. Given the importance of banks, their governance now assumes a central role given the peculiar contractual form of banking, corporate governance mechanisms for banks should encapsulate depositors and shareholders (Grove et al., 2011).

Further, banks as financial intermediaries are the backbone of any economy playing a major role in managing client's assets and financing other industries as well as

households (Howells & Bain, 2008). They play a crucial intermediary role linking depositors and investors with borrowers (Howells & Bain, 2008). In performing this intermediary role, banks must be seen to be trustworthy and reputable without which acceptance by stakeholders (especially external) will be a challenge (Branco & Rodrigues, 2006; Rowley, 1997). Hence, to improve this stakeholders' trust and commitment, banks must engage in effective dialogue with its audience (Simpson & Koher, 2002; Hess, 2007; Gray et al., 1995).

In the financial crisis of 2007, the absence of clear understanding of the bank's complex operations and the dynamics of risk management damaged financial markets (Allen & Moessner, 2011; Gorton, 2009; Ivashina & Schorfstein, 2010). Whereas, any crisis can mean stakeholders lose trust, as investors faced with poor information have little or no choice but to stop dealing with the firms (Gorton, 2009). Hence, issues of firms accountability to society have been raised (Matten, 2006). Stakeholders such as investment analysts seek more firm-related information, especially with the increasing societal issues (Berthelot et al., 2012). Jizi (2013) supposes that banks with more effective corporate governance mechanism will encourage the disclosure of wider content. Consequently, stakeholders' acceptance is most likely to be achieved (Branco & Rodigues, 2006; Gray et al., 1995) and information asymmetry reduced, improving the firm's stock performance (Kothari et al., 2009; Akhigbe et al., 2008; Scholtens, 2008) as well as corporate image and trust (Gray et al., 1995; Li et al., 2010; Mackenzie, 2007).

3.7.3 Corporate Governance in Nigerian Banks

Corporate governance as a regulatory induced practice, is used to describe the way a firm is managed, monitored and held accountable (Rezael, 2008; Tricker, 2015). The global financial crisis of 2008, also affected the Nigerian financial sector with the CBN intervening in nine commercial banks. Indeed, the boards of five of the banks were dismissed, and the respective banks became state-owned through the Asset Management Company of Nigeria (AMCON). The collapse of the banks was blamed on poor corporate governance and inadequate supervision by regulators (Adegbite, 2012). As of 2018, there are 23 Nigerian commercial banks with over 5,600 branches nationwide. Sixteen of the banks are publicly owned and listed on the Nigerian stock exchange (NSE), six are privately owned. One bank is state-owned through the Asset Management Company of

Nigeria (AMCON). All Nigerian banks have a uniform financial year which ends December 31st, and by 2012 and all were International Financial Risk Management Standards (IFRS) compliant.

The Central Bank of Nigeria (CBN) is constitutionally empowered by the country to supervise and regulate activities of all financial institutions. Leaning on this provision, the CBN assumes jurisdiction over most activities of banks in its domain. The CBN code of governance for Nigerian banks aims to promote and guide minimum acceptable corporate governance standards for the banks. This regulatory enforced code is expected to give confidence to shareholders, investors (local and foreign), depositors and indeed all stakeholders especially those who might hold future financial claims against such organization. It is expected that this code of corporate governance should normally underpin the relationship between the banks and the stakeholders helping the banks operate successfully (Visser, 2013; Nwagbara, 2014). In order words, the code of corporate governance as stipulated should expose the internal practices of the banks at least to a considerable minimum that allows internal and external stakeholders make informed decisions about each organization. As suggested by Filatotchev et al. (2007), good corporate governance should help a bank in terms of wealth creation and protection.

However, corporate governance involves various problems of asymmetric information and in some cases incomplete or irrelevant disclosures. These attendant challenges necessitate some sort of public policy that aims to mitigate market failures and ensures companies move towards good and transparent corporate governance (Filatotchev et al., 2007). This public policy can be in the form of governance codes. Chizema (2008, p.360) defined corporate governance codes as a "voluntary act of principles, recommendations, standards or best practices, issued by a collective body, and relating to the internal governance of corporations within a country." According to Weil & Manges (2003), code of corporate governance are principles or standards set internally by a firm but not necessarily binding on the firm. Some countries (such as Britain) operate comply or explain policy for their corporate governance while others (such as the United States of America and Nigeria) follow a mandatory comply policy. Fundamentally, the mandatory CBN code of corporate governance sought to address the principal-agent issue similar to that found in many developed environments (MacNeil & Li, 2006; Young et al., 2002).

This is evident as in the CBN May 2014 circular to banks and discount houses, only about ninety words seemed to address specifically other stakeholders.

Nevertheless, despite the mandatory code of governance, the CBN has consistently had to hand hold Nigerian Banks with different banking crisis recorded in 1989, 1994, 2005 and 2009 (Adegbite, 2012). Recently, the CBN mandatorily had to change the entire board of a bank late in 2016 with many of the erstwhile directors under investigations by the economic and financial crime commission. It should also be noted that Nigeria is a country where public accountability is secondary to other considerations such as political affiliations and influential connections (Amaeshi et al., 2006; Okike, 2007). This has left the country with a weakened regulatory system (Amaeshi et al., 2006; Okike, 2007).

Furthermore, under the diffusion mechanism, firms adopt the governance provisions of their network neighbors (Benton, 2014) meaning there is some form of isomorphism among Nigerian Banks as it relates to corporate governance reporting. Banks in Nigeria in conformity with institutionalized organizations, seek to minimize inspections and evaluation by both internal and external stakeholders (Meyer & Rowan, 1977). Indeed, most accrediting agencies, boards of trustees, government agencies and individuals take for granted characteristics of a particular industry as long as the individual firms achieve measures of isomorphism. Legitimacy in some ways reduces the need to monitor firms rigorously thereby reducing transaction costs (Watson et al., 2002). This accrediting agencies, government agencies, etc., assume that the reputational or legal cost that firms incur if they get their corporate governance practices wrong (Beatty & Welch, 1996) is enough consideration for firms, as neglect to comply might lead to cost that is unquantifiable (Zhang, 2005). Therefore, if banks are unable to be isomorphic with their environment, they can fail (Meyer & Rowan, 1977) or can be punished by stakeholders for example through the stock market (Zuckerman, 1999).

Having external recognition from regulatory institutions helps firms maintain some stability and preserves their going concern nature (Scott & Lyman, 1968). This confirmatory recognition by regulatory institutions also helps the banks to avoid having its conduct questioned, thereby enabling the banks to become part of a collective system instead of relying entirely on its performance for survival (Meyer & Rowan, 1977).

Hence, firms exist on a continuum where at one end are organizations whose success depends on the "relational networks and the other end organizations that depend on the confidence and stability achieved by isomorphism with institutional rules" (Meyer & Rowan, 1977, p. 343). Firms can move about on this imaginary continuum depending on many factors among which is how stakeholders perceive them.

In Nigeria, the development in corporate governance and other regulations in the banking sector meant that some Nigerian banks (Zenith Bank, Guaranty Trust Bank, First Bank, Access Bank, and United Bank of Africa) were rated by the Banker magazine as among the world top 500 bank brands (Thisday, 2017). However, the institutional weaknesses mean investment analysts must still consider by themselves governance mechanisms projected and not take for granted the governance drivers as signaled by banks.

3.8 Corporate Governance Mechanism in Nigerian Banks

Inadvertently, the sometimes-overbearing influence of policies from developed countries can be seen throughout various activities in developing countries (Nakpodia et al., 2016). The effect on corporate governance in developing countries is not left out of this quagmire. Hence, directives from developed countries dictate how standards must resemble and must be integrated into local regulatory frameworks. This is not any different in Nigeria, as the direction of corporate governance seems to be an attempt to keep up with happenings in developed countries. However, the many different drivers of corporate governance indicate the complexity associated with firms (Krishnan & Visvanathan, 2009). The way firms behave is not static, and stakeholder's expectations shape some of the attitude of firms (Richardson et al., 1999). Hence, firm-level drivers of corporate governance could help signal to stakeholder's specific information about the organization (Lee et al., 1983).

In the Nigerian banking sector, the CBN, in creating an ideal group of good corporate governance drivers for banks seeks to reduce or streamline the transaction costs. Mandatory uniform regulation can help overcome market failures and weak practice of corporate governance, but this uniformity might pose a problem to both internal and external stakeholders. This is because some of the regulatory induced corporate governance codes might be possible complementarities or even substituting one driver

for another might serve the same purpose. For investment analysts who have to rely on corporate governance cues to make investment decisions, the governance drivers projected by firms need to recognizable to elicit positive investment reactions.

The drivers described below are identified mechanisms and drivers of good corporate governance as postulated by Adegbite (2015) for developing countries. This research focuses on corporate governance at the industry level (using firm-level antecedents) and how these antecedents are perceived by investment analysts. It is not an attempt to review the different regulatory regime, monitoring or implementation in Nigeria. The drivers are grouped into three categories of board of structure and composition mechanism, ownership mechanism, and accountability mechanism. These three categories are also a broad representation of corporate governance requirements for banks in Nigeria.

3.8.1 Board of Director's Mechanism (Structure and Composition)

Corporate governance research usually investigates areas in which stakeholders interests can diverge and usually seeks to mitigate situations where agents/managers serve their interests alone to the detriment of the firm (Shleifer & Vishny, 1997). One way to ensure the interests of agents and principals converge is the establishment of boards of directors. Boards provide sound advice (Johnson et al., 1996; Westphal, 1999; Zahra & Pearce, 1989) to a firm's management and also guarantee best interest of shareholders (Guest, 2009). Hence, Fama & Jensen (1983, p. 311) describe the board of directors as the "common apex of the decision control systems of organizations, large and small." Further support for their position is found in legal tradition, which assumes that the board of directors is to behave like a consensus driven decision-making group with no individual director having the authority to act on behalf of the corporation, only as a body of directors (Bainbridge, 2008).

Consequently, board monitoring has been described by Jensen (1993, p. 862) as the "apex of the internal control system." Board of directors are responsible for the governance of their companies" (Cadbury report, 1992, p.15). Hence, boards are primarily responsible for putting controls in place to ensure firms management behave in accordance with shareholders expectations of them. Therefore, the board is obliged to scrutinize the firm's

executive management's behavior and performance thoroughly to protect the interests of stakeholders (Hillman & Dalziel, 2003).

Other strategic researchers such Dalton et al., (1999); Hillman & Dalziel, (2003); Pfeffer & Salncik, (1978); Benton, (2014); (2016) have confirmed that boards broaden relationships and expand the networks of firms. Furthermore, a growing number of studies (e.g., Carpenter & Westphal, 2001; Daily & Dalton, 1992; Geletkanycz & Hambrick, 1997) have confirmed that boards are a critical source of competitive advantage for firms as they provide invaluable resources. Boards also play strategic roles in the decision-making process of firms especially at growth or early stages of a firm's lifecycle (McNulty & Pettigrew, 1999). According to Hillman et al. (2000) and Lynall et al. (2003), boards provide advice, give legitimacy to firms, are a source of communication especially to external parties and help with resources for the firm. A mix of executive, non-executive directors, independent directors, and other board members can provide a wide range of expertise, which can objectively influence the firm's strategy and indeed performance (Anderson & Reeb, 2004; Davis et al., 1997; Deutsch, 2005).

However, board of director mechanisms are understudied in the developing market context (Melo, 2015) where understanding about boards seems to be derived based on knowledge from international codes (Melo, 2015). Developing countries are usually characterized by weak institutional domestic environments and led by governments that can be classified as weak (Hoskisson et al., 2000). There is even less research at the firm level and industry level in terms of features of board structure and composition drivers of good corporate governance (Melo, 2015). This research studies three board structure and composition mechanism drivers (board independence, board heterogeneity, and board/director reputation) at the industry level. The board structure and composition mechanism drivers and their features reviewed are as identified by existing research primarily and seek to align the interests of managers with stakeholders (Filatotchev et al., 2007; Miller, 2010; Wahab & Holland, 2012; Lopes & Walker, 2012; Adegbite, 2015).

3.8.1.1 Board Independence

Board independence is one of the mandatory regulations that banks in Nigeria must comply with, as required by the Central Bank of Nigeria (CBN) corporate governance code (CBN Code), first formulated in 2006 and revised in 2014. The independence of board of directors is critical for a firm to be seen as having good corporate governance as it usually implies the desire of a firm to show managements' objectivity (Langevoort, 2001). Strategy and sociology researchers (Dalton et al. 1999; Benton, 2016) also note that independent boards broaden relationships and expand the networks of firms. Furthermore, strategy studies (Carpenter & Westphal, 2001; Daily & Dalton, 1994; Geletkanycz & Hambrick, 1997) have highlighted that boards are a critical source of competitive advantage for firms as they provide invaluable resources. Hence, the importance of relevant stakeholders being able to identify a board as independent cannot be underestimated. Some of these stakeholders (e.g., investment analysts) are more concerned about protecting themselves (and their clients or investing firms) from being exploited rather than disciplining management (Claessens & Yurtoglu, 2013). This need for self-protection or awareness is even more pertinent in developing countries, where the principal – principal agency challenge is prevalent. In such weak institutional environments, an independent board reduces risks and encourages minority shareholders and creditors to provide more financing to firms (Claessens & Yurtoglu, 2013).

Board independence suggests a willingness to bring a high degree of rigour, scrutiny and objectivity to the evaluation of a company's management (Langevoort, 2001; Adegbite, 2015). The review of the economics, management and finance literatures does not provide unambiguous evidence in terms of the extent to which board independence has a positive effect on the firm's efficiency and performance. Furthermore, management and business strategy research suggests that board independence has significant effects on "critical" organisational decisions, such as executive turnover, value-enhancing business strategies, and limitations on anti-take-over defences (Dalton et al. 1999).

The literature (e.g Adegbite, 2015; Filatotchev. 2007) identify four feature of board independence. These are absence of CEO duality, more non-executive directors than executive directors on a board, presence of independent directors on a board anddispersed share ownership.

Berg & Smith (1978) in their study of Fortune 200 firms, report a negative relationship between CEO duality and ROI. In the same study, they conclude that there is no relationship between CEO duality and ROE or change in stock price. In their own study, Donaldson & Davis (1991) in their study of CEO governance and shareholder return, find that CEO duality was associated with significantly higher levels of ROE. While Chaganti, et al. (1985) found no relationship between CEO duality and corporate failure in the U.S. retailing industry.

It is expected that a board comprises of executives and non-executives. The non – executive directors are either independent or non-independent directors. The roles of the non-executive directors and independent directors is separate (CBN, 2014). The non-executive directors (NEDs) need to play a role in monitoring the actions of the CEO and executive directors to ensure that the shareholders' interests are well cared for and to add to the diversity of skills and expertise of the executive directors who manage the day to day activities of the firm (Abdullah, 2004). The CBN mandates that the board be composed of more non executives than executive directors. Awan (2012) report a positive relationship between NEDs and ROA and ROE. Similarly, Dehaene et al. (2001) report a positive significant relationship between non-executive directors and ROE. This suggests that the independence of non-executive directors mitigates the agency problem and enhances firm performance (Dehaene et al., 2001). However, Collett & Hrasky (2005) found that a positive relationship existed between the proportion of inside directors and the market based measures of performance.

According to Eisenberg (1976) independent directors play an important role in improving board effectiveness. Their impact might not be directly felt on firm operating performance but indirectly through management monitoring (Kesner & Johnson, 1990). These independent directors can also be beneficial for evaluating takeover proposals and monitoring and disclosing insider unethical transactions (Barnhart et al., 1994). The banking regulators in Nigeria also make it compulsory to have at least 2 independent directors on the board of a bank. A Central Bank of Nigeria circular (2007 pp 1) defines independent director as "a member of the Board of Directors who has no direct material

relationship with the bank or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.

On the issue of share ownership, on the one hand, Lin & Zhang (2009) examined 60 Chinese banks between 1997-2004. They report that the big four commercial banks with concentrated ownership are less efficient and less profitable than other types of banks. On the other hand, Bian & Deng (2017) investigated Chinese banks between the 2007–2014. They report that more ownership dispersion improves ROA, ROE and reduces the ratio of non-performing loans. Leech & Leahy (1991) investigate large British companies and report a negative relationship between ownership concentration and profitability. Demsetz & Villalonga (2001) did not find a significant relationship between ownership structure and firm performance. Interestingly, Ozili & Uadiale (2017) investigate the relationship between ownership composition and performance of Nigerian banks between 2006-2015. They find that banks with high ownership concentration have higher ROA, higher net interest margin and higher recurring earning power while banks with dispersed ownership have lower ROA but have higher ROE.

3.8.1.2 Board Heterogeniety

Banks in Nigeria exhibit diversity traits to project good corporate governance to stakeholders. The banks display this norm by projecting diversity in the composition of their boards and management to ensure firm survival (Daily & Dalton, 1994; Filatotchev & Toms, 2003; Hambrick & D'Aveni, 1992). Unlike Nigeria, in strong institutional international contexts, some diversity features are mandatory. For example, in Norway and in the EU, women representation on boards must be up to a minimum of 40% (Wiersema & Mors, 2016). As developing countries follow governance trends of developed countries, board heterogeneity has grown to become a (non-compulsory) fixture that can signal good governance, especially through increased board independence (Wiersema & Bantel, 1992). A diverse board provides advice to the CEO and can be a source of support for roles which employees might be unable to fulfill

(Dalton et al., 1999; Hillman & Dalziel, 2003; Lorsh & Maclver, 1989; Zahra & Pearce, 1989). The usefulness and effectiveness of this advice/support can depend on the varied experiences and diverse backgrounds of the members of the board (Carpenter, 2002; Westphal, 1999). The Basel Committee on Banking Supervision report of 2014 (BCBS, 2014) expands guidance on the roles of the board of directors, specifically pointing out that the bank board should be composed of a diverse set of directors to reflect its complexity in operation.

However, contextually, for developing countries, less is known about the particular board diversity features, in terms of age, gender, ethnic tribe, tenure of directorship, and multiple directorships that are important signals especially for external stakeholders.

On age, the extant research in this space suggests that a healthy combination of both young and older directors should be represented on the board (Fox, 2007; Adegbite, 2015). When profiling an individual, age is a dynamic proxy of an individual's life experience (Mannheim, 1949) and encompasses a wide range of factors that influence the formation of personal values during their lifespan (Medawar, 1952; Rhodes, 1983). Whether an age-diverse board provides comprehensive resources and expertise or leads to communication breakdown and conflicts remains an open question. Age diversity is particularly important in developing countries as these countries experience significant transformations over a relatively short period (Peng et al, 2008). Moreover, along with the transition of the economic system, there has simultaneously been a push towards cultural change (Stulz & Williamson, 2003). Specifically, the network of an age-diverse board may provide better access to capital and regulators (Macey & O'hara, 2003) and enable the bank to meet the needs of different customers and penetrate deeper into the market (Mishra & Jhunjhunwala, 2013) and into different markets. Further, older directors tend to be more knowledgeable and experienced, whereas younger directors are more energetic and have a greater appetite for adventures and new technologies (Mishra & Jhunjhunwala, 2013). There are no age restrictions for directors in Nigerian banks.

On gender, international research on women and corporate governance credentials found that gender balance enables the board to pay more attention to audit and risk oversight (Makhlouf et al., 2018), consider more diverse categories of stakeholders when making

decisions, and are generally more thorough in a wide range of management and organisational performance (Krishnan & Park, 2005; Mahalakshmi & Reddy, 2017). Similarly, the Higgs Report in the UK, recommends that more women should be included on boards as the report suggests that demographic diversity increases board effectiveness (Adams & Ferreira, 2009). However, on the contrary, Matsa & Miller (2013) reported that board without female members affected strategy more positively while Moncrief et al., (2000) reported no effect of women on performance.

In Nigeria, the CBN code of corporate goverance 2014 encourages board diversity but does not impose gender representations on boards of banks.

Similarly with gender, it has also been suggested that ethnic/tribal diversity of directors results in better governance (Jurkus et al., 2011) which causes the business to be more profitable. Although Karen J. Curtin, a former executive vice president of Bank of America, describes the interaction of the two propositions (gender and tribal diversity) in the following statement; "There is real debate between those who think we should be more diverse because it is the right thing to do and those who think we should be more diverse because it actually enhances shareholder value. Unless we get the second point across and people believe it, we're only going to have tokenism" (Brancato & Patterson, 1999, p.7). Nigeria is a country with 250 different tribes and ethnicity (NPC & ICF Macro, 2009) but there are no guides on which tribes should be on boards of banks. However, the numerous tribes in the country usually means boards try as much as possible to have different tribal representations. Also, researchers such as Adegbite (2015) have proposed that tribal diversity should be reflected in board composition in Nigeria especially as tribal diversity has religious undertones in Nigeria (Nakpodia et al., 2016).

On tenure, Boeker (1992), Pfeffer (1982), Golden & Zajac (2001) and Finkelstein & Hambrick, (1996) argue that longer tenured boards inhibit creativeness while in contrast Hambrick & Mason (1984), Hambrick & D'Aveni (1992) suggest longer tenured boards supports better innovation. Corporate governance literature generally seems to favour boards with shorter tenure boards. In Nigeria, the Central Bank of Nigeria (CBN) code

of corporate governance (2014) stipulates that directors can only serve two tenures of 5years each on the board of a bank.

The issue of directors being on other firms' boards, research in this area suggests that the network relationships of directors provide positive resources for organizations (Filatotchev & Toms, 2003; Mizruchi, 1996; Mizruchi & Stearns, 1994; Benton, 2017). The knowledge and advantages gained from these relationships also might auger well for the going concern nature of firms (Carpenter, 2002). Some of these advantages are transferred to firms through outsider director(s) appointed onto the firm's board especially where the outsider director has prior board experience from other companies (Golden & Zajac, 2001; Pettigrew, 1992; Westphal & Fredrickson, 2001). Carpenter & Westphal, (2001), Westphal, (1999), and Benton (2017) find that there is a positive relationship between performance and when the directors have ties with companies in the same field as the ones where they are directors. These directors also bring some reputational capital to the boards (Geletkanycz & Hambrick, 1997; Lynall et al., 2003). Ferris et al. (2003) suggest that the past performance of the companies on which a director serves is positively associated with the number of board seats that he hold and that firms appointing a new director with multiple board seats experience positive announcement returns. The findings by Ferris et al. (2003) suggest that the market perceives the appointment of directors with multiple board seats as value enhancing (Cashman et al. 2012). In contrast, Fich & Shivdasani (2006) find that firms where directors have multiple board seats tend to have lower market to book ratios and are less likely to fire a CEO in response to poor performance. Cashman et al. (2012) also find that busy directors have a negative influence on performance. Similarly, scholars such as Mace, (1971); Pettigrew & McNulty, (1998); and Useem, (1984), (1993) suggest that boards directors on other boards amounts to CEOs consolidating their bases.

3.8.1.3 Board (Director) Reputation

When stakeholder access a firm’s quality, reputation of directors (especially non-executive directors) is one of the factors of consideration (Certo et al., 2001). Directors perceived to be reputable may signal to external stakeholders that effective monitoring is in place (Shivdasani, 1993). According to D' Aveni (1990, p. 121) " ... prestige helps to maintain an illusion of competence and control by influencing interpersonal reactions

to the individual. That is, prestige is taken as an indication that the manager (director) is competent, credible and trustworthy". Reputation is also an important indicator of a firm's credibility, overall position and performance potential (Davis & Mizruchi, 1999). A firm establishing its reputation through its directors is important given that potential investors may have little data on which to base a judgment about the quality of firm management (Certo et al., 2001). McGuire et al (1988) argue that reputation has little effect on measures of performance. However, Fombrum & Shanley (1990) suggest that McGuire et al.'s (1988) conclusion might be plausible in the short run.

Banks make strategic attempts to influence the society by disseminating information. This information gets around through networks of interpersonal relationships or interlocking corporate ties (Mizruchi & Schwartz, 1987). Availability of information about a firm biases stakeholder's judgement (Trevsky & Kahneman, 1974). Firm's whose directors are frequently serenaded by the media develop better reputations than other firms in the social environment (Burt, 1983). The visibility of directors which occurs through press articles and mass media presentations (McQuail, 1985) also enhances the firm's reputation. Greater reputational visibility for the firm can be expected when firms operate in homogenous environments (DiMaggio & Powell, 1983). Firms use this popular identities as a basis of gaining market advantage (Downling, 1986). Thus, reputational visibility can be a differentiating factor of banks operating under the same corporate governance codes in Nigeria.

Banks like most firms compete for customers. An important preclude to attracting customers is reputational status or credibility of directors. One way stakeholders assume a firm has reputation is through the credible reputation of the firm's directors (Fombrum & Shanley, 1990) and this is especially true for banks. By being on the board of directors of a bank, the reputation of directors are enhanced and they come across as experts (Fama & Jensen, 1983). Positive reputation of directors can make different stakeholders attribute potential success to a firm (Freeman, 1984). Director's prestigious and recognisable (name) may also confer legitimacy on the organization (Certo et al., 2001). Legitimacy via reputable recognised directors may assist the firm in overcoming any

information asymmetry problems that might otherwise deter potential investors (Certo et al., 2001). According to Pfeffer & Salancik (1978, p. 145), "Prestigious or legitimate persons or organizations represented on the focal organization's board provide confirmation to the rest of the world of the value and worth of the organization."

Furthermore, reputation is an important signal of the quality and performance potential of the firm. This reputation confers some goodwill on the firm. D' Aveni (1990), suggest that goodwill reputation of directors/managers to the survival of bankrupt firms. This reputational goodwill provides a firm some degrees of freedom in dealing with creditors (D'Aveni, 1990). Indeed, when persons possessing this reputational goodwill exit a failing firm prior to bankruptcy, it signals to stakeholders that the firm is no longer deserving of their continued support. As for reputation appearing in form of multiple directorship, Gilson (1990) suggest that reputational damage can be done to directors who are on board distressed firms. According to Gilson (1990 p. 376): "If directors are held responsible for their firms' financial distress, their reputations as expert monitors will suffer, and they will be less often asked to serve on other boards." Thus, the potential threat to the director's reputation will encourage him/her to be more active in monitoring a firm's management (Vafeas, 1999). The relationship between board reputation, as captured by service on multiple boards of directors, and performance may also be non-linear (Shivdasani, 1993; Shivdasani & Yermack, 1999). Nevertheless, multiple directorships held by outside directors has been criticised by some business/financial press (Lublin, 2001).

Du, 2011, finding suggest that in weak institutional environments, firm political connections are positively associated with debt offering amounts and issuer credit ratings. This political connections of directors of the firm, then contribute to firm reputation. Similarly, studies (e.g. Chaney et al., 2010; Faccio et al., 2006) that examine the relationship of political connections to firm reporting behavior (Chaney et al., 2010) or firm financing behavior (Faccio et al., 2006) have confirmed the link between political connections and preferential capital access. Political connections reputation can be established by hiring former government officials as directors (Hillman, 2005). Politically exposed directors contribute to a company's reputation because such directors have higher personal reputation at stake than non-connected directors. However,

although the importance of political connections has been anecdotally accepted as a feature of developing countries economy, there is a lack of empirical work linking political connections reputation to investment decision making.

3.8.2 External Ownership Mechanism

It is argued that an effective mechanism for restraining manipulation by agents is the development of an appropriate ownership structure (Habbash, 2010). Ownership structure refers to "the identities of a firm's equity holders and the sizes of their positions" (Denis & McConnell, 2003, p. 2). Ownership structure decisions are posited as a panacea to agency problems among different stakeholders (Jensen & Meckling, 1976). Similarly, McKnight & Weir (2009) found that ownership structure helps to reduce agency cost. As a result, the importance of ownership structure cannot be overemphasized.

There is some debate regarding suitable ownership structure for firms. Researchers such as Dalton et al. (2003) and Short (2004) posit that individual equity ownership by insiders can align insiders' interests with those of the other shareholders, thereby leading to better decisions or higher firm value. For example, some research have linked stock ownership by employees and managers with firm performance (Dalton et al., 2003; Short, 2004) especially as agency theory suggests this might be an effective solution to problems between agents and shareholders (Tihaniy et al., 2003; Demsetz, 1983; Alchian & Demsetz, 1972). However, higher ownership by insiders may result in a "greater degree of managerial control, potentially entrenching managers" (Denis & McConnell, 2003, p. 3). Also, in atomistic markets, individual shareholders do not have strong incentives to monitor management because of the lack of monitoring expertise, poor shareholder protection, and the free-rider problem generated by costly monitoring.

On the other hand, the problem of free riding that occurs due to diffuse shareholders may be less acute in the case of large, concentrated ownership. Large shareholders are also more likely to be well informed and to make better use of their voting rights. However, controlling shareholders, conditional on the regulatory and legal environment, may exploit their private benefits of control by diverting assets and profits out of the firm (Johnson et al., 2000). Furthermore, large equity owners may stimulate the firm to

undertake higher-risk activities since shareholders benefit on the upside, whereas debt holders share the costs of failure. Majority ownership by block holders can also cause a situation where major firm decisions are taken in the interest of the block shareholders to the detriment of other shareholders (Denis & McConnell, 2003).

Studies such as Weir (2007) suggests that different countries have different corporate governance practices owing to different ownership structure. In Nigeria, where the principal-principal agency problem is prevalent (Adegbite, 2015), the ownership mechanism will influence the reasoning of investment analysts. Hence, ownership structure has a significant influence over corporate governance practices (Li, 1994). Ownership drivers of concern for this research are shareholder activism and foreign institutional investors.

3.8.2.1 Foreign (Institutional) Investors

Institutional investors are a fast growing key factor in global capital markets. Their importance is evident as the assets they manage have tripled since the early 1990s. According to the International Monetary Fund (IMF) (2005), these institutional investors manage financial assets exceeding US$45 trillion (including over US$20 trillion in equities). Further, institutional investors are major players not just in developed markets; their role is rapidly growing in emerging market countries (see Khorana et al., 2005). Foreign institutional investors began to diversify into international equities in the last two decades (Desender et al., 2016). As a result, local firms became exposed to foreign practices which might be substantially different from the local norms (Campbell, 2004). The conventional approach to the coexistence of domestic and foreign investors in a domestic market is based on information asymmetries, in which foreign investors are typically depicted as being informationally disadvantaged (Kang & Stulz, 1997; Brennan & Cao, 1997). Although empirical evidence regarding the information asymmetry between domestic and foreign investors is quite mixed (Grinblatt & Keloharju, 2000; Seasholes, 2000; Froot et al., 2001; Choe et al., 2005; Froot & Ramadorai, 2008; Kalev et al., 2008; Chang et al., 2009; Chen et al., 2009). Investor heterogeneity means foreign and local investors possibly behave in different ways (Morris, 1995) especially given that foreigners in a domestic market are international investors who may invest in multiple

countries (Kang et al., 2010). Moreover, in some regard, “foreign investors are a return-chaser across countries” (Kang et al., 2010, p. 2886).

Literature of impact of foreign institutional investors is limited. Whereas, a few studies have investigated the impact of foreign ownership on firm downsizing (Ahmadijian & Robbins, 2005) employee wages (David et al., 2006), R&D and capital investments (David et al., 2006) and corporate performance (Miyajima & Kuroki, 2007); there is less known from the literature on the effect of foreign ownership on corporate governance practices of local Nigerian firms. Although Desender et al. (2016) examined when and how foreign ownership leads to changes in governance processes, there is a lacuna on how investment analysts perceive the effect of foreign institutional ownership on local firms especially in a developing country context where the weak institutional environment might make foreign ownership participation in equities desirable. Desender et al. (2016), in their study of Japanese firms, posit that the presence of foreign institutional investors in a firm leads to clashes with the local shareholders because the governance practices deployed by the local stakeholders might not address the agency conflicts that foreign institutional investors seek to protect their investment. Desender et al. (2016) therefore suggested that monitoring behavior of independent directors depends on the degree of foreign ownership in firms. This is contrary to the study by Ahmadjian & Robbins (2005), who find evidence of a limited impact of foreign institutional ownership when firms are deeply embedded in local norms and have dominant local shareholders. However, foreign institutional investors like large investors seemingly have little choice but to protect their investment (Admati et al., 1994; Agrawal & Knoeber, 1996). Hence, the market value of a local firm increases when major block purchase is made (Mikkelson & Rubak, 1985).

In Nigeria, Nigerian SEC Code (2011) specifically requires "institutional shareholders and other shareholders with large holdings to seek to positively influence the standard of corporate governance in the companies in which they invest." The 2003 Securities and Exchange Commissions' Code on Corporate Governance (SEC Code) provided for shareholders owning 20% stake to have at least one representative on the board. Institutional shareholders are empowered to demand compliance and explanations for non-compliance of governance standards. It has also been reported by some studies on

Nigeria (e.g., Ahunwan, 2002; Bakre, 2007) that institutional shareholders have an opportunity to pursue better governance practices. Indeed, Lins (2003) finds that large non-management blockholders are associated with a higher firm value in emerging markets. This is corroborated by Stepanov & Suvorov (2017) who also find that the market value of firms with a large external blockholder tend to be higher.

3.8.2.2 Effective Shareholder Groups Activism

Just as established above on dearth in literature of impact of foreign institutional investors in developing countries, the impact of shareholder activism in developing countries is also less investigated with notably contributions by (Uche et al., 2016; Sarkar & Sarkar, 2000; Amao & Amaeshi, 2008; Adegbite, et al., 2012). Sjöström (2008, p. 142) describe shareholder activism as "the use of ownership position to actively influence company policy and practice." Therefore, shareholder activism is a sort of managerial/board corporate governance accountability mechanism (Adegbite et al., 2012). Shareholder activism constitutes activities undertaken by a/some shareholder(s) to influence management and the board. Becht et al. (2009), described these actions to include selling shares or voice (letter writing, meetings with management and the board, forming shareholder associations, asking questions at shareholder meetings and the use of voting rights). Thus, activism is valued as a mechanism for corporate governance (Sarkar & Sarkar, 2000).

However, there is a lacuna in literature on the effect of shareholder activism in Sub Saharan Africa, although there are some noteworthy works (e.g. Yakasai, 2001; Abdel & Shahira, 2002; Ahunwan, 2002; Rossouw, 2005; Okike, 2007; West, 2009; Adegbite & Nakajima, 2011; Adegbite, 2012; Adegbite et al., 2012; Uche et al., 2016). In Nigeria in particular, there is scant literature. However, one of the findings of the study by Adegbite et al. (2012) was that the market for corporate takeovers (with few exceptions such as Access Bank take over in 2001) and shareholder activism are quiet and seem corrupt in Nigeria (Adegbite et al., 2012). In response to the activism inactivity, the relevant authorities in Nigeria such as Corporate Affairs Commission (CAC) and the Securities and Exchange Commission (SEC) have in the last ten years actively encouraged shareholder activism and the rights of minority shareholders (Okike, 2007). Hence, the Independent Shareholders' Association of Nigeria (ISAN), the Nigerian

Shareholders' Solidarity Association (NSSA), the Association for the Advancement of the Rights of Nigerian Shareholders (AARNS) have been formed to promote shareholder activism in Nigeria. Furthermore, the Nigerian governance landscape has witnessed some block voting through shareholder associations, which was to counter dominant majority shareholders (Amao & Amaeshi, 2008; Uche & Atkins, 2015; Uche et al., 2016). This significant increase in the number and activities of shareholder associations in the past ten years has resulted in shareholders and other stakeholders knowing their rights and responsibilities.

3.8.3 Accountability Mechanism

Good corporate governance does not rely solely on having board committees or auditors, but must instead, be fully integrated within the organization. However, the oversight responsibility of the firm rests with the board of directors. Whereas board time is limited, there are many issues that cannot be comprehensively deliberated upon in a full board meeting. Committees are therefore the most efficient and effective forum to discuss matters in-depth and find solutions to the company's problems. Hence, the members of the board are typically divided into subcommittees for functionality.

In the banking sector, regulators expect that banks not only manage the funds of depositors but also must control the broader aspects of its environment. This necessitates the existence of internal control and risk management systems even if there is a lacuna of studies which educate on what particular system of internal control lead to good corporate governance (Solomon et al., 2000). Even though firms should gear towards safeguarding shareholder's value (Groves, 1999; Blackburn, 1999), risks can only be managed but not eliminated as risk-taking (no matter how adverse firms are to risk) leads to profit. This fact that risks cannot be eliminated totally necessitates the firm to consider all manners of risks that can afflict the firm (Informa Group, 2003). Due to the diverse nature of risks (including financial, legal, compliance, strategic, credit, process, internal, etc.), the board of directors are not directly responsible for managing risk but instead delegate to appropriate sub-committees while maintaining a supervisory role (Filatotchev et al., 2007).

Research has examined sub-committees of the board as mechanisms for improving board effectiveness, for example, remuneration committees (Main & Johnston, 1993; Newman & Mozes, 1999; Newman, 2000) and nomination committees (Ruigrok et al., 2006). Some studies have suggested, for example, that the existence of remuneration committees affects the level and structure of top management pay (Conyon & Peck, 1998), whereas other work has found evidence to the contrary (Daily et al., 1998). However, there is less research done on the perceptions of important stakeholders such as investment analysts on the various committee mechanism operational drivers. This research focuses on the independent audit committee, the pay for performance for executives, voluntary disclosure and board evaluation.

3.8.3.1 Independent Audit Committee

The audit committee is a subcommittee of the board. An audit committee is expected to monitor the reliability of the firm's accounting and auditing processes with a view to protect shareholder interests (Agoglia et al., 2011). According to Beasley et al., (2009, p. 65) "An Audit committee is increasingly responsible for the quality of financial reporting and oversight of the audit processes" in large public companies.

Many publications and studies (e.g., Arthur Andersen, 1998; BRC, 1999; Burke & Guy, 2001; Thornton, 1997; KPMG, 1999; PWC, 1999; Rittenberg & Natr, 1993) prescribe three broad areas of audit committee oversight: (1) financial reporting, (2) internal controls to address key risks, and (3) auditor activity. The role of audit committees still generates huge debates as many studies provide conflicting results (Turley & Zaman, 2004) despite some studies linking the committees to firm performance (Laing & Weir, 1999). Initially, audit committees were seen as a response to transaction costs associated with the agency problem (Turley & Zaman., 2004). Studies have documented results which suggest that audit committees help firms state their earning correctly (Klein, 2000), requiring less earning management when boards are independent (Larcker et al., 2005) and less errors in reports (Dechow et al., 2000; Defond et al., 2002).

However, communication and indeed management of risk can be undermined if firms approach audit reporting defensively or introduce bureaucratic processes or committees (Power, 1997). Also, some studies have suggested that audit committees serve to placate

the public rather than having any significant impact on the assurances of the firm's activities. Other studies have highlighted that the presence of executive directors on committees negatively influences audit reports (Collier & Gregory, 1999). Hence, there is no clarity on the effect of independent directors or even audit committees on firms' audit process (Romano, 2004).

Audit and internal controls are always central to what internal stakeholders share with external stakeholders (Palepu & Healy, 2003) and gives assurance of compliance with government regulation (Grabosky, 1995). Auditors scrutinize the reports prepared by firms hence they are quite important elements for good corporate governance. Stakeholders generally show interest in the quality of financial reports with more emphasis placed on disclosure of corporate governance responsibilities (Baker & Owsen, 2002). The obscure nature of accounting statements makes audit process extremely important in helping convene professionalism on firms (Preston et al., 1995) helping to cement the reputation of management (Podolny, 2001). Although, it is difficult to know the appropriate level of auditing required for firms as different factors combine to influence the quality of reports (Francis, 2004). Nevertheless, directors with relevant qualifications promote effectiveness in committees (Xie et al., 2003) and the quality of reports produced is enhanced (Felo et al., 2003). This suggests that making expertise a requisite for audit committee members is beneficial to stakeholders (Filatotchev et al., 2007). Especially as there are instances when directors lack genuine independence, or expertise in the audit area or little or no experience in oversight functions (Cohen et al., 2002).

In Nigeria, the law requires six members, at least three of whom must be independent, representing the shareholders. An independent director will be nominated as the chairperson. At least one of the members of the committee must be a financial or an accounting expert. The committee recommends to the board the selection and retention of the external auditors, deliberates on an ongoing basis the independence of the auditors, oversees the critical aspects of the firm’s accounting and disclosure requirements, and carries out risk assessment and procedures of the firm. Other functions of the audit committee are oversight of the system of internal controls in the company, disaster recovery readiness procedures, and internal audit function.

Furthermore, in the banking sector, regulators expect that banks not only manage the funds of depositors but also must control the broader aspects of its environment. This necessitates the existence of internal control and risk management systems even if there is a lacuna of studies which educate on what particular features of internal control lead to good corporate governance (Solomon et al., 2000).

3.8.3.2 Remuneration committee (Pay for Performance).

Studies in corporate governance have typically given more attention to audit committees and less attention to nomination and remuneration committees (Gregg et al., 1993). This neglect might be because nomination and remuneration committees are seen as not having a direct effect on performance. The remuneration subcommittee of the board should, ideally, be composed of nonexecutive and independent directors only. The function of the committee is to address the firm's compensation and remuneration issues. Usually, the board's remuneration committee decides on executive pay and takes their recommendations to the board for approval.

Executive pay can be designed (Fama & Jensen, 1983) to serve as incentives for management to perform on behalf of shareholders (Eisenhardt, 1989). Remuneration is one of the tools board of directors can use to increase their control of managers (Zajac & Westphal, 1994) even if not all eventualities can be covered by this measure (Hart, 1995). Boards can also impose variable pay and targets for executives (Camara, 2001; Pass et al., 2000). This variable pay is commonly known as Pay for Performance and is designed such that portions of executive management remuneration are directly tied to the performance of the firm they manage.

There, however, is no significant evidence to suggest this scheme promotes improved performance (Pass, 2003). Indeed, Murphy (2003) questioned the rationale of linking executives' pay to performance, as there seems to be no evidence suggesting the firm is positively affected by this incentive to management. For example, the remuneration of executives seemed to rise by the 90s (Smith & Szymanski, 1995) with some studies (e.g., Conyon & Leech, 1994; Tosi et al., 2000) suggesting the firm performance did not exactly reflect this rise. Also, Al-Matar et al. (2014) documented a positive but nonsignificant relationship between executive compensation and firm performance.

Fahlenbrach & Stulz (2010) posit that unreasonable incentives are reduced if the interests of executives and shareholders are aligned through executives' stock ownership. Also, according to Fahlenbrach & Stulz (2010), CEOs of Banks whose incentives were not properly aligned with shareholder interests performed worse during the financial crisis of 2008.

Interestingly, Rosen (1990) suggests that the structure of linking executives' pay to firm performance promotes more loyalty from executives enabling them to act more in the interest of shareholders. Similarly, a study carried out by Conyon et al. (2011) posit that giving varying types of contracts to executives leads to different level of firm performances thereby providing positive evidence between firm performance and stock compensations to executives. However, there is a dearth of detailed information about executives' pay (Gregg et al., 1993). In developing countries, the complexities of the environment pose a different set of potential executive/shareholder abuse hence it is a wonder if executive compensation as an incentive mechanism actually aligns the interests of managers and shareholders (Adegbite, 2015). Executive share reward system also might not necessarily act as a good compensation scheme as this can potentially lead to short-termism and executive recklessness (Filatotchev et al., 2007). Specifically, as it relates to Nigeria, given the high rate of poverty in the country, there is societal disapproval with regards to paying executives huge bonuses by the Nigerian public and the regulatory bodies.

3.8.3.3 Voluntary Disclosure

Board accountability is related to value creation (Cadbury, 1992). The board of directors of a firm has a fiduciary responsibility to do what is best for the firm (Monks & Minow, 2004). The process of accountability as described in the literature involves dialectical activity where users of information engage producers of the information in questioning, probing, discussing and which sometimes involves criticism (Mulgan, 2000; Roberts et al., 2005). Gidden (1984, p. 30) explains the board's accountability duty as to "be accountable for one's activities is to explicate the reasons for them and to supply the normative grounds whereby they may be justified'. This, therefore, requires the provision of transparent information from firm to stakeholders.

Information transparency can be, defined as the level of availability and accessibility of market information to its stakeholders (Granados et al., 2010). However, information which might lead to uncertainty in the market and blind decision making by stakeholders is withheld by most firms. Akerlof (1980) referred to this as information asymmetry, and typically, withholding information has negative consequences for stakeholders thereby leading to increased transaction cost (Williamson, 1985). Alternatively, firms gain market confidence and trust when it is perceived to be transparent in its disclosures (Stigler, 1961; Jensen & Meckling, 1976; Grossman & Hart, 1980; Grossman, 1981) thereby presenting some advantages over competitors in terms of cost of capital as uncertainty is reduced (Verecchia, 2001; Healy & Palepu, 2001). The type of information provided by a firm's management (relevant or irrelevant) plays a role in the public perception of the firm (Filatotchev et al., 2007). Bloomfield & O'Hara (1999) therefore postulate that transparency plays a fundamental role in market design, particularly, in the fairness and efficiency of the market.

Information disclosures are of two types; mandatory and voluntary. Mandatory information is required by law such that any company operating in a country are expected to file annual returns and produce financial statements. In the case of Nigerian banking sector, all banks are expected by the end of first quarter of the year to have submitted their financial statements to the Central Bank of Nigeria (CBN) and publicly presented it if the banks are publicly quoted companies. This provision is mandatory, and sanctions will apply if violated without permission. As for voluntary disclosure, this is encouraged by the CBN in its code of corporate governance (2014).

Voluntary disclosure relates to how information is disclosed in terms of quality and extent (Healy & Palepu, 2001; Core, 2001) which allows for good monitoring by investors (Filatotchev et al., 2007). When firms disclose beyond what is required, it lowers uncertainty and enables stakeholders to assess the true position of the firm (Meek et al., 1995). Nwagbara (2014) also discussed how voluntary corporate governance disclosures projects firm's actions and activities indicating accountability for both internal and external parties' scrutiny. "The Financial Accounting Standard Board (FASB)'s report identified several benefits of voluntary disclosure including reducing cost of capital, enhancing credibility, improving investors' relationship with the firm and

improving investment decisions and getting access to liquid markets" (Boesso, 2002 p.17), so firms voluntarily disclose additional information that they believe satisfy interests of diversified stakeholders.

Early studies of motives for voluntary disclosure (e.g., Grossman & Hart, 1980; Grossman, 1981; Milgrom, 1981) argue that management has the incentive to voluntarily disclose private information to reduce information asymmetry, mitigate adverse selection risk, and maximize firm value. However, this theoretical argument has yet to receive consistent empirical support (Bamber & Cheon, 1998; Nagar et al., 2003). It has been argued that firms may choose not to disclose information if the benefits of disclosure are outweighed by the associated costs, such as proprietary costs (Jovanovic, 1982; Verrecchia, 1983; 1990) and political costs (Cahan, 1992; Murphy, 1996; Watts & Zimmerman, 1978; 1986) or if the disclosures are aggregate in nature (Rajan & Sarath, 1996).

It is well known that an efficient and effective reporting/disclosure forms the bedrock for good corporate governance. However, too much disclose has the potential to increase transaction costs for firms as well as potentially erode some of their competitive advantage (Filatochev et al., 2007). Nevertheless, the more information provided, the lower the cost attached to capital (Watson et al., 2002). Thus, creating a perception of "rich disclosure environment, low information asymmetry" and reduced uncertainty is quite beneficial (Kothari et al., 2009, p. 1640).

The study carried out on US firms by Lang & Lundholm (1993) relate more disclosure to larger firms, or when a firm's performance is good or when there is a need to raise funding. Research has also shown that family/insider majority-owned firms (Ruland et al., 1990) or those with good news (Skinner, 1994) are less likely to disclose information while firms with institutional block holders (El-Gazzar, 1998) and those with bad news (Skinner, 1994) are likely to disclose more information.

Also, a study by Cheng & Courtenay (2004) of Singapore suggests that firms with more independent directors disclose more information. Furthermore, Mangena & Pike (2004), Carcello & Neal (2003) and Klein (2002) all provide evidence that firms with more

independent audit committees provide better information even if this varies according to industry sectors (Abraham & Tonks, 2004; Walker & Tsalta, 2001).

Using 43 listed Kenyan companies from four different sectors and employing a multivariate analysis, Barako et al. (2006) report that presence of audit committee, institutional and foreign ownership are positively significant with the level of voluntary disclose. Also, company size and firms with high debt ratio disclose more information (Barako et al., 2006).

In addition, other studies have confirmed a positive relationship between disclosure and firms closely followed by expert analysts (Lang & Lundholm, 1996) which allows these followed firms have access to funding (Roulstone, 2002). There is also the decreased chances of insider trading (Frankel & Li, 2004).

However, provision of private information about a firm has its cost consequences (Dye, 1986) as some of this information might be trade secrets or propriety assets (Cormier & Gordon, 2001). Despite this, "private information immediately becomes a public good" (Campbell & Kracaw, 1980, p. 866). Private information is revealed only to a handful of investors helping to signal undervalued stocks (Campbell & Kracaw, 1980). This same private information can mislead investors and the public, so the "emergence of a signal of reliability in the production of information enables the market to identify the true value of firms" (Campbell & Kracaw, 1980, p. 876). Private information shared with block institutional investors can be made available through social media or other company certified sources.

It has been argued that being transparent and providing informative content of disclosures assists in the management of agency conflicts, reduces information asymmetry, which in turn is likely to improve stock price and reduce volatility (Welker, 1995; Kothari et al., 2009; Poshakwal & Courtis, 2005; Jenning & Stacks, 1985). Research has also confirmed that when regulations are newly introduced, firms disclose more information (Bushee & Leuz, 2004). In general, companies satisfy the need for information to assess their future position and manage uncertainties by providing information beyond what is required (Meek et al., 1995). Although, in weak institutional environments, robust disclosures can lead to intellectual property or proprietary advantage being lost

(Verrecchia, 1983). Nevertheless, Healy et al. (1999) find that institutional investors are likely to invest more in firms that disclose more even though this might make shares of such firms less volatile (Healy et al., 1999). On the other hand, Sias (1996) posit that by increasing their holding, institutional investors might create temporary volatility in firm shares (Sias, 1996).

Investment analysts always seek to have a clear understanding of how firms are being managed. Voluntary disclosures help reduce costs associated with complex investigation such as "demand for financial information reporting and disclosure arises from information asymmetry and agency conflicts between managers, outside investors, and intermediaries" (Kothari et al., 2009, p.1640). It is expected that effective communication by a firm with stakeholders should reduce information asymmetry, which should in turn reduce uncertainty (Meek et al., 1995; Poshakwale & Courtis, 2005). This can assure firms of their future (Meek et al., 1995). Therefore, firms might be unwilling to bear the opportunity cost associated with voluntary disclosures (Healey & Palepu, 2001). Despite the bid to meet good corporate governance practices, firms consider the cost to benefit tradeoff imperative (Aguilera, 2005). Some researchers have posited that not only firm variables such as size determine disclosure, but variable such as future earning potential also play a role (Abraham & Tonks, 2004). Disclosures also increase when firms are subject of takeovers or are witnessing declining performances (Holland, 2005).

Overall, better-managed organizations tend to make more information disclosure especially information that will affect share price or debt pricing (Beekes & Brown, 2005). Although, a study by Collett & Hrasky (2005) suggest that voluntary disclosure is more related to the raising of capital than raising of debt. Voluntary information provided voluntarily flows to the capital market, reduces the information asymmetry and bridges knowledge between the knowledgeable and uninformed (Kim & Verrecchia, 1994). Reduced uncertainty has the potential to lead to more share purchase in the capital market (Diamond & Verracchia, 1991).

Relating voluntary disclosures to the financial sector, Poshkwale & Courtis in their 2005 study of 135 banks from Europe, US, Australia, and Canada, find that providing a high level of information afforded the banks to have a lower cost of capital as there was

reduced information asymmetry. This same relationship has been reported in other specialized industry by Kothari et al. (2009) who related disclosure content and risk when they sampled firms in financial, technology, telecoms and pharmaceutical industries between 1996-2001. However, voluntary disclosure level is considered to be a struggling issue in most firms and to identify the determinants of corporate governance that affect the disclosure level is a major task. Therefore, voluntary disclosure level is affected by some characteristics either related to the firm itself, firm characteristics or related to the firm governance body and corporate governance characteristics (Iskander, 2008).

Subsections 2.3.8 above has covered the literature of corporate governance mechanisms under investigation in this study. The next section will cover investment analysts and their decision making.

3.9 Corporate Governance of Nigerian Banks and Investment Analysts

3.9.1 Introduction

Corporate governance is important in managing not only the expectations of shareholders but also a broad group of stakeholders (Pava & Krausz, 1996), since neglecting other stakeholder's expectations might hinder the achievement of the firm's goals (Kolk & Pinkse, 2010). Gill (2008) further suggested that corporate governance has integrated social aspects in decision making. The reallocation of risk from the risk producer and the societal level to the individual undermines the assumption of shareholders as the sole group of stakeholders who are exposed to risks without protections through the law (Schneider & Scherer, 2015). As extant literature has adequately addressed corporate governance and shareholders, (e.g., Daily et al., 2003; Judge, 2009), this study seeks to highlight the perception investment analysts on features of good corporate governance drivers in Nigerian banks.

3.9.2 Investment analysts' and their importance

Investment Analyst have good investment knowledge which aids analysis of financial reports and decision making (Barker, 1998). These analysts also find industry specific information useful (Barker, 1998). Investors understanding of financial statements is

vague (Lee & Tweedie, 1981). Hence, outputs by analysts are valued by investors and corporate managers since the analysts provide important information such as forecasts, recommendations, target price, risk rating and detailed justification in reports which can have an impact on share price (Campbell & Slack, 2008). Investment analysts play an important role in corporate conduct since they are capable of shedding light on opportunistic corporate behaviour (Zhiyuan, 2010). Sell-side financial analysts typically just produce reports and might not directly engage in investing activities (Zhiyuan, 2010). Buy side investment analysts might not necessarily product reports for public consumption and they typically work for institutional investors in fund management firms (Zhiyuan, 2010). This thesis is concerned about investment analysts that make investment decisions on behalf of institutional investors, including pension funds, insurance companies, unit trusts, investment trusts, and other financial institutions, and also individual investors. The closeness of these buy-side analysts to their clients or employers mean they are not only concerned with operational and financial aspects of firms, but also the governance of their investee firms (Gullapalli, 2004). Contextual environmental information such as offline discussions with management (Pike et al., 1993), qualitative private information disclosures (Holland, 1998; Marston, 1996) are more important than annual or interim reports.

Prior strategic management research leans towards institutional or principal-agency theory to theorise on analysts' contribution to better corporate governance effectiveness (Breur & Wiersema, 2018; Jensen & Meckling, 1976; Walsh & Seward, 1990). For example, Puffer & Weintrop (1991), examine the relationship between firm performance and CEO turnover, and argue that analyst earnings forecasts and not accounting performance, sets a board's expectations of the CEO. They also find that when a firms earnings per share falls short of investment analysts' expectations, the probability of CEO turnover increases. Similarly, Wiersema & Zhang (2011) posit that analyst stock recommendations affect CEO dismissal. They suggest that investment analysts "provide the board with third party certification of the CEO's ability and performance" (Wiersema & Zhang, 2011, p. 1178). Also, firms with analysts' downgrades or lower analyst recommendations have a greater probability of CEO dismissal (Wiersema & Zhang,

2011). Gomulya & Boeker (2014) examine how firms that have had to restate their financial statements restore their reputation in the market through CEO appointments. Hence, they suggest that investment analysts "are legitimate arbiters qualified to assess a firm and its leadership" (Gomulya & Boeker, 2014, p. 1764). Using data from Fortune survey of America's most admired companies, Bednar et al. (2015) find that management quality are assessed more negatively for firms that used the poison pill to prevent unfriendly takeovers. Further, they report that the negative assessments of management quality is less severe if more firms in the industry adopt the poison pills. They thus conclude that investment analysts evaluate firm's management based on the firm's corporate governance practices (Bednar et al., 2015).

In spite of studies that highlight how analysts increase corporate governance effectiveness, other studies (e.g., Westphal & Clement, 2008; Westphal & Graebner, 2010; Biehl-Missal, 2011; Cohen et al., 2012; Washburn & Bromiley, 2014) have documented evidence that investment analysts opinions can be manipulated by firms' management. Evaluation by analysts can be subjected and prone to bias (O'Brien et al., 2005; Imam & Spence, 2016). Imam & Spence (2016) investigated the role of investment analysts' in investors' decision making process. They interview 49 sell-side and buy-side analysts and report that in the capital market, sell-side investment analysts play a multi-faceted role. This role includes maintaining a cordial relationship with their clients/companies in order to earn a commission and secure preferential access to information sources. Imam & Spence (2016) also report that sell side investment analysts have cognitive limitations hence their operations needs to be understood contextually. Westphal & Clement (2008) adopt a socio-political perspective on the relationship between top executives and investment analysts. They suggest when firms fail to meet analysts earnings forecast, executives engage in greater favour rendering especially toward high-status analysts and those employed by large firms. This executive favour then decreases the likelihood of subsequent investment downgrades even when the firms fail to meet analysts' forecast (Westphal & Clement, 2008). Westphal & Graebner (2010) follow up Westphal & Clement (2008) study and report that when analysts' stock recommendations decreases for a firm, the firms executive respond by increasing

proportion of outside directors (non-executive directors) on the board. Although, according to Westphal & Graebner (2010), the management still maintain actual board control since the executive directors appointed are friends the management can exert control over. Nevertheless, appointment of more outside directors influences subsequent investment analysts' recommendation positively.

Literature which looks at neo-institutional sociology and behavioural perspectives (e.g Fogarty & Rogers, 2005) focuses on the way in which analysts arrive at recommendations as a result of institutional pressures rather than calculative practices (Imam & Spence, 2016). Fogarty & Rogers (2005), Macintosh et al. (2000) conclude that financial analysts are the products of the institutional environment where they operate and that they rely far too heavily on management as a source of information. Thus, their independence is questioned. Similarly, Chen et al. (2014) posit that analysts are caught up in social networks which causes them to present "one view of companies in public and another in private" (Chen et al., 2014, p. 578). Therefore, analysts can be potentially "duped by the value creation stories spun by company management" (Holland, 2005, p. 258). Literature which look at behaviourial perspectives emphasis institutional pressures analysts face and make it clear that analysts do not rely only on rational analysis (Imam & Spence, 2016).

The reviewed literature all highlight the role of investment analysts in influencing corporate governance especially through monitoring. This study seeks to elaborate on sociological underpinning of investment analysts' perception on drivers of good corporate governance. Corporate governance practices and procedures are specified by a variety of regulatory bodies and codes, including stock market listing rules, international and national governance codes, company laws, and financial regulations. This thesis pays special attention to the questions of which good corporate governance drivers are important for investment decision making. This thesis proceeds on the ideas that corporate governance issues are important in the investment decision making process for investment analysts (Zhiyuan, 2010).

3.9.3 Investment analysts who operate in Nigeria.

Investment analysts are important for keeping capital market efficient (Palepu et al., 2010). Despite the achievements recorded in the capital market, the market is still not deepenough. A comparative analysis of the equity market capitalization of the Nigerian market with major emerging markets of Asia, Europe and Latin America depicts the Nigerian market as relatively small. In other words, the market is not yet saturated. This thesis focuses on the perception of investment analysts who operate in the Nigerian market and are conversant with banking operations including corporate governance practices of Nigerian banks. There are about 225 Nigerian firms that operate in the capital market operators (Iyoha & Faboyede, 2011) with each employing varying number of investment analysts depending on the firm size. Many of these investment analysts work for international brokerage houses and investment banks that operate in Nigeria. Whether analysts are local based or foreign, they usually get similar, on-the-job training (Zhiyuan, 2010). Therefore, local and foreign investment analysts may have developed and acquired very similar analytical skills and shared common views on certain issues in the investment research process.

Also, there has been an increasing number of investment analysts who have studied or been studying for the Chartered Financial Analyst (CFA) investment professional qualification. The CFA is internationally regarded as gold standard for investment analysts (CFA Institute, 2018). CFA Society Nigeria (2018) is the 137th Society of CFA Institute and one of five societies in Africa (CFA Society Nigeria, 2018). According to its website, the society currently has about 230 members. The association seeks to promote highest investment practices standards. It is therefore unsurprising that corporate governance is included in the CFA curriculum and is regarded as an element that constitutes the "framework for making investment decisions" (The CFA Institute, 2008, p. 20). Hence, investment analysts who have been studying for, or have obtained the CFA or indeed are trained in investment analysis, will be equipped with a basic understanding of issues related to corporate governance. Indeed some analysts may have worked as auditors, economists, accountants, bankers, or some other professional occupation that involves investment analysis before becoming investment analysts (Zhiyuan, 2010). Many professional bodies such as the Association of Chartered

Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA), (Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN) include corporate governance in their training programmes.

Even though Nigeria follows the Anglo/Saxon governance model, several differences still exist between the corporate governance systems operated in Nigeria and the developed countries such as the US and the UK (see above sections in this chapter). Nevertheless, the main mechanisms of corporate governance are common to both local and international investment analysts.

3.9.4 Investment Analysts and decision making.

The delicate nature of specialized sectors such as banking means that regulators are always primed to minimize crisis. This led them to introduce codes of corporate governance which are supposed to be means or mechanisms which reduce agency conflicts and help the alignment of interests (Goranova et al., 2017). However, recent research has begun to document, that some firms' actual practices do not always acquiesce to codes as introduced by the regulators (Bednar et al., 2015; Chizema et al., 2015). This might not be unconnected to the fact that many codes of corporate governances are merely an adoption of the ubiquitous Anglo/Saxon models of corporate governance. Moreover, the mandatory corporate governance codes impose homogeneity on the actors in the banking sector. The homogeneity creates a cloud of distrust by external stakeholder such that not all governance practices projected by firms are essential for investment decision making. However, experts such as investment analysts (Brauer & Wiersema, 2018) need to be able to make informed complex decisions relying on governance mechanisms of firms. Investment analysts as experts are acknowledged to possess highly developed problem solving and complex decision-making skills in their domains of expertise (Ericsson & Charness, 1994; Ericsson & Lehman, 1996; Glaser & Chi, 1988; Sternberg, 1997; Mcdonald et al., 2008). These special capabilities arise from the nature of the knowledge that they possess about their relevant domains (Ericsson & Charness, 1994; Ericsson & Lehman, 1996; Glaser & Chi, 1988; Sternberg, 1997; Mcdonald et al., 2008). Experts implicitly have deeper and complete knowledge about the critical issues in the areas in which they can claim expertise (Sternberg, 1997).

According to theory, experts proffer solutions based on two basic strategies: (1) application of "abstract knowledge about the problem domain (e.g., abstract knowledge about the key causal relationships in that domain) to identify and select problem solutions" (Mcdonald et al., 2008, p. 1158), and (2) application of analogical reasoning, which involves referencing specific prior challenges that they have faced, to identify effective solutions to current problems and avoid ineffective ones (e.g., Anderson et al., 1997). "The kinds of knowledge experts possess renders them especially effective at solving problems using both of these basic strategies" (Mcdonald et al., 2008, p. 1158).

The more profound and more efficiently organized abstract knowledge that investment analysts possess allows them to effectively solve complex problems through the application of abstract reasoning. Many times, the ability to quickly process through large quantities of information might determine how effective a decision is (March, 1994). Investment analysts have deeper abstract knowledge of investment activities, including more complete mental models of the critical causal relationships in investment domain (Glaser & Chi, 1988; Sternberg, 1997), hence their ability to separate features of corporate governance drivers into important and unimportant information. Furthermore, the possession of efficiently organized abstract knowledge enables investment analysts to recognize meaningful patterns in the complex corporate governance information to which they are exposed (Chase & Simon, 1973; Glaser & Chi, 1988; Sternberg, 1997). Also, the experience and expertise of investment analysts mean they have a good understanding of key underlying corporate governance principles that are critical to effective decision making in a particular investment domain (Chi et al., 1981). Investment activities being complex decisions can be made especially challenging because often these decisions must be made within strict time constraints. Advanced abstract knowledge contributes to quick good decisions making of experts such as investment analysts (Glaser & Chi, 1988) and this they do with substantially less extensive cognitive search than less expert decision makers. In the same vein, analogical reasoning requires decision-makers to infer meaningful comparisons between current challenges and specific example of issues that they may have been exposed to in the past (Thompson et al., 2000; Reeves & Weisberg, 1994). Investment analysts involved in

investing activities are better able to use analogical reasoning based on their prior experience (Reeves & Weisberg, 1994).

Investment decisions are almost inevitably complex, and thus they create all sorts of significant challenges for investment analysts. Like many high-level strategic choices, investment decisions may involve large amounts of ambiguous data (Coff, 2003; Jemison & Sitkin, 1986), which causes information overload. This information must be considered under time pressure because of concerns regarding secrecy and competition (Jemison & Sitkin, 1986; Mcdonald et al., 2008). Investment decisions especially those targeted at a long-term horizon, long-term sophisticated strategic reasoning about how events may unfold and change the value of the target firm (Capron, 1999; Capron et al., 1998; Mcdonald et al., 2008). Accordingly, based on the submission above, investment analysts with relatively high levels of expertise in making investment decisions will be especially able to effectively identify features of good governance drivers that will influence their investment decision making.

Interestingly, according to the expertise literature, expertise tends to be specific to relatively narrow knowledge domains (Glaser & Chi, 1988; Ericsson & Charness, 1994; Ericsson & Lehman, 1996; Sternberg, 1997). This suggests that investment analysts are unlikely to possess general expertise in undertaking investments of all kinds, but become experts in making decisions about certain field they have considerable experience. From the foregoing, investment analysts who have actively operated in the banking sector would have accumulated both general and specific knowledge about the financial sector (Ericsson & Charness, 1994; 1997; Ericsson & Lehmann, 1996; VanLehn, 1996). Thus, experience is important to the kind of knowledge base that depicts high levels of expertise, and that supports high-quality decision-making (Mcdonald et al., 2008). Greater experience also leads to a more complete understanding of cause-and-effect relations in a particular domain; promotes more complete abilities to distinguish decision-relevant from decision-irrelevant information; and facilitates the development of more effectively organized knowledge (Ericsson & Charness, 1994; 1997; Ericsson & Lehmann, 1996; Van Lehn, 1996).

Finally, investment analysts are economic agents (Brauer & Wiersema, 2018) through which investment decisions are made. These economic agents desire to make informed decisions and corporate governance practices of firms present a yardstick for such decisions. In Nigerian banking sector, the corporate mismanagement excesses that occurred in the late 1990s and early 2000s led to the beginnings of corporate laws and codes reform. Although these codes are geared to the protection of shareholders, they can act as investment cues for investors who seek to understand governance mechanisms. However, organizational studies need a deeper understanding of the specific antecedents of organizational practices (Greenwood et al., 2014). Hence, as propositioned by Black et al. (2017) and Bebchuk et al. (2009), this research seeks to identify which features of governance drivers matter from the range of drivers that project good corporate governance.

The next section provides a conclusion to the chapter.

3.10 Conclusion

Leading from the literature reviewed above, it is evident many corporate governance studies are focused on one or two core areas while neglecting other important drivers of corporate governance (Filatotchev et al., 2007). The effectiveness of this individual driver analysis is questioned especially when contradictory or ambiguous results are obtained for similar drivers (Li et al., 2010; Bear et al., 2010; Barnea & Rubin, 2010). The presence of other corporate governance elements further complicates the results of such isolated empirical corporate governance studies. Moreover, for individual firms, a different set of practices might produce more appropriate corporate governance structure (Agrawal & Knoweber, 1996). Hence rather than seeing corporate governance drivers in isolation, they may be better understood in terms of a complete combination (Li et al., 2010; Bear et al., 2010; Barnea & Rubin, 2010, Filatotchev et al., 2007). Indeed, some prior studies (e.g., Ryan & Wiggins, 2002; Cheng, 2004; Wu & Tu, 2007; Coles et al., 2008) have supported the view that firm-level governance factors have potential to solve agency problem. As a result, researchers build corporate governance indices and test whether they predict firm value or performances even though these indices are imperfect (Black et al., 2017). The unreliability of these indices led Black et al., (2017) to suggest

caution in relying on research using corporate governance indices as a basis for firm-level governance changes or country level legal (regulatory) reforms. Consequently, Adegbite (2015) reported nine firm level antecedents, which determine good corporate governance practices in Nigeria a developing country. However, Adegbite's research took views of board members and industry experts on what constitutes drivers of good corporate governance and did not provide for the views of expert stakeholders who might hold divergent views on signals emanating from the producer firms. Indeed different drivers can substitute or compliment themselves (Dalton et al., 2003; Hoskisson et al., 2002) permitting various interpretations by stakeholders. This current study will test nine antecedents of good corporate governance in a weak institutional setting in a particular category of producers (Nigerian banks) from the viewpoint of investment analysts with the aim to determine what particular corporate governance features lead to investment decision making.

Also, Schneider & Scherer (2015 p.318) hold that a "democratization of corporate governance required by law or soft law might be a way to indirectly tackle governance gaps." Just as Schneider & Scherer (2015) propose that further research is necessary to find ways to process and balance legitimate claims towards an organization and its efficiency. Legitimacy is defined by Suchman (1995, p.574) as "a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions." Going further, Palazzo & Scherer (2006) suggest that "moral legitimacy" is more relevant than pragmatic or cognitive legitimacy as sources of corporate legitimacy. Leading from this, Gomez & Korin (2008) show that corporate governance is necessary to signal trustworthiness and establish confidence such that investors are willing to invest in the firm and that other stakeholders' consent to the activities of the firm. Therefore, corporate governance, which plays a central role in securing corporate accountability, has to adapt to the changing economic and political operations conditions of corporations if it is to remain capable of filling this objective. Hence, instead of corporate governance being centered on the protection of corporate shareholders, it needs to secure corporate accountability to all those affected by corporate action, even indirectly (Schneider &

Scherer, 2015; Brauer & Wiersema, 2018). This research will provide empirical evidence revealing what corporate governance drivers signal to investment analysts.

Furthermore, different industries might have different corporate governance drivers (Khaana et al., 2006). Indeed, contingencies of industries may also differ depending on contextual environment making generalization quite difficult. Therefore, industry focus research might be critical and important for policymaking or public understanding (Filatotchev et al., 2007). Jizi (2013) underscores the fact that there is a dearth of studies, which have considered the importance of examining the impact of banks internal corporate governance mechanism and reconciling its consequences on banks value. Therefore, further research is needed on why particular governance drivers as projected by banks might not mean the same thing to the external stakeholders such as investment analysts. Especially in a weak institutional environment where there is evidence that firms through selective compliance to a multiplicity of codes (Osemeke & Adegbite, 2016) can signal effective or ineffective corporate governance. This study will present the psychological underpinnings to what the features of drivers of good corporate governance drivers in the banking sector of Nigeria mean to investment analysts.

The corporate governance literature on governance mechanisms in developing countries leaves the following questions unanswered; 1a. Which board structure and composition governance drivers' features matter to investment analysts for investment making decisions and why? 1b.Which external ownership governance drivers' features matter to investment analysts for investment decision making and why? 1c.Which accountability mechanism governance drivers' features matter to investment analysts for investment decision making and why? This research focuses on these questions.

The thrust of the study is the perception of investment analysts as it concerns good corporate governance practices of Nigerian banks. As posited by Di Maggio (1997), existing schemas control how a given situation is perceived by audience members thereby allowing the audience members to overlook or distort perceptions to fit their pre-existing beliefs thereby enabling decision-making. In weak institutional settings, corporate governance serves as a lawful means to ensure a firm can continue to serve

interests of stakeholders as well as signal the capacity to continually serve these interests (Gomez & Korine, 2008).

This chapter has provided a review of the literature on corporate governance definitions generally, how it relates to weak institutional environment as well as how corporate governance operates in Nigeria, our contextual study site. The mechanisms of good corporate governance were also reviewed. Consequently, investment analysts and their importance was established.

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Chapter Four: Hypotheses Development

4.1 Introduction

Quantitative research has its ontological and epistemological philosophy nested in positivist/scientific research. This type of research uses the generation and testing of hypothesis that can be measured and conclusions reported theoretically (Edmondson & McManus, 2007). Hypothesis transforms research questions into testable propositions that lead to knowledge generation that confirm or disconfirm proposed theories (Edmondson & McManus, 2007).

Drawing on the reviewed literature and the thesis theories (stakeholder, signalling and social cognition theories), this chapter will develop hypotheses for features of the nine drivers of good corporate governance identified in the literature (Filatotchev et al., 2007; Adegbite, 2015) and investment decision making of investment analysts. The chaper will be divided into nine sections, with each section developing hypothesis for operational items for a particular driver of good corporate governance.

4.2 Board Structure and Composition Driver 1: Board independence and features of board independence.

According to Rashid (2018), an independent board is a corporate board that has more non-executive directors who are not related to the top executives of the firm and have limited or no business dealings with the firm to avoid potential conflicts of interests. This summary is similar to mandatory recommendations on board characteristic of the Nigerian Central Bank code of corporate governance 2014. Independence of board of directors is named as critical for a firm to be seen as practicing good corporate governance as it usually implies the desire of a firm to show management objectivity (Langevoort, 2001).

Board independence suggests a willingness to bring a high degree of rigor, scrutiny, and objectivity to the evaluation of a company's management (Langevoort, 2001). The review of the economics and corporate finance literature does not provide unambiguous

evidence that the extent of board independence has a positive effect on the firm's efficiency and performance. However, management and business strategy research suggest that this corporate governance parameter has significant effects on "critical" organizational decisions, such as executive turnover, value-enhancing business strategy, and limitations on anti-take-over defenses. These "critical" decisions are, in turn, related to efficiency improvement and superior performance that investment analysts will consider when making investment decisions.

Firstly, management and international business strategy literature suggest that the absence of CEO/Chairman duality promotes efficiency and better firm performance (Filatotchev et al., 2007; Black & Kim, 2007). When one principal occupies both CEO and chairman position, such principal will be presumed to have an overbearing impact on the firm (Ahunwan, 2003). However, empirical research on the duality-performance relationship has produced mixed results. Berg & Smith (1978) in their study of Fortune 200 firms, report a negative relationship between CEO duality and ROI. In the same study, they conclude that there is no relationship between CEO duality and ROE or change in stock price. In their own study, Donaldson & Davis (1991) in their study of CEO governance and shareholder return, find that CEO duality was associated with significantly higher levels of ROE. While Chaganti, et al. (1985) found no relationship between CEO duality and corporate failure in the U.S. retailing industry.

Banks occupy a sensitive and important fiduciary role in the economy; hence the CBN have separated the role of chairman and CEO. However, in Nigeria, many CEOs, upon retirement, become the chairmen (or even when they are not CEOs or chairmen), continue to retain strong influences on the bank (Adegbite 2015). This situation is common especially as many Nigerian CEOs are majority (or strong minority) owners of their company's shares which enables easy transmutation of CEOs into the Chairmen of companies (Ahunwan, 2003). The presence of such domineering persons in a bank can negate the separation of roles as intended by the CBN. As a result, investment analysts are expected to accord importance to the proper separation of the role for CEO and chairman. Thus;

Hypothesis 1a: CEO duality will have a negatively significant relationship with investment decision making.

Secondly, typically globally, corporate governance divides the issue of share ownership into two broad categories of concentrated or dispersed share ownership (Goldberg et al., 2016). In dispersed share ownership system, it is expected that there is a separation of ownership and control, such that neither the directors nor the management typically hold significant blocks of the firm's shares. Instead, share ownership is dispersed among many institutional and retail shareholders. Dispersed ownership systems are more common in English speaking countries such as the United States and United Kingdom, where capital tends to be raised on stock and bond markets from widely dispersed investors (Goldberg et al., 2016).

It is assumed that the agentic problem stakeholders face is better monitored in a dispersed share ownership structure (Goldberg et al., 2016). For investment analysts, more dispersed share ownership also improves their ability to easily to trade and arbitrage. However, in the dispersed share ownership structure, management seem to exercise broad discretion, or may act opportunistically (Goldberg et al., 2016). Thus, for dispersed share ownership structure, the concept of an independent board is even more necessary for monitoring of management (Langevoort, 2001). For concentrated share ownership structure, the true independence of the board is doubtful as the controlling shareholder might be more dominant (Goldberg et al., 2016).

Although Nigeria's corporate governance codes are Anglo-Saxon influenced, concentrated share ownership is typically more common with a controlling shareholder or family (Adegbite, 2015), or a small number of block holders who hold either majority or de facto control and places their representatives on the controlled firm's board of directors (Goldberg et al., 2016). Nevertheless, for the banking sector, the CBN mandates that transfer or share acquisition of more than 5% of the bank shares are expected to be reported and approved by the CBN within 7 days of such acquisition (CBN, 2014).

Propositions by researchers such as Ahunwan, (2003), Okike, (2007) and Adegbite (2015) are that a dispersal of share ownership is a precursor to achieving board independence in Nigeria. This is also supported by the CAMA Act for the establishment of public companies in Nigeria. Investment analysts are also expected to view dispersed share ownership as an attribute that protects their investment as well as provides them with an avenue to easily exit a position. Thus;

Hypothesis 1b: Dispersed share ownership will have a positively significant relationship with investment decision making

Thirdly, a number of commentators argue that the absence of governmental direction and the resulting lack of uniformity in key board dimensions encourage certain shareholder abuses commonly attributed to the separation of ownership and control in large corporations. More specifically, if the selection of directors is left virtually to the discretion of the very parties whose behavior the board is supposed to monitor. Consequently, corporate governance reformers propose a more activist governmental role in mandating high standards of board practice. The government assumes this more active role by assuring that directors are chosen on the basis of their ability to ratify managerial decisions, monitor strategy implementation, and mete out rewards and penalties on the basis of managerial performance.

In Nigeria, the CBN code of corporate governance of 2014, specifically recommends banks to have a minimum of two independent directors. A Central Bank of Nigeria circular (2007 pp 1) defines independent director as "a member of the Board of Directors who has no direct material relationship with the bank or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices. There are also regulatory provisions which encourage all board committees (especially board audit committees) to be composed of independent directors, including members of shareholders' associations. This provision should encourage investment analysts into assuming the decisions of firms are

independently scrutinized hence their investments are even more protected by the presence of these independent directors. Thus;

Hypothesis 1c: Presence of independent directors will have a positively significant relationship with investment decision making.

Lastly, the 1992 Cadbury Report initiated a debate about the main functions and responsibilities of non-executive directors (NEDs). Essentially, the non-executive director's role is to provide creative, independent oversight and constructive challenge to the executive directors. Today, it is generally accepted that non-executive directors make essential contributions to the proper running of firms and, therefore, more widely to the economy at large. The presence of NEDs brings an independent judgment to bear on issues of resources including key appointments, strategy, performance, and standards of conduct. Leading from this and just as prescribed by the CBN code of corporate governance, (2014), Adegbite (2015) proposed a healthy combination of executive and non-executive directors to promote effective corporate governance. This is supported by studies by Awan (2012) and Dehaene et al. (2001) which posit that more NEDs on a board lead to improved performance. Also, Collett & Hrasky (2005) found that a positive relationship existed between the proportion of inside directors and the market based measures of performance. However, some studies (e.g. Klein et al., 2004; Macavoy & Millstein, 2003) show that the traditional role and overbearing influence of family ownership on the appointment of board members limits the oversight function and independence of NEDs. Nevertheless, the presence of more NEDs than executive directors will mean investment analysts will be assured of people not engaged with the day to day running of the business are on the board. These people are expected to come with experience and they have a reputation to protect (Adegbite, 2015). In environments of uncertainty, this might be an important consideration for investment analysts.Moreover, in Nigeria, the CBN prescribes and mandates that over 50% of the board seats must be held by NEDs.

Thus;

Hypothesis 1d: The presence of more NEDs to executive directors will have a positively significant relationship with investment decision making.

4.3 Board Structure and Composition Driver 2: Board heterogeneity and features of board heterogeneity.

Blau (1977 p.276) defines diversity as the "great number of different statuses among which a population is distributed." Indeed, in a weak institutional environment where organization survival is feared, board heterogeneity and governance may be very important (Daily & Dalton, 1994; Filatotchev & Toms, 2003; Hambrick & D'Aveni, 1992).

It has been suggested that board heterogeneity can increase board independence (Wiersema & Bantel, 1992). Boards may provide advice to the CEO and can be a source of support for roles which employees might be unable to fulfill (Dalton et al., 1998; 1999; Hillman & Dalziel, 2003; Lorsh & Maclver, 1989; Zahra & Pearce, 1989). The usefulness and effectiveness of this advice/support can depend on the experience and diverse background of the members of the board (Carpenter, 2002; Baysinger & Butler, 1985; Kaplan & Reishus, 1990; Westphal, 1999).

The Basel Committee on Banking Supervision report of 2014 (BCBS, 2014) expands guidance on the roles of the board of directors, specifically pointing out that the bank board should be composed of a diverse set of directors to reflect its complexity in operation. However, contextually, what particular board heterogeneity, in terms of age, human capital and ethnic tribe are important diversity parameters?

It has been propositioned that of a healthy combination of both young and older directors be represented on the board (Fox, 2007; Adegbite, 2015). When profiling an individual, age is a dynamic proxy of an individual's life experience (Mannheim, 1949) and encompasses a wide range of factors that influence the formation of personal values

during our lifespan (Medawar, 1952; Rhodes, 1983). Whether an age-diverse board provides comprehensive resources and expertise or leads to communication breakdown and conflicts remains an open question.

Age diversity is particularly important in developing countries as these countries experience significant transformations over a relatively short period. Moreover, along with the transition of the economic system, there has simultaneously been a push towards cultural change (Stulz & Williamson, 2003). Therefore, investment analysts investing in this distinctive cultural environment, assume directors in different age cohorts tend to hold diverse values that can affect the quality and process of decision-making. The investment analysts will presume that directors of different ages expand the board member networks and contacts (Macey & O'hara, 2003; Mishra & Jhunjhunwala, 2013). The network may lead firms to benefit from improved access to their external constituents (Hillman et al., 2000). Specifically, the network of an age-diverse board may provide better access to capital and regulators (Macey & O'hara, 2003) and enable the bank to meet the needs of different customers and penetrate deeper into the market (Mishra & Jhunjhunwala, 2013).

Further, older directors tend to be more knowledgeable and experienced, whereas younger directors are more energetic and have a greater appetite for adventures and new technologies (Mishra & Jhunjhunwala, 2013). Therefore, investment analysts are likely to assume that an age-diverse board may further an organization's understanding of its current marketplace and industry dynamics and improve its performance. Thus;

Hypothesis 2a. Age has a positively significant relationship with investment decision making.

On gender, a study conducted in May 2002 by conference board of Canada on women and corporate governance credentials found that more gender balance tends to enable the board to pay more attention to audit and risk oversight; consider more diverse categories of stakeholders while making decisions, and are generally more thorough in a wide range

of management and organisational performance (Mahalakshmi & Reddy, 2017). The Higgs Report, recommends that more women be included on boards as the report suggests that demographic diversity increases board effectiveness (Adams & Ferreira, 2009). Women benefit the boardroom dynamics by bringing a collaborative leadership style through increased listening, social support, and win-win problem-solving (Mahalakshmi &, Reddy, 2017). Although women are often collaborative leaders, they do not shy away from controversial issues (Mahalakshmi &, Reddy, 2017). The perspectives women bring are often of great value, and often differing from their male counterparts. This difference of opinion can mean women are inspirational to a firm's diverse workforce (Campbell, 1996). Even though their representation on the boards is very less, there are records of proven competence and trust by women around the globe (Mahalakshmi & Reddy, 2017). For investment analysts operating in developing countries, a gender balance on a board is likely to signal enhanced competence levels and more effectiveness. Thus

Hypothesis 2b: Gender has a positively significant relationship with investment decision making.

Just as it has been propositioned about gender, it has been suggested that ethnic/tribal diversity of directors results in better governance which causes the business to be more profitable (Mckinsey, 2015). Although Karen J. Curtin, a former executive vice president of Bank of America, describes the interaction of the two propositions (gender and tribal diversity) in the following statement; "There is real debate between those who think we should be more diverse because it is the right thing to do and those who think we should be more diverse because it actually enhances shareholder value. Unless we get the second point across and people believe it, we're only going to have tokenism" (Brancato & Patterson, 1999, p.7). In Nigeria, the numerous tribes in the country usually means boards try as much as possible to have different tribal representations. This might not be unconnected with the presumption that when tribes make their own decisions about what approaches to take and what resources to develop, they consistently out-perform decision-makers of other tribes (Krepps & Caves, 1994). Also, researchers such as

Adegbite (2015) have also proposed that tribal diversity should be reflected in board composition in Nigeria especially as tribal diversity has religious undertones in Nigeria (Nakpodia et al., 2018). In Nigeria, a country with many tribes and ethnicity (NPC & ICF Macro, 2009), investment analysts will attribute a tribally diverse board with business opportunities and hence improved performance. Thus;

Hypothesis 2c: Tribe has a positively significant relationship with investment decision making.

On tenure, Boeker (1992), Pfeffer (1982), Golden & Zajac (2001) and Finkelstein & Hambrick, (1996) argue that longer tenured boards inhibit creativeness while in contrast Hambrick & Mason (1984), Hambrick & D'Aveni (1992) suggest longer tenured boards supports better innovation. Corporate governance literature generally seems to favor boards with shorter tenure boards. In Nigeria, the CBN code of corporate governance (2014) stipulates that directors can only serve two tenures of 5years each on the board of a bank. This policy of revolving directors after specific tenures should not only encourage innovation (Pfeffer, 1982), investment analysts will expect that tenure limitation should also eliminate sit tight syndrome common in developing countries context (Nakpodia & Adegbite, 2018). Thus;

Hypothesis 2d: Shorter tenure of directors on a board has a positively significant relationship with investment decision making.

Further, on the issue of directors being on other firms' boards, research in this area suggests that the network relationships of directors provide positive resources for organizations (Filatotchev & Toms, 2003; Mizruchi, 1996; Mizruchi & Stearns, 1994; Benton, 2017). The knowledge and advantages gained from these relationships also might auger well for the going concern nature of firms (Carpenter, 2002). Some of these advantages are transferred to firms through outsider director(s) appointed onto the firm's board especially where the outsider director has prior board experience from other companies (Golden & Zajac, 2001; Pettigrew, 1992; Westphal & Fredrickson, 2001).

Carpenter & Westphal, (2001), Westphal, (1999), and Benton (2017) find that there is a positive relationship between performance and when the directors have ties with companies in the same field as the ones where they are directors. These directors also bring some reputational capital to the boards (Geletkanycz & Hambrick, 1997; Lynall et al., 2003). Ferris et al. (2003) suggest that the past performance of the companies on which a director serves is positively associated with the number of board seats that he hold and that firms appointing a new director with multiple board seats experience positive announcement returns. The findings by Ferris et al. (2003) suggest that the market perceives the appointment of directors with multiple board seats as value enhancing. In contrast, Fich & Shivdasani (2006) find that firms where directors have multiple board seats tend to have lower market to book ratios and are less likely to fire a CEO in response to poor performance. Cashman et al. (2012) also find that busy directors have a negative influence on performance. Similarly, scholars such as Mace, (1971); Pettigrew & McNulty, (1998); and Useem, (1984), (1993) suggest that boards directors on other boards amounts to CEOs consolidating their bases. Nevertheless, in Nigeria the shortage of pool of individuals to have as directors (Adegbite, 2015) means directors being on different boards is inevitable and would positively impact decisions of investment analysts. Thus;

Hypothesis 2e: Multiple directorships has a positively significant relationship with investment decision making.

4.4 Board Structure and Composition Driver 3. Board (Directors') Reputation and features of board reputation.

D'Aveni (1990 pp121) defines prestige or positive reputation as the "property of having status." Audiences routinely rely on the reputation of firms and its directors in making investment decisions, career choices and product choices (Dowling, 1986). Indeed reputation can enhance access to capital markets (Beatty & Ritter, 1986) and attract investors (Milgrom & Roberts 1986a). Moreover, it has also been suggested that

reputation as a variable can influence positive firm performance (Hall, 1993; Knight & Pretty, 1999).

Hence, firstly, beyond the agentic perspective of governance, various researchers advocate a broadening of the corporate governance agenda to encompass a stakeholder and legitimacy perspective (Tirole, 2001; Aguilera et al., 2006; Deakin & Whittaker, 2007). Following this stakeholder-agentic perspective, the board of directors can be seen as a mechanism of visibility, legitimacy, and reputation, as its role is to ensure that the company is managed efficiently, top management has oversight and stakeholders' interests are taken into consideration at the highest levels of decision making (Michelon & Parbonetti, 2010). Certo (2003) suggests that when boards have prestigious members, there is enhanced visibility, especially among external stakeholders. In developing countries, replete with weak institutions, the visibility of directors reflects positively on the firm if the directors are deemed people of prestige. Therefore, reputation is depicted as the visibility of board members and how this visibility reflects in the minds of investment analysts when they make investment decisions. Thus;

Hypothesis 3a: Reputation as visibility has a positively significant relationship with investment decision making.

Secondly, a firm's current reputation is determined by the signals that the public receives concerning its behaviors, whether directly from the firm or via other information channels, such as the media or the stock market. Directors' reputational orderings crystallize in the statuses of firms within an industrial social system (Shrum & Wuthnow, 1988) and thereby constitute an important avenue for reconciling economic and sociological contributions in the minds of audiences (Fombrun, 1986). Thus, reputable board members usually bring credibility to the company (Adegbite, 2015). In developing countries, there is a limited market for this group of highly experienced and reputable directors (Adegbite, 2015) and the need to increase the number of such individuals, which relates to raising aspirations towards professionalism and good behavior (Chun-An & Chuan-Ying, 2008).

Furthermore, Diamond (1989) theoretical model predicts that agents (directors) have stronger incentives to maintain their reputation as it becomes a more valuable asset. It is therefore unsurprising that highly reputed directors dissent more often (Jiang et al., 2016). Some studies (e.g., Fahlenbrach et al., 2010) seem to suggest that directors who sit on boards of distressed firms see their reputations tarnished with less future directorships offers (Fahlenbrach et al., 2010). Similarly, Fich & Shivdasani (2007) report that when firms are involved in financial fraud lawsuit, outside directors of the firm experience a reduction in other firm board seats they hold. Leading from this, when a firm has directors perceived as credible this will help mitigate some agency risks, as stakeholders will assume such directors will seek to protect their credibility and not want to be associated with failure. Thus;

Hypothesis 3b: Reputation as credibility has a positively significant relationship with investment decision making.

Investment analysts are expected to have diverse preferences over a firm's actions, process, and outcomes, and reputational assessments depend upon the congruence between the apparent behaviors of the firm and the preferences of those publics (Fombrun & Shanley, 1990). McGuire et al. (1988), in a study of the Fortune 500, found that prior return on assets was highly correlated with a firm's reputation for social responsibility, which suggests that firms' reputational ranking is associated with goodwill stakeholders transmit to the firm in terms of economic preferences of the external stakeholders (Fombrun & Shanley, 1990). Similarly, Mizruchi (1996, p. 276) report that "boards of directors perform an important function regarding the reputation of a firm……. When investors decide whether to invest in a company, they consider the firm's strength and the quality of its management". Therefore, investment analysts will assume the goodwill directors of a firm possess, translates to reputation for the firm. Thus

Hypothesis 3c: Reputation as goodwill has a positively significant relationship with investment decision making.

Investment analysts are likely to be swayed positively when they recognize the names of directors. This might be due to the previous achievements of such directors. A similar comparison is the UK educational system where UK universities do better on reputation than on actual student/lecturer academic performance. This position is supported by Pfeffer & Salanik (1978, p. 145) who posit that "prestigious or legitimate persons or organizations represented on the focal organization's board confirms to the rest of the world the value and worth of the organization". Investment analysts are likely to trust that directors with recognized names bring reputation to a firm as such directors with recognized names will not want to be associated with failure. For example, Srinivasan (2005) posits that directors lose reputational capital if firms they sit on boards of firms that restate earnings. Thus

Hypothesis 3d: Reputation as a recognized name has a positively significant relationship with investment decision making.

The presence of politically connected individuals (usually referred to as strongmen/women) are prevalent in many of the organizations in developing countries (Adegbite et al., 2012). Perhaps this is not surprising as Adegbite (2012) argued alliances with government officials is a key determinant of corporate success. Evidence also supports the notion that boards with directors who possess some political connection (Carpenter, 2002; Daily et al., 1999; Filatotchev & Bishop 2002; Pettigrew 1992; Zahra & Pearce 1989) perform better at fundraising activities (Certo, 2003; Filatotchev & Bishop, 2002; Certo et al., 2001). However, although this political connection is relevant in developing countries, so much authority lies with individuals rather than institutions and might render whatever advantage superficial and temporary. Therefore, in developing countries, investment analysts will assume a firm with politically connected people might not necessarily be able to attract more business continually and hence make better returns. Thus;

Hypothesis 3e: Reputation as politically connected individuals has a negatively significant relationship with investment decision making.

Finally, Benton (2014) finds that there is a positive relationship between board and performance when the directors have ties with companies in the same field as the ones where they are directors. These directors also bring some reputational capital to the boards (Geletkanycz & Hambrick, 1997; Lynall et al., 2003). By appointing individuals with ties to other important organizations, the firm signals to potential investors that it is a legitimate enterprise worthy of support.

Following another line of thought, directors receive more benefits from sitting on different performing boards (Fahlenbrach et al., 2010). The receipt of benefits provides an incentive for directors, as the directors know that they can only receive additional directorship in future if the firms they sit on their board are performing (Yermack, 2004; Ferris et al., 2003). The weak institutions in Nigeria coupled with the weak industrial economic base means the emergence of this group of highly experienced and reputable directors is limited (Adegbite, 2015). Indeed researchers such as Chun-An & Chuan-Ying (2008) and Adegbite (2015), advocate that there is a need for developing countries such as Nigeria to encourage individuals who will have high aspirations towards professionalism and good behavior. Therefore, investment analysts will assume that directors are on multiple boards only because they bring benefit to firms and improve performance.

Hypothesis 3f: Reputation reflected in multiple directorships has a positively significant relationship with investment decision making.

4.5 External Ownership Mechanism Driver 1. Foreign (large) institutional shareholders and features of foreign institutional shareholders.

Institutional shareholders are businesses that own shares in a quoted company. Some block shareholders might be individuals with 5% or more shareholding in firms. The size

of their holdings means institutional investors are expected to provide adequate policing of corporate management in ways which individual dispersed shareholders are incapacitated to do (Jacoby, 2007; Prevost & Rao, 2000; Romano, 2001). Therefore, ownership by foreign and independent institutional investors enhances shareholder value (Ferreira & Matos, 2008). Activist institutional shareholders, particularly foreign institutional investors, are believed to play a positive role in external monitoring, especially when large controlling shareholders may potentially engage in expropriation by pursuing exclusive benefits through their influence on management. In particular, as "outsiders," foreign institutional investors are more likely to perform arms-length monitoring, thereby benefiting minority shareholders (Ferreira & Matos, 2008). Since foreign institutional investors seemingly have little choice but to protect their investment (Admati et al., 1994; Agrawal & Knoeber, 1996), investment analysts are likely to view positively firms where foreign institutional investors have shares.

Also, foreign institutional investors are often believed to play more of a role in prompting changes in corporate governance practices than domestic fund managers (Gillan & Starks, 2003). As a result, board representation by foreign institutional investors represented by someone with sufficient human capital and knowledge of the Nigerian business terrain will help the board challenge the weak institutional deficiencies (Adegbite, 2015). Especially as the Nigerian SEC Code (2011) specifically requires “institutional shareholders and other shareholders with large holdings to seek to positively influence the standard of corporate governance in the companies in which they invest." The 2003 Securities and Exchange Commissions' Code on Corporate Governance (SEC Code) also provided for shareholders owning 20% stake to have at least one representative on the board.

Therefore, foreign institutional shareholders with representation on boards are expected to demand compliance and explanations for non-compliance of governance standards. Some studies on Nigeria (e.g., Ahunwan, 2002; Bakre, 2007) have reported that institutional shareholders have an opportunity to pursue better governance practices. According to Yakasai (2001), institutional shareholders are in a strategic position and

can better engage with firm managers than small shareholders. This group of investors dialogue with management, hence, can play an essential role in improving firms corporate governance practices by influencing board nominations and bridge the communication gap with shareholders (Ajogwu, 2007). Thus;

Hypothesis 4a: Presence of foreign institutional investors on the board of a firm has a positively significant relationship with investment decision making.

In Nigeria, both local and foreign institutional investors are currently playing limited roles in the corporate governance of listed firms (Adegbite, 2015) with most of them focused on short-term returns. This is, however, changing as some studies (such as Adegbite, 2015) have contended that large institutional investors, especially foreign/international ones, can promote good corporate governance in Nigeria. The conventional approach to the coexistence of domestic and foreign investors in a domestic market is based on information asymmetries, in which foreign investors are typically depicted as being informationally disadvantaged (Kang & Stulz, 1997; Brennan & Cao, 1997). Nevertheless, investor heterogeneity means foreign and local investors possibly behave in different ways (Morris, 1995), especially given that foreigners in a domestic market are international investors who may invest in multiple countries (Kang et al., 2010). According to Kang et al. (2010, p. 2886), "foreign investors are a return-chaser across countries while domestic investors prefer home-country stocks to overseas ones." In addition, local institutional investors possess local knowledge about norms and practices which foreign institutional investors do not have. Investment analysts are likely to perceive that this local knowledge is pertinent for business exigencies and performance advantages even if it is short term. Thus;

Hypothesis 4b: The importance of local institutional investors compared to foreign institutional investors has a positively significant relationship with investment decision making.

Globally, since the 1980's capital markets have been hugely influenced by globalization. The growth in international integration among world capital markets was mainly explained by the decision made by corporations to consider cross-listing as a means of overcoming investments barriers and making a firm's shares accessible to foreign investors (Ghadhad & Hellera, 2015). These motivations were related to different considerations related essentially to market segmentation (Abdallah & Ioannidis, 2010; You et al., 2013), to information environment (Amira & Muzere, 2011; Lee & Valero, 2010), to liquidity (Abdallah et al., 2011; Silva & Chavez, 2008) and to the legal environment of the firm (Doidge, 2004; Reese & Weisbach, 2002; You et al., 2013). This cross-listing is another interesting development in the Nigerian market space. It is well known that financial markets in developing countries are not as liquid as those of developed countries. The illiquidity is regarded as a major factor for the high volatility in developing countries markets and a significant impediment to financial market development.

Further, Mitto (1992) findings indicate that the listing decision exposes firms to scrutiny making such firms to have a greater appeal for foreign investors irrespective of their size and industry. Using a 57-year global foreign listing sample, Sarkissian & Schill (2016) find results consistent with gravity-model implications and economic-synergy arguments of cross-listing decisions, cross-listing waves in a given host country coincide with the outperformance of the host and proximate home countries' economies and financial markets. Although the valuation gains from listings associated with cross-listing waves are transitory (Sarkissian & Schill, 2016), investment analysts are likely to consider that foreign listing positively. Furthermore, under the weak corporate governance institutions in developing countries, investment analysts' considerations might be based more on other considerations rather than on economic merits, serving as a vehicle to signal the quality (Luo & Elliott, 2014). Investment analysts who operate in developing countries are likely to positively view firms that cross-list as this might mean they are easily able to vote with their feet (MaCahery et al., 2016) if, for example, they are less pleased with the performance of governance practices. Thus,

Hypothesis 4c: Foreign listing as a proxy for the well-managed firm has a positively significant relationship with investment decision making.

4.6 External Ownership Mechanism Driver 2. Effective shareholder activism and features of effective shareholder activism

Shareholder activism constitutes activities undertaken by shareholder(s) to influence management and the board. Two emergent classes of shareholders in Nigeria are sophisticated and reputable shareholder (Adegbite, 2015). Sophisticated shareholders are the emergent middle class (mainly young and middle-aged professionals), who do not necessarily belong to any shareholder association (Adegbite, 2015). They make efforts to attend annual general meetings (AGMs) and other meetings regularly and in the process have developed a degree of sophisticated expertise with regard to scrutinizing companies' governance (Adegbite, 2015). They also ask important questions on issues bordering on several aspects of corporate disclosures—including financials, ethical investments, corporate social responsibility and employee relations during AGMs. Some even engage in letter writing (Adegbite, 2015; McCahery et al., 2016). Hence, the flurry of activities by these sophisticated shareholders increase scrutiny of firms and their management. Thus;

Hypothesis 5a: Presence of sophisticated shareholders has a positively significant relationship with investment decision making.

A different classification from those described above is reputable shareholders. Reputable shareholders are high-calibre individuals with a record of excellent behaviour and distinguished accomplishments in various high-profile corporate positions (Adegbite, 2015; Peng, 2004). Given the challenge of corporate corruption and recurring corporate scandals in Nigeria, persons of high standards of integrity continue to constitute a powerful and positive force for informed and ‘veteran shareholder activism' (Adegbite, 2015; Peng, 2004). This is because popular people in networks influence others and can influence firms’ performance. Cognitively, this positive influence means that they have more associates (Benton & You, 2017) as well as increased network ties

(Barabasi & Albert, 1999). However, it is possible that investors may be concerned with activism other than purely financial returns (Blair, 1995). This other concerns which can be found in social or political motivations (Hendry et al., 2007) may make reputable shareholders champion their own preferences (Garten, 1992; Rock, 1991). For example, Hendry et al. (2007) find that although shareholder activism literature mainly assume activism is motivated by a desire to maximise shareholder value, alternative motivations such as political/moral motivations might spur activism.

As a result, the reputation and influence of these set of shareholders suggests that investment analysts when making investment decisions will consider the reputable shareholder group's behaviour as having a disciplining control on a firm's management. Thus, activism by reputable shareholders can induce spill-over effects on account of their visibility. In Nigeria, anecdotal evidence supports the notion that reputable shareholders belong to the group of investors that possess financial and social wherewithal (Nakpodia & Adegbite, 2018). The financial and social capital ensures that reputable people control management as they have direct links to the bank's management. For the Nigerian banking sector, the CBN ensures that shares acquisition or disposal above 5% are reported within 7 days of such transaction. On this evidence, activism by reputable shareholders can frame the actions of their audiences including investment analysts. Thus

Hypothesis 5b: Presence of reputable shareholders has a positively significant relationship with investment decision making.

Also, activist shareholders are always eager to get the best returns for their investment. According to Gillan & Starks (1998), a shareholder activist is an investor who tries to change a firm's present situation without necessarily resulting in a change of firm's management or control. Primarily, the activist shareholders focus on poorly performing firms in their portfolio with the aim to pressurize firms' management for improved performance (Gillan & Starks, 2003). Although, such activism seem to be left to hedge funds/block shareholders especially in firms or industries where dispersed shareholders are in majority (Bebchuk & Weisbach, 2010). This is because of transaction costs, which

makes individual shareholders unwilling to monitoring of activities of firms, thereby resulting in the free-rider problem (Bebchuk & Weisbach, 2010). The Nigerian environment, which is steeped in weak institutions increases transaction costs for investors hence investment analysts, will appreciate the presence of activist shareholders in a firm.

Activism by shareholders exists under the assumption that shareholders by engaging in some form of participatory activism, can check managerial entrenchment or opportunistic behavior (Black, 1992; Gillan & Starks, 1998; 2000; Rubach & Sebora, 2009). Becht et al. (2009) argued that activism could work for or against the firm's interest. On the one hand, it can resolve the agency problems associated with firms with dispersed ownership helping to improve their performance (Black, 1992). While on the other hand, it can also be a means by large block holders who are influential, to be opportunistic for personal benefits (Ivanova, 2017). "Direct knowledge of the interactions between institutional investors and portfolio firms is limited" (Ivanova, 2017, p. 179), especially in the Nigerian context, where engagements are similar to private dialogue which occur behind the scenes in the UK (Becht et al., 2010; McCahery et al., 2016). Although some researchers (e.g., Uche et al., 2016) posit that executive management of firms dominates the shareholder associations thereby impeding activism, investment analysts will expect that activism checks management excesses especially considering most businesses in Nigeria that have dominant shareholders, are either family owned or family influenced (Adegbite, 2015).Thus;

Hypothesis 5c: Presence of institutional activist shareholders has a positively significant relationship with investment decision making.

4.7 Accountability Mechanism Driver 1. Pay for Performance and features of pay for performance:

Pay for performance is the act of linking executive management/directors' remuneration to firm performance. Incentive compensation is an important tool for a firm trying to improve employee performance. If designed well, an incentive plan motivates the

employee to work harder, smarter, and in better alignment with the firm's objectives (Gibbs, 2012). Designed wrongly, however, can have the opposite effect. Regular, large payments to CEOs highlight the potential for misalignment with firm performance that is generally associated with managerial opportunism (Core et al., 1999; Gomez-Mejia & Wiseman, 1997; Jensen & Murphy, 1990; Tosi et al., 2000). In fact, according to Turner (2009, p.79) "there is a strong prima facie case that inappropriate incentive structures played a role in encouraging behavior which contributed to the financial crisis" in 2008.

Nevertheless, remuneration is one of the tools board of directors can use to increase their control of managers (Zajac & Westphal, 1994) even if not all eventualities can be covered by this measure (Hart, 1995). The inability to cover all loopholes or gaps in contracts shareholders have with managers makes the option of linking pay with firm performance attractive (Fama, 1980) with incentives which might help overcome the challenges of agency problem (Murphy, 1985; Beatty & Zajac, 1994; Fama, 1980). Hence, in developing countries, clear compensation schemes can be designed to serve as incentives for management to perform on behalf of shareholders (Eisenhardt, 1989). Pay for performance leads to greater compensation transparency (Conyon & Sadler, 2010), and investment analysts will rely on this transparency for investment decision making.

This concept is a relatively recent practice in Nigeria beginning in the early 2000s and is still very much at its infancy (Adegbite, 2015). The Nigerian banks, which are typically at the forefront of modern developments in Nigeria, (Lewane, 2012), utilize this governance driver on a wide scale in the hope that pay for performance would bring about a cultural change and encourage higher levels of individual and organization performance (Kessler & Purcell, 1992). Hence, to mitigate the stakeholder agentic problem, pay for performance now forms a key element of Nigerian banks' compensation strategies thereby positioning it as a key driver of good corporate governance in a weak institutional environment such as Nigeria. Thus

Hypothesis 6a: Clear compensation schemes has a positively significant relationship with investment decision making.

From agency theory perspective, when executives' pay is tied directly to performance, the executives will strive to maximize shareholder interests and ensure good governance (Jensen & Meckling, 1976; Harvey & Shrieves, 2001; Randøy & Nielsen, 2002). However, pay for performance as a driver of good corporate governance has been linked to the tendencies for increased risk-taking (Lin et al., 2012; Tang, 2012). This has led some researchers to reignite the debate regarding the effectiveness of reward schemes packages in mitigating agency conflicts in modern corporations (Goering, 1996; Murphy, 1997; Van Essen et al., 2012; Berger et al., 2013; Cook & Burress, 2013).

Nevertheless, firms with high levels of institutional ownership and investment analyst participation are better at linking pay and performance. This adeptness ensures performance and pay link works in both good times and bad times (Kang et al., 2010). This suggests that active investment analysts and large shareholders can provide an important disciplining influence on the structure of senior executives' pay (Bell & Van Reenan, 2012). Therefore, investment analysts are likely to positively associate with reward schemes for executives as this will ensure management perform and are also concerned about the long-term going concern of the firm. Thus;

Hypothesis 6b: Management rewards schemes is acceptable and has a positively significant relationship with investment decision making.

Lastly, pay for performance is used to reward employees with a financial payment (cash or stocks), following an assessment of their performance and typically, the achievement of objectives (Suff et al., 2007). In developing countries such as Nigeria, employee reward scheme is common in the banking sector. According to Baron (1983, p. 123), “motivation is an accumulation of different processes which influence and direct our behavior to achieve some specific Goal.” Although it has been suggested that some employee schemes might cause short term performance disposition by managers, (Filatotchev et al., 2007; Berger et al., 2013; Cook & Burress, 2013), in today’s business environment, employee rewards impacts job satisfaction positively (Danish & Usman,

2010). Therefore, firms seeking best performance from their employees can ensure their commitment through employee reward schemes. Especially as employee commitment is based on reward and recognition (Andrew & Kent, 2007).

Indeed, Rosen (1990) suggests that the structure of linking managers/executives' pay to firm performance promotes more loyalty from executives enabling them to act more in the interest of shareholders. Also, Lawler (2003) suggest that the prosperity and survival of firms can be linked to how they treat their employees. Therefore, even though there appears to be a societal apathy towards performance-related executive compensation (Adegbite, 2015), investment analysts who operate in the Nigerian environment will be used to employee reward schemes in the banking sector and will expect such schemes link with firm performance. Thus;

Hypothesis 6c: Employee reward scheme has a positively significant relationship with investment decision making.

4.8 Accountability Mechanism Driver 2. Independent audit committees and features of independent audit committee:

Audit Committee is independent when the majority of the members are independent and are not influenced by the firm or management (CBN code of corporate governance, 2014).

Firstly, audit and internal controls are always central to what internal stakeholders share with external stakeholders (Palepu & Healy, 2003) and gives assurance of compliance with government regulation (Grabosky, 1995). Hence, the independence of the audit committee is essential. From about the late 90s to early 2000, audit committee has been projected as a mechanism for good corporate governance internationally (Bhasin, 2015). An audit committee is expected to monitor the reliability of the firm's accounting and auditing processes to protect shareholders interests (Agoglia et al., 2011) and prevent attempts to manipulate earnings numbers (Klein, 2002). Also, an audit committee is a

mechanism to hold "external" auditors accountable for the scope, nature, and quality of their work (Dignam, 2007).

For the general public and all stakeholders, audit committees are increasingly more responsible for the quality of reports that emanate from firms (Beasley et al., 2009). To further enhance the audit committee responsibility, the United States in 2002 enacted the Sarbanes-Oxley (SOX) Act, requiring that all US publicly traded companies establish an "independent" audit committee. This action of the US has been replicated by a noticeable increase in the number of countries now "mandating" the use of independent audit committees (Bhasin, 2015). Hence, investment analysts operating in Nigeria will accord importance to reports emanating from independent audit committees. Thus;

Hypothesis 7a: Importance of audit committee reports has a positively significant relationship with investment decision making.

However, the ability of the independent audit committees to reduce the likelihood of fraud has been disputed (Beasley, 1996). Studies such as Pucheta-Martinez & de Fuentes (2007 p.1407) have posited that the “the mere presence of an audit committee does not reduce the occurrence of error and non-compliance qualifications." However, the same study also determined that other factors, such as the size and independence of an audit committee do have a significant impact on certain aspects of financial reporting. Also, Lam (2000) found that the appearance of audit committee independence enhances auditor independence and improves transparency in financial reporting.

In Nigeria, the CAMA Act and the CBN code of corporate governance both mandate that audit committees be independent. However, the independence of these committees becomes questioned if the members are perceived not to be people with moral uprightness and individual integrity. Nevertheless, an independent audit committee is assumed to have a beneficial effect on enhancing the quality of disclosures, in reducing discretionary earnings management, increasing the informativeness of earnings, and in general enhancing the value of the firm (Bhasin, 2015). Thus

Hypothesis 7b: Perception of non-independence of individuals on the audit committee has a negatively significant relationship with investment decision making.

4.9 Accountability Mechanism Driver 3. Voluntary disclosure and features of voluntary disclose:

The Financial Accounting Standard Board (FASB, 2000) describes voluntary disclosures as information not explicitly required by accounting standards or rules and are outside of the mandatory financial statements.

Firstly, information transparency can be, defined as the level of availability and accessibility of market information a firm provides to its stakeholders (Granados et al., 2010). The type of information (relevant or irrelevant) provided by a firm's management plays a role in the public perception of the firm (Filatotchev et al., 2007). Stakeholders always seek to have a clear understanding of how firms are being managed. This helps reduce costs associated with complex investigation as "demand for financial information reporting and disclosure arises from information asymmetry and agency conflicts between managers, outside investors, and intermediaries" (Kothari et al., 2009, p. 1640). Information disclosures are of two types; mandatory and voluntary. Mandatory information is required by law such as any company operating in a country are expected to file annual returns and produce financial statements. Voluntary disclosure relates to how information is disclosed in terms of quality and extent (Healy & Palepu, 2001; Core, 2001) which allows for good monitoring by investors (Filatotchev et al., 2007).

Although voluntary corporate governance disclosures project firm's actions and activities indicating accountability for stakeholders' scrutiny (Nwagbara, 2014), firms and their management signal the unobservable qualities of their firms to potential investors via the observable quality of their financial statements (Zhang & Wiersema, 2009). Since these financial statements are mandatory, investment analysts operating in weak institutional environments might be more inclined to rely on mandatory reports which already have been approved by the regulatory authorities. Thus.

Hypothesis 8a: Mandatory information has a positively significant relationship with investment decision making.

Secondly, when firms disclose beyond what is required, it lowers uncertainty and enables stakeholders assess the true position of the firm (Meek et al., 1995). Shehata (2014) shows that voluntary disclosure is an effective way to disseminate corporate information to stakeholders about the business to reduce information asymmetry and agency conflicts between managers and investors. Similarly, Lan et al. (2013) argue that firms might benefit from giving investors additional corporate information to exploit the disclosure benefits that exceed disclosure costs, such as lower capital or debt cost. Sengupta (1998) suggested that underwriters and bondholders consider a firm's disclosure policy when determining the risk premium they should apply to interest rates on a firm's debt instruments. This means outside investors can then rely on the information provided by the company to make their decisions. Thus;

Hypothesis 8b: Voluntary disclosures as a signal of accountability has a positively significant relationship with investment decision making.

Lastly, accounting research provides evidence that investors rely on corporate disclosure revealed by managers (Sletten, 2012). For example, Chiang (2005) found a positive association between voluntary disclosure of corporate governance information and the ability to raise equity capital. Another interesting finding by Chiang (2005) is that the more transparent disclosures, the better the operating performance of the firm. Similarly, researchers document that timely, comprehensive and transparent disclosure on some fundamental issues will improve the quality of corporate governance in Nigeria. Many of these issues relate to voluntary disclosures. Thus;

Hypothesis 8c: Voluntary information as a signal of performance has a positively significant relationship with investment decision making.

4.10 Accountability Mechanism Driver 4: Board evaluation and features of board evaluation.

Board evaluations are a way to assess board performance (Ingley & van der Walt, 2002; 2005; Leblanc, 2005; Leblanc & Schwartz, 2007; Long, 2006; Minichilli et al., 2007; Gabrielsson & Huse, 2004; Kiel & Nicholson, 2005). Evaluation helps prevent potential governance failures (Kiel & Nicholson, 2005). Hence, when an evaluation is done transparently, it can lead to the creation of value for boards (Rasmussen, 2015) and improves many aspects of board functions including accountability, decision making, communication and general teamwork (Kiel & Nicholson, 2005). More so, transparent board evaluations can draw the attention of stakeholders to responsibility levels of board members (Kiel & Nicholson, 2005; Vandebeek et al., 2016). However, in Nigeria, the abridged version of the board evaluation report is what is presented in annual reports while the full reports are kept for only internal management consumption. As external stakeholder, investment analysts will review board evaluations and the transparency of such reports will be positively linked to the trustworthiness of the firm. This abridged version is likely to be frowned upon by investment analysts leading them to distrust the transparency of the abridged reports. Thus;

Hypothesis 9a: Perception of non-transparency of evaluation report has a negatively significant relationship with investment decision making.

Secondly, according to Cadbury (1999), boards of directors are the bridge between the shareholders and the management of the firm. However, recent scandals have put the spotlight on the board of directors, and as a result, boards of directors have faced much criticism. For example, Drucker (1974) described boards as follows: "...the board of directors is an impotent ceremonial and legal fiction . . ." While Lorsch & MacIver (1989), in studying American boards, concluded that too many acted more like pawns of their CEO rather than the potentates the law intended them to be.

Therefore, there is intense scrutiny on boards of directors by institutional investors and other market parties. In some circumstances, major institutional investors have put

pressure on incompetent directors and have been demanding enhanced disclosure of board practices (Van Den Berghe & Levrau, 2004). This level of scrutiny suggests that investment analysts consider evaluation reports to be essential for assessing monitoring oversights of directors. Thus;

Hypothesis 9b: Necessity of evaluation report has a positively significant relationship with investment decision making.

Thirdly, board evaluations have been considered in corporate governance discussion for a while even though few studies (with the notable exception of Rasmussen (2015)), have tried to study the effectiveness of evaluations. Following corporate failures, many suggestions have been made about how to improve the governance of firms in order to rebuild trust. In Nigeria, the CBN code of 2014 stipulates that boards should be evaluated by an outside consultant. This results in box-ticking exercise by the banks in Nigeria as all directors are rated as performing well (Adegbite, 2015). Some researchers such as Carey (1993), Bassett (1998) and Adegbite (2015) have suggested that self-evaluation of directors is the preferred alternative. Nevertheless, in developing countries, the information contained in evaluation reports will be used by investment analysts in arriving at investment decisions. Thus;

Hypothesis 9c: Information contained in the evaluation report has a positively significant relationship with investment decision making.

Lastly, board evaluations can draw the attention of stakeholders to responsibility levels of board members (Kiel & Nicholson, 2005; Vandebeek et al., 2016). Hence, board evaluations can be viewed as a system that allows board members to address potential shortcomings for effective team functioning. Moreover, such evaluations may contribute to the formation of a collective team identity (Van Der Vegt & Bunderson, 2005; Edmondson et al., 2007; Homan et al., 2008; Bezrukova et al., 2009), through discussing organizational goals (Nederveen Pieterse et al., 2013) and shared objectives (van Knippenberg et al., 2011).

Board members may also be evaluated on the basis of them meeting their assigned targets and responsibilities to the firm. Hence, board effectiveness can be determined by a thorough board evaluation. Evaluation also helps in determining if board members are acting in the best interests of the firm and promoting the highest standards of corporate governance (Governance Professionals of Canada, 2016). Therefore, since corporate governance is about doing the right things and doing the things right, investment analysts will positively associate the performance of directors with evaluations of such directors. Thus;

Hypothesis 9d: Evaluation report as an indication of director performance has a positively significant relationship with investment decision making.

4.11 Conclusion

This chapter drew on the extant literature reviewed in chapter three and the thesis theories (stakeholder, signalling and social cognition theories) discussed in chapter two to develop hypotheses for features of the nine drivers of good corporate governance identified in the literature (Filatotchev et al., 2007; Adegbite, 2015) and investment decision making of investment analysts. The features were grouped into 1. Board Composition and Structure Mechanism, 2. External Ownership Mechanism and 3. Accountability Mechanism.

Board Composition and Structure Mechanism is composed of three drivers 1. Board Independence 2. Board Heterogeneity 3. Board (Director's) Reputation. For Board Independence, four features were identified from the literature and developed into hypotheses. For Board Heterogeneity, five features were identified from the literature and developed into hypotheses. For Board Reputation, six features were identified from the literature and developed into hypotheses.

External Ownership Mechanism is composed of two drivers. 1. Foreign (Institutional) Investors and 2. Effective Shareholder Activism. For Foreign (Institutional Investors and

Effective Shareholder Activism, three features were identified from the literature and developed into hypotheses for both drivers.

Accountability Mechanism is composed of four drivers. 1. Voluntary Disclosure 2. Independent Audit Committee 3. Pay for Performance and 4. Board Accountability. For Voluntary Disclosure, Independent Audit Committee, Pay for Performance, and Board Accountability, three, two, three and four features were identified respectively from the literature and developed into hypothesis.

In order to effectively address the identified gaps in research, it is important that an appropriate methodology for undertaking the study be identified and implemented such that it maximizes the researcher's potential to undertake the study (Holden & Lynch, 2004). Thus, the next chapter discusses the methodology of the study which is used in this research and the reasons behind its adoption. Furthermore, the tools and techniques employed are also discussed.

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Chapter Five: Methodology

5.1 Introduction

A major cornerstone of this research is the research of Adegbite (2015) which identified nine firm level antecedents of good corporate governance of Nigerian firms, a study which was carried using qualitative methods. As stated in chapter one, this research sought to obtain the perspectives of investment analysts as regards their perception of features of good corporate governance drivers in a specialized regulated industry (banking sector) and how these features affect investment decision-making.

To explore and understand the main issues revealed by this current study, a range of methods were used to explore what we know and how we know what we know (Goles & Hirschheim, 2000). The empirical analysis was done through primary data obtained via a mixed method. Saunders et al. (2007) define mixed-methods as using both quantitative and qualitative data in one study at the same time (parallel) or one after the other (sequential). This type of research has been welcomed because it achieves integration through analyzing quantitative and qualitative data (Cassell et al., 2005; Boyd et al., 2012; Johl et al., 2012). Furthermore, Creswell & Clark (2011) suggest reasons for choosing mixed-methods as a research methodology. They explain that a mixed-methods approach helps overcome the deficiencies in a study if only a quantitative or qualitative approach is used. For example, quantitative research is less likely to answer 'why' a social phenomenon happens.

Moreover, a quantitative approach does not provide a detailed interpretation of the obtained results (Cohen et al., 2002). Morgan & Smircich (1980) and Johl et al. (2012) argue that a qualitative approach alone provides less reliable and less credible findings. Thus, a mixed-methods design provides in-depth explanation and understanding of phenomena (Johl et al., 2012; Bryman, 2012). This approach, which is consistent with prior approaches in related studies (e.g., Albasam, 2014) advances the methodological breadth and depth of corporate governance research in Nigeria.

The chapter is organized broadly into Part A, B and C. Part A covers research philosophy, paradigm, approach, and design. Part B covers the quantitative methodology, model specification, model instrument, variables measurements, quantitative survey, and

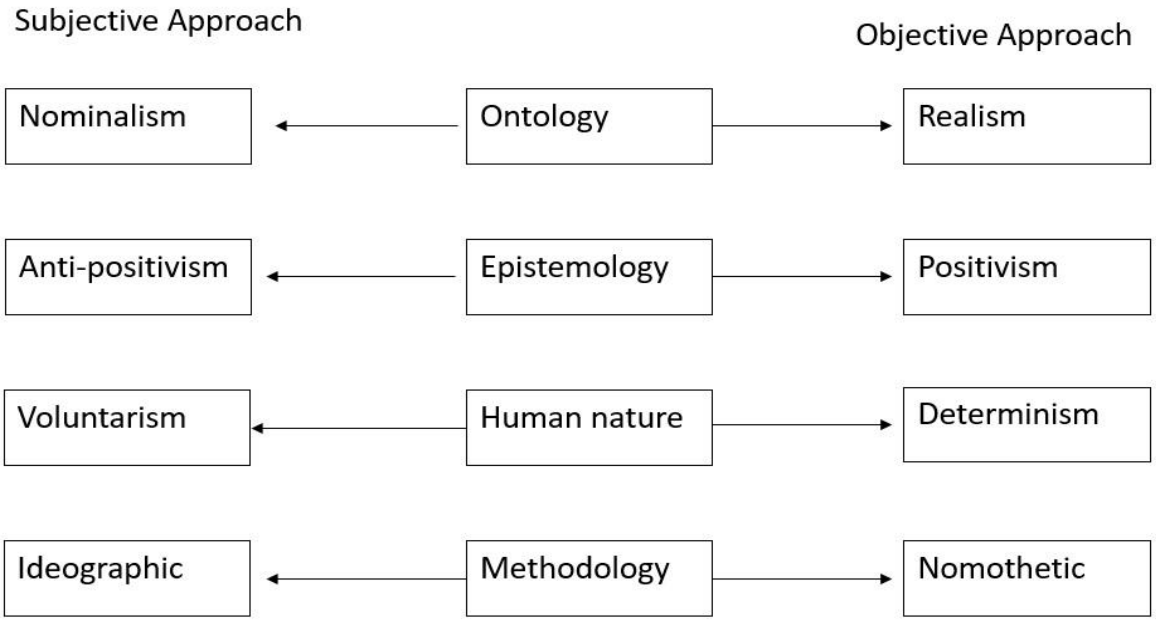
administration. Part C covers the qualitative methodology, an overview of the qualitative methodology, interview design, data collection, ethical issues, and data analysis.

5.2 Part A.

5.2.1 Research Philosophy - Ontology and Epistemology

The research process includes five layers named the research process 'onion.' The first layer is the research philosophy. Second, the research approach layer. Third, is the research strategy layer. Fourth layer referred to the research time horizons. The fifth layer, data collection methods. Each layer includes a different set of choices that the researcher is required to choose to imply his/her research (Saunders et al., 2003). Just as social science emphasizes four assumptions of ontology, human nature, epistemology and methodology (Burrell & Morgan, 1979). These assumptions have their philosophical underpinnings in either objectivism or subjectivism.

Figure 5. 1 A scheme for analysing assumptions about the nature of social science



Source: Burrell & Morgan (1979 p.3). Burrell, G., & Morgan, G. (1979). Sociological Paradigms and Organizational Analysis. Heinemann: London.

Ontological expectations/conventions are concerned with what we believe constitutes ‘social reality' (Blaikie, 2000, p. 8). The researcher’s ontological perspective takes into consideration issues such as whether ‘the world exists independently of the researcher’s perceptions of it’ (Greener, 2011, p.6) or subjective and multiple, as seen by participants (Collins & Hussey, 2009). The quantitative part of this research was conducted within the framework of the principles and assumptions of science. These assumptions, as Cohen et al., (2002) noted, are “determinism, empiricism, parsimony, and generality.” While the qualitative part of this research was anti-positivism.

"Objectivism ontology adheres to the view that only "factual" knowledge gained through observation (the senses), including measurement, is trustworthy. Objectivist thinkers adopt a scientific method as a means of knowledge generation. According to Bryman, (2004, p. 16-18), "objectivism is an ontological stance which argues that social phenomena and their meanings have presences which are independent of social actors and implies that the social phenomena and categories that are frequently in discourse have an existence which are independent or separate from actors. Subjectivism on the other hand assumes that events and happenings are not independent occurrences and social environment interaction plays a role.” Going further, Saunders et al. (2007) posit that social phenomena are created from perceptions and actions of social actors.

According to Gray (2004), ontology focuses on ‘what is' while epistemology focuses ‘on what it means to know.' Epistemology is representative of `the possible ways of gaining knowledge of social reality, whatever it is understood to be. In short, claims about how what is assumed to exist can be known' (Blaikie, 2000, p. 8). It is the theory of method or basis for knowledge (Marsh & Stoker, 2002). Epistemology is typically either positivism or interpretivism.

5.2.1.1 Positivism

As epistemology is interested in what we deem to be knowledge from researcher and what is being researched (Hussey & Hussey 1997), the quantitative study part of this study will help bring to fore the perception of investment analysts about the drivers of corporate governance as projected by actors in the banking sector in Nigeria. Hence, the

positivist part of the study will establish through quantitative means, which will be independent of the researcher (Hussey & Hussey, 1997), the important features of drivers of good corporate governance in the banking sector. The philosophy behind this positivist view is that a cause and effect relationship exists in the universe (Aguinis & Glavas, 2012; Baker & Quéré, 2014; Bitektine & Miller, 2015). This view portends that nothing happens by chance as there reasons for every occurrence (Bitektine & Miller, 2015).

Positivism refers to "working with observable social reality and that the end product of such research can be law-like generalizations similar to those produced by the physical and natural scientists" (Remenyi et al., 1998, p. 32). In positivism epistemology, the role of the researcher is objective and concerns only data collection and interpretation with the research findings observable and quantifiable. The main aim of the theory is to create testable hypotheses (Bryman & Bell, 2003). This will entail a detailed methodology, which can be replicated (Gill & Johnson, 2002). Positivism also supposes the researcher is independent of his research and unbiased (Hussey & Hussey, 1997).

It should be noted that positivism as an epistemology is associated with some disadvantages such as experience being relied on as a valid source of knowledge. This is in spite of the fact that, a range of basic and important concepts such as time, cause and space are not experience based. Further, positivism assumes that all types of processes can be regarded as a variation of relationships between individuals or actions of individuals. Also, adoption of positivism in business and management studies can be criticized for reliance on the status quo. In other words, research findings in positivism studies are only descriptive; thus they lack insight into in-depth issues (Albassam, 2014). To overcome some of the shortcomings of the positivism, this research also recognized the interpretivist epistemology.

5.2.1.2 Interpretivism

Interpretivism refers to `the details of the situation to understand the reality or perhaps a reality working behind them' (Remenyi et al., 1998, p. 35). Interpretivist epistemology indicates that researchers have to adopt `empathetic stance,' which is considered to be a challenging task to enter the social world of the research subjects and understand their

world from their point of view. This epistemological position claims generalization is not important (Saunders et al., 2007).

Interpretivism is based on the principles of idealism and social reality not being objective. Rather, the interpretation of social phenomena is highly subjective and shaped by individuals' perceptions and beliefs (Morgan & Smircich, 1980; Collis & Hussey, 2009). Morgan & Smircich (1980) and Collis & Hussey (2009) posit that interpretivism developed as a result of the inability of positivism to meet certain needs of social scientists. They identified criticisms of the positivist paradigm, which brought about interpretive paradigm ideas such as (i) impossibility to separate people from the social contexts; (ii) to understand people their perceptions of their activities have to be examined; (iii) results and important findings can be ignored in a highly structured research design; (iv) research is part of what researchers observe and not necessarily objective; and (v) understanding complex phenomena using a single measure can be misleading. For example, positivism cannot measure perceptions and beliefs necessary depths while the interpretive paradigm is more innovative in opening up the social world.

While positivists measure social phenomena, interpretivism explores the complexity of social phenomena to develop an understanding (Bryman, 2012). According to Creswell & Clark (2011), interpretivism paradigm explores, explains and develops an understanding to clarify or illustrate the meaning of terms. This is different from the quantitative measures of phenomena that occur logically (scientifically) in the social world. As the interpretive paradigm is usually associated with the qualitative approach, this study uses semi-structured interviews in addition to the statistical analysis of quantitative data.

The semi-structured interviews are useful in filling the gaps of the quantitative analysis of data, comparing and supporting the results from two methods (Saunders et al., 2007), and helping develop a deep understanding of the empirical results (Saunders et al., 2007; Boyd et al., 2012).

5.2.2 Research Paradigm

The paradigm is a good way of understanding and explaining social phenomena based on ontological and epistemology positions (Saunders et al., 2003; 2007). Corbetta & Patrick (2003) in pointing out the importance of paradigm, posit that scientific research that is done without paradigm lacks orientation and criteria for selection, such that all issues, methods, and techniques are equally legitimate. Likewise, Bryman (2004, p.2012) confirms that paradigm means how a study should be conducted and how its results should be interpreted.

Table 5. 1 Approaches within the two main paradigms

Panel A: Common terms used to describe the paradigms	
Positivism	Interpretivism
Quantitative	Qualitative
Objective	Subjective
Scientific	Humanist
Traditionalist	Phenomenological
Panel B: Features of the paradigms	
Positivism	Interpretivism
Large sample is involved	Used with small samples
Concerned with hypothesis testing	Helpful in generating theories
Produces precise, objective and quantitative data	Produces 'rich' subjective and qualitative data
Produces results with high reliability but low validity	Produces findings with low reliability but high validity
Allows results to be generalized from the sample to the population	All findings can be generalized from one setting to another setting

Source: Collis and Hussey (2009, pp.58, 62). *Business Research A Practical Guide for Undergraduate & Postgraduate Students.* 3rd Edition. Palgrave Publishers, London, UK.

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Table 5. 2 Positivism and interpretivism paradigm assumptions

Assumption	Concept	Positivism	Interpretivism
Ontological	The nature of reality.	Reality is objective and singular, separate from the researcher.	Reality is subjective and multiple, as seen by participants.
Epistemological	The relationship of the researcher to that being researched.	Researcher is independent from that being researched.	Researcher interacts with that being researched.
Axiological	The role of values.	Research is value-free and unbiased.	Researcher acknowledges that research is value-laden and biases are present.
Rhetorical	The language of research.	Researcher writes in a formal style and uses the passive voice, accepted quantitative words and set definitions.	Researcher writes in an informal style and uses the personal voice, accepted qualitative terms and limited definitions.
Methodological	The process of research.	Deductive process Study of cause and effect with static design (categories are isolated beforehand) Research is context-free Generalisations leading to prediction, explanation, and understanding Results are accurate and reliable through validity and reliability.	Inductive process Study of mutual simultaneous shaping of factors with emerging design (categories identified during the research process) Research is context-bound Patterns and/or theories are developed for understanding Findings are accurate and reliable through verification.

Source: Creswell (1994, p.5) *Research Design: Quantitative and Qualitative Approaches*. 1st Edition, SAGE Publications, London, UK and Collis & Hussey (2009, p.58). *Business Research A Practical Guide for Undergraduate & Postgraduate Students.* 3rd Edition. Palgrave Publishers, London, UK.

Panel A of Table 5.1 shows common terms of these two paradigms. Panel B presents a summary of the features of each paradigm, including sample size, hypotheses, theories, data, reliability, validity, and generalisability of data.

4.2.3 Research Approach

Approach for research can either be deductive or inductive (Saunders et al., 2003) or can be mixed. Dominant in science research is the deductive approach where “laws provide the basis of explanation, permit the anticipation of phenomena, predict their occurrence and therefore allow them to be controlled” (Hussey & Hussey, 1997, p. 52). Consequently, Robson (2002) lists five sequential stages through which deductive research will progress:

1. Deducing a hypothesis from the theory (hypothesis is a testable proposition about the relationship between two or more events or concepts);
2. Indicating how the variables will measure the proposed relationship between two specific variables;
3. Testing this operational hypothesis (this will involve an experiment or some other form of empirical inquiry);
4. 4. Examining specific outcomes of an inquiry (confirms or modifies the theory);
5. If necessary, modifying the theory in light of the findings.

Deductive research aims to explain causal relationship between variables leading to the hypothesis development. Consequently, it is required to collect quantitative data, or sometimes even qualitative data, to test the developed hypothesis using a highly structured methodology to facilitate replication of the findings (Gill & Johnson, 2002).

The inductive approach begins with the observations while theories are proposed towards the end of the research process consequent upon observations (Goddard & Melville, 2004). Inductive research "involves the search for pattern from observation and the development of explanations – theories – for those patterns through series of hypotheses" (Bernard, 2011, p.7). The researcher can alter the direction of the study as no theories or

hypotheses applies at the beginning of the research. Therefore, theory follows the research data rather than vice versa (Saunders et al., 2003).

This current study draws upon stakeholder-agency theory which considers investment analysts perspective on agentic issues (Hill & Jones, 1992), signalling theory (Spence, 1973) which helps to bridge information asymmetry gaps and reveals signals from agents to principals, and social cognition theory (Bandura, 1986) which helps analyse decision making/perceptions of social actors. The first part of this research benefits from an objective ontology hence a positivist approach to that portion of the study. The independent nature of the first part of the study will clearly distinguish it as a scientific research as there would be minimal interaction with my research participants (Wilson, 2010). In other words, the first part of the research is based purely on facts as indicated by the responses obtainable from participants thereby making research consider the world to be external and objective.

The positivist part of the research will consider the perspectives of investment analysts on drivers of good corporate governance in banks in Nigeria. The identified features of each governance driver will be tested to know how they influence investment analysts' decision-making. For this part of the study, the philosophical assumptions of positivism are assumed; hence, a nomothetic methodology would be suitable which means that it set out to establish law-like generalizations (Gill & Johnson, 1991). This will be the case with this research as the respondents will have questionnaires distributed to them and these questionnaires will be analyzed for emergent patterns and results interpreted.Variables (independent and dependent) are utilized during quantitative research as the research primarily concerned with the relationships between them to establish the causal structure of the variables. The objective ontology where the researcher is objective and separate from data (Gaffikin, 2005) means variables are a representation of the real world and can objectively determine the established causal relationship where the outcome can be generalized to other (similar) situations (set of variables).

The survey technique is appropriate to this type of quantitative research and usually associated with the deductive approach (Saunders et al., 2003). Surveys give a picture of what many people think or report doing and are often used in descriptive or explanatory research (Neuman, 1997). The survey technique facilitates the research of the `what' question in the form of `how many' or `how much' (Yin, 2003). Surveys permit the collection of a large volume of data from a sizable population economically and give the researcher more control over the research process (Saunders et al., 2003).

As a result, the first part of this research adopted an objectivism ontology and positivist epistemological position. This part of the research used a deductive methodological approach because it fits with testing the employed theory by setting a set of research hypotheses. Consequently, the first part of the research employed quantitative research to be appropriate with the objectivist ontological position to examine the set of developed hypotheses.

However, although the first part of the research was conducted with an objective ontology and positivist epistemology, the second part required a qualitative approach. In contrast to the positivism, interpretivism or anti-positivism limits the distance between the researcher and that being researched (Collis & Hussey, 2009). Thus, qualitative is different from quantitative research as it allows for closer interaction with human beings in the social context, or observing social phenomena over a long period. In this study, it was necessary to understand why certain features of good corporate governance drivers led to investment decision making while others did not. Therefore, the interpretivist paradigm suggests semi-structured interviews to develop a researcher's interaction with interviewees.

5.2.3 The Research Design

The mixed-methods (quantitative and qualitative) research is discussed in this section in accordance with the research questions. Therefore, this section provides reasonings on why mixed-methods approach was chosen.

5.2.3.1 Mixed-Methods Research Design

This study employed the mixed methodology. According to Saunders et al. (2007), mixed-methods use both quantitative and qualitative data parallel or sequentially in one study at the same. This type of research achieves integration through analyzing quantitative and qualitative data (Cassell et al., 2005; Johl et al., 2012; Boyd et al., 2012; Albassam, 2014). As a result, the importance of mixed-methods research has grown during the past twenty years (Molina-Azorin, 2012; Albassam, 2014).

Creswell & Clark (2011) explain that if a quantitative or qualitative approach is used in a study, the mixed-methods approach helps overcome the study deficiencies. This is because a quantitative study by itself unlikely to answer 'why' a social phenomenon happens. Moreover, a quantitative approach does not provide a detailed interpretation of the obtained results (Cohen et al., 2002). On the other hand, Morgan & Smircich (1980) and Johl et al. (2012) argue that a qualitative approach by itself provides less credible and reliable findings. Thus, a mixed-methods design provides in-depth understanding and explanation of phenomena (Johl et al., 2012; Bryman, 2012; Albassam, 2014).

Recently, due to increased attention given to the behavior of individuals and firms (Clarke, 1998), management studies have focussed more closely on mixed-methods designs (Albassam, 2104). It is generally agreed that mixed methods designs produce more reliable and credible findings than when only one single method is used in a study (Boyd et al., 2012; Molina-Azorin, 2012). Therefore, the mixed-methods design in this study makes a valuable contribution to corporate governance literature and studies (e.g., Mengoli et al., 2009; Johl et al., 2012; Molina-Azorin, 2012; McNulty et al., 2013; Zattoni et al., 2013) on developing countries. The mixed method further helped to provide a flexible relationship with the respondents, encouraging a great depth and richness of context (Aaker et al., 2001). It thus offered a better understanding of the subject matter as they relied on understanding processes, behaviors, and conditions (Flick, 1992; Wang, 2006; Van Maanen, 1979).

The use of the mixed method enables this study to triangulate the quantitative and qualitative findings thereby encouraging a great depth and richness of context (Aaker et al., 2001).

5.2.3.2 Principles for Designing Mixed-Methods Research

According to Creswell & Clark (2011), there are key principles for designing mixed-methods research. First, the level of interaction between the quantitative and qualitative methods is an important principle. There are two levels of interaction: (i) the independent level; and (ii) the interactive level. The independent level relies on separating the quantitative and qualitative research questions and the processes of data collection and data analysis. The independent approach mixes the two methods in the study's conclusion. The interactive approach happens at different stages during the study, usually before the final interpretation of the results. Thus, one research method depends on the other, or follows the other, during the data collection and analysis processes.

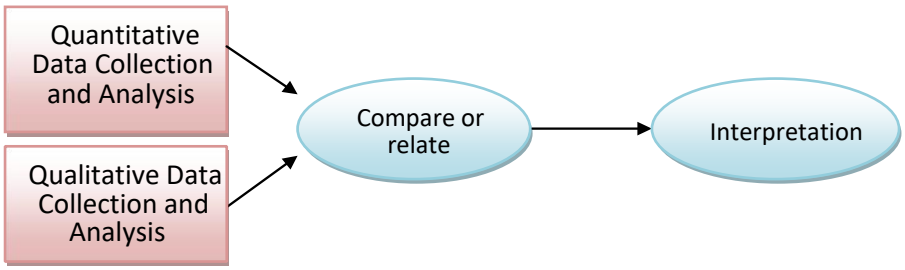
Second, the researcher must ensure that the methods used are appropriate for answering the research questions of the study (Morgan, 1998). The researcher needs to determine explicitly which method is more important (Greene et al., 1989; Morgan, 1998). Creswell & Clark (2011) suggest three possible options to weight mixed-methods designs: equal priority, quantitative priority, and qualitative priority. Third, the timescale of the research is another key principle. Timing within the mixed-methods design can be in one of three forms: concurrent, sequential or a multiphase combination.

The current study initially focuses on the quantitative method because of the nature of the research problem and questions. This approach is desirable in examining what features in good corporate governance drivers influence investment decision making. This study employs the two methods (quantitative and qualitative) interactively (Creswell & Clark, 2011) such that the quantitative study was conducted first, then the findings from the quantitative study were used to develop semi-structured questions for the qualitative study. In doing so, the study uses sequential timing by collecting and analyzing quantitative data first.

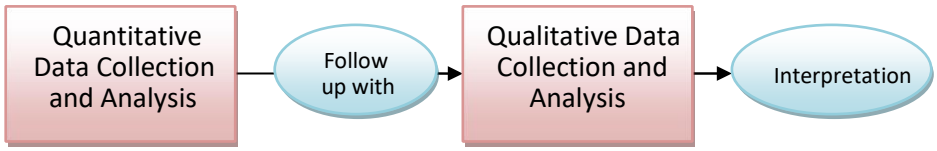
The importance of mixed-methods design was fundamental in designing the framework for this study. Creswell & Clark (2011) point out that there are four main mixed-methods designs: (i) the convergent parallel design; (ii) the explanatory sequential design; (iii) the exploratory sequential design and (iv) the embedded design.

Figure 5. 2 Prototypical versions of the four major research designs

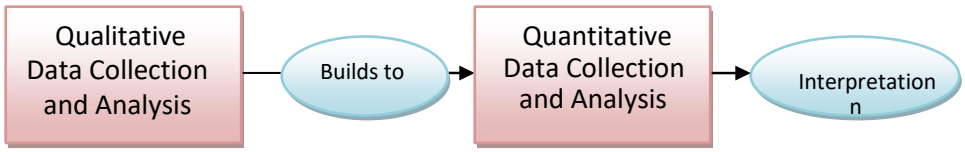
(a) The convergent parallel design



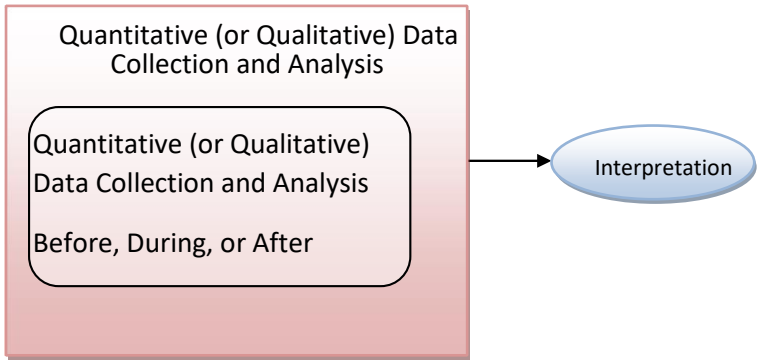
(b) The explanatory sequential design



(c) The exploratory sequential design



(d) The embedded design



Source: Creswell & Clark (2011, p.69). *Designing and Conducting Mixed Methods Research*, 2nd Edition. SAGE Publications, London, UK.

First, the convergent parallel design relies on conducting quantitative and qualitative methods simultaneously (see Figure 5.2.a). In this design, the researcher processes the methods equally and keeps them independent throughout data analysis, and then mixes the results to interpret them overall. Second, the explanatory sequential design depends on two distinct interaction phases (see Figure 5.2.b). Researchers use sequential timing, starting with the quantitative design, to collect and analyze data. Then, the qualitative method follows the empirical results to interpret the initial findings; for example, if a researcher conducts interviews to gain in-depth insights from quantitative results (e.g., Johl et al., 2012; Haniffa & Hudaib, 2007). Third, the exploratory sequential design is the opposite of the explanatory sequential design. It starts with qualitative data in the first phase (see Figure 5.2.c). Fourth, the embedded design occurs when the researcher collects and analyses quantitative and qualitative data within a traditional quantitative or qualitative design (see Figure 5.2.d). For example, the researcher may add a quantitative method to a qualitative one, such as a case study, or add a qualitative method within a quantitative one, such as an experiment.

The explanatory sequential design is considered the most straightforward mixed methods design (Creswell & Clark, 2011). This study employs the explanatory sequential design. In the current study, the first phase started with the quantitative method, through collecting and analyzing quantitative data. In the second phase, some of the quantitative findings needed additional explanation (see Mengoli et al., 2009; Johl et al., 2012).

Therefore, these results were used to develop the qualitative method. More precisely, the quantitative results were used to develop some of the qualitative research questions, interview process, and data collection procedures.

The rationale for using this design (two sequential stages) is summarised as follows. First, the qualitative method (interviews) provides additional analysis to explore the reasons why certain features are considered important for investment decision making and others are not. Second, it seeks to increase the robustness of the empirical findings (Mengoli et al., 2009). Third, the qualitative method enabled the researcher to understand the thought process of investment analysts operating in a weak institutional environment. Mixed-methods research poses some challenges (Bryman, 2007; Johl et al., 2012). Indeed, according to Creswell & Clark (2011), mixed methods may not be able to overcome all research problems. Moreover, using solely quantitative or qualitative methods does not necessarily diminish the value of a study. The next section identifies some challenges of using the mixed method.

5.2.3.3 The Challenges of Using Mixed-Methods Research

This section addresses the challenges of using mixed-methods research. These challenges are: (i) the absence of an agreed philosophical framework (ii) achieving integration between the quantitative and qualitative methods and (iii) issues related to practical considerations.

Molina-Azorin (2012) indicates that mixed-methods design is relatively new compared to using a single method in research. Hence, there is no agreed philosophical framework for mixed-methods research designs and mixed-methods as a research paradigm (Smith & Heshusius, 1986; Morgan, 1998). However, Bryman (2004, p.453) posits that the "quantitative and qualitative approaches as paradigms are not inextricable, but intertwined in terms of epistemological assumptions, values, and methods." Even if prior literature has mostly ignored the mixed method paradigm (Morgan, 1998). Creswell & Clark (2011, p.15) suggest that "one way to help convince others of the utility of mixed-methods is to locate exemplary mixed-methods studies in the literature on a topic or in a content area and share studies to educate others." Thus, this research using the Nigerian

banking sector for context provides insightful knowledge on corporate governance drivers in developing countries different from the usual Anglo-Saxon themed studies.

The second challenge is to achieve integration between quantitative and qualitative research. Bryman (2007) suggests that the development of mixed-methods studies collides with the inability of researchers to integrate the findings of quantitative and qualitative results. Greene et al. (1989) examine this problem by reviewing 57 mixed-method studies to examine the level of integration between quantitative and qualitative approaches. Their findings indicate that 44% of the studies achieved no integration between the two methods. However, 32% featured integration when they interpreted the findings, while only five studies (about 9%) achieved integration during the analysis and interpretation. Bryman (2007) indicates two reasons for this lack of integration. First, the integration of quantitative and qualitative findings may not always be intended. For instance, when researchers use mixed-methods, each approach is designed in isolation from the other, and integration may not be the priority of the researcher. Second, there are gaps in the literature in terms of analysis and interpretation of mixed-methods research (Cassell et al., 2005; Bryman, 2007).

The other challenge involves practical considerations in conducting mixed-methods research. Creswell & Clark (2011) point out a number of important issues that should be taken into account before conducting such research. For example, mixed-methods research demands certain skills, time and resources for extensive data collection and analysis. Hence, according to Creswell & Clark (2011), mixed-methods design is only a realistic approach if researchers have the requisite skills. Therefore, researchers must have an in-depth understanding of quantitative and qualitative approaches separately before designing mixed-methods research (Morgan, 1998).

Also, researchers should develop an understanding of data collection and analysis techniques for each method. More specifically, Collis & Hussey (2009) indicate that researchers using quantitative methods should be aware of the logic of hypothesis testing and should have the ability to perform statistical analysis. In addition, they should be

familiar with important issues such as reliability and validity. Similarly, there are certain skills required to conduct qualitative data collection and data analysis. For example, researchers should be familiar with the process of conducting semi-structured interviews (Molina-Azorin, 2012). In addition, other skills, such as coding qualitative data and developing terms and descriptions based on these codes, are also necessary.

Nevertheless, these skills alone are not sufficient to conduct mixed-methods research. It is necessary to ensure that mixed-methods research can be done within the specific timeframe of the research (Creswell & Clark, 2011). Also, it is argued that mixed-methods data collection is demanding in terms of time and effort, which is a limitation of this approach. Data collection takes time because different data are used in the different approaches (Morgan, 1998). Furthermore, the cost of data collection is another important issue, where mixed-methods may entail a greater cost than a single method (Creswell, 2009). For example, an interviewer may need to travel to conduct interviews, which may be financially costly. In contrast, the researcher may obtain quantitative data directly from websites or surveys at a lower cost. These are the important issues to consider before choosing a mixed-methods approach.
Next section discusses the part B of the chapter (quantitative method).

5.3 Part B Quantitative Method

5.3.1 Introduction of Quantitative Method

Leaning on the stakeholder- agency, signaling and social cognition theories, the overwhelming emphasis of this research is on the efficacy of the various corporate governance mechanism drivers in spurring investment decisions by investment analysts. The stakeholder-agency theory encapsulates the corporate governance problem relating to the fact that the corporate governance mechanism driver's signals provide assurance that managers remain both honest and dynamic over time (Dore, 2005).

In this study, ‘good' corporate governance is undertaken within the Nigerian societal perspective. Within this Nigerian perspective, the notion of ‘good' corporate governance is seen as involving both the creation of wealth as well as minimization of risks to all

stakeholders (Page, 2005; Filatotchev & Wright, 2005). While corporate governance operates at the firm level, its effectiveness also has social prerequisites (Filatotchev et al., 2007). Therefore, this research attempts to extend our understanding of 'good' corporate governance issues beyond the narrow confines of regulatory conformity and instead embraces the perspective of investment analysts who are increasingly more important in the economy.

This perspective also suggests examining the effectiveness of corporate governance drivers in Nigeria in a holistic fashion. Even though in the banking sector, these drivers are addressed by regulation, the study evaluates to what extent the corporate governance mechanism drivers are effective in investment decision making of investors. This research relied on corporate governance mechanism drivers of good corporate governance in Nigeria as identified by Adegbite (2015) supported by other studies such as Filatotchev et al. (2007). The corporate governance mechanism drivers of good corporate governance are also represented in the 2014 code of corporate governance of the Central Bank of Nigeria. The identified drivers were used to develop a survey questionnaire that included "families" of the corporate governance mechanism drivers. Each "family" comprised a number of specific, observable and measurable operationalizations of a particular driver, and the respondents were invited to score each feature on a 5-point Likert scale, with 1 = strongly agree, and 5 = strongly disagree.

5.3.2 Model Specification

This section presents the nine models with which the hypotheses of this study were tested.

Model 1: Board Independence Induced Propensity To Make Favourable Investment Decision = $\beta 0 - \beta 1(BI1) + \beta 2(BI2) + \beta 3((BI3) + \beta 4(BI4) + \beta 5(BI5) + \beta 6(Gen) + \beta 7(BG) + \beta 8(AGE) + \beta 9(IA) + \beta 10(TNY) + \beta 11(FS) + \varepsilon i$

where Board Independence Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, $\beta 0$ = constant/cuts, β = regression coefficients, and Board Independence predictors (BI1-5) = independent variables, Gender (GEN),

Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 2: Board Diversity Induced Propensity To Make Favourable Investment Decision = β0 + β1(BD1) + β2(BD2) + β3((BD3) + β4(BD4) + β5(BD5) + β6(Gen) + β7(BG) - β8(AGE) - β9(IA) - β10(FS) - β11(TNY) + εi

where Board Diversity Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, β0 = constant/cuts, β = regression coefficients, and Board Diversity predictors (BD1-5)= independent variables, Gender (GEN), Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 3: Board Reputation Induced Propensity To Make Favourable Investment Decision = β0 + β1(BR1) + β2(BR2) + β3((BR3) + β4(BR4) + β5(BR5) + β6(BR6) + β7(Gen) + β8(BG) + β9(AGE) + β10(IA) + β11(FS) + β12(TNY) + εi

where Board Reputation Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, β0 = constant/cuts, β = regression coefficients, and Board Reputation predictors (BR1-6) = independent variables, Gender (GEN), Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 4: Foreign Institutional Investors On a Board Induced Propensity To Make Favourable Investment Decision = β0 + β1(FI1) + β2((FI2) + β3(FI3) + β4(Gen) + β5(BG) + β6(AGE) + β7(IA) + β8(FS) + β9(TNY) + εi

where Foreign Institutional Investors On a Board Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, β0 = constant/Cuts, β = regression coefficients, and Foreign Institutional Investor predictors (FI1-3) = independent variables, Gender (GEN), Background (BG), AGE, International

affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 5: Shareholder Activism Induced Propensity To Make Favourable Investment Decision = β0 + β1(SA1) + β2(SA2) + β3(SA3) + β4(Gen) + β5(BG) + β6(AGE) + β7(IA) + β8(FS) + β9(TNY) + εi

where Shareholder Activism Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, β0 = constant/Cuts, β = regression coefficients, and Shareholder Activism predictors (SA1-3) = independent variables, Gender (GEN), Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 6: Voluntary Disclosure Induced Propensity To Make Favourable Investment Decision = β0 + β1(VD1) + β2(VD2) + β3((VD3) + β4(Gen) + β5(BG) + β6(AGE) + β7(IA) + β8(FS) + β9(TNY) + εi

where Full and Transparent Information Disclosure Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, β0 = constant/cuts, β = regression coefficients, and Voluntary Disclosure predictors (VD1-3) = independent variables, Gender (GEN), Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 7: Audit Committee Induced Propensity To Make Favourable Investment Decision = β0 + β1(AC1) - β2(AC2) + β3(Gen) + β4(BG) + β5(AGE) + β6(IA) + β7(FS) + β8(TNY) + εi

where Audit Committee Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, β0 = constant/cuts, β = regression coefficients, and Audit Committee Independence predictors (AC1-2) = independent variables, Gender

(GEN), Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 8: Pay For Performance Induced Propensity To Make Favourable Investment Decision = β0 + β1(PF1) + β2(PF2) + β3((PF3) + β4(Gen) + β5(BG) + β6(AGE) + β7(IA) + β8(FS) + β9(TNY) + εi

where Pay For Performance Induced Propensity to Make Favorable Investment Decision = estimated dependent variable score, β0 = constant/Cuts, β = regression coefficients, and Pay For Performance predictors (PF1-3)= independent variables, Gender (GEN), Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect.

Model 9: Board Evaluation Induced Propensity To Make Favourable Investment Decision = β0 - β1(BE1) + β2(BE2) + β3((BE3) + β4(BE4) + β5(Gen) + β6(BG) + β7(AGE) + β8(IA) + β9(FS) + β10(TNY) + εi

where Board Evaluation Induced Propensity to Make Favourable Investment Decision = estimated dependent variable score, β0 = constant/Cuts, β = regression coefficients, and Board Evaluation predictors (BE1-4) = independent variables, Gender (GEN), Background (BG), AGE, International affiliation (IA), Experience (TNY) and Firm Size (FS) are control variables. εi is the individual firm effect

5.3.3 The Model Instrument

This model is applied to investment analysts who invest in the Nigerian banking sector using a predesigned questionnaire that is based on a previous study by Adegbite (2015) which is validated to fit the Nigerian banking context.

5.3.3.1 Item generation:

From existing literature (e.g., Adegbite, 2015; Filatotchev et al., 2007; MaCahery et al., 2016; Fomburn & Shanley, 1990)), the theoretical foundations already provides adequate information on constructs of corporate governance drivers, hence for the quantitative study, this research employed a deductive scale development process.

5.3.3.2 Item development:

As suggested by Hinkin (1998), the statements employed in the questionnaire were simple, short and in clear, unambiguous language familiar to investment analysts who are the respondents of the questionnaire. Importantly, items were kept consistent in all sections for each construct so that behavior items were not mixed up with items that require affective responses (Harrison & McLaughlin, 1983). Leading questions were avoided to eliminate bias responses.

5.3.3.3 Content Validity Assessment:

After generation of the questionnaire items, content validity was carried out. First, two professors vast in the corporate governance field reviewed the questionnaire and made corrections to remove questions that may be perceived as double-barrelled, repeated or unclear. Consequently, the researcher included definitions in all sections to remove ambiguity and clearly define what construct is being measured (Schriesheim et al., 1993).

5.3.3.4 Number of items:

As much as possible, the items in the questionnaire were kept short and simple so that respondents do not get bored (Schmitt & Stults, 1985). In all, 11 sections were created, and a total of 52 item questions were retained in the questionnaire.

5.3.3.5 Items scaling:

The scales of strongly agree, agree, neither agree nor disagree, disagree and strongly disagree as originally developed by Likert (1932), were adopted especially as the coefficient alpha reliability has been shown to increase in the use of 5 points (Lissitz & Green, 1975).

5.3.4 Measurements of the independent variables

The literature review chapter discussed the drivers of good corporate governance in depth. The features of the drivers described in the literature review will serve as the independent variables for this present study. The rationale for this is that the drivers are already established by prior literature (e.g., Filatotchev et al. 2007; Adegbite, 2015). In particular, Adegbite, (2015) identified these drivers as antecedents of good corporate governance in Nigeria.

Table 5. 3 Independent Variables

Defining Variable	Definition	Features of Defining Variable	Measurements/Proxy
Board Independence	A board is independent when it has more outside (non-executive) directors than (inside) executive directors such that conflict of interest is minimized.	1.CEO Duality 2.NEDs: EDs 3.Independent Directors 4.Dispersed Share Ownership	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree) Items developed following Filatotchev et al., 2007; Adegbite, 2015)
Board diversity/Heterogeneity	Board diversity aims to cultivate a broad spectrum of demographic attributes and characteristics in the boardroom.	1.Gender 2.Age 3.Tribe 4.Tenure 5.Multiple Directorship	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree). Items developed Pfeiffer, 1982; Filatotchev et al., 2007; Adegbite, 2015)
Board (Directors') Reputation	Prestige or positive reputation of a board is the perception the society has of the board and is typically based on the perception of the positive character of individual members of the board	1.Credibility 2.Visibility 3.Recognized Name 4.Goodwill 5.Politically Connected	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree). Items developed following Fombrun & Shanley, 1990: Filatotchev et al., 2007; Adegbite, 2015)

Foreign (or Large institutional) investors	institutional shareholders are businesses that own shares in a quoted company	1.Foreign Share Ownership and Presence on Board 2.Importance of Local: Foreign Investor 3.Effects of Foreign Listing	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree). Items developed following (Huang & Zhu, 2015; Filatotchev et al., 2007; Ferreira & Matos, 2008; Adegbite, 2015)
Effective shareholder group activism	Shareholder activism occurs when shareholders (anyone or group of persons) use of ownership position to actively influence company policy and practice	1.Importance of Sophisticated Activist Shareholders 2.Importance of Reputable Activist Shareholders 3.Importance of Institutional Activist Shareholders	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree). Items developed following (MaCahery et al., 2016),: Filatotchev et al., 2007; Adegbite, 2015)
Pay for Performance	The act of linking executives' pay/remuneration to firm performance	1.Clear compensation schemes 2.Rewards Schemes Acceptability for Management 3.Employee reward schemes	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree)

			Items developed following: (Filatotchev et al., 2007; Adegbite, 2015)
Voluntary Disclosure	Information transparency is defined as the level of availability and accessibility of market information to its stakeholders. Information usually includes the following: financial/operating results; ownership structure; members of the board of directors and management; quantitative and qualitative matters relating to employees and other stakeholders in the corporation; governance structures and policies; corporate targets and prospects, etc.	1.Mandatory: Voluntary Importance 2.Voluntary disclosures as a signal of accountability 3.Voluntary information as a signal of performance	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree) Items developed following (Filatotchev et al., 2007; Adegbite, 2015)
Independent audit committee	Audit Committee is independent when the majority of the members are independent and are not influenced by the firm or management	1.Importance of audit committee reports 2.Perception of non-independence of individuals on the audit committee	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree) Items developed following (Filatotchev et

			al., 2007; Palepu & Healy, 2003; Adegbite, 2015)
Board Evaluation	Board evaluations are a way to assess board performance allowing board members to address potential organizational shortcomings. Alternatively, individual board members can be evaluated on the fulfillment of their specific board functions	1.Report Transparency 2.Report Necessity 3.Report as Measure of Performance 4.Quality of Information in Report	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree) Items developed following (Van den Berghe & Levrau, 2004: Filatotchev et al., 2007; Adegbite, 2015)

5.3.5 Dependent Variable Definition and Measurement

The literature review chapter shed light on decision making as a cognitive measure. Hence, in this present study, decision-making is our dependent variable.

Table 5. 4 Dependent Variable

Defining Variable	**Definition**	**Measurements/Proxy**
Investment Decision Making	Asking the analyst if each defining independent variables described above encourages him to make favorable investment decisions	Questionnaire technique by measuring the perceptions of the respondent investor sample on a 5-Point Likert scale (1 strongly agree -5 strongly disagree)

5.3.6 The Control Variables Definition and Measurements

In addition to the independent variables mentioned previously, six control variables are considered in this research to control for individual demographic and experience characteristics that may affect the perception of the investment analyst. These variables are considered to be fundamental for ensuring that the tests concentrate more accurately on the differences created by perceptions of good corporate governance driver features. Arguably, there may be other variables that can influence perceptions of investment analysts on drivers of good corporate governance in Nigerian banks which are not included in the used model. More precisely, there are three reasons for limiting the study to these variables: (i) some variables lack a theoretical link with perception of investment analysts on drivers of good corporate governance; (ii) non-availability of data, which limits the use of other variables; and (iii) it is in line with prior studies that widely use these specific variables, which can facilitate comparison of the findings with those of previous studies.

Table 5. 5 Control Variables

	Definition	**Measurements/Proxy**
Firm Size	Since investment analysts all work for firms that make investments, then the turnover(total investment) of the firm represents firm size	Interval scale which will be grouped into an ordinal scale. Item developed following (Jensen & Meckling, 1976; Bebchuk & Weisbach, 2010)

International Affiliate	If the investment firm is an international firm or a subsidiary of an international firm	Dummy variable (Yes or No) Item developed following (Haniffa and Cooke, 2002; Barako et al., 2006; Ntim et al., 2012a; Samaha et al., 2012, MaCahery et al., 2016)
Gender	Male or Female	Nominal Variable Item developed following (Rajdev & Jssciw, 2013; Jain & Mandot, 2012)
Total years of experience	This is the number of years an investment analyst has spent making investments on behalf of investors	Interval scale which will be grouped into an ordinal scale. Item developed following (Rajdev & Jssciw, 2013; Jain & Mandot, 2012)
Background	This is the area of specialization of the investment analysts	Nominal Scale Item developed following (Rajdev & Jssciw, 2013; Jain & Mandot, 2012)
Age	How old the investment analyst is	Interval scale which will be grouped into an ordinal scale. Item developed following (Rajdev & Jssciw, 2013; Jain & Mandot, 2012)

5.3.7 Questionnaire Survey

A questionnaire is simply a 'tool' for collecting and recording information about a particular issue of interest. It is mainly made up of a list of questions, but should also include clear instructions and space for answers or administrative details (Babbie, 1995). Questionnaires offer information that can be generalized, should always have a definite purpose that is related to the objectives of the research, and needs to be clear from the outset how the findings will be used (Babbie, 1995).

Especially for the sample population, questionnaire is particularly suited for the research as respondents will be free to express themselves without fear of being identified (Falgi, 2009). There are two types of questionnaire self-administered and interviewer administered (Saunders et al., 2007). The self-administered is divided into three types: Internet-mediated questionnaire, postal questionnaire, and delivery-collection

questionnaire. The interviewer-administered questionnaire is divided into two types: telephone and structured interview.

This research made use of self-administered questionnaire due to the spread of the respondents making it cheaper than any other type of survey. It is also easier for the respondents to complete, improves chances of anonymity thereby increasing response rate.

5.3.7.1 Design of Questionnaire

As earlier stated in the literature review, the cornerstone of this current study is the work of Adegbite (2015) which postulated nine firm level drivers of good corporate governance for firms in developing countries even though the research data collected through a triangulation of qualitative methods. The main objective of this current study is to obtain perspectives of investment analysts on features of drivers of good corporate governance and influence these features have on their decision-making. Accordingly, research hypotheses focused on all postulated features of drivers of good corporate governance as it relates to the decision making of investment analysts.

In designing the questionnaire, extreme care was taken in ensuring that the questions asked are relevant to the research. Most of the questions were modifications from previous researches to suit the purpose though some were created especially for this study. Standardized questions for the theme and areas to be covered was prepared.

The questionnaire was divided into ten sections; 1.General information. 2. Set of questions related to board independence. 3. Set of questions related to board heterogeneity. 4. Set of questions related to board (directors') reputation. 5. Set of questions related to board evaluation. 6. Set of questions related to foreign (large) institutional shareholders. 7. Set of questions related to effective shareholder activism. 8. Set of questions related to performance related executive compensation. 9. Set of questions related to full and transparent information (voluntary disclosure) 10. Set of questions related to independent audit committees.

Additionally, to increase the research legitimacy and importance, the questionnaire was accompanied by a cover letter from Durham Business School. All questions in this study have been measured by adopting the five-point Likert scale used extensively in social science research, ranging from 5= strongly agree, 4=agree, 3 = neutral, 2= disagree, 1 = strongly disagree. Likert scales are good at measuring opinions, beliefs and attitudes as it will show the varying degree to which respondents agree/endorse a statement (DeVellis, 2003). Since Nigeria's main language is English, the questionnaire was administered in English language hence there were no translation issues.

5.3.7.2 Piloting the questionnaire and assessment of validity

Questionnaires may have challenges such as unclear language, unsuitable questions, questions that are difficult to place or answer, missing data, low response rates, long winding questions (Pornuptham, 2006). DeVellis, (2003) defined validity of a study as the ability to present findings that are consistent with theory or conceptual values. Hence, to validate the questionnaire for this study, a pilot test was conducted in case there are areas not well covered or not very clear. Pilot study enables researchers to carry out trial analysis of a small sample, and the analysis should tally with the results of the main study (Burgess, 2001). For this purpose, questionnaire was distributed to 12 investment analyst contacts of this researcher. Fink (1995) suggested that ten respondents are enough to carry out a pilot study.

5.3.7.3 Questionnaire administration:

The questionnaire was administered in a pilot test to twelve (12) investment analyst randomly contacted by the researcher from his pool of contacts. Eventual total number of respondents was 161. This should be adequate as the item intercorrelations are stong (Guadagnoli & Velicer, 1988). Moreover, the total population of investment analysts that operate in the Nigerian market is about 1,400. Of this 1,400, about 200 are personal contacts of the researcher whom he had interacted with while working in the financial sector.

Additionally, a comprehensive database of investment analysts containing detailed information (emails, phone numbers, etc.) of 1,200 investment analysts who purchase equities or fixed income transactions in Nigeria, was obtained from an investor relations

manager contact of the researcher. In all, 1400 questionnaires were distributed, and 161 responses were received. Of the 161, 141 of the filled questionnaire were usable in the survey with 115 (8.6%) completely filled. This response rate is higher than surveys used in finance (e.g., 5.3% in Brav et al. (2008a), 4.3%; Dichev et al. 2013; McCahery et al., 2016; 5.4%).

In a survey of the opinions of economic agents such as this one, naturally the study faced the risk that respondents answer in a strategic or untruthful fashion. To mitigate these concerns, the survey was conducted anonymously and did not require respondents to reveal their names or employers. The researcher further emphasized that individual responses would be treated as confidential. Furthermore, discussions with a number of the respondents indicated that they were quite passionate about the topic and would not have spent time filling the questionnaire if they intended to answer untruthfully. Other criticism of this type of questionnaire includes the inability of the researcher to draw more meanings from the respondents and bias toward the researcher's thoughts in preparing the questions. The semi-structured interviews conducted in the second part of this research helped to overcome the criticism of researcher's bias.

Given that the survey was administered using Qualtrics, a web-based survey tool, only one observation per investment analyst was recorded. Full details of the questionnaire items are provided in Appendix I. The survey questions are in line with previous studies (Filatotchev et al., 2007; Hendry et al., 2007; Aguilera et al., 2008; Adegbite 2015), and were pre-tested through a pilot test to ensure their validity, reliability and contextual relevance.

This methodology was aimed at achieving two objectives. First, a relatively high score across the population of respondents would indicate the high importance of particular drivers of good corporate governance when it comes to investment decision making. Second, following MaCahery et al. (2016) using significance relationships obtained via ordered logit regressions, various features that describe a particular driver (or a particular

driver can be manifested in the form of), were ranked in terms of their relative importance to the vis-à-vis other features in the same family.

5.3.8 Descriptive Data for Questionnaire Respondents

This section discusses the descriptive statistics for the demographic information which include: the respondent's gender, age, work experience, local or international investor, and occupation background. Table 5.6 below shows that there were 102 male (72.34%) and 35 respondents were female individual investors (24.82%) (4 of the investment analysts did not provide their gender). Table 5.7 shows that majority of the respondents (45.39%) were between the ages of 31-40 while 35.46% were between the ages of 41-50. This age bracket of between 31-50 are typically the most active investment analysts. Only 1 of the investment analysts was over 60. About 120 (85.11%) of the investment analysts had majority of working experience in the area of banking and finance. In terms of the total number of years as an investment analyst, the respondents were quite well spread. About 15 (10.67%) had 1-5 years investing experience, while 36 (25.53%) had 5-10years investing experience, 52 (36.88%) had 10-15years investing experience, 26 (18.44%) had 15-20years investing experience, while 12 (9.92%) had over 20years work experience.

91 (64.54%) of the respondents work for local investment companies while 50 (35.46%) work for foreign companies. In terms of annual turnover of the firms these investment analysts work for, 20 (14.18%) work for firms with N100M-N1BN annual turnover, 30 (21.28%) worked for companies with N1BN – N10BN. Majority of the investment analysts 46 (32.62%) work for companies with turnovers in excess of N100BN which is approximately ($320M).

Table 5. 6 Gender

	Frequency	Percentage	Cumulative
Male	102	72.34	72.34
Female	35	24.82	97.16
Unstated	4	2.84	100
Total	141	100.00	

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Table 5. 7 Age

	Frequency	Percentage	Cumulative
21-30	15	10.64	10.64
31-40	64	45.39	56.03
41-50	50	35.46	91.49
51-60	11	7.80	99.29
Over 60	1	0.71	100.00
Total	141	100	

Table 5. 8 Background

	Frequency	Percentage	Cumulative
Banking & Finance	120	85.11	85.11
Economics	4	2.13	87.24
Accounting	6	2.84	90.08
Legal & Political	3	4.26	94.33
Others	8	5.67	100.00
Total	141	100	

Table 5. 9 Years of Experience

	Frequency	Percentage	Cumulative
0-5years	15	10.67	10.67
5-10years	36	25.53	36.17
10-15years	52	36.88	73.05
15-20years	26	18.44	91.49
Over 20 years	12	9.92	100.00
Total	141	100	

Table 5. 10 International Affiliation

	Frequency	Percentage	Cumulative
Local	91	64.54	64.54
Foreign	50	35.46	100.00
Total	141	100.00	

Table 5. 11 Annual Turnover

	Frequency	Percentage	Cumulative
N1M-100M	12	8.51	8.51
N100M-N1BN	20	14.18	22.69
N1BN-N10BN	30	21.28	43.97
N10BN-N100BN	33	23.40	67.38
Over N100BN	46	32.62	100.00
Total	141	100.00	

5.3.9 Non-response bias

Non-response bias occurs when the eligible non-respondents differ substantially from the respondents in terms of the variables of interest (Armstrong & Overton, 1977). Non-response bias is quite problematic since it means that the sample of a given study is not representative of its sampling frame, which implies that the results obtained are not generalizable. The method typically used by researchers to assess for non-response bias consists of making a comparison between respondents and non-respondents with regard to the variables of interest. According to Armstrong & Overton (1977), people who respond to later waves (a "wave" here means the response generated by a stimulus, e.g., a follow up email – cf. Armstrong & Overton, 1977) are expected to be similar to non-respondents, since they only responded to the survey because of an increased stimulus.

In order to determine early versus late respondents, the number of working days between the first email contact and the day in which respondents completed the survey was computed. Early respondents were defined as those respondents pertaining to the first quartile of the distribution. Late respondents were defined as the respondents belonging to the last quartile of such distribution.

5.3.9.1 Response Bias Assessment

Generalisability is an important issue in academic research, and as such there are "great concerns regarding the extent to which data used in a research project reflects a broader population, including the possibility of non-response bias" (Blair & Zinkhan, 2002, p.4). Accordingly, non-response is seen as one major source of sample bias. Hence, it is suggested that the role of non-response in sample quality should be addressed (Hair et

al., 2006; Blair & Zinkhan, 2002). Blair & Zinkhan (2002) suggest that best practices should be followed to control non-response bias. It is, therefore, recommended that the ideal way to handle non-response bias is to reduce the non-response itself (Hair et al., 2006). However, it is still possible that the impact of non-response bias on sample quality can be estimated after the full-study is completed (Rindfleisch et al., 2008). It was assumed that those that responded after the first follow-up were no different from non-respondents (Churchill, 1995). The notion is that firms that "respond less readily are more like non-respondents" (Armstrong & Overton, 1977, p.397).

Subsequently, the study had two unequal group data sets. Using procedures suggested by Armstrong & Overton (1977), the first group, which consisted of 104 respondents, were those that responded with only one stimulus prompting while the second group consisted of 31 respondents who only responded after a second or third prompt by the researcher. The study then conducted a t-test on the two groups (Armstrong & Overton, 1977). The t-test is used to determine if two sets of data are significantly different from each other (Pallant, 2013). Table 3.13 below shows the result of the t-test conducted for various variables.

Table 5. 12 Response Bias Assessment

Variables	Mean of Early Respondents (N=104)	Mean of Late Respondents (N=31)	Sig. of t-values (2-tailed)
Annual Turnover	3.64486	3.322581	0.2317
CEO Duality	1.894231	2	0.6538
Multiple Directorship	3.029412	3.038462	0.9697
Clear Compensation Schemes	2.851064	3.181818	0.2185
Influence of Independent Directors	1.817308	1.83871	0.9152
Presence of Sophisticated Activist Shareholders	1.969072	2.227273	0.2170

Results, as shown in table 5.12, indicate that the differences between the means for early respondents and that of late respondents were not significant at five percent significant level. This suggests that the mean difference observed in the two groups was due to chance (Churchill, 2005). Thus, it can be said that there were no significant differences between responding and non-responding participants in the study. Accordingly, it is considered that non-response bias did not create any major impact on the host of variables used in this study. Moreover, this study used a mixed method research design hence follow up interviews were conducted with 27 top management investment analysts.

5.3.10 Statistical methods of questionnaire analysis

The model was first analyzed using descriptive statistics of the collected data. Also, the Pearson and Spearman correlation was used to identify the correlation between the variables. Other descriptive tests such as frequencies, percentages for responses and mean scores for respondents according to the level of agreement for each group of questions.

Subsequently, the ordered logit regression was applied to investigate the association between investment decision-making, as a dependent variable, and the different features of drivers of good corporate governance, as independent variables. The model was statistically analyzed using the STATA 15.1 statistical package.

5.3.11 Ordered Logit Regression

Logit and probit models are almost as common as linear regression (Krueger & Lewis-Beck, 2008). Logistic regression is used when the dependent variable is binary in nature (Aguinis, 2004). However, when the dependent variables are limited (i.e the interval that the underlying dependent variable fall in range but not an exact value as found in Likert type scales, then we use the ordered logit regression (Long & Freese, 2006). When analysisng using the ordered logit regression, the following assumptions must be met. i. The dependent variable should be measured at the ordinal level e.g use of Likert scales. ii. One or more independent variables that are continuous, ordinal or categorical. iii There

is no multicollinearity[6]. iv. The odds are proportional[7] (Laerd Statistics, 2019; Long & Freese, 2006).

The data used in this research meet the ordered logit assumptions.

5.3.11a. Endogeneity

Endogeneity refers to situations in which an explanatory variable in a multiple regression-type setup correlates with the disturbance term (Wooldridge, 2010). Murphy (1997, p. 4) states that, "the methods chosen should be appropriate to the research question and the inferences drawn should be consistent with what was actually attempted in (the) study". Hence, research that seeks to "produce coefficients that capture the magnitude of the true (causal) relationship rather than just an association or a correlation" should concern itself with the problem of endogenity (Antonakis et al., 2014, p.4). This present research does not claim a causation, rather the coefficients are interpreted as an association. As a result, this research did not concern itself with endogeneity problems.

The next section describes the qualitative methodology.

5.4 Part C. Qualitative Methodology

5.4.1 Introduction of the Qualitative Method

Van Maanen (1983 p. 9) defines qualitative methods as "an umbrella term covering an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world." There are many different types of qualitative method such as ethnography, interviews, case studies, and observations which can be applied to collect data.

According to Zattoni et al. (2013), the mixed findings occasioned by the use of agency theory in governance studies serves as motivation to employ qualitative designs. Further,

[6] Multicollinearity occurs when you have two or more independent variables that are highly correlated with each other. This leads to problems with understanding which variable contributes to the explanation of the dependent variable and technical issues in calculating an ordinal regression.
7 Proportional odds means that each independent variable has an identical effect at each cumulative split of the ordinal dependent variable.

qualitative research design explores how governance actors and institutions actually engage with governance practices (McNulty et al., 2013; Albassam, 2014). Furthermore, according to Mengoli et al. (2009), qualitative research can increase the robustness of quantitative results through comparison of the findings.

This research sought an understanding of why particular features of corporate governance drivers are important to investment analysts who make investment decisions in Nigeria. The subjective perceptions of people helped to provide a rich and valuable source of information to our research inquiry (Bryman, 2015).

5.4.2 Overview of Qualitative Research

By the 1970s, qualitative research approaches gained popularity among researchers in social sciences (Morgan & Smircich, 1980; Scott & Garner, 2013). The increasing use of qualitative research reflects the importance of closely studying human behavior in the business environment (Hesse-Biber & Leavy, 2011). Thus, qualitative research in business studies aims to provide detailed interpretations of quantitative results by exploring how, why and what (Creswell &Clark, 2011).

Qualitative research is a holistic approach that generates knowledge from different angles and can be used in different fields of study (Hesse-Biber & Leavy, 2011). Qualitative research can be conducted when: (1) explaining social phenomena (2) exploring and understanding social reality; and (3) offering a rich description of social life (Hesse-Biber & Leavy, 2011). According to Bryman (2012), there are three main steps to conducting qualitative research. First, determine the research problem and identify the research questions. Second, select an appropriate data collection method. Third, analyze and interpret the data using selected data analysis techniques.

Qualitative research is characterized as a flexible approach in studying human behavior and experiences (Silverman, 2011). According to Lichtman (2013), there are general considerations when conducting qualitative research. First, no single method in qualitative studies that fits every research project. Second, qualitative research does not aim to examine hypotheses and simply employs the inductive approach (see Bryman,

2012). Third, qualitative research explores social phenomena in detail. Thus, qualitative research methods explore in depth a limited number of cases and themes rather than a large number of samples.

5.4.3 Reliability and Validity in Qualitative Research

Reliability and validity are important in qualitative research (Bryman, 2004). Reliability (although commonly associated with quantitative research) refers to the possibility of reproducing the same results if the research were repeated (Golafshani, 2003; Collis & Hussey, 2009). However, unlike quantitative data, reliability and validity in qualitative studies rely mainly on data collection and analysis processes (Hesse-Biber & Leavy, 2011; Golafshani, 2003). Therefore, there are no specific tests that can be applied to all qualitative methods to examine reliability and validity (Bryman, 2004).

There are three main criteria to enhance the reliability of interviews (Silverman, 2011). 1. An understandable and clear interview guide should be developed for interviewees. Especially as a clear interview guide can ensure precision in the analysis and coding of the data. 2. For the findings to be more reliable, accurate taping and transcribing is required. 3. Inter-coding reliability needs to be maintained.

The extent to which the interpretation of the results accurately reflects the phenomena under consideration is know as validity (Collis & Hussey, 2009). Interview validity is determined by the extent to which interviewees are willing or able to provide knowledgeable data (Barriball & While, 1994). Therefore, careful selection of interviewees is important.

When two or more methods are adopted in exploring answers to research questions, a triangulation is applied to verify the findings. Triangulation improves research validity (Hesse-Biber & Leavy, 2011; Silverman, 2011). This study used a mixed-methods approach; thus, triangulation helps in verifying whether the qualitative findings match the results obtained from the quantitative methods.

5.4.4 Semi-structured interviews

An interview is a research method to obtain data (life narratives) through the experiences and perceptions of groups or individuals (Scott & Garner, 2013). It is one of the most comprehensively applied approaches of data collection in social sciences, will help the researcher to gather validity and consistency that are relevant to research questions (Saunders et al., 2007). To be able to conduct the interview, the researcher must possess the skill to be able to obtain responses from the interviewee without allowing self-bias to intervene in the process (Kamel, 2006).

Interview surveys can either be non-standardised/ standardized (Healey, 1991) or structured/semi-structured/unstructured (Saunders, 2007). Structured interviews are designed to be used with a specified set of research questions (Bryman, 2012). In semi-structured interviews, the interviewer has a list of questions, with the flexibility to pursue other topics that arise during the interview (Collis & Hussey, 2009). Such interviews are not limited to the prepared questions and as such, allows the researcher to ask follow up questions during the interview (Collis & Hussey, 2009). Structured interviews are frequently used in quantifying results because they rely on specific answers (Scott & Garner, 2013). Semi-structured interviews in contrast, allow the interviewer the freedom to ask diversified questions based on given answers (Liew, 2007; Haniffa & Hudaib, 2007; Johl et al., 2012). This makes semi-structured interview the most appropriate type of interview technique for exploring opinions on corporate governance in detail (Liew, 2007; Bailey & Peck, 2013; Piesse et al., 2012).

This study makes use of the semi-structured interview as it provides a deep understanding of social phenomena (Bence et al., 1995; Hussey & Hussey, 1997). Bryman & Bell (2003) posit that semi-structured interviews are good for explaining and understanding events, patterns, and forms of behavior as well as providing a more accurate picture of respondents' positions. This study uses semi-structured interviews in order to obtain the opinions of seasoned investment analysts on why certain features of corporate governance drivers are associated with investment decision making and others are not. This conforms with the view of Hussey & Hussey (2007) who posit that interviews are

appropriate technique to use when required information is sensitive or potentially confidential.

The use of semi-structured interviews is increasing and preferred by researchers as they help explore answers to research questions in detail. (Bryman, 2004; McNulty et al., 2013; Soobaroyen & Mahadeo, 2012). The researcher will develop a list of questions, called the interview guide, which helps guide discussion about the issue from all aspects even though interviewees have the right to share their opinions and thoughts. This opportunity for interviewees to share their views is very important (Bryman, 2004; Humphrey & Lee, 2004). Using this method allows the researcher flexibility to prepare a list of themes and questions that may vary from one interview to interview. In essence, deep and varied questions are asked and discussed during semi-structured interviews. Also, interviewees are able to express their opinions clearly according to their experiences and knowledge (Saunders et al., 2007). According to Berg (2007), the semi-structured interview method, unlike other interview types, can enable the researcher to obtain rich astute information or explore uncovered problems in prearranged questions related to the research topic.

In this study, in-depth interviews were conducted over a 4 week period between December 2017 and January 2018 using the semi-structured interview technique. This approach, while encouraging a two-way communication, offered the researcher more latitude to ask further questions as a reaction to what is considered a significant response. Thus, information generated from the semi-structured interviews did not only provide answers but also offered reasons for those answers (Flick, 2014). The methodology is consistent with previous studies on corporate governance drivers in Nigeria (e.g., Adegbite, 2015; Nakpodia & Adegbite, 2018).

5.4.4.1 Semi-structured interviews design and data collection

This section presents the design and data collection process of the semi-structured interviews used in the current study. Particularly, it addresses the selection of interviewees, explains the design of the interview guide, discusses the procedure of

conducting the interviews and addresses the ethical issues related to the interview process.

5.4.4.1.1 Selection of Interviewees

Theoretical sampling can help the researcher identify concepts and themes pertinent to the research problem (Corbin & Strauss, 2008). In this study, theoretical sampling was used to select the interviewees. Participants were drawn from investment analysts who operate in the Nigerian business environment. The participants were all senior management who are experienced in making investments and were particularly familiar with investments in the Nigerian banking sector. They included managing directors, chief investment officers, asset managers, investment analysts, and fund managers (See table 5.13 below). All these executives were familiar with the code of corporate governance for banks and hence with corporate governance mechanism drivers. Given the positions of the interviewees, this research benefited from their insider views of the drivers of good corporate governance in sub-Saharan Africa (see also Adegbite, 2015; Filatotchev et al., 2007; Aguilera et al., 2008; Hendry et al., 2007; Bogdan & Taylor, 1975; Das, 1983; Van Maanen, 1998; Patton, 1980). Also, this enriched data prevented similitude and served as an experimental control mechanism upon which different views were assessed and compared.

It is also important to highlight that sample size issues in qualitative research are often influenced by 'saturation' concerns. A considerable volume of literature in qualitative research suggests that 'how many' is not what matters (Mason, 2010; Burmeister & Aitken, 2012). A researcher should, therefore, aim to satisfy himself/herself that he/she has learned, and understands the phenomenon, enough to enable knowledge generation. This was the basis for determining the sample size (see Pope et al., 2000; Mason, 2010). Given that the researcher has substantial corporate experience in Nigeria[8], the study participants with the requisite profile were contacted personally via emails, social media, and telephone calls, outlining the research agenda. After exhausting personal contacts, the snowballing technique also proved beneficial in gaining access to high-caliber

[8] Until embarking upon his Ph.D. studies, the researcher was the deputy head of international funding in a top commercial bank in Nigeria, a role which involved regular interaction with foreign and local investment analysts.

respondents (Denscombe, 2010; Stigliani & Ravasi, 2012). As a result, 27 interviews were conducted until saturation was achieved. The number of interviewees is consistent with related studies. For example, Adegbite et al. (2013) conducted 26 in-depth interviews, Nakpodia (2015) conducted 24 interviews, Ogbechie & Koufopoulos (2007) and Okpara (2011) interviewed 20 respondents, while Uys (2008) conducted 18 interviews to generate their findings.

There was a very high degree of agreement amongst respondents' comments, which were also mainly in alignment with the quantitative studies. The data collected were largely representative due to the multi-stakeholder participation and the lack of commonality among the respondents who refused/or could not be interviewed. In order to minimize respondents' position bias (Miller et al., 1997), respondents who satisfied the purposive sampling requirement of competence were those selected (Hughes & Preski, 1997).

Table 5. 13 Interviewees Details and Codes

Code	**Position**	**Organization**
CP1	Chief Investment Officer	Large Closed Pension Company
OP1	Chief Investment Officer	Large Open Pension Company
MF1	MD	Medium sized investment company
OP2	Chief Investment Officer	Large Open Pension Company
OP3	Chief Investment Officer	Medium Open Pension Company
OP4	Chief Investment Officer	Large Open Pension Company
MF2	MD	Medium sized investment company
LA1	Fund Manager	Large Asset Managers
LF1	Senior Fund Manager	Large Investment Company
MF3	Group Executive	Medium Investment Company
LF2	Chief Investment Officer	Large Asset Managers
LC1	Chief Analyst	Large Capital Market Company
LA2	MD	Large Asset Managers
LC2	Chief Analyst	Large Capital Market Company
LC3	President	Large Capital Market
CP2	Chief Investment Officer	Large Closed Pension
LC4	Director	Large Capital Market
LC5	MD	Large Capital Market

LC6	Principal Director	Large Capital Market
LC7	Deputy Chief Investment Officer	Large Capital Market
MA1	MD	Medium Asset Managers
LA3	MD	Large Asset Managers
OP5	Fund Manager	Large Open Pension
OP6	Deputy Chief Investment Officer	Large Open Pension
LA4	Business Development Manager	Large Asset Managers
MF4	Chief Investment Officer	Medium Investment Company
LC8	CEO	Large Capital Market

5.4.4.1.2 Designing the Interview Guide

An interview guide is used to organize the research questions in semi-structured interviews (Corbin & Strauss, 2008). Bryman (2012) suggests that an interview guide for semi-structured interviews should be a brief list of questions that address the research problem. This study follows Gilbert (2008) in designing the interview guide following three steps. First, the framework of the interview guide which is derived from the research problem is determined. The guide is designed to clearly identify the themes to be used in analyzing the interview data. Second, formulate the interview questions. The questions should be designed to (i) demonstrate knowledge of the individuals; (ii) reveal the views of the interviewee; (iii) explore the interviewee's emotional responses, and (iv) reveal interviewees' personal experiences (Lichtman, 2013). According to Charmaz (2002), questions asked during the interview can be of three types: (1) opening questions that start the discussion; (2) intermediate questions that investigate the issues in detail; and (3) concluding questions that assist in obtaining advice and recommendations (as cited by Bryman, 2004).

A number of considerations were taken into account when formulating the questions. First, the researcher formulated interview questions in a way that helped elicit more accurate answers (Bryman, 2004). Second, the questions were designed not to be too narrow, because that may limit follow-up questions or clarifications of the main issue during interviews (Bryman, 2004). Third, the questions were ordered, to ensure a reasonable flow so that the research issue could be discussed properly (Bryman, 2004). Fourth, as this study employs a mixed-methods approach, the questions were designed

to help achieve integration between quantitative and qualitative approaches (Creswell & Clark, 2011).

The third step is to review the proposed interview guide (Lichtman, 2013; Gilbert, 2008). According to Gilbert (2008), there is no standardized interview guide thus, the constructed guide in this research was reviewed by the researcher's supervisors and discussed at conferences with colleagues. Their reviews assisted in identifying issues previously not considered and ensured the validity and reliability of the interview data (Lichtman, 2013). After the review process, the proposed amendments were taken into account, and the final design was eventually developed. The interviews were conducted and transcribed in English, as Nigeria is an English speaking country.

5.4.4.2 Semi-structured Interviews: Process and Reflection

Building on the above discussion, this section addresses the procedure of conducting the interviews. Specifically, it discusses the type of interviews and the stages in which they were conducted. In this study, one-to-one interviews, instead of a focus group, were employed for three reasons. First, the interview questions sought information about the practitioners' personal experiences. Focus groups interviews conflict with the confidentiality that may be required by interviewees (Saunders et al., 2007). Second, one-to-one interviews allow interviewees to be able to freely express themselves without restrictions that may be imposed by the presence of third parties that may be associated with focus groups (Bryman, 2004). In other words, interviewees can expand on issues they see as important. Third, there are practical difficulties with gathering practitioners in one place at one time, due to the tight schedules associated with their high job profiles (mainly senior corporate executives, such as CEOs, and Chief Investment Officers). Moreover, the researcher was keen to conduct face-to-face interviews rather than online or telephone interviews because: (i) body language is important in dialogue, such as facial expressions that cannot be captured in telephone interviews (Bryman, 2004; Yazdifara et al., 2008); and (ii) face-to-face interviews develop an atmosphere of ease and trust between interviewer and interviewees (Bryman, 2004).

Conducting the interviews took approximately three weeks: from December 27, 2017, to January 19, 2018. Although this period covers the year-end Christmas and New Year

holidays, most investment analysts were working and the holidays were over by January 5th, 2018. Furthermore, the researcher took advantage of the relaxed environment to conduct the interviews. Interviews lasted between 30 and 70 minutes. All of the interviews were conducted in locations suggested by the investment analysts. Also, the interviews were taped after obtaining consent from the interviewees. All interviews were taped. Taping the interviews helped ensure accurate data and reduced mistakes in transcribing the interviews (Barriball & While, 1994).

The interviews were conducted in three stages. The first stage was the preparation before starting the interview. In this stage, the researcher obtained further information about the background and experience of the interviewee. Having this information improved the interaction with the interviewees (see Liedtka, 1992). In the second stage, before asking questions, the investment analysts were asked to allow taping of the interview. They were assured of the confidentiality of the information used by the researcher. After that, the practitioner was asked briefly about his professional background (e.g., Bailey & Peck, 2013). Then, practitioners were given an overview of the research objectives and themes. This helped to give them a general idea about the information the researcher was seeking, which assisted in maintaining the conversation during the interview process (Coleman et al., 2010). After the introduction, the researcher opened up the inquiry through the questions presented in the interview guide. During the interview, the practitioner was given the freedom to express his opinions and ideas even if they were not directly linked to the questions asked. Therefore, the semi-structured interviews obtained rich data (Creswell & Clark, 2011). The interview guide was followed to ensure that all of the questions were asked, and notes were taken in order to record the essential points in the interview (Corbin & Strauss, 2008).

In the third stage, at the end of the interview, the researcher expressed his gratitude to the interviewees for their time and reassured them about the confidentiality of the information. They were offered a copy of the thesis if desired.

5.4.4.3 Ethical Issues Related to the Interviews

Ethical issues are important to consider in a qualitative approach where interviewer and interviewees interact (Bryman, 2012). Research ethics can be considered in three stages, as follows: (i) before conducting the interviews; (ii) during the data collection; and (iii) after conducting the interviews (Saunders et al., 2007). The first stage involves accessibility to organizations, data sources, and participants. This starts by exploring the organizational contexts and providing interviewees with an understanding of the issues surrounding the research problem (Liedtka, 1992; Saunders et al., 2007). In the second stage, research ethics are considered during data collection, informed by the principle of informed consent. Bryman (2012) suggests that interviewees should be informed about: (i) what the research is about; (ii) its objectives; (iii) who is sponsoring it; (iv) the nature of their participation in the research; and (v) their right to withdraw from the interview at any time. The third stage, after conducting the interviews, considers research ethics during the data analysis and results reporting; for example, maintaining the confidentiality of data during analysis and interpretation of the results. The interviewees should have a reasonable expectation that the information provided will be treated confidentially (Lichtman, 2013). The researcher must ensure that the interviewees' privacy will not be violated, such as by revealing their identity in this thesis or any other later publication (Bryman, 2012). Commitment to ethics makes for better research. Also, ethics are considered in accurately reflecting the interviewees' viewpoints when results are reported and coded (Liedtka, 1992). Lichtman (2013) suggests some other ethical considerations during the interviews, such as behaving appropriately and avoiding questions about interviewees' personal lives.

5.4.4.4 Analysis of semi-structured interviews

The current study uses a thematic analysis approach in analyzing qualitative data (Boyatzis, 1998; Bailey & Peck, 2013). As discussed earlier, a mixed-methods approach is used in this study, based on the explanatory sequential design. This means that conducting the interviews is the second stage after obtaining quantitative findings. Using thematic analysis in this study helps explore, in depth, corporate governance drivers and

their features. Furthermore, the reasoning behind results obtained in the quantitative study were explored (Boyatzis, 1998; Bailey & Peck, 2013).

For analytical procedures, this study used two phases of data analysis, in line with the corporate governance literature (e.g., Haniffa & Hudaib, 2007; Bailey & Peck, 2013; Nakpodia & Adegbite, 2018). These two phases are, first, the pre-coding phase, and second, the coding or categories phase. In the first phase, the interviews were transcribed. The study adopted a verbatim approach in transcribing the interviews. In total, each interview was an average of twenty pages, transcribed. To ensure accuracy, the transcription was read while listening to the tape.

After all of the interviews had been transcribed, the researcher started reading memos and the interviews to build up an initial conceptual framework to identify concepts and categories (e.g., Bailey & Peck, 2013). In doing so, the researcher read all the transcripts twice, to develop a general idea, and wrote in the margins and underlined the fundamental and pertinent issues in the data (Corbin & Strauss, 2008). From the first reading, preliminary concepts emerged through the use of memos (the researcher's notes during and after the interview process), which helped establish reliable and clear coding cards (Saldana, 2013). Saldana (2013) argues that it is not possible to implement a coding system from an initial reading of the data; at least two cycles of reading are required to get a good coding framework. Thus, the researcher re-read the transcripts to filter the concepts; this also enhanced the validity of coding.

Procedure for Analysing Data

Unlike quantitative data, qualitative data consists of words and observations; hence its analysis and interpretation are necessary to bring order and generate understanding (Taylor-Powell & Renner, 2003). Boeije (2009) explains that, in the context of research, analysis describes the processing of data in order to answer the research questions. It involves an extensive array of procedures aimed at systematically addressing research questions. By placing research findings on a continuum, the degree of transformation of data during the data analysis process from description to interpretation is indicated (Sandelowski & Barroso, 2003b). For research that employs a relatively low level of

interpretation, approaches such as content analysis, descriptive phenomenology, and thematic analysis are suitable. This is in contrast to hermeneutic phenomenology or grounded theory, where a higher level of interpretive complexity is required. The current study uses a thematic analysis approach in analyzing qualitative data.

Thematic analysis is mainly described as "a method for identifying, analyzing and reporting patterns (themes) within data" (Braun & Clarke, 2006, p. 79)

Why Thematic Analysis?

The nature of study and a researcher's paradigm disposition bear significant influence on the technique employed to analyze the data (Miles & Huberman, 1994). Taking the researcher's ontological and epistemological position into consideration, the study engages thematic analysis in view of its alignment with the researcher's philosophical preference and study objectives. By breaking texts into smaller units of content, thematic analysis aims to analytically examine narrative materials from life stories submit them to descriptive treatment (Sparker, 2005). Thematic analysis helps answer questions about what concerns of people about an event and what reasons people have for using or not using a procedure or service (Ayres, 2007b).

Furthermore, thematic analysis provides a rich and detailed, yet complex, account of the data because it is flexible (Braun & Clarke, 2006). According to DeSantis & Noel Ugarriza (2000), thematic analysis is used to search and identify common threads that extend across an entire interview (or set of interviews). This study posits that addressing corporate governance concerns requires an investigation into the psychological reasoning of investment analysts.

Thematic Analysis Process: NVivo as an Aid

The use of software in analyzing data has been introduced into qualitative research (Mayring, 2000). Hence, analyzing qualitative data can be done either manually or by utilizing computer-assisted qualitative data analysis software (CAQDAS) programme (Nakpodia et al. 2016). For this study, CADQAS was used to support, and not replace, the stages of text interpretation (Mayring, 2000). Therefore, the researcher's knowledge

significantly informed the data analysis in this study. There are many software packages for qualitative research, and some of the widely-used qualitative data analysis programmes include NVivo, ATLAS/ti, and MAXQda (Bazeley & Jackson, 2013). This study used the NVivo software to support its data analysis process because of benefits inherent in it. These benefits include visual exploration of ideas, facilitation of open coding, access to original transcribed data and the ability to search key texts and attach memos to coded data (Leech & Onwuegbuzie, 2011; Bazeley & Jackson, 2013).

Analysis of the transcribed data involved three stages; preparation, organizing and reporting (Elo & Kyngäs, 2008). In the preparation state, to enable the researcher make sense of the data, basic unit of text to be classified (units of analysis) (Zhang & Wildemuth, 2009) were identified. This stage required data immersion (Polit & Beck, 2012); the interviews were listened to and transcribed materials were read many times. NVivo use was minimal at this stage.

The organizing stage, which is the second stage involved open coding, grouping identified codes, creating categories from identified codes and engaging in abstraction (Elo & Kyngäs, 2008). Abstraction in research involves providing a broad description of the concerns and generation of categories (Polit & Beck, 2012). One of three approaches (conventional content analysis, directed content analysis or summative content analysis) can be used for interpreting meaning from text data (Hsieh & Shannon, 2005). In this study, the directed approach was employed. This approach was employed to allow for more insights on corporate governance scholarship in Nigeria considering the lack of depth (Adegbite, 2015). The directed approach offered a structure which facilitated the identification of concepts as the initial coding categories from existing theory (Potter & Levine-Donnerstein, 1999), i.e. a priori code, and concurrently, assisted the identification of emerging themes from the data. This approach links with the flexibility often associated with the thematic analysis. The first activity in the organizing stage was coding. According to Miles & Huberman (1994), in investigation of research material, coding represents the starting point. The final stage was based on an abstraction procedure reporting. Inferences were drawn by identifying subcategories with related

characteristics.This were then grouped as generic categories and a main category established from these linkages.

Development of the Coding Frame

The study generated a large volume of data, which enhanced the possibility of "getting lost in the data" (Schreier, 2012, p. 58), so it was essential the researcher maintained focus. The ‘word frequency' and ‘query' tools were used to generate themes initially and this process produced a mass of themes. However, some of the terms were relevant while others were not. For example, terms such as ‘that,' ‘like,' ‘which,' etc., which featured prominently, were categorised as irrelevant. Subsequently, the researcher used the ‘stop word' function in Nvivo to isolate these irrelevant terms.

Figure 5. 3 Themes from Nvivo 11 Extract

The second stage of coding involved the generation of generic categories (themes) from the data and the sub-categories were grouped under higher order headings (Burnard, 1991). There were three main sources of identifying categories in this study: (i) the research questions; (ii) the literature on corporate governance drivers; and (iii) the results obtained from the quantitative part of this study. Following suggestions of Dey (2003),

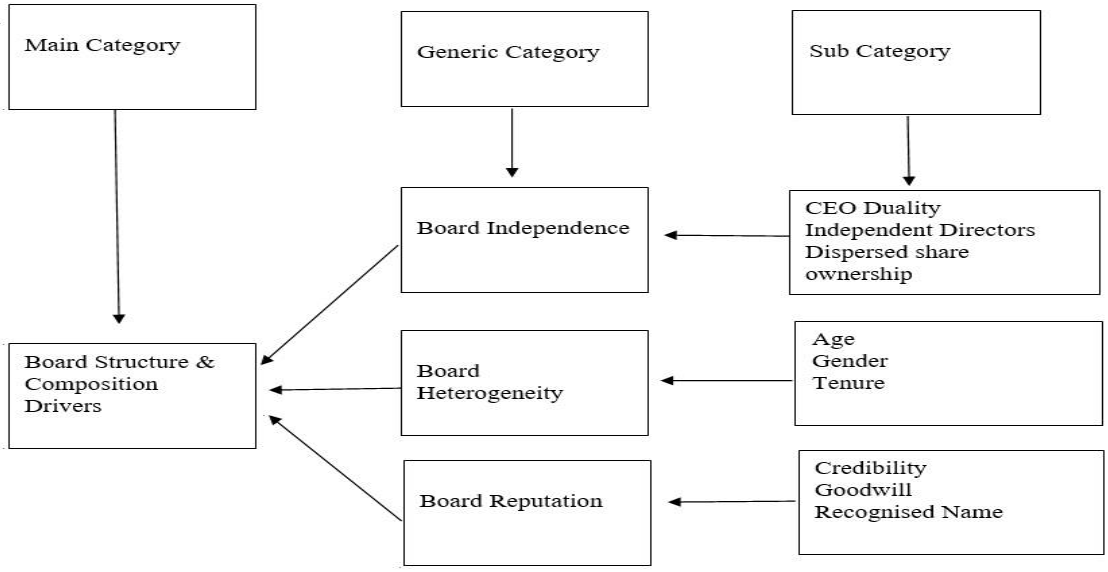
the objective of this stage was to reduce the number of sub-categories by collapsing those that are similar or dissimilar into broader higher order categories. Corbin & Strauss (2008) posit that the constant comparisons approach is essential because: (i) it helps researcher to understand the meaning of events and eliminates ambiguity about the issues; (ii) it stimulates the exploration of the concepts used in data analysis; (iii) it helps the researcher test basic assumptions, biases and perspectives; (iv) it helps the researcher in examining the results obtained; and (v) it helps in the development of the link between themes and subthemes.

The main themes emerging from the data are Nigeria, people, environment, enforcement, corruption, institutions, government, codes, investments, banks, rating matrix, and decision making influences amongst others. From the procedures performed on the data, two coding strands emerged. First, some themes generated from the quantitative study were reinforced with similar themes from the data, and secondly, the data produced several new sets of relevant themes. These themes were subsequently subjected to a process of successive sorting to generate the subcategories for the coding frame. The next stage was 'grouping,' i.e., identifying similar or related themes and examining the variations and reasons for these variations. This procedure helped to condense the array of themes identified. Using the grouping approach proposed in Elo & Kyngäs (2008), three levels of groupings emerged. The first grouping recognized similarities in themes and grouped them accordingly. These groups are the subcategories. It is important to note that there are instances where some themes were deemed good enough to be recognized as properties or elements of other themes.

From this process, the next category of grouping emerged. These new, higher order groups (Burnard, 1991) represent the generic categories (Elo & Kyngäs, 2008). This process ensured further consolidation of subcategories and facilitated effective comparison of research outcomes across the generic categories. The grouping and categorization of data embodies the abstraction stage of analysis. The abstraction stage, however, requires that another category is generated. This category, i.e. the main

category presents the basis of the formulation of a general description of the research concerns (Elo & Kyngäs, 2008).

Figure 5. 4 Sample Illustration of Abstraction Process (Coding Frame)



Source: Adapted from Elo and Kyngäs (2008). The qualitative content analysis process. *Journal of Advanced Nursing*, 62(1), pp. 107–115.

Consequently, the data analysis and discussion for the qualitative aspect of this study, presented in the findings chapters, were structured based on this process.

5.5 Conclusion

This chapter was divided into three parts.

The first part introduced the mixed-methods research, discussed the research design used as well as the philosophical assumptions of the research methodology. This study employs both positivist and interpretivist paradigms. These paradigms were used due to their suitability for the researcher's worldview, the research questions, the nature of the research problem, and the researcher's psychological attributes. The chapter explained why the mixed-methods research design was appropriate for this study and explained why this approach was chosen. Particularly, explanatory sequential mixed-methods design was used for this study. The study used sequential timing, first using a quantitative

design for collecting and analysing data. Then, qualitative data from semi-structured interviews follows the statistical results.

Mixed-methods helps to overcome the weaknesses of a single method. It provides impetus for a more detailed understanding of the research problem. Importantly, the mixed methods design was most appropriate to answer the research questions especially as it helps to improve the reliability of the findings in corporate governance studies, as they examine the behaviour of individuals and firms alike.

The second part introduced the quantitative method used in the research. In this part, the hypotheses for the quantitative study were developed. Following which the model specification and variables measurements were discussed. The part of the study also discussed the questionnaire survey, design and administration. Finally, for the quantitative section, the data collected were described, and the statistical methods used in the analysis were discussed.

The third part of this chapter presented the qualitative method used in this study. The study employed qualitative methods to explore real-life governance issues. Also, reliability and validity in qualitative research were discussed briefly in the first section. This third part also presented the data collection process using semi-structured interviews. More precisely, it discussed the selection of the interviewees. A total of twenty seven (27) interviews were conducted. This third part also discussed ethical issues considered before and after conducting the interviews. Also discussed was the data analysis procedure.

The next chapter presents the findings and discussions obtained from the investment analysts' perception on features of drivers of board structure and composition mechanism on investment decision making.

Durham University Business School

Chapter Six: Perception of Investment analysts on Features of Board Structure and Composition Drivers.

6.1 Introduction

As stated earlier in chapter one, the literature on the drivers of good corporate governance does not provide a clear validation of the individual board structure and composition mechanism drivers. This is especially so as most of the publications are usually focused on one-two aspects of "good" governance, without providing an overall picture of the relative importance of a wider range of board structure and composition drivers to stakeholder groups such as investors or investment analysts.

In developing countries, where institutions are weak (La Porta et al., 1999), it even becomes more difficult for external stakeholders to decipher good corporate governance in the presence of mechanisms such as board independence, board reputation and board heterogeneity amongst others. As such, studies on board of director structure/composition in developing economies have become increasingly important to shareholders (including potential investors), investment analysts and regulators (Melo, 2015; Rashid, 2018), especially since the board of directors is the apex of internal governance control mechanics (Fama & Jensen, 1983). One way to ensure the interests of agents and principals converge is the establishment of a board of directors. Further support for boards' importance, structure and composition is also found in legal tradition, which assumes that the board of directors is to behave like a consensus driven decision-making group with no individual director having the authority to act on behalf of the corporation, but only as a body of directors (Bainbridge, 2008). Hence, boards are primarily responsible for putting controls in place to ensure firms' management behave in accordance with shareholders expectations of them (Cadbury report, 1992).

Board of director mechanisms are however understudied in the developing country contexts, characterized by weak institutional domestic environments (Hoskisson et. al., 2000; La Porta et al., 1999;2000; Adegbite, 2015; Nakpodia & Adegbite, 2018), where understanding about boards seems to be derived based on knowledge from international

governance codes (Melo, 2015). There is even less research at the firm and industry levels in relation to the features of board structure/composition which send signals of good corporate governance to external stakeholders (Melo, 2015; Adegbite, 2015; Black et al., 2017; Rashid, 2018). As a governance mechanism, the board is obliged to scrutinize the firm's executive management's behavior and performance to protect the interests of stakeholders (Hillman & Dalziel, 2003). Boards provide advice, give legitimacy to firms, and are a source of communication especially to external parties (Hillman et al., 2000; Lynall et al., 2003). A mix of executive, non-executive directors, independent directors can provide a wide range of expertise, which can objectively influence the firm's strategy and indeed performance (Anderson & Reeb, 2002; Davis & Greve., 1997; Deutsch, 2005).

Therefore, to identify the validity and importance of the individual board structure and composition driver features in a systematic manner in developing countries, this research uses the results of an expert survey. Investment analysts were asked to rate each individual operationalization on a 5-point Likert scale (1 = strongly agree, 5 = strongly disagree). Individual scores allowed the researcher to verify the importance of a particular driver feature relative to other features in the same "family." The three board structure and composition drivers studied are presented in three separate parts. For each part, after defining each particular driver, each feature of the driver is then described. Subsequently, the descriptive results of respondents view on each feature is presented, following which the ordered logit regressions results are presented. Also in this chapter, the quantitative and qualitative findings are triangulated and discussed.

6.2 Part A. Board Structure and Composition 1: Board independence

Addressing the question of which board independence features depict independence most in developing countries, is quite challenging especially given the weak institutional environment and the general distrust/corruption prevalent in the society.

We shed light on which features of board independence when recognized by investment analysts, generates a considerable measure of confidence that the board is independent.

6.2.1. Statistical Analysis of study variables

6.2.1.1. Descriptives of Board Independence Features in Nigeria

Tables 6.1-6.5 reports percentage and frequencies of respondents that believe features of board independence describe independence. These tables present further evidence of a generally high level of engagement by the respondents especially given the specialist nature of our respondent sample selection. The standard deviations of these features are also very close to 1, which indicates further the high agreement amongst the respondents. In table 6.1, 81.48% of respondents agree or strongly agree that CEO duality does not portend board independence. For CEO duality, the mean was 1.9185 with a standard deviation of 1.1464. Similarly, in table 6.5 where 83.70% of the investment analysts agree or strongly agree that free float/diverse share ownership of shares of a company is likely to portend independence, and only 7.41 disagree or strongly disagree. The mean of diverse share ownership feature was 1.7556 with a standard deviation of 0.9261, which indicates again the agreement among respondents.

The findings that free float is important for investment decision making points to the short tenure mindset of investors. A major concern for the investment analysts is the tradability of the shares of a company, probably for easy exit in turbulent times. This finding is consistent with literature (e.g., La Porta et al., 1999; Adegbite, 2015, Nakpodia & Adegbite, 2018) that suggests that the weak institutions in developing country means the investors distrust the independence of boards of companies and will only be happy to invest in shares of firms during the good times or when the see arbitrage opportunities.

Also, 67.41% of the respondents strongly agree or agree that the presence of more non-exec than execs represents board independence while 14.07% disagree or strongly disagree (as high as 21.48% stayed neutral). Now although the majority of the respondents recognize that more non-execs on a board should lead to less conflict of interest, the level of disagreement or neutrality suggests that evidence of this feature is not overwhelming. Again, this seems consistent with the literature (e.g., Adegbite, 2015;

La Porta et al., 1999) that posit that in developing countries, many of the firms are family owned hence the boards are dominated by family or close associates of majority owners. Indeed, only 64.44% of respondents agree or strongly agree that more non-execs than execs on a board represent board independence.

Table 6. 1 CEO Duality

	Frequency	Percent	Cumulative
Strongly Agree	61	45.19	45.19
Agree	49	36.30	81.48
Neither Agree or Disagree	8	5.93	87.41
Disagree	9	6.67	94.07
Strongly Disagree	8	5.93	100

Table 6. 2 Perception of no conflict when Non-Exec are more than Exec

	Frequency	Percent	Cumulative
Strongly Agree	45	33.33	33.33
Agree	46	34.07	67.41
Neither Agree or Disagree	25	18.52	85.93
Disagree	14	10.37	96.30
Strongly Disagree	5	3.70	100

Table 6. 3 Perception of Independence when Non-Exec are more than Exec

	Frequency	Percent	Cumulative
Strongly Agree	44	32.59	32.59
Agree	43	31.85	64.44
Neither Agree or Disagree	29	21.48	85.93
Disagree	18	13.33	99.26
Strongly Disagree	1	0.74	100

Table 6. 4 share ownership/ free float

	Frequency	Percent	Cumulative
Strongly Agree	66	48.89	48.89
Agree	47	34.81	83.70
Neither Agree or Disagree	12	8.89	92.59
Disagree	9	6.67	99.26
Strongly Disagree	1	0.74	100

Table 6. 5 Influence of independent directors

	Frequency	Percent	Cumulative
Strongly Agree	62	45.93	45.93
Agree	49	36.30	82.22
Neither Agree or Disagree	12	8.89	91.11
Disagree	10	7.41	98.52
Strongly Disagree	2	1.48	100

Table 6. 6 Summary of board independence features

	Mean	STD. DEV	Min	Max	Frequency Aggregate of strongly agree and agree (%)
CEO Duality	1.918519	1.146389	1	5	81.48
Perception of no conflict when Non-Exec are more than Exec	2.17037	1.116636	1	5	67.41
Perception of Independence when Non-Exec are more than Exec	2.177778	1.057078	1	5	64.44
Drivers shares/ free float	1.755556	.9261271	1	5	83.70
Influence of independent directors	1.822222	.9763369	1	5	82.22

6.2.1.2 Test for Normality of Board Independence Features

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 6. 7 Skewness/ Kurtosis Test for Normality

	OBS PR(SKEWNESS)	PR(KURTOSIS)	ADJ CHI2(2)	PROB>CHI2
CEO DUALITY	0.0000	0.0265	26.26	0.0000
Perception of no conflict when Non-Exec are more than Exec	0.0006	0.7289	10.23	0.0060
Perception of Independence when Non-Exec are more than Exec	0.0228	0.0016	12.67	0.0018
Drivers shares/ free float	0.0000	0.0400	22.81	0.0000
Influence of independent directors	0.0000	0.0410	22.64	0.0000

Table 6.7 which reports normality of board independence features shows that the Skewness values for most of the variables fall between 0.000 and 0.0228. For Kurtosis test statistics, the variables fall between 0.0016 and 0.7289 indicating a normal distribution

6.2.1.3. Spearman and Pearson Correlation of Board Independence Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 6.8. The table shows the correlation matrix for the dependent, independent and control variables employed for the board independence and decision making models. However, the magnitude and direction of the correlation coefficients add to the evidence that there was no major problem of non-normality among the variables in the models (Ntim &Soobaroyen, 2013). In addition, the correlations among the variables were fairly low, indicating that there was not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

Table 6. 8 (obs=141) Correlation of Board Independence Features

Pearson Correlation

	gen	age	bg	tny	sub	annut	bi1iv	bi2iv	bi4iv	bi5iv	bi6iv	bi3dv
gen	1.0000											
age	-0.1507	1.0000										
bg	-0.0423	0.1098	1.0000									
tny	-0.1066	0.5590	-0.1844	1.0000								
sub	0.0425	-0.0785	-0.0496	-0.0129	1.0000							
annut	-0.1037	-0.1139	-0.1075	0.0087	0.2891	1.0000						
bi1iv	-0.0393	-0.0168	-0.0015	-0.0051	-0.0859	-0.0119	1.0000					
bi2iv	0.2170	-0.1407	-0.0866	-0.0017	-0.1653	-0.0961	0.3119	1.0000				
bi4iv	0.1783	-0.2114	-0.1053	-0.0845	-0.0071	-0.0357	0.2401	0.6933	1.0000			
bi5iv	0.1474	-0.0568	0.0664	-0.1037	-0.0833	0.0531	0.2124	0.1621	0.2244	1.0000		
bi6iv	0.1286	0.0789	0.0577	0.0421	-0.0229	-0.0060	0.0962	0.1915	0.2787	0.2409	1.0000	
bi3dv	0.1326	-0.1429	-0.0151	-0.0931	-0.0836	-0.1282	0.1047	0.2766	0.3406	0.2183	0.1509	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	bi1iv	bi2iv	bi4iv	bi5iv	bi6iv	bi3dv
gen	1.0000											
age	-0.1532	1.0000										
bg	-0.0104	0.0394	1.0000									
tny	-0.0897	0.5458	-0.1751	1.0000								
sub	0.0425	-0.0459	-0.0525	-0.0026	1.0000							
annut	-0.1313	-0.1002	-0.1568	-0.0007	0.2864	1.0000						
bi1iv	-0.0445	-0.0434	-0.0244	-0.0117	-0.0482	0.0279	1.0000					
bi2iv	0.2264	-0.1769	-0.1042	-0.0243	-0.1518	-0.0837	0.2477	1.0000				
bi4iv	0.1960	-0.2266	-0.1008	-0.0917	-0.0145	-0.0576	0.1319	0.6704	1.0000			
bi5iv	0.1880	-0.0395	0.0874	-0.1150	-0.1021	-0.0013	0.1425	0.1448	0.2228	1.0000		
bi6iv	0.1623	0.0513	0.0487	-0.0238	-0.0387	-0.0734	0.0767	0.1725	0.2633	0.2893	1.0000	
bi3dv	0.1523	-0.2152	0.0679	-0.1605	-0.0558	-0.1139	0.0130	0.2758	0.3121	0.1999	0.1448	1.0000

6.2.1.4. Ordered Logit Regression of Board Independence Features Against Decision Making.

The ordered logit regression (Table 6.9) was used to investigate the relationship between features of board independence and decision-making. The table will reveal that nine submodels were built, each with varying independent variables. Sub model with Adjusted R2 of 0.08716 was the best fit. This model can explain 8.71% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

Table 6. 9 Ordered logit regressions of features of board independence against investment decision-making influence of board independence

VARIABLES	(1) bi3dv	(2) bi3dv	(3) bi3dv	(4) bi3dv	(5) bi3dv	(6) bi3dv	(7) bi3dv	(8) bi3dv	(9) bi3dv
gen	0.518	0.292	0.262	0.384	0.404	0.278	0.230	0.146	0.116
	(0.392)	(0.409)	(0.407)	(0.400)	(0.402)	(0.411)	(0.416)	(0.418)	(0.421)
age	-0.487*	-0.415	-0.381	-0.536*	-0.526*	-0.417	-0.380	-0.444	-0.460
	(0.272)	(0.279)	(0.281)	(0.279)	(0.275)	(0.279)	(0.281)	(0.287)	(0.289)
bg	0.0760	0.0907	0.110	0.0589	0.0539	0.0907	0.110	0.0921	0.0863
	(0.160)	(0.160)	(0.162)	(0.160)	(0.162)	(0.160)	(0.161)	(0.162)	(0.163)
tny	-0.0573	-0.0934	-0.0581	-0.00939	-0.0575	-0.0964	-0.0670	-0.0268	-0.0259
	(0.203)	(0.207)	(0.209)	(0.207)	(0.203)	(0.207)	(0.210)	(0.214)	(0.214)
sub	-0.237	-0.128	-0.283	-0.171	-0.248	-0.133	-0.279	-0.226	-0.219
	(0.379)	(0.385)	(0.388)	(0.385)	(0.380)	(0.386)	(0.398)	(0.403)	(0.402)
annut	-0.149	-0.126	-0.132	-0.183	-0.151	-0.123	-0.125	-0.154	-0.155
	(0.143)	(0.145)	(0.145)	(0.146)	(0.144)	(0.146)	(0.146)	(0.150)	(0.150)
bi1iv	0.0601					-0.0550	-0.0789	-0.127	-0.129
	(0.159)					(0.170)	(0.171)	(0.173)	(0.174)
bi2iv		0.366**				0.384**	0.0594	0.0658	0.0728
		(0.166)				(0.175)	(0.229)	(0.230)	(0.231)
bi4iv			0.561***				0.541**	0.494**	0.468*
			(0.183)				(0.248)	(0.251)	(0.255)
bi5iv				0.434**				0.377**	0.364*
				(0.188)				(0.190)	(0.192)
bi6iv					0.282				0.117
					(0.195)				(0.205)
/cut1	-1.374	-0.542	-0.00901	-0.860	-1.136	-0.609	-0.0715	0.255	0.345
	(0.923)	(0.971)	(0.997)	(0.919)	(0.905)	(0.992)	(1.026)	(1.048)	(1.061)
/cut2	0.339	1.212	1.792*	0.910	0.586	1.144	1.730*	2.109**	2.198**
	(0.916)	(0.977)	(1.011)	(0.922)	(0.900)	(0.997)	(1.040)	(1.068)	(1.082)
/cut3	1.774*	2.664**	3.278***	2.365**	2.020**	2.594**	3.212***	3.621***	3.714***
	(0.981)	(1.040)	(1.078)	(0.990)	(0.966)	(1.061)	(1.107)	(1.143)	(1.159)
/cut4	3.426***	4.326***	4.951***	4.018***	3.679***	4.256***	4.886***	5.299***	5.401***
	(1.325)	(1.371)	(1.403)	(1.333)	(1.316)	(1.386)	(1.424)	(1.453)	(1.470)
Pseudo R^2	.0370	.0542	.0710	.0557	.0439	.0546	.0719	.0859	.0871
Observations	131	131	131	131	131	131	131	131	131

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Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
When the CEO of the bank is NOT the same as the chairman, I am inclined to think there is minimal conflict of interest on the board	BI1IV	CEO DUALITY
To reduce the conflict of interest on a bank's board, the number of non-exec directors must be more than exec directors on the board of a bank	BI2IV	Perception of no conflict when Non-exec are more than exec
When I perceive the board of a bank to have minimal or no conflict of interest, I am inclined to make investment recommendations.	BI3DV	Investment decision making bias based on board independence
To guarantee board independence, the number of non-executive directors must be more than executive directors on the board of a bank	BI4IV	Perception of independence when non-exec are more than exec (Control Question)
Shares of a bank owned by different individuals/ organizations rather than concentrated in the hands of a few individuals/ organizations, helps to achieve less conflict of interest in a bank's board	BI5IV	Diverse ownership/free float
Presence of at least two independent directors helps to minimize conflict of interest on a bank's board	BI6	Influence of independent directors

Table 6. 10 Summary of the hypothesis and the findings obtained from the regression.

Dependent Variable			Decision Making influence of Board Independence		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
CEO duality	1a	-	-	Insignificant	Rejected
Diverse share ownership	1b	+	+	Significant at the 10% level	Accepted
Perception of no conflict when non-exec are more than exec	1ci	+	+	Insignificant	Rejected
Perception of independence when non-exec are more than exec	1cii	+	+	Significant at the 10% level	Accepted
Presence of 2 or more independent directors	1d	+	+	Insignificant	Rejected

6.2.2. Discussions and Triangulation of Qualitative and Quantitative Findings of Features of Board Independence Driver

Model 1: Board Independence Induced Propensity to Make Favourable Investment Decision = β_0 -0.13(BI_1) + .07(BI_2) + 0.47(BI_4) + 0.36(BI_5) + 0.12(BI_6) + .12(Gen) + .09(BG) - .46(AGE) -.22(IA) -.16(FS) -.03(TNY) + εi

6.2.2.1 Preamble

Board independence connotes a willingness to bring a high degree of rigor, scrutiny, and objectivity to the evaluation of a company's management (Langevoort, 2001). 85.95% of survey respondents agree or strongly agree that board independence is important for investment decision making. According to interviewee LC2, independence "*to a large extent means that there is high transparency."* According to the respondents, board independence means interests of minority and majority shareholders are aligned. Interviewee LC2 states thus *"in terms of how the institution is run, I expect to see some strong alignment between the board and the minority shareholders as well and so, not too much of a link between the board and management but clearly showing a strong proper representation of minority investors on the on the board of the institution."*

Supporting this view of independence, interviewee MA1 highlights that *"independent board means that the board is separate, the activities of the board is separate from that of the company in terms of conflict. You are trying to ensure that there is no conflict of interest".* Further supporting this view, interviewee LC5 posits that independence means, *"the situation which will arise that will make the board have a conflict of interest, are almost zero. So, that includes any kind* (of conflicts of interests)*. The board should not have a stake in the company in terms of loans; they should not be suppliers, they should not have anything that can make the managing director* (MD) (of the bank) *or anybody blackmail them or arm twist them into a decision*". With respect to transparency of a board and a firm generally, interviewee MA1 posits that transparency occurs when "*the directors are not borrowing from the company, the company is not lending to the directors, no insider dealings, everybody* (every director) *maintains the business of providing strategic visions to the organization. Also, they* (the directors) *are leading along that line* (of providing strategic

vision for the firm) *and not so much of their* (own personal) *interests that can endanger the interest of other stakeholders in the company*."

However, the negative societal influences (Nakpodia & Adegbite, 2018) and distrust in regulatory compliance (Osemeke & Adegbite, 2016) in Nigeria where the cultural expectations are that "you do not bite the hands that feed you" or allows people to be subservient to benefactors casts doubts on the board independence. This is highlighted by interviewee LC3 who posits thus, "*the board should be independent and devoid of control from anywhere and where control can come from. For instance, there was a regulation by CBN that you cannot be MD of a bank for more than ten years. Then for the chairmanship of the bank has a specific limit on when you can stay there. What you find out is that when those people are going* (MD or Chairman)*, they have groomed somebody internally and they say this person is going to replace him on the board, specifically the chairman. What you find is that that new chairman still reports to the previous chairman or MD. So, the concept of independence that you are looking for at the board has been short-circuited at that point*."

Controlling for gender, age, background, experience, international affiliation and annual turnover in this study, did not affect the results of the regression. For example, as expected, age is negatively statistically significant correlated with board independence (β= -.74, $p<.05$). This suggests that the older investment analysts are, the less they believe the board independence variable as signaled by banks. However, the total number of years is also negatively statistically correlated with board independence although not statistically significant (β= -0.03). This suggests that the more experienced investment analysts are less likely believe the board independence variable as signaled by banks. This finding suggests that corruption and societal distrust has permeated the whole society. This distrust of board independence as presented in Nigerian banks by investment analysts is further corroborated by interviewee CP2 who states thus, "…*the question is if my mentor comes to meet me, somebody that had trained me and helped me rise to the rank and says, hey! Look, I need you to do one or two things… Is there a chance that I would say, no? I doubt it very much*".

6.2.2.2 Features of board independence driver

CEO duality: That CEO duality is a matter of debate is not in doubt even if the OECD

Principles (2004) and CBN code (2014) specify that the same person should not hold CEO and chairperson positions. In Nigerian banking industry, the role of the CEO is mandatorily separated from the chairman leaving no room for CEO duality. Despite this regulation, results from this study present some ambiguity.

From the regression analysis, CEO duality is negatively statistically correlated with investment decision making (β= -.13, p= 0.46) but it is not statistically significant. The interviews produce mixed findings. On the one hand, interviewee LC3 posits, "*I will not recommend or invest in a company that has the MD/CEO as the chairman. Because control is definitely weak across the board. Corporate governance is weak. Control is weak, and objectivity has been thrown to the bush. So, I will not likely invest in such companies*". Similarly, MF1 posits, "*In this environment, we have seen people who left as MD, who are owner-founder of banks, or owner-manager and the situation is not that different. When they leave as maybe chairman or managing director, they still find a way to run the organization behind the scene. So, what you see is that underneath they still call the shot, even though they are not managing director or they are not chairman. So, typical outgoing managing director that is the owner-manager can sit in the comfort of his home and call the board meeting into this house."* This is in alignment with literature which suggests that consolidating the roles of the CEO and that of the chairman into one position amounts to undue concentration of power and influence into one individual, which jeopardizes board independence (Fama, 1980; Fama & Jensen, 1983; Lorsh & Maclver, 1989; Molz, 1988; Shleifer & Vishny, 1997).

On the other hand, some interviewees were neutral on the benefits of non-duality, as they believe that in the Nigerian environment, CEO non-duality is more a nomenclature game. Interviewee OP2 describes the situation thus, "*I mean we have seen in Nigeria, a number of CEOs who then became board chairman and I mean there are probably other situations or factors involved, all of which I cannot highlight but even that, despite not quite being a case of being both CEO and chairman at the same time, has from our perspective not impeded the level of transparency and has not brought in a level of conflicts of interest. So, we have had figurehead CEOs essentially, and we have had chairmen who appear to be more chairman and CEOs at the same time*". In such situations, similar to the literature supporting

CEO duality, the investment analysts are presuming CEO duality can in fact aid firm performance (Daily & Dalton, 1992; 1994; Beatty & Zajac, 1994; Boyd, 1994).

In any case, even though the relationship between CEO duality and investment decision making is negative as predicted, the non-significance of the finding suggests that we cannot confidently associate CEO duality to decision to invest or not. In the same vein, from the qualitative findings, it can be deduced that the thought process of the investment analysts on the issue of CEO duality is not uniform. While some investment analysts feel strongly about the negative influence of CEO duality, some others were of the opinion that CEO duality is not necessarily a negative but is rather dependent on the specific individual occupying both roles. Therefore, H1a is not supported.

Diverse share ownership: This feature of board independence is positively statistically significantly correlated with investment decision making (β=.36, $p<.01$). This suggests that investment analysts presume that the more free float shares of a company, the more likely the board will be independent. This is consistent with the literature on Nigeria, which suggests that dispersal of share ownership is a precursor to achieving board independence (Adegbite, 2015). Hence in line with the literature, the majority of the interviewees were categorical that free float of shares is the feature of board independence that influences them the most. This might not be unconnected with the short-tenured nature of investments in the country. Interviewee LF2 puts it as thus "*for me it* (diversity of shares) *is my preference. If you take Nigeria as an example, although you do not have that within the banking space where one or two people hold a significant chunk of the company shares. But if you take a cue from the consumer space where you have the international companies with an international parent holding about sixty, forty percent of the shares. It immediately affects the free float of such a company, and for me, an investor one of my key concentration is ease of moving in and out-, liquidity. So, the more shares you have in the hands of many shareholders, the better for me. i.e., the more free float of company you have the better for me. So, some of the investment decisions that I look at is I need to be able to exit a stock in 2 to 3 days. Anything that takes longer than that then it kind of influences my decision negatively. So, the more the free float of a company's shares the more inclined on I am to invest in it*."

The importance of diverse share ownership is corroborated by interviewee MF3 who posits thus; "*if you understand that capital market, at least the secondary market, part of the requirements is that certain… what they call free float, has to be in the market, at least twenty five percent of that free float has to be in the hands of the public, I mean that is set for a reason so, that you do not have undue influence. One person cannot have controlling shares and sway decisions of the organization. We will like to see independence in a lot of all these things. Therefore the more vast or disperse the shareholding I think, the more attractive it will be in my opinion*."

Some investment analysts however expressed some reservations. For example, interviewee OP3 states, "*in this environment, it* (diverse share ownership) *is a double-edged sword. On the positive side, having dispersed ownership means that we do not have any blocks of interest that can essentially grab the control of the business but the flipside, as we have seen in some cases is that, where there are no strong interests, then sometimes it becomes a free-for-all and you then have some senior management, some executive management who then treat the company however they want because there are no blocks of interest to challenge them, who have sufficient shareholding to challenge them. So, we have seen the flip side which is blocks of interest in some cases proved to incorporate good governance, but of course, you always run the risk if the values of those blocks are not positive that they run the company aground*".

This reservation might not be unconnected to the nature of business holding in Nigeria where families still dominate (La Porta et al., 1999). Interviewee OP1 put it as follows "*yes, we like dispersed share ownership I think, but we do not necessarily dislike concentrated shareholdings either. Generally, dispersed share ownership is better but sometimes concentrated share ownership is useful depending on where it is concentrated and whose hands, right? So, if you look at X*[9] *Bank as a case in point, over time it has become a lot more attractive to us due to the concentration of shareholding in the hands of X group, which is an institutional shareholder*."

[9]X or XX has been used to protect the name of the banks as this can be very sensitive disclosure

Overall, the findings of the interviews are in alignment with the quantitative study, which suggested that diverse share ownership provides most the appearance of board independence.

Therefore, Hypothesis 1b is supported.

Non-executive directors(i): From the regressions analysis, perception of investment analysts is that there is less conflict of interest when there are more non-executive to executive directors, although the results were statistically not significant (β=.07, p= 0.75). In developing countries, many firms are family owned (La Porta et al., 1999; Adegbite, 2015); hence investment analysts operating in the Nigerian environment also relate contextually with respect to board composition. The institutional weakness prevalent in the country plays on the minds of investment analysts. Interviewee OP4 points to the agency problem thus "*there are some management (agents) that can wreck your business. I mean look at the Nigerian business environment for example if you set up a business, you put somebody to oversee the business.* (Having) *somebody who does not have shares in the business can wreck*[10] *you, right. I mean so the controls are supposed to be there. Ordinarily, in an ideal world, in an ideal situation there should not be this issue but you know we are humans I mean the humans will always have their own selfish interests at heart*".

Further, the investment analysts generally alluded to distrust on the benefits of having more non- executive directors on a board than executive directors. According to interviewee MF1, "*I have seen from my own experience that people come to the board as a result of oh, I know A or B… the managing director appointed me to this board or some influential person, especially political influence, now that we are at the realm of politics. I have seen people….I am a member of certain board, I have seen people appointed to the board, and they cannot contribute anything. In the first place, their coming to the board is more or less like oh! I have settled*[11] *you. That is where you are going to reap your reward for working hard for me. So, the mindset that comes to the board is not the mindset that wants to add value; add to discussion. It is the mindset of oh, I have been settled. Give me board allowance, give me board fee, and maybe you are a producer* (of certain products)*; let me have steps into your*

[10] Wreck refers to poor management which leads to the collapse of the business

[11] Settle is a Nigerian slang which implies you have been paid by a benefactor or you are compromised

business. Compensate me one way or the other through what you are doing. If I am selling Bournvita. (They will say) *Oh, allocate two trucks or three trucks of Bournvita*[12] *to my wife. So, they come to the board for pecuniary benefit not because they want to add value to the organization*." Interviewee OP1 further corroborates this thus, "*theoretically if you go by the book, yes we want to see more independents, we want to see more non-executives, and we want to see separation of roles. But we realized that there is a whole lot more grey than black and whites in this market, so we spend a lot of time looking at the grey areas. Who are these people? What have they done before? What was their track record? What is the market noise about them? And I think those things carry a lot more weight for us than how many independents are there? How many executives are there? Who these people are is a lot more important to us than the numbers* (of non-executives to executives)".

From the above, when the question was posed to respondents on if more non-executives on the board represented independence, the finding was positive but not significant. The findings find support from the studies by Klein et al. (2004) and Macavoy & Millstein (2003). Hence, from the foregoing, H1c (i) is not supported.

Non-executive to executive directors (ii): According to interviewee LF1 "*for an independent board, you expect to have a larger number of non-executive members, especially you have the chairman as a non-executive remember. So, that is again looking at the numbers in terms of composition, you expect to have more non-executive members on the board than executive members. So, that to some extent will balance the power and make the board to a larger extent independent*" Similarly, from the regressions analysis, the perception of investment analysts is that there are more chances of a board being independent when there are more non-executive than executive directors. This feature of board independence is positively statistically significantly correlated with investment decision making (β=.47, $p<.01$). Triangulating the regression results with the analysis from the interviews reveals that investment analysts will rather have a board with more non related NEDs than EDs. According to interviewee LA1 *"at least from the perspective of more external directors, it means there is a certain level of independence the board should have".*

[12] Bournvita is a food beverage produced by a food and beverage company. It was used metaphorically by the interviewee

This is despite the distrust of the operating environment in developing countries where many board members are nominees of major principals (Adegbite, 2015; Ahunwan, 2002).

In furtherance of this finding, interviewee OP2 posits thus *"Independence like I said earlier is not really about the form, all right, or the framework. It is really about the substance that you see. But you cannot have the substance without the framework, or we cannot have the substance without the form. So, a few things come to mind. I would love to see things like strong individuals on the board, especially in the non-executive capacity"*. This finding also find support from the literature where non-executive directors generally bring different strategic perspective to a firm's board based on their own background and orientation (Carpenter, 2002; Carpenter & Westphal, 2001; Carpenter et al., 2003; Beatty & Zajac, 1994; Westphal & Zajac, 1995; Golden & Zajac, 2001). In any case, the Nigerian SEC code (2008) and CBN code (2014) mandates that the board must be composed of executive (insider) and non-executive (outsider) directors, the majority of which must be non-executives.

From the above, when the question was posed to respondents on if more non-executives on the board represented independence, the finding was positive and significant with investment decision making. The finding finds support from the study by Collett & Hrasky (2005) which suggests that an appropriate proportion of NEDs to EDs can positively influence performance. Hence, from the foregoing, H1c (ii) is supported.

Independent Director - In the Nigerian banking sector "at least two (2) non-executive board members should be independent directors (who do not represent any particular shareholder interest and hold no special business interest in the bank) appointed by the bank on merit" (CBN Circular, 2007 p. 1). However, just as argued about more non-executive directors, there is a distrust of this board independence feature by the investment analysts. For example, interviewee LC2 states, "*for me I think ultimately I would argue that in our environment anyway, there is a lot of talk. So, I think currently with most banks, there is a push to have board members that are termed independent, and I think to a large extent, expectation of independent is more showing that not necessarily linked to the management team per se but are a better representation of the shareholders and I will tag it that most*

cases, the appointments are still done by the existing board anyways. So, the nominations (still) *come from the board even if it might be approved by shareholders at AGMs but those names still come from the board. So, sometimes it is difficult to argue independently when its members of the board that more or less nominate those independent board members*".

The literature argues that independent directors are more able to mitigate the agency problem by reducing managerial opportunism (Fama, 1980; Bebchuk & Weisbach, 2010). However, the finding on this feature though positive statistically with investment decision making, was not significant (β=.12, p= 0.57).

Therefore, H1d is not supported.

The next subsection presents findings of driver two (board heterogeneity) of board structure and composition.

6.3 Part B Board Structure and Composition Driver 2: Board Heterogeneity.

The next sub-section reveals which board heterogeneous features depicts diversity and influence investment decision making most in developing countries.

6.3.1. Statistical Analysis of study variables

6.3.1.1 Descriptives of board heterogeneity features in Nigeria

Tables 6.11-6.15 reports percentage and frequencies of respondents that believe certain features of board heterogeneity describe diversity of the board. Table 6.16 ranks the features on the frequencies of agree + strongly agree. Again, these tables present further evidence of a generally high level of engagement by the respondents especially given the specialist nature of our respondent sample selection. For table 6.11, 69.53% of respondents agree or strongly agree that gender portends diversity while 11.72% of the investment analysts disagree or strongly disagree. Interestingly, as high as 18.75% stayed neutral. These findings are consistent with the literature on gender diversity of boards (e.g., Mahalakshmi & Reddy, 2017) even if the results suggest that developing countries are still behind the curve in

accepting the issue of gender diversity. For table 6.12, 67.97% of respondents agree or strongly agree that age portends diversity while 15.63% of the investment analysts disagree or strongly disagree. Again, as high as 16.41% stayed neutral. This finding is consistent with literature (e.g., Mishra & Jhunjhunwala, 2013) on the need to balance youth and experience of boards members especially in the 21st century given the advent of technology. For table 6.13, only 50.78% of respondents agree or strongly agree that tribe portends diversity while 22.66% of the investment analysts disagree or strongly disagree. As high as 26.56% stayed neutral. These findings are somewhat inconsistent with existing literature (e.g., Adegbite, 2015) on the importance of tribe diversity of boards and instead seem to suggest that tribe is not a critical consideration of investors when thinking about the diversity of boards. This becomes quite important if we consider that there are over 250 tribes (NPC & ICF Macro, 2009) in Nigeria.

For table 6.14, 82.81% of respondents agree or strongly agree that tenure portends diversity while only 7.03% of the investment analysts disagree or strongly disagree. These findings are consistent with the literature (Pfeffer, 1982; Nakpodia & Adegbite, 2018) on tenure diversity of boards as literature favor shorter tenure for directors. It is also important to know that the CBN 2014 code of corporate governance caps board members tenure to a maximum of two tenures of 5years maximum limits. For table 6.15, only 34.37% of respondents agree or strongly agree that multiple directorships portend diversity while 29.69% of the investment analysts disagree or strongly disagree. This is contrary to literature especially those focused on developed countries where advantages of board networks are documented (Benton, 2017).

The closeness of the mean and standard deviation of all the features indicates the level of agreeness by the respondents.

Table 6. 11 Gender

	Frequency	**Percent**	**Cumulative**
Strongly Agree	56	43.75	43.75
Agree	33	25.78	69.53
Neither Agree or Disagree	24	18.75	88.28
Disagree	11	8.59	96.88
Strongly Disagree	4	3.13	100

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Table 6. 12 Age

	Frequency	Percent	Cumulative
Strongly Agree	42	32.81	32.81
Agree	45	35.16	67.97
Neither Agree or Disagree	21	16.41	84.38
Disagree	16	12.50	96.88
Strongly Disagree	4	3.13	100

Table 6. 13 Tribe

	Frequency	Percent	Cumulative
Strongly Agree	21	16.41	16.41
Agree	44	34.38	50.78
Neither Agree or Disagree	34	26.56	77.34
Disagree	14	10.94	88.28
Strongly Disagree	15	11.72	100

Table 6. 14 Tenure

	Frequency	Percent	Cumulative
Strongly Agree	49	38.28	38.28
Agree	57	44.53	82.81
Neither Agree or Disagree	3	10.16	92.97
Disagree	7	5.47	98.44
Strongly Disagree	2	1.56	100

Table 6. 15 Multiple directorship[13]

	Frequency	Percent	Cumulative
Strongly Agree	10	7.81	7.81
Agree	34	26.56	34.37
Neither Agree or Disagree	46	35.94	70.31
Disagree	26	20.31	90.62
Strongly Disagree	12	9.38	100

Table 6. 16 Summary of features describing heterogeneity

	Mean	STD. DEV	Min	Max	Frequency aggregate of strongly agree and agree (%)
Gender	2.015625	1.122317	1	5	69.53
Age	2.179688	1.118447	1	5	67.97
Tribe	2.671875	1.21739	1	5	50.78
Tenure	1.875	.9135894	1	5	82.81
Multiple Directorship	3.03125	1.07906	1	5	34.37

[13] Responses were obtained in reverse order.

6.3.1.2 Test for normality of board heterogeneity features

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008).). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008). Table 6.17 which reports normality of board heterogeneity features shows that the Skewness values for most of the variables fall between 0.000 and 0.5056, which indicates symmetrical or nearly symmetrical distribution. For Kurtosis test statistics, the variables fall between 0.0136 and 0.9191, indicating normal distribution.

Table 6. 17 Skewness/kurtosis tests for normality for board heterogeneity features

	OBS PR(SKEWNESS)	**PR(KURTOSIS)**	**ADJ CHI2(2)**	**PROB>CHI2**
Gender	0.0002	0.9191	11.92	0.0026
Age	0.0013	0.4362	9.60	0.0082
Tribe	0.0230	0.0648	7.78	0.0204
Tenure	0.0000	0.0136	22.18	0.0000
Multiple Directorship	0.5056	0.1034	3.16	0.2062

6.3.1.3 Spearman and Pearson Correlation of Board Heterogeneity Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 6.18. The table shows the correlation matrix for the dependent, independent and control variables employed for the board heterogeneity and decision-making models. However, the magnitude and direction of the correlation coefficients add to the evidence that there is no major problem of non-normality among the variables in the models (Ntim &Soobaroyen, 2013). In addition, the correlations among the variables are fairly low, indicating that there is not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

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Table 6. 18 (obs=124) Correlation of Board Heterogeneity Features

Pearson Correlation

	gen	age	bg	tny	sub	annut	bh1iv	bh2iv	bh3iv	bh4iv	bh5iv	bh6dv
gen	1.0000											
age	-0.1530	1.0000										
bg	-0.0180	0.0885	1.0000									
tny	-0.1446	0.5811	-0.1598	1.0000								
sub	0.0189	-0.0934	-0.0168	-0.0233	1.0000							
annut	-0.0977	-0.1108	-0.0898	0.0092	0.2943	1.0000						
bh1iv	0.0342	-0.1403	-0.0344	-0.0970	0.0150	-0.0664	1.0000					
bh2iv	0.0444	-0.1044	0.0701	-0.0527	-0.0798	0.0064	0.4184	1.0000				
bh3iv	-0.0065	-0.0662	-0.0794	0.0302	-0.0853	-0.0335	0.4271	0.5224	1.0000			
bh4iv	-0.1396	-0.0629	0.1279	-0.1469	-0.0716	-0.1811	0.1656	0.1532	0.2073	1.0000		
bh5iv	0.0053	-0.0670	0.0062	0.0836	0.1559	0.0582	-0.2308	-0.3536	-0.2390	-0.1538	1.0000	
bh6dv	0.2179	-0.0964	-0.0467	-0.0224	-0.1101	-0.1080	0.2874	0.4279	0.3500	0.2672	-0.3514	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	bh1iv	bh2iv	bh3iv	bh4iv	bh5iv	bh6dv
gen	1.0000											
age	-0.1554	1.0000										
bg	-0.0027	0.0441	1.0000									
tny	-0.1317	0.5703	-0.1590	1.0000								
sub	0.0189	-0.0616	-0.0102	-0.0131	1.0000							
annut	-0.1309	-0.0958	-0.1218	-0.0027	0.2854	1.0000						
bh1iv	-0.0192	-0.1305	-0.0237	-0.0745	0.0231	-0.0879	1.0000					
bh2iv	0.0387	-0.0896	0.0546	-0.0305	-0.0764	-0.0140	0.3847	1.0000				
bh3iv	0.0094	-0.0697	-0.1193	0.0422	-0.0750	-0.0576	0.3955	0.4851	1.0000			
bh4iv	-0.1377	-0.0204	0.1093	-0.0868	-0.0729	-0.1605	0.2192	0.1864	0.2220	1.0000		
bh5iv	0.0097	-0.0345	0.0036	0.0796	0.1539	0.0451	-0.2480	-0.3712	-0.2523	-0.1882	1.0000	
bh6dv	0.2127	-0.1323	-0.0785	-0.0144	-0.1083	-0.1536	0.3163	0.4105	0.3601	0.3309	-0.3467	1.0000

6.3.1.4 Ordered Logit Regression of Board Heterogeneity Features against Decision Making

The ordered logit regression (Table 6.19) was used to investigate the relationship between features of board heterogeneity and decision-making. The table will reveal that nine submodels were built each with varying independent variables. Sub model with Adjusted R^2 of 0.1537 was the best fit. This model can explain 15.37% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 6.20 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

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Table 6. 19 Ordered logit regressions of features of board heterogeneity against investment decision making influence of board heterogeneity

VARIABLES	(1) bh6dv	(2) bh6dv	(3) bh6dv	(4) bh6dv	(5) bh6dv	(6) bh6dv	(7) bh6dv	(8) bh6dv	(9) bh6dv
gen	0.882**	0.780*	0.945**	1.205***	0.935**	0.794*	0.820**	1.092**	1.098**
	(0.422)	(0.410)	(0.419)	(0.424)	(0.417)	(0.414)	(0.416)	(0.430)	(0.433)
age	-0.283	-0.304	-0.291	-0.313	-0.550**	-0.287	-0.283	-0.253	-0.406
	(0.266)	(0.267)	(0.265)	(0.260)	(0.275)	(0.270)	(0.272)	(0.276)	(0.288)
bg	-0.0741	-0.141	-0.0424	-0.168	-0.0567	-0.116	-0.0935	-0.175	-0.139
	(0.193)	(0.188)	(0.191)	(0.199)	(0.199)	(0.191)	(0.193)	(0.205)	(0.205)
tny	0.204	0.177	0.138	0.246	0.342	0.192	0.171	0.205	0.322
	(0.203)	(0.204)	(0.202)	(0.202)	(0.211)	(0.206)	(0.207)	(0.212)	(0.220)
sub	-0.450	-0.326	-0.351	-0.368	-0.273	-0.367	-0.360	-0.344	-0.289
	(0.375)	(0.375)	(0.375)	(0.368)	(0.379)	(0.377)	(0.378)	(0.380)	(0.384)
annut	-0.111	-0.162	-0.140	-0.0613	-0.153	-0.144	-0.145	-0.0882	-0.0979
	(0.134)	(0.134)	(0.136)	(0.136)	(0.135)	(0.135)	(0.135)	(0.139)	(0.140)
bh1iv	0.516***					0.255	0.191	0.176	0.184
	(0.161)					(0.173)	(0.181)	(0.180)	(0.181)
bh2iv		0.781***				0.674***	0.573***	0.545***	0.429**
		(0.168)				(0.182)	(0.200)	(0.200)	(0.203)
bh3iv			0.571***				0.222	0.182	0.141
			(0.152)				(0.186)	(0.185)	(0.190)
bh4iv				0.713***				0.564**	0.485**
				(0.210)				(0.221)	(0.219)
bh5iv					-0.774***				-0.520***
					(0.177)				(0.188)
/cut1	-0.815	-0.605	-0.593	-0.340	-4.558***	-0.182	0.0312	1.145	-0.978
	(0.925)	(0.885)	(0.916)	(0.968)	(1.035)	(0.935)	(0.953)	(1.057)	(1.312)
/cut2	1.165	1.508*	1.433	1.657*	-2.451**	1.956**	2.185**	3.386***	1.373
	(0.924)	(0.890)	(0.920)	(0.972)	(0.963)	(0.949)	(0.971)	(1.095)	(1.305)
/cut3	2.688***	3.120***	2.952***	3.192***	-0.889	3.593***	3.820***	5.076***	3.126**
	(0.969)	(0.943)	(0.962)	(1.025)	(0.967)	(1.006)	(1.026)	(1.160)	(1.346)
/cut4	4.456***	4.969***	4.744***	4.976***	0.925	5.459***	5.699***	6.955***	5.054***
	(1.115)	(1.101)	(1.111)	(1.169)	(1.090)	(1.164)	(1.184)	(1.297)	(1.457)

Pseudo R^2	0.0635	0.1000	0.0759	0.0677	0.0912	0.1064	0.1107	0.1307	0.1537
Observations	124	124	124	124	124	124	124	124	124

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of both male and female	BH1IV	Gender
For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of people in different age brackets	BH2IV	Age
For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of people of different tribes	BH3IV	Tribe
For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of people that have spent different lengths of time on the board.	BH4IV	Tenure
It is important that members of a bank board are on boards of many other companies	BH5IV	Multiple directorship
Having a board that consists of both male and female, and/or people in different age brackets, and/or people of different tribes and/or people that have spent different lengths of time on the board is important and influences my investment decision-making	BH6DV	Investment decision making

Table 6. 20 A summary of all of the hypotheses and findings for the board heterogeneity and its features and decision-making model

Dependent Variable			Decision Making influence of Board Heterogeneity		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Gender	2a	+	+	Insignificant	Rejected
Age	2b	+	+	Significant at the 5% level	Accepted
Tribe	32c	+	+	Insignificant	Rejected
Tenure	2d	+	+	Significant at 5% level	Accepted
Multiple directorship	2e	+	-	Significant at the 1% level	Rejected

6.3.2. Discussions and Triangulation of Qualitative and Quantitative Findings of Board Heterogeneity and its features

Model 1: Board Heterogeneity Induced Propensity to Make Favourable Investment Decision = β_0 + .18(BH_1) + .43(BH_2) + .14((BH_3) + .46(BH_4) - .52(BH_5) + .1.10(Gen) - .14(BG) -.41(AGE) - .29(IA) -.10(FS) + .32(TNY) + εi

6.3.2.1 Controls applied in the models

Investment Analysts' Gender (Control):
Gender is positively statistically significantly correlated with investment decision making (β=.1.10, $p<.05$). This suggests that females are more likely to assume heterogeneity affects investment decision making. This finding is consistent with the behavioral literature, which suggests that investment analysts' behavioral patterns can be influenced by their gender (Gunay & Demirel, 2011). Furthermore, the study by Mahalakshmi & Reddy (2017) has suggested that women are less represented on boards hence it is unsurprising that female investment analysts will assume a gender balance is necessary. Relevant literature (for example, Barber & Odean, 2001a; Niederle & Vesterlund, 2007) points to the fact that men tend to manifest overconfidence to a greater degree than women. For instance, Barber & Odean (2001b) found that male investors trade more actively than female investors trade, incur higher transaction costs, and as a result, earn lower returns. Similarly, Hair et al. (1998) and Shu et al. (2004) have also documented greater overconfidence in men.

Age:
As expected, the age of investment analysts is negatively statistically significantly correlated with investment decision making (β=-.41, $p<.05$). This suggests that older investment analysts are, the less they to believe that heterogeneity is needed on the board. This finding is explained by the fact that with more experience, investment analysts be it male or female are less likely to be gender biased. This is consistent with literature where demographic and socioeconomic factors have been found to be predictors of risk tolerance behavior (Worthington, 2006). For instance, Faff et al. (2009) found that the

higher the age of individuals, the lower the risk tolerance. Other studies have also revealed a negative association between age and risk-taking (for example, Garling et al., 2009; Gilliam et al., 2010; Faff et al., 2009).

Total number of years of experience:
Experience of investment analysts is positively statistically significantly correlated with investment decision making (β=.32, p<0.1). This suggests that the more experienced investment analysts are more likely believe the board diversity variable is an important variable to be signaled by banks. This is an unexpected finding. One can perhaps attribute this to the recent push to have more women on boards. Indeed some countries (e.g., Norway) have passed laws to compulsorily have up to 40% female representations on boards (Wiersema & Mors, 2016).

Despite this indifference to heterogeneity by investment analysts, the features of board heterogeneity are presented below.

6.3.2.2 Features of board heterogeneity driver

Gender
Gender as a feature of board heterogeneity is positively statistically correlated with investment decision making although not statistically significant (β=.18, p=.31). Findings from the interviews suggests that although investment analysts are more likely to presume that gender is good for board heterogeneity, it is not an important consideration for investment decision making. For example, interviewee CP1 stated that "*. I will if I can, I will try to seek such balance, right. But it* (gender) *will not be primary consideration for me. Like I always say when I have conversations around gender balance. I believe that merit has to go first, performance has to go first. What is of interest to me, are people with the right energy, people with the right exposure, people with the right exposure and experience basically.*"

Similarly, interviewee OP1 who is female corroborates "*I do not think it matters, to be honest. In terms of making investment decisions, I do not think it matters. But just for the*

cause of advancing the cause of women, I would be happy to see that (women are on the board)". Interviewee LC1 puts it thus, "*when I look at the board that* (gender) *is not a primary thing that comes to my mind. I do not really look at the gender. I would rather look at the name and see what you can do. So, gender is one of the least of things I consider when I look at the board*". Interviewee MF3 was even more categorical "*I am very agnostic, as far as that is concerned. The board can be all female can be all male it does not matter to me*". These results are consistent with the literature on gender on boards. While there has been a general nudge towards encouraging more women on boards (e.g., Mahalakshmi & Reddy, 2017) but there is no consensus on the effect of either sex on the board. Thus, hypothesis 2a is not supported.

Age

Age is positively statistically significantly correlated with investment decision making (β=.43, $p<.05$). This suggests that investment analysts presume that the age of members on the board is important feature for board diversity and it influences investment decision making. This feature was related by the interviewees to experience and innovation. According to interviewee OP3 "*in most businesses we want to see two things, we want to see a strong track record of senior executive management, but we also want to see a lot of innovation which tends to be tied to the younger*." Age diversity is particularly important in developing countries as these countries experience significant transformations over a relatively short period. Moreover, along with the transition of the economic system, there has simultaneously been a push towards cultural change (Stulz & Williamson, 2003).

Following similar sentiments, interviewee LF1 posits, "*at least, the essence of board is to have the kind of skills that cut across different field and also generation. If you have board that is very old, their ideas would also be very old, and of course with new people, they embrace more of… we all know that technology is a major enabler for virtually all businesses now and the desire to actually use technology to power a business you cannot find it in the older generation as such. So, if you have a board that has the young and vibrant people you tend to see a lot of changes taking place and some calculated risks*

taking because that is what the business is all about."

From the existing literature, Mishra & Jhunjhunwala, (2013) ascribe age of board to business exigencies and market penetration. Agreeing with this, interviewee LF2 states that "(age is important) *maybe not in terms of ratios but in terms of ideas. So take the FinTech age now, it is always good to have young people maybe one or two. So, a lot of things are changing right now even within the financial space, FinTech all of that, and in Nigeria typically what you find is retired people being members of the board and so their adaptability to changes in the environment might be slow. So, in cases where you have younger people who are more in sync with things that are going on, they might help influence the board in the direction of where the market is going*".

Similarly, interviewee LC5 opines as follows "*It (age) is positive, it is some additional points to say that they will probably have an extensive idea pool to choose from and they will probably discuss a lot of issues and might not be blindsided by current events."* Interviewee LA3 was even more assertive when stating as follows *"it (age) will influence my decision in investment and the reason is that you are having a combination of aspiration and experience; aggressiveness and maturity. I mean, I mean young people are very aggressive. They want to take the risk, the old one, they have taken the risk and they know what is going on they can share their experience*."

As evidenced above, age is one of the key factors that affect investment analysts' view on heterogeneity. The literature supports these findings as older people are linked with experience while younger people are thought to be more risk takers. Jianakoplos & Bernasek (2006) study documents that older people tend to take less financial risk than younger people do. This is further supported by Evans (2004) who provided evidence that investors under 30 years old tend to take more risks than do older ones. Furthermore, according to Rana et al. (2011), age influences the attitudes towards risk-taking, both directly and indirectly. Similarly, other studies have documented a negative association between age and risk-taking (for example, Garling et al., 2009; Gilliam et al., 2010; Faff et al., 2009; Hira et al., 2007; Sadiq & Ishaq, 2014). Therefore, H2b is supported.

Tribe

Tribe is positively statistically correlated with investment decision making but not statistically significant (β=.14, p=.46). Findings from the interviews suggests that although investment analysts presume that tribe is an important feature for diversity, they do not associate it importantly with investment decision making. According to interviewee CP1 "*when you board a plane, you do not ask where your pilot is from. Or where the co-pilot is from. So that* (tribe) *is not a factor in the quality of governance. There are great people and terrible people from all tribes*." Going further, interviewee OP2 states, "*Knowledge transcends tribal instincts, and I do not want to believe that if you have federal character*[14]*, and then all of a sudden you make better decisions.*"

Similarly, interviewee LF2 posits, "*So, speaking in the context of Nigeria, I saw something recently. I think it was on social media where they tried to characterize the banks into groups. So, some banks they call the Yoruba banks, some banks they call them, some banks they call them Igbo banks. But the point really is in the context of Nigeria if a bank is deemed a South Western Bank you tend to have more board members from that part of the country. Again for me my opinion, I do not think it makes much of a difference in terms of tribe, and so it would not sway me for or against investing in the stock*".

Rather, investment analysts seem to feel tribe concerns business expediencies for firms in Nigeria (Adegbite (2015). This is further highlighted by interviewees as follows interviewee OP3 "*Not as important a consideration for us and if I think about it again…, sometimes the benefit can be seen from a business development standpoint, it would suggest that the organization is able to do business across the country without, I mean with maybe fewer constraints. But in terms of our experience, we have not necessarily found that tribe advantage has been sustainable. It is not as important as having good management, even if they are from the same tribe or region*". Hence, consideration of tribe of boards in Nigerian environment stands the risk of being considered as "tokenism"

[14] *Federal character is used as an interjection and it describes a situation where Nigerian businesses have people from different tribes represented so as to present the business as not being ethnically biased*

(Karen J. Curtin, a former executive vice president of Bank of America, reported in Brancato & Patterson, 1999, p.7). Thus, H2c was not supported.

Tenure

Tenure is positively correlated with investment decision making and the relationship is statistically significant (β=.49, p<.05). This suggests that investment analysts presume that different tenures of directors signal experience and idea rotation. According to interviewee OP5 "*in terms of how long someone has been part of the board speaks to his influence or the type of decisions he is going to take*." The literature suggests that the policy of revolving directors after specific tenures should not only encourage innovation (Pfeffer, 1982), it should also eliminate sit tight syndrome common in developing countries context (Nakpodia & Adegbite. 2018). Accordingly, interviewee MA1 refers to this feature thus "*I think that experience has value but freshness also has value. So my view of the way the board should work is you should keep people who know enough of the business but also allow new ideas to come in. So there should be some level of rotation within the board system, where after a certain number of years, people just have to go*". This reasoning is in line with the CBN code of corporate governance which prescribes a director tenure of five years in the first instance but renewable for another five years making a maximum tenure of 10 years.

The significant statistical finding is supported by the interviewees. For example, interviewee MF4 puts the importance as follows "*that* (tenure) *is something to weigh in on my investment decision, yes. Except if I see that for some reason the level of exits where you have people spend maybe just one or two years maximum on the board, then I would want to pry further to find out whether there were concerns they had that made them leave the board*." However, some interviewees expressed some reservations about this feature. For example LC4 posits as follows "*It* (tenure) *is not high up there. But, I would like to see new people are coming to the board at some time, we do not have a static board that does not change with time you know, you need fresh ideas, fresh thoughts, new ways of thinking coming into a board, it helps*." Overall, H2d is supported.

Multiple Directorship

Multiple directorship is negatively statistically significantly correlated with investment decision making (β= -.52, p<.01). This finding is consistent with study by Cashman et al. (2012) that find that busy directors have a negative influence on performance. This feature was however contrary to the literature which suggests that multiple directorship provide positive resources for organizations (Filatotchev & Toms, 2003; Mizruchi, 1996; Mizruchi & Stearns, 1994). In the Nigerian environment, the elites are usually the ones represented on the boards and "*a lot of board directors don't respect the fine lines between being a non-executive director and an executive director of banks. They try to meddle, they try to maybe push their thoughts forcefully across even though they don't have all the factors that they need to consider*" (MF2). Hence, multiple directorship might signal ability to exert coercive pressure and is view negatively by analysts. This is contrary to the literature especially those focused on developed countries where advantages of board networks are documented (Benton, 2017). Benton (2017) also finds that there is a positive relationship between board and performance when the directors have ties with companies in the same field as the ones where they are directors. However, in Nigeria where there is a shortage of reputable directors (Adegbite, 2015), multiple directorship can reflect negatively in the minds of investment analysts especially where the directors have questionable characters or are corrupt elites (Nakpodia & Adegbite, 2018) who can sometimes seem above the laws and institutions in their countries. According to interviewee LC6, "*Nigeria is quite small especially in circles, you've got political circles where you see recycling every four years as we all see. In banks you can see that in terms of directorships, I guess it goes past corporate governance, it's societal, there's always a link and sometimes those links are a bit very strong*."Thus, H2e is therefore rejected.

The next subsection presents part C which is the findings of driver three (board reputation) of board structure and composition.

6.4 Part C. Board Structure and Composition Driver 3. Board (directors') Reputation.

We next study which board reputation features depicts investments analysts understanding of reputation and influences investment decision making the most in Nigeria.

6.4.1 Statistical Analysis of Study Variables

6.4.1.1 Descriptive of Board Reputation Features in Nigeria

Tables 6.21- 6.26 report percentage and frequencies of respondents belief reputation represents. For table 6.21, 96.88% of respondents agree or strongly agree that reputation leads to visibility. For table 6.22, 97.66% of respondents agree or strongly agree that reputation brings credibility. None of the investment analysts disagreed or strongly disagreed. Furthermore, the mean was 1.210938 while the standard deviation was 0.4637 indicating very close agreement among the respondents. These findings are consistent with the literature on the representation of credible individuals on a board.

For table 6.23, 96.88% of respondents agree or strongly agree that reputation brings along goodwill. For table 6.24, 65.63% of respondents agree or strongly agree that reputation will be conferred on a board due to recognized names on the board. 14.07% of the investment analysts disagree or strongly disagree while 20.31% stayed neutral. Despite the insistence of the CBN code of corporate governance (2014) that board members be people of repute, the finding represents interesting inconsistences with the literature on the reputation of boards. This might be connected to the fact that in developing countries, the decadence in the society (Nakpodia, 2015) means that a recognized name might not necessarily be reputable.

For table 6.25, 72.66% of respondents agree or strongly agree that politically exposed person on the board of a bank might influence the reputation of board members positively or negatively. This is interesting as despite the weakness in the institutional environment and the assumptions that politically exposed persons affect the reputation of a bank, the

results from this survey suggest otherwise. For table 6.26, 65.63% of respondents agree or strongly agree that multiple directorship by board members is a sign of reputation. This is not an overwhelming majority and is interesting as some scholars (Benton, 2017) posit that directors in a network and boards of other firms bring different learnings to the board.

Table 6. 21 Reputation leading to Visibility

	Frequency	**Percent**	**Cumulative**
Strongly Agree	78	60.94	60.94
Agree	46	35.94	96.88
Neither Agree or Disagree	3	2.34	99.22
Disagree	0	0.00	99.22
Strongly Disagree	1	0.78	100

Table 6. 22 Reputation leading to credibility

	Frequency	**Percent**	**Cumulative**
Strongly Agree	104	81.25	81.25
Agree	21	16.41	97.66
Neither Agree or Disagree	3	2.34	100
Disagree	0	0	-
Strongly Disagree	0	0	-

Table 6. 23 Reputation leading to goodwill

	Frequency	**Percent**	**Cumulative**
Strongly Agree	103	80.47	80.47
Agree	21	16.41	96.88
Neither Agree or Disagree	3	2.34	99.22
Disagree	1	0.78	100
Strongly Disagree	0	0	-

Table 6. 24 Reputation meaning recognized name

	Frequency	**Percent**	**Cumulative**
Strongly Agree	39	30.47	30.47
Agree	45	35.16	65.63
Neither Agree or Disagree	26	20.31	85.94
Disagree	14	10.94	96.88
Strongly Disagree	4	3.13	100

Table 6. 25 Reputation as politically connected person

	Frequency	Percent	Cumulative
Strongly Agree	40	31.25	31.25
Agree	53	41.41	72.66
Neither Agree or Disagree	21	16.41	89.06
Disagree	9	7.03	96.09
Strongly Disagree	5	3.91	100

Table 6. 26 Reputation as multiple directorship

	Frequency	Percent	Cumulative
Strongly Agree	26	20.31	20.31
Agree	58	45.31	65.63
Neither Agree or Disagree	29	22.66	88.28
Disagree	11	8.59	96.88
Strongly Disagree	3	3.13	100

Table 6. 27 Summary of features describing reputation

	Mean	STD. DEV	Min	Max	Frequency aggregate of strongly agree and agree (%)
Reputation leading to Visibility	1.4375	.624311	1	5	96.88
Reputation leading to credibility	1.210938	.463678	1	3	97.66
Reputation leading to goodwill	1.234375	.524733	1	4	96.88
Reputation meaning recognized name	2.210938	1.091501	1	5	65.63
Reputation as politically connected person	2.109375	1.051691	1	5	72.66
Reputation as multiple directorship	2.289063	.989332	1	5	65.63

6.4.1.2 Test for Normality of Board Reputation Features

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of the symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008).). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 6.29 which reports board reputation features shows that the Skewness values for most of the variables fall between 0.000 and 0.0027, which indicates symmetrical

distribution. For Kurtosis test statistics, the variables fall between 0.0000 and 0.5335 indicating normal distribution.

Table 6. 28 Skewness/Kurtosis Tests for Normality

	OBS PR(SKEWNESS)	PR(KURTOSIS)	ADJ CHI2(2)	PROB>CHI2
Reputation leading to Visibility	0.0000	0.0000	50.23	0.0000
Reputation leading to credibility	0.0000	0.0000	47.10	0.0000
Reputation leading to goodwill	0.0000	0.0000	61.29	0.0000
Reputation meaning recognised name	0.0027	0.5335	8.41	0.0149
Reputation as politically connected person	0.0001	0.1963	14.81	0.0006
Reputation as multiple directorship	0.0014	*0.4199*	*9.50*	0.0087

6.4.1.3 Spearman and Pearson Correlation of Board Reputation Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 6.29. The table shows the correlation matrix for the dependent, independent and control variables employed for the board reputation and decision-making models. The magnitude and direction of both the Pearson correlation coefficients (parametric) and Spearman correlation coefficients (non-parametric) appear to be relatively similar. This adds to the evidence that there is no major problem of non-normality among the variables in the models (Ntim & Soobaroyen, 2013). In addition, the correlations among the variables were fairly low, indicating that there was not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

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Table 6. 29 (obs=124) Correlation of Board Reputation Features

Pearson Correlation

	gen	age	bg	tny	sub	annut	br1iv	br2iv	br3iv	br5iv	br6iv	br7iv	br4dv
gen	1.0000												
age	-0.1530	1.0000											
bg	-0.0180	0.0885	1.0000										
tny	-0.1446	0.5811	-0.1598	1.0000									
sub	0.0189	-0.0934	-0.0168	-0.0233	1.0000								
annut	-0.0977	-0.1108	-0.0898	0.0092	0.2943	1.0000							
br1iv	0.1636	-0.1799	0.0310	-0.2360	-0.2038	-0.0575	1.0000						
br2iv	0.0064	0.0238	0.0591	-0.0626	-0.1493	-0.1229	0.1441	1.0000					
br3iv	-0.0200	-0.0224	-0.0826	-0.0223	-0.1339	-0.0008	0.2674	0.6884	1.0000				
br5iv	0.1821	0.2953	-0.0973	0.0612	0.0146	-0.0819	0.1835	0.2150	0.1654	1.0000			
br6iv	0.1705	0.1500	0.0034	-0.0460	-0.0384	-0.2144	0.2608	0.1301	0.1249	0.5142	1.0000		
br7iv	0.1111	0.0441	-0.0693	-0.0727	-0.0537	-0.1882	0.2469	0.2347	0.2405	0.4342	0.4719	1.0000	
br4dv	-0.0132	-0.0208	0.0645	-0.1839	-0.2194	-0.0583	0.3028	0.4938	0.4966	0.4265	0.2789	0.4772	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	br1iv	br2iv	br3iv	br5iv	br6iv	br7iv	br4dv
gen	1.0000												
age	-0.1554	1.0000											
bg	-0.0027	0.0441	1.0000										
tny	-0.1317	0.5703	-0.1590	1.0000									
sub	0.0189	-0.0616	-0.0102	-0.0131	1.0000								
annut	-0.1309	-0.0958	-0.1218	-0.0027	0.2854	1.0000							
br1iv	0.1206	-0.2144	0.0582	-0.2546	-0.2182	-0.0587	1.0000						
br2iv	0.0353	-0.0206	0.0623	-0.0353	-0.1710	-0.0936	0.2163	1.0000					
br3iv	0.0209	-0.0783	-0.0744	-0.0064	-0.2175	0.0004	0.2737	0.7078	1.0000				
br5iv	0.2085	0.2638	-0.1003	0.0550	-0.0044	-0.1017	0.2405	0.1781	0.1548	1.0000			
br6iv	0.1714	0.1074	0.0213	-0.0664	-0.0424	-0.2126	0.2917	0.1243	0.1496	0.4911	1.0000		
br7iv	0.1269	0.0008	-0.0769	-0.0693	-0.0771	-0.2081	0.2909	0.2306	0.2809	0.4187	0.5696	1.0000	
br4dv	0.0312	-0.0436	0.0684	-0.1444	-0.2114	-0.0679	0.3915	0.4356	0.4959	0.4488	0.3522	0.4519	1.0000

6.4.1.4 Ordered Logit Regression of Board Reputation Features against Decision Making

The ordered logit regression (Table 6.30) was used to investigate the relationship between features of board reputation and decision-making. The table will reveal that eleven submodels were built each with varying independent variables. Sub model with Adjusted R^2 of 0.3249 was the best fit. This model can explain 30.49% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 6.31 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

Table 6. 30 Ordered logit regressions of features of board reputation against investment decision making influence of board reputation

VARIABLES	(1) br4dv	(2) br4dv	(3) br4dv	(4) br4dv	(5) br4dv	(6) br4dv	(7) br4dv	(8) br4dv	(9) br4dv	(10) br4dv	(11) br4dv
gen	-0.166	-0.0700	-0.00408	-0.662	-0.163	-0.220	-0.296	-0.237	-0.743	-0.746	-0.803
	(0.442)	(0.443)	(0.443)	(0.464)	(0.432)	(0.447)	(0.471)	(0.473)	(0.505)	(0.506)	(0.517)
age	0.252	0.203	0.283	-0.535*	-0.0181	0.0397	0.275	0.302	-0.310	-0.316	-0.307
	(0.277)	(0.277)	(0.280)	(0.312)	(0.282)	(0.291)	(0.282)	(0.284)	(0.329)	(0.330)	(0.344)
bg	0.0551	0.00700	0.126	0.251	0.0889	0.160	-0.0103	0.0494	0.255	0.253	0.293
	(0.175)	(0.191)	(0.185)	(0.176)	(0.172)	(0.179)	(0.191)	(0.192)	(0.199)	(0.198)	(0.204)
tny	-0.272	-0.384*	-0.437**	-0.192	-0.256	-0.255	-0.299	-0.344	-0.250	-0.246	-0.245
	(0.206)	(0.212)	(0.215)	(0.211)	(0.206)	(0.213)	(0.213)	(0.216)	(0.225)	(0.226)	(0.233)
sub	-0.707*	-0.749*	-0.707*	-1.349***	-1.011**	-1.154***	-0.502	-0.508	-1.062**	-1.051**	-1.249**
	(0.417)	(0.421)	(0.428)	(0.453)	(0.408)	(0.431)	(0.434)	(0.438)	(0.492)	(0.490)	(0.515)
annut	0.0262	0.0816	-0.0258	0.0988	0.120	0.207	0.0811	0.0288	0.133	0.139	0.245
	(0.150)	(0.151)	(0.150)	(0.159)	(0.151)	(0.158)	(0.154)	(0.155)	(0.171)	(0.172)	(0.179)
br1iv	0.979***						0.977***	0.816**	0.505	0.486	0.408
	(0.318)						(0.317)	(0.322)	(0.342)	(0.345)	(0.350)
br2iv		2.212***					2.219***	1.455**	1.115*	1.127*	1.088*
		(0.438)					(0.443)	(0.571)	(0.590)	(0.589)	(0.590)
br3iv			2.087***					1.053**	1.204**	1.193**	1.121**
			(0.422)					(0.510)	(0.515)	(0.514)	(0.520)
br5iv				1.193***					1.032***	0.990***	0.906***
				(0.231)					(0.250)	(0.272)	(0.280)
br6iv					0.600***					0.0904	-0.118
					(0.202)					(0.238)	(0.251)
br7iv						1.163***					0.823***

					(0.224)						(0.261)
/cut1	1.274	2.134**	1.867*	0.972	0.779	2.672**	3.985***	3.939***	4.633***	4.726***	6.135***
	(1.083)	(1.060)	(1.039)	(0.983)	(1.009)	(1.133)	(1.246)	(1.244)	(1.341)	(1.360)	(1.497)
/cut2	3.430***	4.615***	4.429***	3.402***	2.905***	5.126***	6.649***	6.724***	7.726***	7.821***	9.459***
	(1.134)	(1.167)	(1.148)	(1.033)	(1.048)	(1.208)	(1.387)	(1.400)	(1.512)	(1.529)	(1.687)
/cut3	5.149***	6.921***	6.654***	5.281***	4.638***	7.008***	9.041***	9.257***	10.41***	10.51***	12.29***
	(1.246)	(1.410)	(1.365)	(1.162)	(1.176)	(1.356)	(1.625)	(1.670)	(1.811)	(1.829)	(2.003)
/cut4	6.277***	8.307***	8.014***	6.603***	5.781***	8.245***	10.48***	10.77***	12.04***	12.14***	13.81***
	(1.489)	(1.680)	(1.635)	(1.455)	(1.433)	(1.612)	(1.886)	(1.936)	(2.070)	(2.088)	(2.197)
Pseudo R^2	.0798	.1477	.1602	.1629	.0747	.1571	.1877	.2060	.2824	.2830	.3249
Observations	124	124	124	124	124	124	124	124	124	124	124

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5

Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
Positive character of board members increases the visibility of the bank.	BR1IV	Reputation as visibility
Positive character of board members is essential for the credibility of the bank	BR2IV	Reputation as credibility
Positive character of board members increase the goodwill of the bank	BR3IV	Reputation as goodwill
Positive character of board members influences investment decision making	BR4DV	Investment decision making
Presence of directors with prestigious names	BR5IV	Reputation as recognized name
Presence of directors that are politically connected influences (positively or negatively)	BR6IV	Reputation as politically connected person
Presence of directors who are on boards of other firms	BR7	Reputation reflected in multiple directorship

Table 6. 31 A summary of all of the hypotheses and findings for the board reputation features and decision-making model.

Dependent Variable			**Decision Making influence of Board Reputation**		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Reputation as visibility	1	+	+	Insignificant when all controls were applied but significant in all other submodels	Accepted
Reputation as credibility	2	+	+	Significant at the 10% level	Accepted
Reputation as goodwill	3	+	+	Significant at the 5% level	Accepted
Reputation as recognized name	4	+	+	Significant at the 1% level	Accepted
Reputation as politically connected	5	-	-	Insignificant	Rejected
Reputation as multiple directorship	6	+	+	Significant at the 1% level	Accepted

6.4.2 Discussions and Triangulation of Qualitative and Quantitative Findings of Board Reputation and its Features

Model 1: Board Reputation Induced Propensity to Make Favourable Investment Decision = β_0 + .41(BR_1) + 1.09(BR_2) + 1.12(BR_3) + .91(BR_5) -.12(BR_6) +.82(BR_7) - .80(Gen) + .29(BG) -.31(AGE) -1.25(IA) -26(FS) + .25(TNY) + εi

6.4.2.1 Preamble

One major way firms signal legitimacy is through the reputation of the firm which routinely manifests from the reputation of the firm's directors (Dowling, 1986). Similarly, according to MF1, reputation control is board responsibility. Hence interviewee MF1 posits that "*It is a joint liability for whatever happens on the board. So, they* (board members) *want to control that reputation. In my own opinion, this* (reputation control) *appears to be one of the key fundamentals, but that makes the board focus on what they are supposed to be doing*". However, the word "reputation" seems to lend itself to ambiguities. For example, interviewee MA1 opines as follows "*The word "repute," in itself is a word that allows a lot of ambiguities and if you speak to ten people, they will define it differently*" Corroborating this, interviewee LC8 states as follows "*how do you define a person of repute. An opinion is what determines*"

Hence for regulators, the legal connotation of "persons of repute" is what is followed. In weak institutional environments, this reliance on legal interpretation of repute brings homogeneity to this important signaling mechanism thereby creating a distrust of this driver in the environment. For example, interviewee OP6 stated that "y*es, CBN will have to rely on those* (laws and rules). *But, I can rely on what I can decipher*". This regulatory distrust is further highlighted by interviewee OP1 who stated as follows "*I even do not know what that* (reputation) *means. I do not understand. Is it a paper qualification you are looking at, is it running criminal background check and nothing comes or is it I mean, I do not know what metric you use to measure reputable*". Similarly, interviewee LC6 questions the reputation requirement of CBN as follows "*there is a big difference between on paper and in reality. So, on paper yes someone can be extremely clean, right*

educational, right experience, but if you see someone, such as this person owing X amount of billion over the course of years and has basically made no effort to sanitize it or restructure or pay down even a portion, then it does question certain parts"

Despite this ambiguity of reputation, audiences routinely rely on the reputation of firms and its directors in making investment decisions, career choices and product choices (Dowling, 1986). In support of literature, interviewee LC5 states as follows "*for me, it* (reputation) *is 60%* (of my decision to invest). *That is true board reputation, not CBN reputation. The true reputation of the board is like 60% of my reason to invest. So, the reputation of the board yes, it is extremely important.*" Corroborating this, interviewee OP3 states that "*our view is that half of our review process is reviewing the people and core in that is reviewing the executive management as well as the board of directors of these banks. We say it is 50 percent of the consideration. Meaning if you fail, there is no score you can get on the other side that can get you across*."

Similarly, in line with stakeholder-agentic theory (Hill & Jones, 1992), interviewee LC4 states as follows "f*rom the constitution of a board and from historical practices, you can tell the very well run companies, from the way the board is composed, people who are on the board, the decision making process of the board. And, you can tell a lot about how a company is expected to be run sometimes, although it does not turn out that way. But, I think when one needs to start making investment decisions, that is a good place to start with*." Therefore, the importance of reputation means moving beyond the agentic perspective of corporate governance or the legitimacy perspective as advocated by Tirole, (2001) to include the social cognition angle (Bandura, 1991).

As investment analysts give their interpretations to reputation requirements, revealing features of reputation is essential.

6.4.2.2 Control variables applied in the model

In this study, international subsidiary is negatively statistically significantly correlated with investment decision making (β=-1.25, p<.05). This suggests that investment analysts that work for international companies are less likely to believe the board reputation variable as signaled by banks. This is understandable as they are less likely to understand the Nigerian environment hence instead apply a stereotypical judgment.

6.4.2.3 Board Reputation Features Findings

Reputation as visibility

Reputation as visibility is positively statistically correlated with investment decision making although not statistically significant in sub model 1 (β=.41, p<.24), it is significant in all other submodels at 5% confidence level (10% confidence level in sub model 9). This suggests that the reputation of directors precedes them and is visible. Bank directors are usually known and visible to investment analysts, hence, their reputation is easily deciphered (Adegbite, 2015; Fombrun & Shanley, 1990). Interviewee LC1 posits thus "*sometimes when I speak to clients and make recommendations for them,* (I suggest to the clients) *I think* they (X bank) *are relatively strong* (healthy)*, I think you should invest in them, etc. I have heard a lot of them* (clients) *or a couple of them say "that bank I am not going to touch it, I do not believe in their management*[15]*, I do not like them, I do not think they are the independent or I do not think it is well run"* Interviewee LC5 corroborates this as follows "*If you have been in this industry for 20 years and you just know, there are some people you do not know too well and get to know them, and they are okay, they are good. So, It just by gist, you have been in the industry for 20years, you talk to your peers, you talk to people who know you. Once somebody is on the board, by the time you ask 10, 15 people, you will know if he has a* (positive) *reputation that will be visible and unhidden*

[15] This inference is because the management are visible and so their character/antecedent is known.

Therefore, H3a is supported albeit when all controls were considered, it was not statistically significant.

Reputation as credibility

Reputation as credibility is positively statistically significantly correlated with investment decision making for all submodels (β=1.088, p<0.1). This suggests that investment analysts presume that credibility is associated with reputation driver. The limited market for credibility in the weak Nigerian environment (Adegbite, 2015) means when investment analysts assume directors to be credible; they are inclined to make favorable investment decisions. Interviewee MF3 highlights this as follows "*If my assessment of them* (directors) *is credible enough and they have enough experience to make in my opinion, to take the best decisions for the company. I think I will lean on the numbers at that point in time but not really reputation of those behind the board. At least I think they* (the board directors) *have a pass mark as far as that is concerned*."

In line with the stakeholder-agentic perspective (Hill & Jones, 1992), the credibility of directors signals positively to investment analysts giving them the confidence to believe projections made by firms (Milgrom & Roberts 1986a). In support of the theory and statistical results, interviewee LF2 highlights as follows "*a lot of things that happen in the banks are more management driven. So, if the management of a bank comes out of the start of the year and gives you guidance or because they have given you that guidance and if you have a credible board they would ensure that their staff they live up to those projections or guidance that they have been given. And personally, for me there are some banks in Nigeria that I would not touch just because I feel that they are not efficient, the strategies are not top down*". From the foregoing, H3b is supported.

Reputation as goodwill

Reputation as goodwill is positively statistically significantly correlated with investment decision making (β=1.12, p<.05). This suggests that investment analysts presume that goodwill is associated with board reputation and influences investment decision making.

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Interviewee LC1 explains the situation thus "*I think what you see around the banking sector, a lot of the tier 1 names or top tier* (bank) *names probably benefit from that* (goodwill) *a lot, because you know most of those banks are relatively well respected in terms of corporate governance and board composition. But the lower tier* (goodwill) *names might not be as strong as what you see in the top tier names. But I think overall this is something that is very important*".

Similarly, the goodwill firms' benefit from having certain directors might be impinged by perception about individual directors. Interviewee LC2 highlights this thus "*so, beyond the CBN and SEC screening, we know* (about reputation) *from information in the market. So, the CBN screening is one level. The information I have on individuals is another level that we also check so. CBN would have screened for you to even be on the board in the first instance but if for some reason by virtue of what information I have access to in the market I still have concerns about who sits on the board of a bank, it will also affect my decision on whether I am investing, what volume on my funds to be invested in such an entity*". From the foregoing, H3c is supported.

Reputation as recognized name

Reputation as recognized name is positively statistically significantly correlated with investment decision making (β=.91, $p<.01$). Unsurprisingly, in societies such as Nigeria where reputable directors are scarce (Adegbite, 2015), directors having recognized name will be a signal to investment analysts to associate recognized name with board reputation variable and make investment decisions. Indeed, investment analysts take considerable efforts to research the names of board directors. Interviewee CP1 highlights this as follows "*it* (name) *is something I pay increased attention to without any doubt. It is just something I look at, and in fact I do what you call an IDD* (integrity due diligence). *When I do not know these names, the typical names appointed to bank boards, then that will be the name that most jump at me all right. If the name is not someone that I am familiar with, I would usually just do a google check and do an IDD*".

Although, the uncertainty prevalent about information authenticity in the Nigerian environment (Adegbite et al., 2013) still means investment analysts are skeptical even when names are recognizable. Interviewee OP1 posits as follows "*so, perception is not always reality so, there are people where you know, great reputation, people say good things about them for whatever reason, they have good PR* (public relation)*, good branding but I do not know if there is substance behind that*.". Nevertheless, H3d is supported.

Reputation as politically connected

Reputation as politically connected is negatively statistically correlated with investment decision making although not statistically significant (β= -.12). Findings from the interviews suggests that investment analysts presume that the more politically connected board a board is, the less likely the board will be reputable and less likely they will make positive investment decisions. This finding is accentuated by interviewee LC3 as follows "*so, reputation is a big issue. There are some people if they are on the board of company today you would not invest in that company*". The institutional environment in Nigeria where politics and business are easily interwoven (Adegbite, 2015) affects investment decisions. Interviewee MF1 put is as such "*yes it* (politically connected persons) *will affect me in my reasoning. Because, I worked in two banks and I have seen how one of the banks I worked for, how politics killed that bank".* This can mean investment analysts hold back on investment volumes or even are dissuaded from making investments. Interviewee OP2 highlights this as follows "*yes we worry about politically exposed persons. Chances are that we would either not fully invest as much as we want to or we may totally not invest. If the person is politically exposed, it will be a matter of time before either their transactions are politically expedient as opposed to rational expediency*". The link between politics and reputation is therefore termed negative by investment analysts. This is despite most businesses being linked to some politically exposed persons in some way. This point is made by interviewee OP3 who said "*we have avoided investing in banks where directors are politically connected. That said, when you filter through this, there is talk about how many degrees of connection. If you look*

hard enough, you find that everyone is connected in some way, shape or form." However, the insignificance of the results from the quantitative study and the double-edged nature of political connection in Nigeria leads to rejection of the hypothesis.
Therefore H3e is not supported.

Reputation reflecting in multiple directorship
Reputation reflecting in multiple directorship is positively statistically significantly correlated with investment decision making (β=.82, $p<.01$). Unsurprisingly, in societies such as Nigeria where reputable directors are scarce with a limited pool of such individuals (Adegbite, 2015), reputable directors will indeed be courted by many firms. H3f is supported.

6.5 Conclusion

This chapter presented board structure and composition drivers findings. This chapter represented the study one results of this thesis. The chapter was divided into Part A-C. Part A was for board independence, B, for board heterogeneity and C, for board reputation. Part A presented the summary descriptive statistics of the board independence, following which test for normality, correlation and ordered logit regressions were discussed. Finally, the findings of the quantitative and qualitative studies were triangulated for a robust discussion. Subsequently, part B and C were reported in similar manner.

From Part A of this chapter, the psychological reasoning findings of the investment analysts obtained through interviews when triangulated with the regression analysis reveal that due to the weak institutional environment and a systemic distrust; CEO duality while viewed negatively by most of the interviewees, in Nigeria, the absence of CEO duality does not necessarily mean the board is independent. This is consistent with the literature that suggests that CEO duality (especially, unity of command) might be especially useful in complex environments (Boyd, 1995) and transitional economies

(Peng et al., 2007). Also, having more non-executives than executive directors on a board does not mean there is will be no conflict of interests especially, as most businesses are family oriented or dominated by strongmen. However, the findings confirm that presence of more non-executive directors on a board projects some level of independence. Independent directors though helpful in bringing some measure of probity into board reasoning, they can be influenced by bank management and dominant principal. Diverse share ownership is the preferred indication of board independence. This feature is also preferred because it provides an easy exit either for profit taking or dissatisfaction with the firm practice/performance.

For Part B, the psychological reasoning findings of the investment analysts obtained through interviews when triangulated with the regression analysis reveal the following; although majority of female investment analysts interviewed expressed sentiments for having more women representations on boards, gender diversity is still irrelevant in perception of investment analysts when making investment decisions. Age diversity is positively received and is linked with innovation and business experience. Similarly, tenure was positively viewed and suggested as a feature that might eliminate sit tight syndrome common in Nigeria. Tribe is only relevant for business expediencies for the firm but not as an investment decision-making factor. Investment analysts ascribe multiple directorship to the nature of firm ownership in Nigeria as firms are still dominated by family or influential beneficial owners. These findings are consistent with prior literature such as Adegbite (2015). Finally, multiple directorship as a feature of board heterogeneity can indeed have negative consequences for firms.

For Part C, the importance of reputation to investment decision cannot be overstated. For example, according to interviewee LC5 "*I personally feel many times , what you have to do is tell me who are the people on the board of directors of a company and I can guess with a lot of accuracy where the company will be in five years.*" A board's reputation is most acutely on display during times of severe corporate controversy or distress. In these

circumstances, the specific actions of the board come under a public microscope and become an unquestionable factor in public trust in the company. However, the weak institutional environment leaves room for distrust on the reputation variable. This is highlighted by interviewee OP2 "*the extent that qualified reputation means and who is the judge of the reputation. What if I am not reputable but I put somebody there who is reputable. I think CBN is trying to ensure corporate governance but like I said, corruption is endemic in the entire system. There are reputable people but what if the CBN governor is my friend and I can get him to say yes, its okay for me to be on the board regardless of my reputation*"

Furthermore, for part C, the psychological reasoning findings of the investment analysts obtained through interviews when triangulated with the regression analysis reveal the following; Majority of investment analysts interviewed interpret reputation differently from the Central bank of Nigeria (CBN). While they do understand and agree that CBN conducts a "fit and proper" test before directors are appointed onto boards of Nigerian banks, they feel that the weak institutional environment might still allow people of disrepute onto boards of banks. Furthermore, they believed the CBN definition of "person of repute" is based more on legal interpretation. Credibility of directors is extremely important and can determine success or otherwise of the bank. The name precedes the person, hence a director's name is a brand that can enhance or diminish the reputation of a board. In Nigeria, it is believed that most persons of repute are connected politically, and hence the degree to which the director is involved in politics is what is most critical in determining how being politically exposed affects the director's reputation.

As no governance arrangement is costless (or flawless), the overall effect of an arrangement has to be assessed for its costs and benefits in relation to feasible alternatives (Williamson, 1996). Policymakers have also responded to the perceived shortcomings of the existing governance composition structures with a series of initiatives, most of which

included an emphasis on board independence, increased board diversity and on board reputation. In many EU countries for example, there exists already corporate governance rules on diversity either in the form of directives or in the form of European regulation. However, the weak institutional environment prevalent in developing countries such as Nigeria, leads to a distrust of features of board composition.

Hence, this chapter provided a ranking of features of board structure and composition governance drivers in a developing country, a gap in literature recognised by researchers (e.g. Black et al., 2017; Filatotchev et al., 2007). Secondly, the opinions of some of the top executive investment analysts was obtained to understand the "why" behind the importance or otherwise of board structure and composition features signalled by Nigerian banks. Thirdly, institutional theoretical account has been variously used to supplement some of the limitations of agency theory (Nakpodia, 2015). This study research relied on less investigated stakeholder agency, signalling and social cognition theories to provide investment analysts' insights applicable in weak governance environments. Potentially, this research provides coherent theoretical generalisation that can go beyond the Nigerian case and help in providing generalizations for developing countries with weak institutional environments.

Discussions in this chapter also help to contribute to the social cognitive aspects of corporate governance with insights from a less discussed research site–Nigeria (Jackson & Deeg, 2006; Bohle & Greskovits, 2006; Taylor & Nolke, 2008; Adegbite et al., 2013). Empirically, this further adds to the budding literature on corporate governance in African countries (Briston, 1978; Abor, 2007; Kyereboah-Coleman, 2007; Mangena & Chamisa, 2008; Sanda et al., 2010; Bokpin, 2011; Mahadeo et al., 2012; Mangena, Tauringana, & Chamisa, 2012; Ntim, Opong, & Danbolt, 2012; Ntim & Soobaroyen, 2013; Adegbite, 2015; Nakpodia & Adegbite, 2018).

The next chapter present the findings on the ownership mechanism drivers.

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Chapter Seven: Investment Analysts and Perception of External Ownership Drivers.

7.1 Introduction

A key factor in global capital markets is the fast growing importance of institutional investors. According to the International Monetary Fund (2005) (IMF), these professional investors manage financial assets exceeding US$45 trillion (including over US$20 trillion in equities). In recent years, financial globalization has further opened emerging markets that were previously off-limits to international investment (Khorana et al., 2005). One such important example is the openness of Nigeria's domestic stock market to foreign institutional investors. As at March 2017, the number of listed firms on the Nigerian Stock Exchange (NSE) was 186, with a market capitalization of N8.5 trillion (about $25 billion) (NSE Bulletin, 2017). Furthermore, the Nigerian Stock Exchange has been operating an Automated Trading System (ATS) since April 27, 1999, with dealers trading through a network of computers connected to a server. The ATS has facilities for remote trading and surveillance. Consequently, many of the dealing members trade online from their offices in Lagos and all the thirteen branches across the country. The NSE is highly representative of a modern developing country market.

Foreign investors have increasingly invested in this important developing market. Activist institutional shareholders, particularly foreign institutional investors, are believed to play a positive role in external monitoring, especially when large controlling shareholders may potentially engage in expropriation by pursuing exclusive benefits through their influence on management. In particular, as "outsiders", foreign institutional investors are more likely to perform arms-length monitoring, thereby benefiting minority shareholders (Ferreira & Matos, 2008; Huang & Zhu, 2015). CBN code of governance, just as a number of UK government reviews (e.g., Kay, 2012; Myners, 2001), puts an emphasis on the responsibility of investors to act as "stewards" of the companies they hold shares in, which entails "holding the board to account for the fulfillment of its

responsibilities" (Financial Reporting Council, 2012, p. 1). However, just as propositioned by Aguilera et al. (2015) that external stakeholders are ignored, there is little evidence on the impact of presence of foreign institutional investors on investment analysts who make investment decisions in Nigeria., so to the best of the researcher's knowledge, we offer the first exploration of this issue.

Also, shareholder activism has continued to grow with the globalization of markets, as a force for good corporate governance (Adegbite, 2012; 2015; Becht et al., 2009). It mainly operates on the premise that shareholders, as activist owners, can check managerial opportunistic tendencies and, thus, signal effective corporate governance (Black, 1992; Gillan & Starks, 1998, 2000; Rubach & Sebora, 2009). There is, however, a shortage of studies on the impact of shareholder activism activities in developing countries (Sarkar & Sarkar, 2000; Amao & Amaeshi, 2008; Adegbite et al., 2012). Furthermore, to the best of this researcher's knowledge, which shareholder groups'activism is effective and leads to investment decision making in developing countries, have not been studied.

The two external ownership drivers which are the main variables of this study are reviewed in the sections below. After defining each driver, the features of each driver are then described. Subsequently, the descriptive results of respondents view on each feature are discussed following which the ordered logit regressions results are presented. Also in this chapter, the findings are discussed.

7.2 Part A. External Ownership Driver 1: Foreign Institutional Investors

The next subsection presents the results of the features of foreign institutional investors (and foreign listing) revealed from the perspective of investment analysts.

7.2.1. Statistical Analysis of Study Variables

7.2.1.1. Descriptives of Foreign Institutional Investors Features in Nigeria

Tables 7.1-7.3 reports percentage and frequencies of respondents' perspective on features of foreign institutional investors. These tables present further evidence of a generally high level of engagement by the respondents especially given the specialist nature of the respondent sample selection.

In table 7.1, less than half of respondents (42.98%) believe local institutional investors have the same effect as foreign institutional investors. The mean is 2.818 while a standard deviation of 1.057 indicates that there is less variation among the investment analysts. This is interesting and suggests investment analysts place more premium on the presence of foreign institutional investors than local institutional investors even though foreign investors might be "return chasers" (Kang et al., 2010, p. 2886). Further, this perception by investment analysts conforms with literature which provides evidence suggesting that foreign investors are more informed and outperform their domestic counterparts (Seasholes, 2004; Grinblatt & Keloharju, 2000; Karolyi, 2002; Froot & Ramadorai, 2008).

For table 7.2, 73.55% of respondents agree or strongly agree that foreign institutional investors on the board of a bank create the impression of a bank to invest in. The mean is 2.124 while a standard deviation of 0.8618 indicates that there is even less variation among the investment analysts on this feature. Investment analysts might perceive that foreign investors on a board connote that high due diligence has been observed on the investee firm (Desender et al., 2016). For example, Bradshaw et al. (2004) found that US foreign investors will invest in firms with similar high generally accepted accounting standards. Again, this finding is supported by literature that suggests that foreigners prefer to invest in stocks with less information uncertainty to overcome their information disadvantages (Kim & Li, 2015).

For table 7.3, 76.03% of respondents agree or strongly agree that foreign listing of the shares of a bank creates the impression of a bank that is well managed. The mean is 2.0248 while a standard deviation of 1.0004 indicates that there is less variation among the investment analysts. This affirmation might not be unconnected with higher transparency and due diligence associated with listing in developed economies compared to what is obtainable in Nigeria. Considering that the literature reveals that investors are willing to pay a premium for better-governed firms in less-developed markets (Khanna & Zyla, 2012), this positive affirmation by investment analysts is in alignment with literature that suggests foreign investment in a firm confirms the firm as one with high status (Mikkelson & Rubak, 1985).

Table 7. 1 Local Institutional investors on a board compared to foreign institutional investors.

	Frequency	Percent	Cumulative
Strongly Agree	12	9.92	9.92
Agree	40	33.06	42.98
Neither Agree or Disagree	31	25.62	68.60
Disagree	34	28.10	96.69
Strongly Disagree	4	3.31	100

Table 7. 2 Presence of foreign institutional investor on a board

	Frequency	Percent	Cumulative
Strongly Agree	27	22.31	22.31
Agree	62	51.24	73.55
Neither Agree or Disagree	23	19.01	92.56
Disagree	8	6.61	99.17
Strongly Disagree	1	0.83	100

Table 7. 3 Foreign listing as a proxy for well-managed company

	Frequency	Percent	Cumulative
Strongly Agree	41	33.88	33.88
Agree	51	42.15	76.03
Neither Agree or Disagree	17	14.05	90.08
Disagree	9	7.44	97.52
Strongly Disagree	3	2.48	100

Table 7. 4 Summary of features of foreign (institutional) investors

	Mean	STD. DEV	Min	Max	Frequency aggregate of strongly agree and agree (%)
Local Institutional investors on a board compared to foreign institutional investors	2.818182	1.056724	1	5	42.98
Presence of foreign institutional investor on a board	2.123967	.8618802	1	5	73.55
Foreign listing as a proxy for well managed company	2.024793	1.003849	1	5	76.03

7.2.1.2. Test for Normality of Foreign Institutional Investors features

The skewness and kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For skewness, the value of the symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008).). For kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 7.5 shows that the skewness values for most of the variables fall between 0.0001 and 0.8980, which indicates mostly symmetrical distribution. For kurtosis test statistics, the variables fall between 0.0002 and 0.2521 indicating normal distribution.

Table 7. 5 Skewness/Kurtosis tests for normality

	OBS PR(SKEWNESS)	PR(KURTOSIS)	ADJ CHI2(2)	PROB>CHI2
Local Institutional investors on a board compared to foreign institutional investors	0.8980	0.0002	11.58	0.0031
Presence of foreign institutional investor on a board	0.0023	0.2521	9.29	0.0096
Foreign listing as a proxy for well managed company	0.0001	0.1548	15.00	0.0006

7.2.1.3. Spearman and Pearson Correlation of Foreign Institutional Investors Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 7.6. The table shows the correlation matrix for the dependent, independent and control variables employed for the foreign institutional investors and decision-making models. The magnitude and direction of both the Pearson correlation coefficients (parametric) and Spearman correlation coefficients (non-parametric) appear to be relatively similar. This adds to the evidence that there is no major problem of non-normality among the variables in the models (Ntim & Soobaroyen, 2013). In addition, the correlations among the variables are fairly low, indicating that there is not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

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Table 7. 6 (obs-117) Correlation of Foreign (& Local Institutional) Investors Features

Pearson Correlation

	gen	age	bg	tny	sub	annut	ii1iv	ii2iv	ii3iv	ii2dv
gen	1.0000									
age	-0.1716	1.0000								
bg	0.0237	0.0828	1.0000							
tny	-0.1741	0.5774	-0.1934	1.0000						
sub	-0.0021	-0.1124	-0.0052	-0.0365	1.0000					
annut	-0.0921	-0.0891	-0.0711	0.0190	0.3523	1.0000				
ii1iv	-0.0379	-0.0082	-0.1133	0.1272	0.0605	0.0572	1.0000			
ii2iv	0.1159	-0.1283	0.0302	-0.0316	0.0492	-0.1366	0.2263	1.0000		
ii3iv	0.0306	-0.0293	-0.0589	-0.0587	-0.0665	0.0309	0.2170	0.3939	1.0000	
ii2dv	0.1272	-0.1112	-0.0418	-0.1106	0.1883	-0.0187	0.2175	0.4655	0.4109	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	ii3iv	ii4iv	ii5iv	ii2dv
gen	1.0000									
age	-0.1777	1.0000								
bg	0.0379	0.0212	1.0000							
tny	-0.1646	0.5665	-0.1932	1.0000						
sub	-0.0021	-0.0841	-0.0014	-0.0278	1.0000					
annut	-0.1356	-0.0732	-0.1098	-0.0007	0.3292	1.0000				
ii3iv	-0.0417	-0.0054	-0.1189	0.1226	0.0552	0.0681	1.0000			
ii4iv	0.1359	-0.1321	0.0752	-0.0280	0.0797	-0.1490	0.2248	1.0000		
ii5iv	0.0536	-0.1049	-0.0246	-0.1574	-0.0494	0.0372	0.1866	0.3839	1.0000	
ii2dv	0.1390	-0.1352	-0.0582	-0.1450	0.1765	-0.0413	0.2121	0.5271	0.3926	1.0000

7.2.1.4. Ordered Logit Regression of Foreign (& Local Institutional) Investors Features against Decision Making

The ordered logit regression (Table 7.7) was used to investigate the relationship between features of foreign (& local institutional) investors and decision-making. The table will reveal that five submodels were built each with varying independent variables. Sub model with Adjusted R^2 of 0.1704 was the best fit. This model can explain 17.04% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 7.8 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

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Table 7. 7 Ordered logit regressions of features of foreign (institutional) investor against investment decision making the influence of foreign institutional investors

VARIABLES	(1) ii2dv	(2) ii2dv	(3) ii2dv	(4) ii2dv	(5) ii2dv
gen	0.519	0.237	0.423	0.281	0.319
	(0.410)	(0.427)	(0.425)	(0.429)	(0.437)
age	-0.0539	0.108	-0.0871	0.122	0.0978
	(0.270)	(0.277)	(0.278)	(0.279)	(0.287)
bg	-0.0727	-0.130	-0.0244	-0.124	-0.0844
	(0.194)	(0.204)	(0.201)	(0.203)	(0.206)
tny	-0.249	-0.321	-0.0735	-0.355*	-0.256
	(0.201)	(0.204)	(0.206)	(0.207)	(0.215)
sub	0.873**	0.894**	1.210***	0.883**	1.074**
	(0.401)	(0.403)	(0.414)	(0.405)	(0.417)
annut	-0.221	-0.0860	-0.271*	-0.0961	-0.163
	(0.147)	(0.149)	(0.148)	(0.149)	(0.152)
ii3iv	0.445**			0.247	0.201
	(0.175)			(0.183)	(0.188)
ii4iv		1.281***		1.216***	0.964***
		(0.235)		(0.239)	(0.256)
ii5iv			0.979***		0.608**
			(0.213)		(0.241)
/cut1	-1.024	0.826	-0.0606	1.282	1.874*
	(0.982)	(1.030)	(0.998)	(1.085)	(1.134)
/cut2	1.128	3.382***	2.299**	3.866***	4.524***
	(0.979)	(1.075)	(1.017)	(1.138)	(1.194)
/cut3	2.412**	4.877***	3.720***	5.357***	6.082***
	(1.015)	(1.142)	(1.077)	(1.203)	(1.269)
/cut4	4.232***	6.811***	5.645***	7.273***	8.039***

	(1.205)	(1.343)	(1.283)	(1.390)	(1.458)
Pseudo R^2	.0571	.1424	.1114	.1486	.1704
Observations	117	117	117	117	117

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
When foreign institutional shareholders hold the shares of a bank, it influences my investment decisions	II2DV	Decision making influence of Institutional Investors
Presence of local institutional shareholders influence my investment decision making exactly the same way as the presence of foreign institutional shareholders	II3IV	Local Institutional Investors on a board compared to foreign institutional investors
Presence of a representative of foreign institutional shareholders on board of a bank leads to the bank being well managed and accountable	II4IV	Presence of Foreign Institutional Investors on a board
If a bank's shares are listed on a foreign stock exchange, I perceive the bank to be accountable and well managed	II5IV	Foreign listing as a proxy for well managed

Table 7. 8 A summary of all of the hypotheses and findings of features of foreign (& local institutional) investors and decision-making model.

Dependent Variable			**Decision Making influence of Foreign (Institutional) Investors**		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Presence of foreign institutional investor on a board	1	+	+	Significant at the 1% level	Accepted
Importance of local Institutional investors on a board compared to foreign institutional investors	2	+	+	Insignificant	Rejected
Foreign listing as a proxy for well managed company	3	+	+	Significant at the 5% level	Accepted

7.2.2. Discussions and Triangulation of Qualitative and Quantitative Findings of Features of Foreign (Institutional) Investors Driver.

Model 1. Foreign (Institutional) Investors Induced Propensity to Make Favourable Investment Decision = β_0 + .96(FI_4) + .20((FI_3) +61(FI_5) + 0.32Gen) - .08(BG) - .10(AGE) + 1.1(IA) - .26(TNY) - .16(FS) + εi

7.2.3.1 Control applied in the models

Age is negatively statistically correlated with investment decision making although not statistically significant (β= -.10, p=.73). One can assume that older investment analysts are, the less likely to believe that foreign institutional investors are important for investment decision making. Background is negatively statistically correlated with investment decision making although not statistically significant (β= -.08, p=.68). One can assume that investment analysts that are not specialist in banking shares/equities are

less likely believe that foreign institutional investors for investment making decisions. Total number of years is negatively statistically correlated with investment decision making although not statistically significant (β= -0.26, p=.23). One can assume that the more experienced investment analysts are less likely believe that foreign institutional investors are necessary for boards of banks or investment decision making.

International subsidiary is positively statistically significantly correlated with investment decision making (β=1.1, p<0.5). As expected, investment analysts that work for international companies believe that foreign institutional investors on the board of banks are essential and it also affects investment decision making. Firm Size is negatively statistically correlated with investment decision making although not statistically significant (β= -.16, p=.29). One can assume that investment analysts that work in larger organizations, are less likely to believe that foreign institutional investors are important for investment decision makings.

7.2.3.2 Foreign (Institutional) Investor Features

Presence of Foreign Institutional Investors on a board

Presence of Foreign Institutional Investors on a board is positively statistically significantly correlated with decision-making (β=.96, p<.01). This suggests that investment analysts presume that foreign institutional investors on the board of bank is positive for investment decision making. In line with stakeholder-agency theory, this finding suggests that investment analysts are likely to make positive investment decision about a bank when foreign investors have representation on the bank's board under the assumption that the agentic issues are somewhat mitigated. One plausible possibility for this finding is the increase in the value of a firm after it witnesses increased outside investment (Mikkelson & Rubak, 1985; Ferreira & Matos, 2008). Also, investment analysts are likely to assume that foreign institutional investors have done their due diligence (Desender et al., 2016) before investing in shares of a bank. Espousing similar reasoning, interviewee MF1 posits that "*Foreign institutional investors, they look at things critically well. They have done their research. They look at it* (investee firm)

critically well, and that is why you see their investment are usually few. Mostly (they invest in) *companies that have a foreign affiliate*." This conforms to studies by Kang & Stulz (1997) and Dahlquist & Robertsson (2001), who find that foreign investors hold disproportionately more shares of large firms and firms with greater recognition or visibility in international markets.

Similarly, according to Aggarwal et al. (2011), in common law countries, foreign institutional investors investing in shares of a firm is a validation of the practices of that firm. Hence, in accordance with the literature, investment analysts who invest in Nigeria psychologically associate foreign investors on the board of a bank as a feature that drives good corporate governance. Interviewee OP5 explains agreement with literature as follows "*yes because I think foreign institutional investors are sort of like a validation. Even as it is now* (in Nigeria), *you have the tier one banks; you have X bank and XX Bank. There is no international investor that comes into our local market that does not look at those names* (X and XX banks) *first because they* (X and XX Banks) *portray an image of a very good bank with a high level of corporate governance. So, theirs'* (foreign institutional investors) *is sort of like a validation. Because let's not kid ourselves, in terms of this* (governance) *systems and institutions that have been put in place, the developed nations are way ahead of us* (in Nigeria)".

Further, investment in shares of a local company by foreign investors is also a mark of confidence in the local firm's profitability (Ferreira & Matos, 2008), and this stamp of confidence triggers certain reactions from investors. Interviewee LA4 puts it thus "*when you have foreign confidence in your institution or in the bank; it means that these foreigners have identified profit-making opportunity in your organization or they have identified a value that can be obtained. It means the bank is now open to international scrutiny. Where you move from operating on a domestic or local level to international levels is always a good thing for a bank or an institution.*"

However, despite the general consensus among most of the investment analysts, there were still certain concerns for the effect of foreign institutional investments on the local

capital market especially as foreign investors can be tagged as rate shoppers (Tesar & Werner, 1995; Bohn & Tesar, 1996; Grinblatt & Keloharju, 2000) who are concerned only about short-termism. For example interviewee LF2 highlights as follows "*for me, that* (foreign institutional investors buying shares of a firm) *is not a good thing because that they create a lot of volatility in the market. As you can imagine they are out there shopping for rates and so as soon as things start to move in the negative for Nigeria you see a quick flight to safety and there is a huge sell off. Unfortunately domestic investors do not have an alternative market to go to so they are stuck here.*"

Despite this reservation, the investment climate in Nigeria itself is short-term (Adegbite et al., 2012). Hence, it is unsurprising that investment analysts are positively persuaded when foreign institutional investors purchase shares of a firm. This view supports the literature that foreign institutional investors can act as protection for minority shareholders (Ferreira & Matos, 2008; Huang & Zhu, 2015).

Nevertheless, while foreign institutional investors on a board represent positives for investment analysts, the statue of the person nominated to the board is still important to determine their capability in delivering value to the board and by extension the firm. Interviewee CP1 highlights it thus "*It comes down to the quality of individual that is nominated onto that bank boards. But based on track record, and based on what I have experienced in the past, I have come to realize that foreign investors especially if you are coming from the right shop or right investment boutique are usually quite vast, you know, in the practices and they know the correct questions to ask*". Considering the general malaise of corruption prevalent in the Nigerian environment (Adegbite, 2012), foreign institutional investors are presumed by investment analysts to have an arms-length dealing (Ferreira & Matos, 2008) with the board, taking only unbiased decisions which the foreign institutional investors feel is best for the firm. Interviewee LA1 highlights this local environment distrust thus, "*I do not want to keep saying it is the way Nigeria is, but, maybe it is because of the standards in their* (foreign institutional investors') *country that dictates how they invest. Therefore, they are very wary about going into*

certain situations. The local investors do not have those constraints because we do not have those constraints in Nigeria. So, that is why am saying that the local institutional investors would not sway your investment decisions but the foreign investors will. If they are in the company, I am more assured of things like corporate governance in those companies. We have so many corporate governance issues happening in Nigeria right now. It is very rare that you will look into such company (having governance issues) *that you see significant foreign investment or you see foreign investors on the board because those things* (governance) *matter to them".* From the submissions presented above, hypothesis 4a is supported.

Importance of local institutional investors on a board compared to foreign institutional investors

Importance of Local Institutional Investors on a board compared to foreign institutional investors is positively correlated with investment decision making although not statistically significant (β= .08, p=.28). Findings from our interviews suggests that the investment analysts presume that local institutional investors are important, but not with any level of reliability. The insignificance of this feature can be explained by inconsistent views held by the investment analysts interviewed. Indeed, only 42.98% were of the opinion that local institutional investors were as important as foreign institutional investors. For example, while on the one hand, interviewee LF1 states that "*I think the foreign* (is more important). *Because for the foreign investor, he has come from the region that has what to comply with* (has standards he has to comply with), *because he can be fined if he does not do the right thing. That is one. And two, he is in the country to protect this investment. So, definitely, I do not see him, in the long run, forming an alliance with other people and fail in his responsibility to protect investors generally. But for a local institutional investor, while for some time he could have the interest of shareholders at heart but... I do not want to jump to conclusion, but we have had instances where,….you know, people change, and once they see the other side that on the board you can get something even better, the interest of shareholders may leave their*

hearts". This conforms with the literature which suggests that foreign institutional investors are often believed to play more of a role in prompting changes in corporate governance practices than local institutional investors (Gillan & Starks, 2003).

Similarly, arguing from the perspective that foreign institutional investors import values into a local firm (Huang & Zhu, 2015), interviewee MF3 posits that "*yes, they* (foreign institutional investors) *are more professional in their dealings… but who they are matters. Not just any foreign* (investor). *If they are foreign from more developed economies, more advanced economies, of course, you think they will bring the wealth of the experience to bear. The assumption is that they have better corporate governance practices out there now. at least in the Western world than what we have here in Nigeria, and that experience can only be an additional or a plus to what the local ones* (investors) *have so like I said by and large it is preferable to have more foreign than local*." Corroborating further, interviewee CP2 states as follows "*unfortunately yes. As much as I do not like to say that, unfortunately, yes. Obviously, because they are coming from more developed markets they are coming from markets that have way higher standards, and they can begin to demand for those kinds of standards to be replicated here in Nigeria*."

On the other hand, interviewees such as OP3 seek to maintain a balanced neutrality and posits as follows, "*no, I would not* (say foreign institutional investors on the board of a bank are more important than local institutional investor on the board of the bank), *because there is always the risk of* (the foreign institutional investor) *trying to apply successful international models to the local environment. That is always a risk, and when you do not have strong local management, they tend to give in to the pressure. Investors eventually suffer for it. It is not to say that foreign investors are not good, sometimes you find a very good balance where the approach is to customize best practice internationally to local context and likewise I think the local investor community has developed quite a bit over the years with all the crisis that we have had and with the significant pool of investments that has been built-in especially in the pension space where you now have a*

significant enough mass to attract really capable talents to the area. So, I would not say foreign is better; likewise, I would not say local is better, it is really about application." Similarly maintaining the neutrality, interviewee LC2 states as follows "*so, you might say maybe from the point of view of maybe trying to instill best practice given how weak governance is in our environment maybe, but at the same time, I would argue that because the domestic investors are on the ground and most of the time have access or follow and can track the environment and the sector, then it is easier to object the case*".

Therefore, our findings do not support H4b. It is interesting to note that no interviewee argued that local institutional investor was definitely more important. Instead, some arguments were made for value brought to the firm by any investor whether local or foreign. Interviewee LC1 highlights this as follows "*more important in terms of direction; in terms of technical expertise; in terms of what they bring on board. But again I do not think it's just about whether you are foreign or local. I think it's a function of a stand-alone assessment of who it is and what you are bringing into the table*". Thus, H4b is not supported.

Foreign listing as a proxy for well managed

Foreign listing as a proxy for well managed is positively statistically significantly correlated with decision-making (β=.61, $p<0.5$). This finding is supported by Sarkissian & Schill's (2016) study which reported more accountability with firms when they cross-listed. The reasoning of our interviewees seems to corroborate the literature to a limited extent. Interviewee CP1 confirms this as follows "*It* (foreign listing) *does not influence anything. It just helps hold the banks to more level, higher level of accountability and stewardship, higher level of disclosure. Moreover, as an investor it provides room for better returns because listing the different in markets provides arbitrage opportunities*".

Further, similar to studies by Gozzi et al. (2006) and Sarkissian & Schill (2008), which suggests that firms that access international markets have transitory valuation gains,

investment analysts do not assume foreign listing of shares is a feature by itself for investment decision making, but it is a feature that enhances the positive visibility of the firm. Interviewee LC6 highlights this as follows: "*in itself does not influence the decision-making, however when it* (a bank) *does a foreign listing it means that the entity in question is very sizeable, probably at the top of the strata from a banking perspective and it means that they are more sellable. So larger is bigger when it comes to banks, larger is better when it comes to banks, and that in itself is positive*"

However, the distrust of the motives for foreign listing might be responsible for the indifferent perceptions of investment analysts towards foreign listing, especially as firms have different motives for cross-listing (Dodd, 2013). Interviewee CP2 highlights as follows "*frankly speaking I think it* (foreign listing) *is a charade. ,…. because the reason why they do that is for credibility, right? You see a lot of banks going down route now. The biggest culprit is the London and Johannesburg Stock Exchange. As much as listing would give some level of better accountability, but I still think it could be all be "packaged*[16]*" nicely to meet whatever requirements. … I know there are some tougher countries like the US you know, so if it's beyond the usual London and Johannesburg then maybe I would step back to have a bit more confidence but right now if it is just the two usual culprits* (London and Johannesburg Stock Exchange), *it does not really do much for me*"

Nevertheless, investment analysts pay attention to banks that list their shares outside their home country believing it might provide some liquidity. This is in accordance with the literature on foreign listing presenting more liquidity (Dodd, 2013). Corroborating the literature, interviewee LF1 suggests as follows, "*it* (foreign listing) *provides liquidity but because the market is not yet integrated to that extent that you can actually take arbitrage opportunity, it does not really influence that much. But the only thing is, from my perspective I can say it influences is that it scales up the reporting quality for the*

[16] "Packaged" is a Nigerian slang which means enhancing or exaggerating the quality

company which makes it better for us to assess the company's reporting and financials better".

Similarly, foreign listing can be an integral part of a firm's global strategy necessary (Dodd, 2013) for providing it foreign exchange for example and provides a form of reputational bonding (Coffee, 2002; Stulz, 1999). Corroborating the literature, interviewee LC8 argues thus, "*it just makes it easy for those banks to raise money and that for me is positive. So, if a bank is listed abroad, I know X bank is listed in the London stock exchange, I do not know any other bank, but you can see that X bank does well especially in areas of foreign exchange lending because the listing gives them access to foreign capital.*"

From the results, although H5c was supported, foreign listing is viewed more as an extra quality check rather than a driver that directly by itself influences investment-making decisions.

The next sub section presents part B, findings of shareholder groups' activism of external ownership driver.

7.3 Part B. External Ownership Driver 2. Effective shareholder groups' activism

This sub section presents results of shareholder groups' effective activism from the perspective of investment analysts.

7.3.1 Statistical Analysis of Study Variables

7.3.1.1 Descriptives of Shareholder Groups' Effective Activism in Nigeria

Tables 7.9-7.11 reports percentage and frequencies of respondents that agree with features of shareholder groups'effective activism in Nigeria. In table 7.9, 75.63% of respondents agree or strongly agree that sophisticated activist shareholders influence their purchase of equities of the bank. This feature has a mean of 2.017 and a standard

deviation of 0.8828 suggests a congruence of opinions by investment analysts. However, Table 7.10 reveals that an even higher percentage of investment analysts (84.03%) are swayed by reputable shareholders. Also, the mean of this feature is 1.8908 with a standard deviation of 0.7224 which indicates even more congruence on this feature by investment analysts. In line with literature (e.g., Adegbite, 2015; Uche et al., 2016), while, investment analysts clearly find both sets of shareholders somewhat useful, the understanding is that reputable people in developing countries are more likely to be the ones establishing firms or with more resources to make profits.

In table 7.11, 83.19% believe that presence of activist institutional shareholders acts as a check on the management of banks. The mean value is 1.966, and the standard deviation of 0.8727 depicts a high level of agreement among the investment analysts. Similar to literature by Bechal et al. (2009) which suggests activist institutional shareholders generate herd followership, investment analysts feel such activism will help solve some agency problems. The qualitative study will help shed some light on this particular finding.

Table 7. 9 Presence of Sophisticated Activist Shareholders

	Frequency	Percent	Cumulative
Strongly Agree	35	29.41	29.41
Agree	55	46.22	75.63
Neither Agree or Disagree	23	19.33	94.96
Disagree	4	3.36	98.32
Strongly Disagree	2	1.68	100

Table 7. 10 Presence of Reputable Activist Shareholders

	Frequency	Percent	Cumulative
Strongly Agree	35	29.41	29.41
Agree	65	54.52	84.03
Neither Agree or Disagree	16	13.45	97.48
Disagree	3	2.52	100
Strongly Disagree	0	0	-

Table 7. 11 Presence of Activist Institutional Shareholders

	Frequency	Percent	Cumulative
Strongly Agree	35	29.41	29.41
Agree	64	53.78	83.19
Neither Agree or Disagree	10	8.40	91.60
Disagree	9	7.56	99.16
Strongly Disagree	1	0.84	100

Table 7. 12 Summary of descriptives of Activist Shareholder Groups

	Mean	STD. DEV	Min	Max	Frequency aggregate of strongly agree and agree (%)
Presence of Activist Sophisticated Shareholders	2.016807	.882823	1	5	75.63
Presence of Activist Reputable Shareholders	1.890756	.722401	1	4	84.03
Presence of Activist Institutional Shareholders	1.966387	.872681	1	5	83.19

7.3.1.2 Test for normality of activist shareholder groups

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of the symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008).). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 7.13 which reports shareholder activism features shows that the Skewness values for most of the variables fall between 0.000 and 0.0114, which indicates mostly symmetrical distribution. For Kurtosis test statistics, the variables fall between 0.0306 and 0.3352 indicating normal distribution.

Table 7. 13 Skewness/ Kurtosis Tests for Normality

	OBS PR(SKEWNESS)	PR(KURTOSIS)	ADJ CHI2(2)	PROB>CHI2
Presence of Sophisticated Shareholders	0.0003	0.0560	13.58	.0011
Presence of Reputable Shareholders	0.0114	0.3352	6.82	0.0331
Presence of Activist Shareholders	0.0000	0.0306	17.99	0.0001

7.3.1.3 Spearman and Pearson Correlation of Shareholder Activism Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 5.14. The table shows the correlation matrix for the dependent, independent and control variables employed for the foreign institutional investors and decision-making models. The magnitude and direction of both the Pearson correlation coefficients (parametric) and Spearman correlation coefficients (non-parametric) appear to be relatively similar. This adds to the evidence that there is no major problem of non-normality among the variables in the models (Ntim & Soobaroyen, 2013). In addition, the correlations among the variables are fairly low, indicating that there is not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

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Table 7. 14 (obs=115) Correlation of Activist Shareholder Groups

Pearson Correlation

	gen	age	bg	tny	sub	annut	sa1iv	sa2iv	sa3iv	sa5dv
gen	1.0000									
age	-0.1795	1.0000								
bg	0.0349	0.0835	1.0000							
tny	-0.1422	0.5940	-0.2035	1.0000						
sub	-0.0117	-0.1251	-0.0036	-0.0230	1.0000					
annut	-0.0773	-0.0889	-0.0745	0.0073	0.3597	1.0000				
sa1iv	0.1904	-0.1133	-0.0433	-0.1274	-0.2347	-0.0989	1.0000			
sa2iv	0.1371	0.0751	0.0357	-0.0112	-0.0691	-0.1266	0.3911	1.0000		
sa3iv	-0.0510	-0.0031	-0.1015	0.0959	-0.0122	0.1738	0.2205	0.1365	1.0000	
sa5dv	-0.0658	0.0579	-0.1188	0.1021	-0.0135	-0.0506	0.2132	0.3624	0.4477	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	sa1iv	sa2iv	sa3iv	sa5dv
gen	1.0000									
age	-0.1871	1.0000								
bg	0.0507	0.0222	1.0000							
tny	-0.1315	0.5868	-0.2026	1.0000						
sub	-0.0117	-0.0994	0.0005	-0.0158	1.0000					
annut	-0.1172	-0.0720	-0.1147	-0.0184	0.3362	1.0000				
sa1iv	0.2017	-0.1619	-0.0272	-0.1194	-0.2389	-0.1128	1.0000			
sa2iv	0.1388	0.0431	0.0456	-0.0156	-0.0821	-0.1324	0.4688	1.0000		
sa3iv	-0.0167	-0.0108	-0.1691	0.1195	-0.0373	0.1632	0.2773	0.2165	1.0000	
sa5dv	-0.0491	0.0297	-0.1546	0.0877	-0.0520	-0.0940	0.2897	0.4030	0.4862	1.0000

7.3.1.4 Ordered Logit Regression of Activist Shareholder Groups against Decision Making

The ordered logit regression (Table 7.15) was used to investigate the relationship between activist shareholder groups and decision-making. The table will reveal that eight submodels were built each with independent variables. Sub model with Adjusted R^2 of 0.1946 was the best fit. This model can explain 19.46% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 7.16 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

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Table 7. 15 Ordered logit regressions of activist shareholder groupsagainst investment decision making the influence of shareholder activism

VARIABLES	(1) sa5dv	(2) sa5dv	(3) sa5dv	(4) sa5dv	(5) sa5dv	(6) sa5dv	(7) sa5dv	(8) sa5dv
gen	-0.359	0.369	-0.529	0.250	-0.583	0.250	0.122	0.108
	(0.404)	(0.426)	(0.404)	(0.437)	(0.407)	(0.437)	(0.432)	(0.437)
age	0.0222	0.0435	-0.165	0.0613	-0.138	0.0613	-0.0642	-0.0600
	(0.272)	(0.279)	(0.272)	(0.279)	(0.273)	(0.279)	(0.285)	(0.285)
bg	-0.122	-0.121	-0.156	-0.119	-0.139	-0.119	-0.143	-0.141
	(0.175)	(0.186)	(0.173)	(0.187)	(0.175)	(0.187)	(0.188)	(0.188)
tny	0.128	0.175	0.212	0.175	0.220	0.175	0.228	0.229
	(0.203)	(0.208)	(0.206)	(0.207)	(0.205)	(0.207)	(0.213)	(0.213)
sub	0.165	0.0527	-0.175	0.159	-0.0459	0.159	-0.00626	0.0139
	(0.415)	(0.410)	(0.409)	(0.419)	(0.420)	(0.419)	(0.415)	(0.425)
annut	-0.0857	-0.259*	0.000539	-0.245*	-0.00340	-0.245*	-0.184	-0.183
	(0.143)	(0.149)	(0.145)	(0.149)	(0.145)	(0.149)	(0.151)	(0.151)
sa1iv	0.637***			0.284	0.316	0.284		0.0522
	(0.222)			(0.230)	(0.227)	(0.230)		(0.244)
/cut1	-0.553	0.667	0.342	1.197	0.849	1.197	2.080*	2.148*
	(0.994)	(0.958)	(0.994)	(1.051)	(1.062)	(1.051)	(1.065)	(1.111)
/cut2	1.500	3.144***	2.580**	3.723***	3.124***	3.723***	4.733***	4.805***
	(0.998)	(0.986)	(1.023)	(1.097)	(1.101)	(1.097)	(1.126)	(1.177)
/cut3	2.633***	4.595***	3.786***	5.191***	4.349***	5.191***	6.244***	6.318***
	(1.020)	(1.037)	(1.052)	(1.152)	(1.136)	(1.152)	(1.184)	(1.235)
/cut4	4.287***	6.808***	5.543***	7.344***	6.097***	7.344***	8.520***	8.583***
	(1.089)	(1.196)	(1.141)	(1.275)	(1.216)	(1.275)	(1.345)	(1.377)
sa3iv		1.350***		1.298***		1.298***	1.228***	1.220***
		(0.207)		(0.211)		(0.211)	(0.212)	(0.215)
sa2iv			1.293***		1.159***		0.942***	0.920***
			(0.286)		(0.301)		(0.296)	(0.313)
Pseudo R^2	3.35	15.74	7.37	16.21	7.96	16.21	19.01	19.02
Observations	115	115	115	115	115	115	115	115

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

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Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
When a bank has active sophisticated shareholders (typically people working in the formal sector of the economy), I am inclined to invest in the bank	SA1IV	Presence of sophisticated activist shareholders
When a bank has active reputable shareholders (typically positively influential and well known individuals), I am inclined to invest in the bank	SA2IV	Presence of reputable activist shareholders
Institutional shareholder activism acts as a check to management	SA3V	Presence of activist institutional shareholders
Shareholder activism influences my investment decision-making	SA4DV	Investment Decision making

Table 7. 16 A summary of all of the hypotheses and findings for the effective shareholder activism groups and decision making model

Dependent Variable			**Decision Making influence of effective shareholder activism groups**		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Presence of activist sophisticated shareholders	1	+	+	Insignificant	Rejected
Presence of activist reputable shareholder	2	+	+	Significant at the 1% level	Accepted
Presence of activist institutional shareholders	3	+	+	Significant at the 1% level	Accepted

7.3.2 Discussions and Triangulation of Qualitative and Quantitative Findings of Activist Shareholder groups in Nigeria

Model 1 Shareholder Activism Induced Propensity to Make Favourable Investment Decision = β_0 + .15(SA_1) + 1.06(SA_2) + 1.171(SA_4) + .11(TNY) -.50(Gen) - .16(BG) -.07(AGE) +0.02(IA) -.12(FS) + εi

7.3.2.1 Controls applied in the models

Gender is negatively correlated with decision-making (induced by shareholder activism) although not statistically significant (β= .50, p=.81). One can assume that female analysts are less likely to believe that shareholder activism is important for investment decision making. The explanation might be found from the Nigerian environment where shareholder activism seems to be at its early infancy stage hence characterized by unruliness. Whereas, women have been reported to be more circumspect and exhibit greater care in their dealings (Barber & Odean, 2001a; Niederle & Vesterlund, 2007).

Age is negatively statistically correlated with decision-making (induced by shareholder activism) although not statistically significant (β= -.07, p=.83). One can assume that older investment analysts are, the less likely they believe shareholder activism is important for investment decision making. In the Nigerian environment where corruption beclouds many activities, the experience of the investment analysts will come to bear. Background is negatively statistically correlated with shareholder activism although not statistically significant (β= -.16, p=.45). One can assume that investment analysts that are not specialist in banking funds/equities are more likely to believe that shareholder activism is important for investment decision making. Investment analysts recognize the limitations of shareholder activism in the Nigerian environment.

Total number of years is positively statistically correlated with shareholder activism although not statistically significant (β= .11, p=..28). One can assume that the more experienced investment analysts are more likely associate shareholder activism as being important for investment decision making. Recently in Nigeria, some experienced activist fund managers joined ranks in influencing certain firm management decisions they thought was unfavorable to shareholders of that firm.

International subsidiary is positively statistically correlated with shareholder activism although not statistically significant (β= 0.02, p=.97). One can assume that investment analysts that work for international companies believe that shareholder activism is important for investment decision making. Finally, Firm size (represented by annual turnover) is negatively statistically correlated with decision making although not statistically significant (β= -.16, p=.23). One can assume that investment analysts that work in larger organizations are less likely to believe that shareholder activism is important for investment decision-makings.

7.3.2.2 Features of effective shareholder activism

Presence of activist sophisticated shareholders

Presence of activist sophisticated shareholders is positively correlated with investment decision making although not statistically significant (β= .15, p=.83). Findins from our

interviews suggests that investment analysts assume that the presence of activist sophisticated shareholders can help shareholder activism but they are not important for investment decision making. The insignificant relationship might be for the reason that in Nigeria majority of investment analysts do not believe activist sophisticated shareholders necessarily have the wherewithal to make sound investment choices worthy of emulation. Interviewee LC2 suggests that activist sophisticated shareholder "*could just be some sharp cowboy*[17] *trying to take advantage of a situation of the market*". However, a few of the interviewees were of the opinion that activist sophisticated shareholders make informed investment decisions. Interviewee MF2 highlights this point thus, "*sophisticated shareholders are people who actually know why they are investing and they usually have projections that they need to meet. That would drive that organization towards profitability".* Moreover, if the activist sophisticated shareholder is investing on behalf of respectable organisations then in such situations their investments might interest analysts with the caveat that the sophisticated shareholder is well informed. Similarly, interviewee LC5 states that"… *if I know a couple of sophisticated investors and let us assume it is accepted that they know what they are doing, it will influence my decision-making. I have seen a situation where sophisticated investors are not investing for their on their own good, they are investing on behalf of the organizations*".

Nevertheless, due to transaction costs (Williamson, 1985), sophisticated shareholders who might not have large investment fund, might be unable to carry out proper analysis (Bebchuk & Weisbach, 2010). Interviewee LC5 highlights this as follows "…*the bulk of* (activist sophisticated) *people do not really do deep analysis, and their decisions are normally not objective. So, I mean I do not place too much premium on their investment decisions*". Similarly, interviewee OP3 opines as follows "*unfortunately the working-class investor locally seems not to be the most proficient in investing and there tends to be a bandwagon effect, lots of herding. Many say that if they are moving in one direction,*

[17] Cowboy – slang used in Nigeria to describe someone inexperienced but very aggressive and unduly bullish in business dealings

really you should be moving in the other but they are getting better because I think one or two crises and a lot of people have learned that you need to do a bit more work". Gleaning from the above, therefore H5a is not supported.

Presence of activist reputable shareholders

Presence of activist reputable shareholders is positively statistically significantly correlated with investment decision making (β=1.06, $p<.01$). This suggests that investment analysts assume that the presence of activist reputable shareholders is an important feature when considering shareholder activism and might influence investment decision making. In Nigeria, where many businesses are still family owned (La Porta et al., 1999, Adegbite, 2015) presence of activist reputable shareholders is synonymous with influential business owners. This is highlighted by interviewee CP1 as follows "*I would prefer the reputable investors to the sophisticated investor. But I do not have a choice. I do not decide, who backs, who follows or who invests in an entity. And shareholding structure to a large extent does not really influence what I do. Capital will always follow value, and if you find the right entity, there is a likelihood a few reputable investors have also spotted that entity*".

Further, in developing countries, businesses are usually financed or started by influential people who have access to capital (Adegbite, 2015). Interviewee CP1 highlights this thus "*and who are the ones with the likelihood to back an entity first? Its reputable investors and not the sophisticated investor because reputable investors have the infrastructure. They have the resources to do the analysis, to do the due diligence and they will most likely be the first to make an entrance into the institution before the sophisticated investors came on board*". This agrees with the literature on developing countries where dominant family or individual shareholding are still the order of the day (La Porta et al., 1999; Adegbite, 2015).

Also, the literature documents that investment analysts are always on the lookout for best value for their investments, (Ivanova, 2017) hence they follow the flow of capital. This is highlighted by interviewee LC7 as follows *"you have to be careful. Someone who is well known and is a "big man*[18]*", they have resources that help take investment decisions and those resources might not be available to the everyday person. Sometimes when you hear that this person is moving into this stock, for example Dangote*[19] *is going to buy this stock, it is not Dangote in itself, it is the resources he has that enables him to access that company and invest in it. That of course would influence my investment decision to invest in that stock".* Arguments from interviewee LC7 gives credence to the fact that investment analysts typically follow fundamentals of investments and almost always disregard minority shareholders. Instead, they take cues from influential shareholders. Interviewee MF4 confirms this position thus "*Honestly when investing co-shareholders or minority shareholders do not really matter. They would not even enter my factor model in determining investment. I look at majority shareholders. Those are people that can drive* (business). *But I see the other* (minority) *shareholders as passengers to the vehicle and they cannot really* (influence the firm fundamentals)*..., I do not see their weighing in on things like earnings of the company or other strong fundamentals that would make me make an investment decision*".

Nevertheless, despite the majority of interviewees confirming the importance of reputable shareholders in their investment decision making, there were still some dissenting voices because of the distrust of the Nigerian environment (Nakpodia & Adegbite, 2018). For example, interviewee MF1 asserts as follows, "*influential shareholders or known shareholders are more or less emotional shareholders. Their considerations are not necessarily profitability or growth. It could be as little as 'Oh, yeah, he has done me a favor in the past; I want to support him now*." Corroborating the general lack of expertise in the Nigerian investment space, interviewee LF2 posits as

[18] Big man - slang used in Nigeria to describe a dominant/influential person
[19] Dangote is a Nigerian Conglomerate

follows, "*if I can take a cue from things that have happened in the past, for this sort of scenario — there is no Warren Buffett in Nigeria, maybe that is the way to put it. if there was a Warren Buffett in Nigeria, then I might be tempted to say you know what that guy is seeing something that I am not seeing but in the context of Nigeria you do not have seasoned investors per say*". Despite these reservations, H5b is supported.

Presence of Institutional activist shareholders

Presence of activist shareholders is positively statistically significantly correlated with investment decision making (β=1.14, p<.01). According to literature, investment analysts recognise the potential of institutional activism to check the agency problem (Black, 1992), since activist institutional investors focus on the poorly performing firms in their portfolio and pressure the management of such firms for improved performance, thus enhancing shareholder value (Gillian & Stacks, 2003; McCahery et al., 2016). The confirmation by investment analysts about the potential role activist institutional shareholders can play in a firm is in line with the literature on activism in governance (Sarkar & Sarkar, 2000). This level of activism though is missing from the Nigerian clime. Interviewee OP3 highlights this as follows "*we have seen the abuse of lots of corporate power. Especially by executive management and we have not seen a sufficient level of institutional shareholder activism. In other jurisdictions, we have funds that even make their core objective to pursue institutions that are not well run at a discount and to ensure that changes are affected, and you typically see a bounce in share price, that is how they make their money. So, we have shareholder associations,* (but) *I am not sure they do enough of that* (institutional activism)". Confirming the weakness of self or board activism in Nigerian firms, interviewee LF2 states as follows "*It* (institutional activism) *is very weak in Nigeria. My preference is that it needs to be upped (improved). So we have some shareholders associations. The general perception in the market is that these banks and other companies pay them to vote in favor of every decision they want to make at the board meeting. I can imagine that if more institutional investors like myself (wealth management firm), PFAs and insurance company were more active in terms of airing our views, it can improve — it can bring a lot more improvement in terms of the board.*

Again, the board may have been lackadaisical because they know that they do not get objections from shareholders but the minute institutional investors become really active in having is a say in how the business is run then you see the board members sit up". This agrees with literature that the market for corporate takeovers and shareholder activism seem corrupt in Nigeria (Adegbite et al., 2012).

Furthermore, information asymmetry is prevalent in weak institutional environments (La Porta et al., 1999). Therefore, in Nigeria, the existence of information asymmetry between management/dominanat principal and other stakeholders might escalate the need for more institutional activism. Interviewee LC1 highlights this thus "*the biggest problem is probably how informed the shareholders are. So yes* (institutional) *activism, it can probably drive good corporate governance within the firm. because you know you talk a lot, but the point is not just enough for you to be active around; it is for you also to be knowledgeable, so I think we just need a blend of the balance between, and just talking and being knowledgeable and know what you are really fighting for*."

From the above inference and deductions, this hypothesis finding is consistent with the literature on institutional activism within a firm as investment analysts assume that presence of institutional activist shareholders on a board can help shareholder activism and is important for investment decision making. Investment analysts who operate in Nigeria will like to see more activist shareholders. Therefore, H5d is supported.

7.4 Conclusion

This chapter presented investment analysts perception of external ownership drivers. The chapter was divided into Part A and B. Part A was for foreign institutional investors while Part B covered effective shareholder activism. Part A presented the summary descriptive statistics of foreign institutional investors' driver features, following which test for normality, correlation and ordered logit regressions were discussed. Finally, the findings

of the quantitative and qualitative studies were triangulated for a robust discussion. Subsequently, Part B was reported similarly.

Leading from Part A of the chapter, the psychological reasoning findings of the investment analysts obtained through interviews when triangulated with the regression analysis reveal the following; foreign institutional investors possessing shares of a bank and being on the board excites investment analysts. They believe these foreign institutional investors perform competent due diligence before investing. While foreign investors being on a board is good, the shareholding size of the foreign investor is important. Further, foreign institutional investors are less likely to be influenced by the corrupt Nigerian environment especially as they are likely to be monitored by their foreign parent company. Local institutional investors are also desirable as they understand the local terrain better than the foreign institutional investors and are more likely to stay in the Nigerian market even during times of crisis.

Foreign listing of shares does not spur investment analysts to invest in banks although it does expose the company to higher governance requirement in the foreign countries where it is listed. The evidence further suggests that foreign institutional investors wield greater influence than local institutional investors in achieving a reform process. Overall, the results support the stakeholder- agency theory (Stulz, 1999; 2005) that as "outsiders", foreign institutional investors are less prone to political pressure than their local peers and are more likely to perform arm's length monitoring in an environment where the principal-principal agency problem exists, and weak and corrupt institutions are prevalent.

The results demonstrate that opening up a market to foreign institutional investors can be an effective way to reduce the agency problem of controlling shareholders that are trying to expropriate from minority shareholders. As also reported by Huang & Zhu

(2015), to the extent that external monitoring benefits all shareholders, the presence of foreign institutional investors generates positive externalities.

For Part B, the psychological reasoning of the investment analysts obtained through interviews when triangulated with the regression analysis reveals the following; Activism is still at its infancy in Nigeria, and shareholder associations are unreliable and exposed to corrupt questionable characters. In developing countries, reputable shareholders are likely to be the ones with the right set of information at least in the short run. There is a need for institutional investors to join ranks more often to influence management activities. A few times the institutional investors have come together; they have been able to achieve some impactful activism. Activist shareholders on the board of a bank will help investment analysts know that reasonable decisions are being taken by management for principals especially minority shareholders since the activist investors are also after good returns. However, there is a shortage of such activist investors in Nigeria.

In developing countries like Nigeria, the possibilities of shareholder activism addressing the principal-principal agency problem is still at its infancy stage. This might have to do with the inability of the minority shareholders to have a common protective voice leaving the dominant principal to dictate activities (Adegbite, 2015, Uche et al., 2016). According to interviewee LF1, "*If you have numbers, but you do not have a large value, your voice cannot be heard. Because the number of shares you are holding, the percentage holding, determines how the votes are cast. How interests are being protected is subjected to vote and the higher the number of shares you have, the higher the decision can be skewed in your favor. So, the majority shareholders have the decision"*. Hence, despite regulation by the CBN to limit holdings by one individual, the Nigerian institutional environment means the laws are sidestepped. Interviewee LF1 highlights this "*there are some individuals that have registered* (shares) *directly in their names,*

some have their corporate entities they have used to invest where they own almost one hundred percent of the shareholdings of that company."

Furthermore, despite the recent activities by different shareholder groups, the findings suggest that the potency of shareholder activism is still negligible in Nigeria. The shareholder associations seem to be controlled by firm management or dominant principal. Interviewee MF1 states as follows "*it* (shareholder activism) *is non-existent in Nigeria. You have an association of shareholders, one, two, three or thereabout, but what do they do? They come when the company wants to have its annual general meeting. In most cases, the leaders that are representing those associations have been compromised. So, that is not activism. When you talk about shareholder activism that means the person gets involved in the scheme of the business. He knows what more or less goes on in that organization. It is not when you call for an AGM somebody stands up and say, no last year you did not do well or stating that the bank has bad quality assets. When you say activism, it means that you are there at the beginning not at the end when you are doing annual general meeting*". Indeed, according to the literature, the shareholder associations in Nigeria are routinely manipulated by management thereby compromising the independence and trustworthiness of these shareholder associations (Adegbite, 2015; Uche et al., 2016). Interviewee MF1 highlights this further as follows "*to be honest with you, what goes on is that a day or two days or three days to the AGM, you call the president of the Association and say, this is what we want… and enlist his support. So, when it gets to the AGM, he does not talk much. He is the one that even pacifies the other shareholders because he is a spoke person*."

Also, the literature explains that transaction cost might be a reason why investors might not necessarily engage in activism (Bebchuk & Weisbach, 2010). Corroborating literature, interviewee LC1 states thus "*we actually find* (that for) *those kinds of* (other minority) *organizations… it is easier to challenge when you are trying to fight or take on someone who has 10% stake or someone who has a 15% stake. But how do you*

challenge someone who already has a 50% stake? Even if you get yourself together, you guys are only about 50%. Away from that, it (activism) *actually leads to a lot of court cases, and Nigerians generally would like to back off from anything that has to do with a long process of fighting things. People would rather let it go than pull the strings that are difficult to pull*".

Hence, rather than engage in activism, minority shareholders or other dominated principals use the shares sell off mechanism when they are uncomfortable with firms activities (see McCahery et al., 2016) or when they have achieved short-term profit goals. Interviewee MF1 states thus, "*you are not active because you can easily sell off your shares. Most investment is not about holding the shares in perpetuity, and there are alternative investment outlets mostly. If this company is not doing well, my decision as an institutional investor will be to sell it off, and I either invest in other things; either invest in property, invest in the money market, or just sell-off. For example; sell out my X bank shares if it is not making money for me, look at the results that they are declaring in the first quarter second quarter and third quarter, sell it off now. And then we go to the money market maybe buy a government bond, let me buy government Treasuries, that is the way we look at things as opposed to activism like oh! I am going to XX bank. I am going to ask them, why are they not doing well? Your cost is going high; your profit is going down, what product are you selling?*" This finding is corroborated by literature such as McCahery et al. (2016) that have reported situations where investors vote with their feet rather than engage firms' management.

Nevertheless, the literature on activism in Nigeria has documented some marked improvements but recommends more participation (Uche et al., 2016, Adegbite, 2015; Adegbite et al., 2012). Interviewee LC2 corroborates this as follows "*for me, if I think about the reasonable experiences we have had, I think it* (activism) *is something that is needed more in our environment. I think it is needed more So if we use the XX bank experience* (where minority shareholders gathered and were able to influence the change

of a bank's management), *it clearly did make a difference. I know with XXX* (an oil company), *there has been a few tries but has not really been strong but since XX bank was a very good example of how shareholders can make it far stronger, positive influence on the institution*". For activism to be more effective, minority shareholders need to go beyond just yearly or bi-annual engagements at annual general meetings, and instead participate in banks activities throughout the year. This will ensure that the activism has a meaningful impact that can influence the management and possibly the bank's performance. Interviewee LC3 highlights it thus "*the only* (activism) *point available today in Nigeria is at the AGM. Do not forget at the AGM; activities have passed. So, they are coming to make the report of their activities, and it is at that point they vote. They are voting into another year. So, we cannot really feel the impact of that because one year has passed, transactions have been done. So, you are saying they should vote for what you have done. So by and large, it* (activism) *is weak"*.

Finally, in the Nigerian environment, participation in activism also needs to be more inclusive of knowledgeable investors who can absorb some transaction costs and also have some technical expertise to their activism. Interviewee CP2 highlights this challenge thus "*the only people I see that are very active in respect to shareholders activism are the senior citizens. So, when you go for annual general meetings, these are the guys that are active. I think because of the nature* (of Nigerian institutional environment)*....., abroad you get to have more of collective investment schemes than people actually holding shares on a retail side and I think that there is a lot of benefits that come with that. Because those institutions, because of the pool they have under their management they can hold management to higher accountability. But the way it is today, it is very defragmented. And most times you know there is this feeling that if I say whatever, it cannot be heard or what are the pension managers saying or the big institutions. If the pension funds are not talking why should I? So, usually as a retail investor you look up to all the big institutions, the pension fund particularly to say something and in the event that they do not say something, everybody just goes quiet*".

Findings in this chapter go beyond what has traditionally been the focus of research inquiry—the correlation between different variables—and contributes to the literature by expanding the remit of the research questions and revealing the reasoning behind the decisions of an important stakeholder group (investment analysts). This study provides specific evidence of what specific features of foreign (institutional) investments and shareholder groups'activism influence investment decision making and reveal how the involvement of foreign institutional investors and shareholder groups' activism in developing markets can (if at all) promote good corporate governance.

The next chapter presents the findings on the accountability mechanism drivers.

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Chapter Eight: Accountability Mechanism Drivers and Investment Analysts' Perspective.

8.1 Introduction

The literature has indicated several mechanisms that help solve corporate governance problems (Fama, 1980; Fama & Jensen, 1983b; Turnbull, 1997). These mechanisms can be internal to the firm (e.g., managerial compensation, audit committee, board of directors) or external (e.g., the market for corporate control). However, the efficacy of these mechanisms depends on the corporate governance system prevalent in the country; that is, whether it is market-oriented or large-shareholders oriented (Franks & Mayer, 1997; Shleifer & Vishny, 1997). In developing countries like Nigeria, the weak institutional environment makes accountability mechanism more pertinent to solve corporate governance problems (Anderson & Reeb, 2004). Consequently, this chapter reveals investment analysts' perspective on features of accountability mechanism of voluntary disclosure, independent audit committee, executive pay for performance and board evaluation as signaled by Nigerian banks.

This chapter will be presented in four parts. Part A will cover effects of voluntary disclosures features on investment analysts; part B will cover effects of independent audit committee features on investment analysts, part C will reveal the effect of pay for performance features on investment analysts while part D will reveal effects of board evaluation on investment analysts.

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8.2 Part A. Investment analysts' perspective on the effect of voluntary disclosure features.

8.2.1 Statistical Analysis of Study Variables

8.2.1.1. Descriptives of Voluntary Disclosure Features in Nigeria

In table 8.1, 79.31% of respondents agree or strongly agree that mandatory information is more important than voluntary disclosure. The mean score of 1.9397 and a standard deviation of .8776 further indicates the agreeability of the respondents. The high number of respondents who emphasize mandatory disclosure seem to resonate with the literature (e.g., Barnard, 1938; Prietula & Simon, 1989) that suggests that in a weak institutional environment, investment analysts tend to be focused on immediate returns. The investment analysts' investment horizon being short-tenured in nature thereby makes the reliance on financial ratios more important (Owusu-Ansah, 1998). This is interesting especially considering table 8.2 where 96.55% of the investment analysts feel more voluntary information disclosure is a signal of accountability. Indeed, for this feature, there was no disagreement at all. The standard deviation of this feature was .554 indicating an even closer agreement amongst respondents. In table 8.3, 62.93% of the investment analysts agree or strongly agree that more voluntary disclose signals better performance. 11.21% of the investment analysts disagreed while as high as 25.86% were neutral.

The descriptives suggest investment analysts recognize that voluntary disclosure potentially mitigates some of the agency challenges, but their cognition about the instability of the Nigerian environment still makes them to be more focused on the short term.

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Table 8. 1 Mandatory more relevant than voluntary

	Frequency	Percent	Cumulative
Strongly Agree	39	33.62	33.62
Agree	53	45.69	79.31
Neither Agree or Disagree	17	14.66	93.97
Disagree	6	5.17	99.14
Strongly Disagree	1	0.86	100

Table 8. 2 More voluntary information signals accountability

	Frequency	Percent	Cumulative
Strongly Agree	76	65.52	65.52
Agree	36	31.03	96.55
Neither Agree or Disagree	4	3.45	100
Disagree	-	-	-
Strongly Disagree	-	-	-

Table 8. 3 More voluntary information signals performance

	Frequency	Percent	Cumulative
Strongly Agree	37	31.90	31.90
Agree	36	31.03	62.93
Neither Agree or Disagree	30	25.86	88.79
Disagree	9	7.76	96.55
Strongly Disagree	4	3.45	100

Table 8. 4 Summary of features describing information signals disclosure

	Mean	STD. DEV	Min	Max	Frequency aggregate of strongly agree and agree (%)
Mandatory more relevant than voluntary	1.939655	.877633	1	5	79.31
More voluntary information signals accountability	1.37931	.554118	1	3	96.55
More voluntary information signals performance	2.198276	1.081222	1	5	62.93

8.2.1.2. Test for normality of voluntary disclosure features

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of the symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008).). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 8.5 which reports voluntary disclosure features shows that the Skewness values for most of the variables fall between 0.000 and 0.0059 which indicates symmetrical distribution. For Kurtosis test statistics, the variables fall between 0.1252 and 0.7430 indicating normal distribution.

Table 8. 5 Skewness/Kurtosis test for normality

	OBS PR(SKEWNESS)	PR(KURTOSIS)	ADJ CHI2(2)	PROB>CHI2
Mandatory more relevant than voluntary	0.0003	0.1252	13.02	0.0015
More voluntary information signals accountability	0.0000	0.4476	15.48	0.0004
More voluntary information signals performance	0.0059	0.7430	7.08	0.0291

8.2.1.3. Spearman and Pearson Correlation of Voluntary Disclosure Features

A correlation matrix was used to test the direction and magnitude of the linear

relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 8.6. The table shows the correlation matrix for the dependent, independent and control variables employed for the voluntary disclosure and decision making models. The magnitude and direction of both the Pearson correlation coefficients (parametric) and Spearman correlation coefficients (non-parametric) appear to be relatively similar. This adds to the evidence that there is no major problem of non-normality among the variables in the models (Ntim & Soobaroyen, 2013). In addition, the correlations among the variables are fairly low, indicating that there is not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

Table 8. 6 (obs=112) Correlation of Voluntary Disclosure Features

Pearson Correlation

	gen	age	bg	tny	sub	annut	vi2iv	vi3iv	vi4iv	vi1dv
gen	1.0000									
age	-0.1907	1.0000								
bg	0.0691	0.0682	1.0000							
tny	-0.1640	0.5901	-0.1641	1.0000						
sub	0.0195	-0.1377	-0.0563	-0.0024	1.0000					
annut	-0.0698	-0.1105	-0.1167	0.0108	0.3524	1.0000				
vi2iv	0.0866	-0.0733	-0.1314	-0.1986	-0.0742	-0.0708	1.0000			
vi3iv	0.1877	-0.1437	0.0755	-0.1745	-0.0456	-0.1335	0.2322	1.0000		
vi4iv	0.1520	-0.0100	-0.0648	-0.1172	0.0781	-0.0000	0.2489	0.1789	1.0000	
vi1dv	0.1025	-0.0809	0.1014	-0.1147	0.0176	-0.0391	0.2690	0.5512	0.3104	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	vi2iv	vi3iv	vi4iv	vi1dv
gen	1.0000									
age	-0.1950	1.0000								
bg	0.0817	0.0007	1.0000							
tny	-0.1479	0.5891	-0.1736	1.0000						
sub	0.0195	-0.1129	-0.0399	0.0033	1.0000					
annut	-0.1036	-0.0936	-0.1535	-0.0144	0.3249	1.0000				
vi2iv	0.0768	-0.0756	-0.1660	-0.1669	-0.0964	-0.1046	1.0000			
vi3iv	0.1771	-0.1475	0.0285	-0.1640	-0.0405	-0.1097	0.2497	1.0000		
vi4iv	0.1773	-0.0307	-0.0468	-0.1783	0.0893	0.0030	0.2695	0.2308	1.0000	
vi1dv	0.1182	-0.0775	0.0854	-0.1150	-0.0087	-0.0242	0.2679	0.5378	0.3469	1.0000

8.2.1.4. Ordered Logit Regression of Voluntary Disclosure Features against Decision Making

The ordered logit regression (Table 8.7) was used to investigate the relationship between features of voluntary disclosure and decision-making. The table will reveal that five submodels were built each with varying independent variables. Sub model with Adjusted R^2 of 0.2828 was the best fit. This model can explain 28.28% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 8.8 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

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Table 8. 7 Ordered logit regressions of features of voluntary disclosure against investment decision making influence of voluntary disclosure

VARIABLES	(1) vi1dv	(2) vi1dv	(3) vi1dv	(4) vi1dv	(5) vi1dv
gen	0.351	-0.0125	0.214	-0.0604	-0.196
	(0.480)	(0.552)	(0.489)	(0.564)	(0.570)
age	-0.285	0.0275	-0.345	-0.0538	-0.230
	(0.331)	(0.353)	(0.338)	(0.383)	(0.415)
bg	0.362	0.172	0.316	0.291	0.379
	(0.226)	(0.249)	(0.223)	(0.261)	(0.269)
tny	0.105	-0.0304	0.0669	0.0992	0.212
	(0.252)	(0.264)	(0.250)	(0.293)	(0.319)
sub	0.0662	0.185	-0.135	0.246	0.149
	(0.458)	(0.499)	(0.463)	(0.513)	(0.531)
annut	-0.0415	0.0497	-0.0523	0.0581	0.0333
	(0.167)	(0.187)	(0.169)	(0.193)	(0.196)
vi2iv	0.689***			0.562**	0.466
	(0.247)			(0.268)	(0.285)
vi3iv		2.363***		2.277***	2.249***
		(0.456)		(0.465)	(0.473)
vi4iv			0.636***		0.559**
			(0.202)		(0.229)
/cut1	1.721	4.029***	1.330	5.394***	6.288***
	(1.190)	(1.380)	(1.092)	(1.589)	(1.636)
/cut2	5.659***	8.795***	5.277***	10.30***	11.37***
	(1.438)	(1.759)	(1.327)	(1.986)	(2.070)
Pseudo R^2	.0728	.2185	.0876	.2452	.2828
Observations	112	112	112	112	112

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

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Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
Mandatory information disclosure as mandated by the Central Bank of Nigeria (CBN) is more important when making investment decisions.	VI2IV	Mandatory more relevant
Banks disclosing more information voluntarily other than those mandated by the regulators, signals accountability	VI3IV	More voluntary information as a signal of accountability
More profitable banks disclose more voluntary information than less profitable banks	VI4IV	More voluntary information as a signal of performance
The more voluntary information I have about a bank, the more I am likely to make favorable investment decisions about the bank	VI1DV	Investment decision making bias based on voluntary information

Table 8. 8 A summary of all of the hypotheses and findings for the voluntary disclosure and decision-making model

Dependent Variable			**Decision Making influence of voluntary disclosure**		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Mandatory more relevant than voluntary	1	+	+	Not Significant	Rejected
More voluntary information signals accountability	2	+	+	Significant at the 1% level	Accepted
More voluntary information signals performance	3	+	+	Significant at the 5% level	Accepted

8.2.2 Discussions and Triangulation of Quantitative and Qualitative Findings of Voluntary Disclosure Features.

Model 1: Voluntary Disclosure Induced Propensity to Make Favourable Investment Decision = β0 + .547VD2) + 2.25(VD3) + .56(VD4) - .20(Gen) + .38(BG) - .23(AGE) +.15(IA) + .03(FS) + 21(TNY) + εi

8.2.2.1. Features of voluntary disclosure

Mandatory more relevant

Mandatory more relevant is positively correlated with investment decision-making but not significant (β= .47, p=.10). Findings from the interviews suggest that while investment analysts assume mandatory disclosure is important for fundamental analysis, one cannot say with any degree of certainty that mandatory disclosure is more relevant than voluntary disclosure for investment decision making. The literature on disclosures describe mandatory disclosure as the presentation of the minimum amount of information

required by law (Owusu-Ansah, 1998; Wallace & Naser, 1995), hence in environments such as Nigeria, where institutions are weak, investment analysts, rely on the statutory requirements to make base investment judgments. Interviewee LC1 confirms this positive correlation thus, "*what you see is that mandatory disclosures are usually those things that you always need to work with and without those things probably would not be able to make good calls."*

Also, in 2012, Nigerian banks switched to the International financial reporting standards (IFRS). As the IFRS has more extensive disclosure requirements (Balakrishnan et al., 2012), investment analysts might feel more confident that mandatory disclosures cover many important areas required for investment decision making. Interviewee MF1 highlights this as follows "*for me mandatory are key. Then when I do the fundamental analysis, I unravel things that are not written. IFRS is about more disclosure. Hitherto to now, before IFRS, financial statements of banks was like maybe ten pages. But now, with more disclosure, you have something like maybe a hundred pages. So, if you have the patience to read through you can question certain things because it is more of disclosure. That is why IFRS came in into this* (Nigerian) *environment. Because it is more of disclosure. That is why I say I look at fundamentals. Whether that is good enough, I do not know, but it gives you some level of sophisticated information*". This finding also conforms to the study by Byard et al. (2011) who also finds that analyst estimates became more accurate following IFRS adoption. Further, interviewee LC4 highlights the importance of mandatory disclosures thus "*you know I cannot have the time to independently analyze everything a bank has done, but if there are regulatory filing, regulatory reporting that has said, okay these are the certain things you should report. It is a layout check for me, so I may just want to look at how the bank has performed vis-a-vis what regulators said it should do*".

Furthermore, according to interviewee MF4 "*mandatory decisions are by far more important because the CBN has gone through a series of different reviews on their*

regulation for banks especially and if you look at the reporting that is required, even the reporting they have changed from NGAAP to IFRS which shows a lot more disclosure on line items. They have mandated banks. Even the quarterly snapshot earnings give us (investment analysts) *key issues, profitability, and liquidity. Ratios like CAR* (capital adequacy ratio) *are computed as the CBN as instructed. So, this really helped my investment decisions. Sometimes voluntary disclosures are only useful for me for me when they are more forward looking. For instance, a quoted company or a quoted bank gives a profit warning. So, it is not a full disclosure, they have just said a profit warning. They are not mandated to say that, but they have given that information. Maybe I think the market actually encourage you to do that and that now I have to take that to consideration. Negative voluntary disclosures, I would always take that seriously. But on a scale of preference, I would take mandatory*." The finding corresponds with literature (e.g., LaFond & Watts, 2008) which suggests mandatory disclosure provides concrete evidence that stakeholders can rely upon before even verifying the softer voluntary issues.

Despite the importance of the mandatory reports, investment analysts still expressed concerns on the true heterogeneity of mandatory reports in the Nigerian investment clime. This made some of the analysts to consider voluntary disclosures more important or as crucial as mandatory disclosures in providing some idiosyncratic evidences. According to interviewee OP1 "*mandatory no, because that* (mandatory disclosure) *is uniform I guess, everyone is making the same mandatory disclosures*." Interviewee OP5 provides more in-depth and impetus to the distrust challenge by stating thus, "*I think the voluntary disclosures would be more important maybe just edging a bit ahead a bit of the mandatory disclosures. Because even in the mandatory ones, sometimes the information is still a bit muddled up, because a lot of times, you can follow the rule of law but not the spirit. So, the banks sometimes play within those grey areas just to, should I say paint a picture of what they think the investors would like to see*".

Overall, even though mandatory disclosures are essential for investment analysts who make investments in the Nigerian environment for time saving and transaction cost (Owusu-Ansah, 1998; Wallace & Naser, 1995; LaFond & Watts, 2008), the investment environment makes sole reliance on mandatory disclosures, doubtful.

Therefore, H6a is not supported.

Voluntary information as a signal of accountability

Voluntary information as a signal of accountability is positively statistically significantly correlated with investment decision making ($\beta = 2.25$, $p < .01$). This suggests that in the Nigerian investment clime, investment analysts presume that the more voluntary information given out signals accountability and can influence decision-making. According to interviewee LC5 "*voluntary disclosure will tell you the character if the bank makes a lot of voluntary disclosure, it means that the bank is trying to be very transparent. I mean voluntary disclosure shows the transparency of the management and the culture of the board*." The results are contrary to the study by Stocken (2000) which argues that in climes such as developing countries where there is an absence of a mechanism to enforce verifiability, voluntary disclosures are not credible and therefore are ignored by the market. The weak institutional environment in Nigeria notwithstanding, investment analysts were unanimous in their expectations that voluntary disclosure signals accountability and can influence investment decision making.

Further, associating voluntary disclosure with transparency, interviewee MF2 posits as follows "*It will be interesting if a lot of banks do more disclosures beyond the mandatory disclosures and that would give more credence to their level of transparency and integrity*." Corroborating this price on integrity and better governance practice, interviewee MF3 highlights thus "*you have got the impression that there is nothing to hide if the bank offers information as against when they are compelled to do so. And if the information offered gives you a better impression of the company it is only a plus. I*

mean, if I have to beat information out of you. I would rather have you offer it to me than have to compel you to make it available. I think it is better corporate governance for companies to offer as much information as possible."

Also, the results confirm that voluntary disclosure encourages selection in capital markets. This is in line with literature by Bourveau & Schoenfeld (2017) which suggests that a consequence of voluntary disclosure is reduced adverse selection in the capital markets. Interviewee LF2 evidences this finding thus; "*when I make investment decisions, my investment decision is not based on the mandatory disclosure. What do I mean by that? My investment decision is not made solely on the back of the financials of the company, i.e. the notes, etc. There is a lot more that you can take a cue from. A good example is, a company recently released a notification to say that they were starting their audit period and so directors of the company issued like a block out period they cannot trade for stocks. For me, it* (information such as this) *shows transparency in a company and so those sort of things will tend to attract me more to those companies but I think the message really is that I would rather rely on softer news that is out there as opposed to focusing on what is stated in the financials to make my investment decision*".
Hence, voluntary information projects the banks in Nigeria positively ensuring more trustworthiness of such bank by investment analysts. Interviewee OP6 highlights this further "*so, whoever tells you more, allows you raise or allows them to rise up on your believability index. So if for instance, somebody has written all sorts, has given you information that you do not readily find everywhere, you are more likely to believe every other thing that you have that has been thrown at you. Okay even for the ones I do not really need to know, they have gone ahead to tell me then maybe you know this is where I should put my money*". This is consistent with literature by Williams (1996) which posits that management of a firm establishes a forecasting reputation based on prior earnings forecasts.

Therefore, H6b is supported.

Voluntary information as a signal of performance

Voluntary information as a signal of performance is positively statistically significantly correlated with investment decision making (β= .56, p<.05). This suggests that investment analysts presume that voluntary disclosures signals better performance and can influence their investment decision making. The agency and signaling theory presume that managers use voluntary disclosure to bridge information asymmetry among stakeholders. Furthermore, the study by Balakrishnan et al. (2012) suggests that investment analysts often use voluntary disclosure to supplement mandatory reporting to communicate their superior knowledge of firms' performance to investors they represent. The finding, therefore, conforms to literature (e.g., Balakrishnan et al., 2012) and suggests that investment analysts use voluntary disclosures as recent updates about a firm to supplement the information they might already have about the performance of a firm. Interviewee LA3 highlights this thus "*when the bank makes voluntary disclosure of information; they are telling more than just mandatory* (disclosure). *For the psychological part of it, is it needed or not? However, they are revealing it. If the information is strategic* (sensitive) *enough, they can create problems for them, but they are still revealing it. We are talking of integrity of a company and the corporate governance—All these work more for an investor who believes if I put my money somewhere; increases one's trust and the entire business deal is on trust. So, what will enhance my trust is my ability to believe that what information you are giving me; 1. adds value; 2. is not* (necessarily) *needed. It can allow me to make a decision. I can see your sincerity in what you are churning out in terms of information. Yes, you do not need to give me, but you are enhancing my decision-making power by providing this formation aside from mandatory information*".

Similar to findings by Collett & Hrasky (2005), Nigerian banks also use voluntary information for capital raising purposes as it helps the banks signal transparency. Interviewee LC6 explains this thus "*mandatory covers most of the more important… the hard issues, the soft issues are typically covered by voluntary. What I found from a Nigeria standpoint is quite interesting, from an equities standpoint. On the NSE, they*

(banks) *do provide all the information that is very clear, some of them even go as much as doing pillar three and putting it up on their website. But every time a bank decides to raise money from foreign investors for the bond markets or even the equity markets using the GDR, the levels of disclosure is way more intense. So those documents actually make for a better read and a better understanding of the firms than their normal annual reports*."

Also, as posited by Meek et al. (1995), investment analysts operating in Nigeria ascribe voluntary disclosure by banks as going the extra mile and disclosing in excess of the regulatory requirements. For example, according to interviewee CP3 "*...that is where I think X bank stands above the rest with respect to their voluntary disclosures. So, they do the normal management briefing…I think one of the very important sources of information is when they have their conference call. So, typically after audited results, there would be a conference call with all the analysts dialing in, and then they critique the audited reports. They talk about the economic environment. Talk about their strategic outlook. They give guidance as to where they are looking at and what is driving to that guidance. I think that is as far as how all the banks take it, but X bank could give you way more disclosures that you asked for. And sometimes even when you go back to them for information, they will give you as much as possible. So for me voluntary is more important because that shows how open you are and shows you do not have too much to hide. On the flip side, I think the bank that I fault the most when it comes to the disclosure is XX Bank. Those guys are something else. Even behind their numbers, you ask, please just some clarity around this; you would not get anything! So, for me voluntary is more important, regulatory you have to do it anyways. But for me voluntary disclosures are way more important*."

From the foregoing, H6c is supported.

Following our coverage of the voluntary disclosure driver, we next discuss Part B, which

covers independent audit committee driver.

8.3. Part B. Perception of Investment Analysts on Independent Audit Committee Driver Features.

The next subsection reveals perspectives of investment analysts on the features of audit committee.

8.3.1 Statistical Analysis of Study Variables.

8.3.1.1 Descriptives of Audit Committee Features in Nigeria

From table 8.9 below, 86.09% of respondents agree or strongly agree that audit committee reports are important. This is interesting especially considering table 8.10 where only 33.91% of the investment analysts the members of the audit committee are independent. The literature on developing countries documents the weak institutional environment (La Porta, 1999; Okike, 2007; Adegbite et al., 2013; Nakpodia, 2015). Further, most businesses in such environments are dominated by elites (Nakpodia & Adegbite, 2018) or family-owned (Adegbite, 2015). These dominant individuals typically nominate trusted/loyal persons to important roles within the firm. Hence, although a vast majority of investment analysts feel audit committee reports are important, most of the investment analysts do not believe the members are uninfluenced by the management of the banks.

Table 8. 9 Importance of Audit Committee Reports

	Frequency	Percent	Cumulative
Strongly Agree	52	45.22	45.22
Agree	47	40.87	86.09
Neither Agree or Disagree	14	12.17	98.26
Disagree	1	0.87	99.13
Strongly Disagree	1	0.87	100

Table 8. 10 Perception of Independence of Individuals on the Audit Committee

	Frequency	Percent	Cumulative
Strongly Agree	10	8.70	8.70
Agree	29	25.22	33.91
Neither Agree or Disagree	30	26.09	60.00
Disagree	34	29.57	89.57
Strongly Disagree	12	10.43	100

Table 8. 11 Summary of Features Describing Independent Audit Committee

	Mean	STD. DEV	Min	Max	Frequency aggregate of strongly agree and agree (%)
Importance of Audit Committee Reports	1.713043	.7809713	1	5	86.09
Perception of Independence of Individuals on the Audit Committee	3.078261	1.148209	1	5	33.91

8.3.1.2. Test for normality of independent audit committee features

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of the symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008).). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 8.12 below which reports independent audit committee features shows that the Skewness values for most of the variables fall between 0.000 and 0.6997 which indicates symmetrical distribution. For Kurtosis test statistics, the variables fall between 0.0012 and 0.0073 indicating normal distribution.

Table 8. 12 Skewness/Kurtosis Tests for Normality

	OBS PR(SKEWNESS)	PR(KURTOSIS)	ADJ CHI2(2)	PROB>CHI2
Importance of Audit Committee Reports	0.0000	0.0073	20.04	0.0000
Perception of Independence of Individuals on the Audit Committee	0.6997	0.0012	9.34	0.0094

8.3.1.3. Spearman and Pearson Correlation of Independent Audit Committee Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 8.13. The table shows the correlation matrix for the dependent, independent and control variables employed for the independent audit committee and decision making models. The magnitude and direction of both the Pearson correlation coefficients (parametric) and Spearman correlation coefficients (non-parametric) appear to be relatively similar. This adds to the evidence that there is no major problem of non-normality among the variables in the models (Ntim & Soobaroyen, 2013). In addition, the correlations among the variables are fairly low, indicating that there is not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

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Table 8. 13 (obs=111) Correlation of Independent Audit Committee Features

Pearson Correlation

	gen	age	bg	tny	sub	annut	ac1iv	ac2iv	ac3dv
gen	1.0000								
age	-0.1881	1.0000							
bg	0.0953	0.0470	1.0000						
tny	-0.1639	0.5910	-0.1801	1.0000					
sub	0.0160	-0.1337	-0.0318	-0.0020	1.0000				
annut	-0.0689	-0.1121	-0.1349	0.0106	0.3549	1.0000			
ac1iv	0.1106	0.0077	0.0591	-0.0348	-0.1807	-0.1184	1.0000		
ac2iv	0.0316	0.1477	0.1698	-0.0524	0.1009	-0.0484	-0.3086	1.0000	
ac3dv	0.0479	-0.0227	-0.0950	-0.0059	-0.1418	-0.1240	0.4866	-0.3878	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	ac1iv	ac2iv	ac3dv
gen	1.0000								
age	-0.1913	1.0000							
bg	0.1001	-0.0238	1.0000						
tny	-0.1479	0.5902	-0.1843	1.0000					
sub	0.0160	-0.1081	-0.0206	0.0039	1.0000				
annut	-0.1030	-0.0938	-0.1615	-0.0142	0.3262	1.0000			
ac1iv	0.1509	-0.0944	0.1219	-0.1180	-0.1595	-0.1248	1.0000		
ac2iv	0.0452	0.1721	0.1500	-0.0352	0.0884	-0.0697	-0.2731	1.0000	
ac3dv	0.0956	-0.0864	-0.0915	-0.0584	-0.1627	-0.1415	0.4742	-0.3846	1.0000

8.3.1.4. Ordered Logit Regression of Independent Audit Committee Features against Investment Decision Making

The ordered logit regression (Table 8.14) was used to investigate the relationship between features of independent audit committee and investment decision-making induced by reliance on independent audit committee. The table will reveal that three submodels were built each with varying independent variables. Sub model with Adjusted R^2 of 0.1837 was the best fit. This model can explain 18.37% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 8.15 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

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Table 8. 14 Ordered logit regressions of features of independent audit committee against investment decision making influence of audit committee

VARIABLES	(1) ac3dv	(2) ac3dv	(3) ac3dv
gen	0.169	0.479	0.285
	(0.453)	(0.449)	(0.465)
age	-0.212	0.105	-0.0420
	(0.295)	(0.296)	(0.310)
bg	-0.282	-0.160	-0.214
	(0.227)	(0.232)	(0.237)
tny	0.0988	-0.112	-0.00840
	(0.226)	(0.219)	(0.236)
sub	-0.246	-0.358	-0.0859
	(0.430)	(0.426)	(0.445)
annut	-0.132	-0.178	-0.179
	(0.154)	(0.152)	(0.158)
ac1iv	1.389***		1.228***
	(0.277)		(0.282)
ac2iv		-0.776***	-0.642***
		(0.189)	(0.199)
/cut1	0.722	-3.866***	-1.513
	(1.057)	(1.098)	(1.265)
/cut2	3.360***	-1.417	1.338
	(1.111)	(1.034)	(1.259)
/cut3	5.590***	0.633	3.665**
	(1.319)	(1.141)	(1.437)
/cut4	6.771***	1.766	4.918***
	(1.568)	(1.403)	(1.677)
Pseudo R^2	.1392	.0986	.1837
Observations	111	111	111

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
When members of the audit committee are not influenced the executive management of the bank, then the bank is presumed accountable to all stakeholders.	AC1IV	importance of audit committee reports
I can tell easily when members of an audit committee are influenced by the executive management of the bank	AC2IV	Perception of independence of individuals on the audit committee

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Table 8. 15 A summary of all of the hypotheses and findings for the independent audit features and decision-making model

Dependent Variable			**Decision Making influence of independent audit committee**		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Importance of audit committee reports	1	+	+	Significant at the 1% level	Accepted
Perception of Independence of individuals on the audit committee	2	-	-	Significant at the 1% level	Accepted

8.3.2 Discussions and Triangulation of Qualitative and Quantitative Findings of Audit Committee Features in Nigeria.

Audit Committee Induced Propensity to Make Favourable Investment Decision = β0 + 1.23(AC1) -.64(AC2) + .29(Gen) - 21(BG) - .04(AGE) -.09(IA) + .01(TNY) - .18(FS) + εi

8.3.2.1 Features of Audit Committee

Importance of audit committee reports

Importance of audit committee reports is positively statistically significantly correlated with investment decision making induced by audit committee (β= 1.23, p<.01). The majority of respondents (86.09%) provide evidence which is supported by the literature (e.g., Palepu & Healy, 2003) that audit committee reports represent an important internal governance mechanism that external stakeholders rely upon to mitigate some agentic issues (Preston et al., 1995). According to interviewee LF1 "when you receive *the report from an independent committee, you want to read it in line with the report of the external auditor. So, if the two reports are saying different things, definitely there must be a problem somewhere. The audit committee* (report) *cannot be saying everything is fine or there is no any issue with the company and the external auditors say otherwise. Definitely, there is a problem somewhere. So, we will have to read the two together. It* (audit report) *speaks volume about the company and the perception that were to have about investing in such a company*."

However, for the investment analysts, though the audit committee reports are an essential tool for analysis of Nigerian banks, they are not necessarily a deciding factor. Interviewee LC5 highlights this as follows "*of course the* (audit committee report) *are important. But they are not part of the due diligence. It forms just like 10 or 20% of the due diligence. But they are important. If there is a red flag there, then there is a genuine red flag* (issue). *But if there is no* (red) *flag and they* (the banks) *are fine in terms of that report. It just means fine you have just ticked that box but does not mean that everything is wonderful*

(with the bank). *A red flag there* (in the report) *is a big problem"*. The positive significance of this feature draws similitudes from the literature (e.g., Palepu & Healy, 2003) where according to the agency theory, independent audit committee report acts as an internal monitoring mechanism for firms' activities.

The audit report provides some measure of guide for investment analysts, the absence of this audit report or the mandatory requirement for the report to be prepared by an independent committee will mean investment analysts have no background information on inside dealings in the bank. Interviewee OP1 highlights the credence given to the audit committee report as follows "*you will assume that little regulation is adding some value somewhere, right? So, today say you have 21 banks, and they all have independent audit committees. There will be one or two that are still playing games maybe three or four banks that are still playing games not really independent. If, you remove that requirement* (mandatory independent audit committee) *instead of having three or four banks you end up with eleven or twelve banks that are playing games. So, the rules as they are I am sure they are helping. Do they eliminate the problem? Probably not, but they are probably helping in some ways*."

Hence, the value of the audit committee report is not in doubt. The audit committee reports provide a first layer of assurance on the activities of a firm, helping to bridge the information asymmetry that might exists between firms' managers and external stakeholder (Palepu & Healy, 2003). According to interviewee CP2, "*the audit committee report is essentially a source of information for me. It is not going to be a decision-making tool. It just provides further insights, but I place more emphasis on the external auditors*". The findings confirm existing literature (e.g., Palepu & Healy, 2003) that the audit committee report is important for analysts who want a starting point for their own individual analysis. According to interviewee LA3 "*the point is that—by the time you read those* (audit report) *statements, you can infer. We are analysts, so we look through the* (fine details of the) *statement. It is not reading the report in isolation. We have to*

blend it with a number of things. Even when they (independent audit committee report) *said everything is fine, I can see from analysis when some things are not well*".

Thus, H7a is supported.

Perception of independence of individuals on the audit committee

Perception of independence of individuals on the audit committee is negatively statistically significantly correlated with decision making (β= -.65, p<.01). This suggests that investment analysts who operate in Nigeria, have a challenge in ascribing true independence to the audit committee members as they do not trust that individuals on the committee are independent. In fact, only 33.91% of the investment analysts agree or strongly agree that the members of the audit committee are independent. Instead, the weak institutional environment which presents itself in the Nigerian environment (Adegbite, 2015), means stakeholders have to rely on assumptions and faith that audit committee members perform their fiduciary responsibility that. Interviewee LC4 states this challenge thus "*you cannot tell* (if members of the audit committee are independent or not), *but directors of every company have a fiducial responsibility to ensure the company is well run. So, it is based on that, that we have faith in them, so we tend to take their word for the gospel truth because he has signed an oath in that perspective. So, we believe it*".

Furthermore, in the Nigerian environment, knowledge of independency of audit members is treated more reactionary feature than a predictive feature. Interviewee OP1 highlight this as follows "*I am not able to tell* (when audit committee members are independent) *or sometimes you can tell after the fact, right? So, when you have seen the bank "blow up*[20]*" (collapse), in hindsight, you can tell that the audit committee clearly was not doing something right. But in terms of being able to tell ahead of time or as*

[20] Blow up is a Nigerian slang which means fail or collapse

things are unfolding, I do not know how to tell. So, yes regulatory requirements say you have to have independent audit committee, and you (the banks) *do. Check. Does that* (the requirement of independence) *always add value? No, but a lot of times when… you see that the independent audit committee is there. It is after the fact that you are now able to establish that it was truly independent*." Similarly, interviewee CP1 states as follows "*that in itself* (knowledge of independence of audit committee members) *is almost a lagging indicator right, because it is after the fact. I really pay attention to the leading indicators. I really do not want to get to that point where I said to myself I wish I knew all right. So I would look at leading indicators."* This is despite the fact that the CBN makes the independence of audit committee of banks sacrosanct and mandatorily ensures compliance with this provision. SEC demands similar compliance. The CAMA Act also provides that all public liability companies must have an audit committee.

Inevitably, the intricacies prevalent in the Nigerian environment tends to lead to some level of homogeneity among banking industry actors making actions of banks and individuals who work in the banks less trustworthy. Interviewee LC1 confirms as follows "*it is tough to see* (the independence)*; it is tough to tell* (if committee members are independent). *The biggest challenge you have is that you are limited to just what is provided. … What you see for most audit committee reports* (is that) *the committee is* (reported as) *independent, then they list the number of independent people on it. They just lift all those basic rules, but away from those basic rules, we know that it does not work that way. It is really tough to tell*."

Furthermore, the weak institutional environment does not lend itself to transparency and trust (Adegbite, 2015). According to interviewee OP2, "*this* (knowledge of audit committee members independence or otherwise) *is just community management, knowing who knows who and understanding the relationships. There is nothing on paper that says - okay, you are going to verify this person was brought in on an arm's length basis to oversee the audit committee*." Similarly, interviewee LC2 expressed skepticism

about the independence of audit committee members as follows "*unfortunately, I cannot tell. I do not know, I do not have a clue. Again it is not like, I had access to the minutes of the audit committee meeting, and I saw that the action the bank took was against the resolution then I can say. But to the best of my knowledge, they do not publish minutes of those meeting. The best they just do is tell you the number of times they met. So I really do not know, but we are made to believe that the audit committee is independent of management*."

In Nigeria, the family ties and relationships with dominant shareholder also inhibit the independence presenting a principal-principal agency challenge (La Porta et al., 1999; Adegbite, 2015). According to interviewee OP3, "*it is really in the profile of the audit members. Because you can have independent* (audit members) *that in some way still have a relationship with executive management. You really look at the profile and track record of the people and see if they have that record of being independent. You talk to people that know them, a bit of research on their character, that really is.; as subjective as it may be, it is the way to do it today*". Further, in Nigeria, the interference by executive management, which might impede the independence of audit committee members, cannot be ignored. Interviewee LC8 states thus, "*truth is that a lot of the board committee especially the audit committee are influenced. They have to be influenced anyway because there is usually an executive of the bank embedded in there, who helps them* (audit committee) *navigate. Not all of them are independent.*"

From the foregoing, investment analysts are unable to ascribe independence to audit committee members hence H7b is supported.

The next subsection presents Part C, findings of pay for performance driver of accountability mechanism.

8.4. Part C. Pay for Performance

The part reveals the perception of investment analysts on the features associated with pay for performance as a driver of good corporate governance.

8.4.1 Statistical Analysis of Study Variables

8.4.1.1. Descriptives of Pay for Performance Features in Nigeria

In table 8.16, only 43.10% of respondents agree or strongly agree that compensation schemes of executive management are clear. This lack of clarity might not be unconnected with the relative newness of pay for performance in the Nigerian environment (Adegbite, 2015). In table 8.17, 75.86% agree or strongly agree that reward schemes for management are an acceptable practice. That up to 24.13% of respondents are either non-committal or disagree that reward schemes are beneficial in the Nigerian environment is also an indication of the distrust of the Nigerian system, compensation motives, and alignment of compensation with performance (Adegbite, 2015). In table 8.18, 73.28% agree that general employee reward schemes are acceptable compensation plans, which engender good corporate governance practice. Again, that the respondents were not unanimous in agreeing to this variable portends a distrust of the Nigerian environment.

Table 8. 16 Clear Compensation Schemes

	Frequency	Percent	Cumulative
Strongly Agree	11	9.48	9.48
Agree	39	36.62	43.10
Neither Agree or Disagree	22	18.97	62.07
Disagree	37	31.90	93.97
Strongly Disagree	7	6.03	100

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Table 8. 17 Executive Rewards Schemes Acceptability

	Frequency	Percent	Cumulative
Strongly Agree	40	34.48	34.48
Agree	48	41.38	75.86
Neither Agree or Disagree	21	18.10	93.97
Disagree	6	5.17	99.14
Strongly Disagree	1	0.86	100

Table 8. 18 Employee Reward Schemes

	Frequency	Percent	Cumulative
Strongly Agree	32	27.59	27.59
Agree	53	45.69	73.28
Neither Agree or Disagree	20	17.24	90.52
Disagree	8	6.90	97.41
Strongly Disagree	3	2.59	100

Table 8. 19 Summary of Features of pay for performance

	Mean	STD. DEV	Min	Max	Frequency aggregate of strongly agree and agree (%)
Clear Compensation Schemes	2.913793	1.131132	1	5	43.10
Executive Rewards Schemes Acceptability	1.965517	.903433	1	5	75.86
Employee Reward Schemes	2.112069	.975986	1	5	73.28

8.4.1.2. Test for normality of pay for performance features

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of the symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 8.20 which reports pay for performance features shows that the Skewness values for most of the variables fall between 0.002 and 0.9079 which indicates symmetrical distribution. For Kurtosis test statistics, the variables fall between 0.0000 and 0.4094 indicating normal distribution.

Table 8. 20 Skewness/Kurtosis Tests for Normality

	OBS PR(SKEWNESS)	**PR(KURTOSIS)**	**ADJ CHI2(2)**	**PROB>CHI2**
Clear Compensation Schemes	0.9079	0.0000	18.80	0.0001
Rewards Schemes Acceptability	0.0011	0.4094	9.84	0.0073
Employee Reward Schemes	0.0002	0.1532	12.96	0.0015

8.4.1.3. Spearman and Pearson Correlation of Pay for Performance Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman correlation coefficients are reported in Table 8.21. The table shows the correlation matrix for the dependent, independent and control variables employed for the board independence and decision making models. The magnitude and direction of both the Pearson correlation coefficients (parametric) and

Spearman correlation coefficients (non-parametric) appear to be relatively similar. This adds to the evidence that there is no major problem of non-normality among the variables in the models (Ntim & Soobaroyen, 2013). In addition, the correlations among the variables are fairly low, indicating that there is not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

Table 8. 21 (obs=112) Correlation of Pay of Performance Features

Pearson Correlation

	gen	age	bg	tny	sub	annut	pf1iv	pf2iv	pf3iv	pf4dv
gen	1.0000									
age	-0.1907	1.0000								
bg	0.0691	0.0682	1.0000							
tny	-0.1640	0.5901	-0.1641	1.0000						
sub	0.0195	-0.1377	-0.0563	-0.0024	1.0000					
annut	-0.0698	-0.1105	-0.1167	0.0108	0.3524	1.0000				
pf1iv	-0.0237	0.0632	-0.1316	-0.0359	-0.1562	0.0327	1.0000			
pf2iv	0.0512	-0.1691	0.0272	-0.1140	-0.1527	-0.1604	0.0129	1.0000		
pf3iv	0.0148	-0.1445	-0.1050	-0.0878	-0.1170	0.0450	0.1633	0.4134	1.0000	
pf4dv	0.1178	-0.0533	0.0657	-0.0574	-0.0476	-0.1663	0.1207	0.3209	0.4326	1.0000

Spearman Correlation

	Gen	age	bg	Tny	sub	annut	pf1iv	pf2iv	pf3iv	pf4dv
gen	1.0000									
age	-0.1950	1.0000								
bg	0.0817	0.0007	1.0000							
tny	-0.1479	0.5891	-0.1736	1.0000						
sub	0.0195	-0.1129	-0.0399	0.0033	1.0000					
annut	-0.1036	-0.0936	-0.1535	-0.0144	0.3249	1.0000				
pf1iv	-0.0186	0.0840	-0.1800	-0.0352	-0.1552	0.0451	1.0000			
pf2iv	0.0827	-0.1850	0.0563	-0.1646	-0.1915	-0.1534	-0.0038	1.0000		
pf3iv	0.0321	-0.1434	-0.1124	-0.0926	-0.1478	-0.0272	0.2287	0.4308	1.0000	
pf4dv	0.1654	-0.0721	0.0459	-0.0511	-0.0789	-0.2140	0.1139	0.3038	0.4449	1.0000

8.4.1.4. Ordered Logit Regression of Pay for Performance Features against Decision Making

The ordered logit regression (Table 8.22) was used to investigate the relationship between features of pay for performance and decision-making. The table will reveal that fivesubmodels were built each with varying independent variables. Sub model with Adjusted R^2 of 0.1376 was the best fit. This model can explain 13.76% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 8.23 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

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Table 8. 22 Ordered logit regressions of features of pay for performance against investment decision making influence of pay for performance

VARIABLES	(1) pf4dv	(2) pf4dv	(3) pf4dv	(4) pf4dv	(5) pf4dv
gen	0.666	0.632	0.677	0.646	0.699
	(0.433)	(0.434)	(0.440)	(0.436)	(0.445)
age	-0.184	0.0267	-0.0766	-0.0417	-0.0615
	(0.282)	(0.285)	(0.285)	(0.287)	(0.290)
bg	0.156	0.101	0.260	0.153	0.290
	(0.193)	(0.194)	(0.198)	(0.196)	(0.202)
tny	0.0684	0.00836	0.0800	0.0632	0.130
	(0.214)	(0.214)	(0.216)	(0.215)	(0.218)
sub	0.00131	0.177	0.308	0.266	0.502
	(0.407)	(0.412)	(0.416)	(0.414)	(0.423)
annut	-0.284**	-0.194	-0.333**	-0.214	-0.305**
	(0.142)	(0.145)	(0.150)	(0.146)	(0.154)
pf1iv	0.266			0.277*	0.261
	(0.165)			(0.166)	(0.171)
pf2iv		0.766***		0.774***	0.442*
		(0.236)		(0.236)	(0.245)
pf3iv			1.145***		1.016***
			(0.227)		(0.235)
/cut1	-2.000**	-0.695	-0.309	0.101	1.353

	(1.006)	(1.085)	(1.041)	(1.188)	(1.281)
/cut2	0.208	1.631	2.235**	2.466**	4.007***
	(0.983)	(1.090)	(1.050)	(1.205)	(1.328)
/cut3	2.093**	3.587***	4.434***	4.442***	6.238***
	(1.016)	(1.140)	(1.128)	(1.259)	(1.410)
/cut4	3.271***	4.794***	5.777***	5.662***	7.597***
	(1.098)	(1.230)	(1.240)	(1.348)	(1.515)
Pseudo R^2	.0349	.0623	.1204	.0718	.1376
Observations	112	112	112	112	112

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
	PF1IV	Clear Compensation schemes

Compensation schemes of directors and executive management of banks as stated in the bank's financial report are well understood.		
Performance pay reward schemes for executive management of Nigerian banks should be encouraged and is viewed positively by the public	PF2IV	Management rewards schemes acceptability
Performance pay reward schemes (monetary and non-monetary) including employee share option schemes promote accountability in Nigerian bank	PF3IV	Employee reward schemes bring accountability

Table 8. 23 A summary of all of the hypotheses and findings for the pay for performance and decision making model

Dependent Variable			**Decision Making influence of Pay for Performance**		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Clear compensation schemes	1	+	+	Insignificant	Rejected
Management reward schemes acceptability	2	+	+	Significant at the 10% level	Accepted
Employee reward schemes bring accountability	3	+	+	Significant at the 1% level	Accepted

8.4.2 Discussions and Triangulation of Quantitative and Qualitative Findings of Pay for Performance

Model. Pay for Performance Induced Propensity to Make Favourable Investment Decision = β_0 + .26(PF_1) + .44(PF_2) + .1.02(PF_3) + .70(Gen) + .29(BG) - .06(AGE) + .50(IA) -.31(FS) + .13(TNY) + εi

8.4.2.1 Controls in the models

Annut (annual turnover) is negatively statistically significantly correlated with investment decision making (β=-.31, $p<.05$). This suggests that in Nigerian environment, the larger the organization an investment analyst works for, the less likely they associate pay for performance with investment decision making.

8.4.2.2 Features of pay for performance

Clear Compensation schemes

"Clear Compensation schemes" is positively correlated with investment decision making induced by pay for performance although not statistically significant (β=.26, p=.13). Findings from the interviews suggests that while investment analysts assume clear compensation schemes are relevant for pay for performance variable, we cannot report with any level of certainty if the compensation schemes paid to executives influences analysts' investment decision making. Interviewee OP1 explains this blurriness as follows "*I had no idea how executive directors are compensated. It is very opaque. It* (compensation) *is not broken down so, the last time I looked, they will tell you this total amount we paid to the board over the year*." Corroborating this, interviewee MF4 posits thus "*these* (pay for performance) *are not well stated. In most financials, you just see the total wage bill as a component of OPEX* (operating expense). *Even in the notes, probably at best you see a range of salary scales, with different numbers for employees one to fifty earning a certain amount, fifty to X earning this amount. So, it is not as granular as expected*."

As a result of this lack of clarity, investment analysts are unable to make use of this driver even if they wanted to. Corroborating this further, interviewee OP1 highlights thus "*we have taken note of it. The big picture rather than granular. So for instance, I know that as of maybe two years ago, X bank and XX Bank were the ones spending the most on their boards and we are like, oh yes, these two institutions are wasteful, but we have not actually gone to analyze it and break it down. For instance like how many board members do they have per head is it the same? ….So, if you just hear that X bank spends N1bn* ($3.13M) *on the board and XXX bank spends N700M* ($2.19M) *but maybe X bank has fifteen board members, and XXX bank has only seven. We actually do check it to that granular level, but we actually do not check how much goes to executives and how much goes to non-executives. ……. So, you take one or two or three headliners, and just sense check it. ….. and that is as far as we go*".

The lack of clarity also leads to investment analysts digging deeper usually through less formal means. Interviewee MF2 highlights thus "*usually, it is never that clearly stated. So as an investor you must do a bit of fact-finding and request for more documentation to support the financial statement. If I am investing in a bank, for instance, I want to get a copy of the management pay structure; the management performance requirement; and management bonus structure and I must have all of that to be able to make sense of whatever payment that is in the financial statements. So, it is critical*". Despite the criticality of pay for performance, investment analysts generally do not perceive it to be objectively appropriated in Nigeria. This has some resonance with literature that suggests pay for performance does not necessarily correlate with firm performance (Pass, 2003).

Nevertheless, the stakeholder-agency theory postulates that pay for performance will help align managers' interests with stakeholders (Hill & Jones, 1992). Interviewee LF2 corroborates this as follows "*so there is really no reason why they should not* (state the details of pay for performance). *My preference would be for them to disclose as much information on board remuneration and things like that. Again, for me, it is going to influence my decision. If I think of all the issues that we have spoken about now, it is probably one of topmost in my mind because it represents transparency and also we are able to invest in a company that is transparent*". In line with this agentic perspective, some of the investment analysts were of the opinion that there is a move towards ensuring transparency of remuneration in the Nigerian banking sector as regulators are taking more interest in this governance driver (Adegbite, 2015). Interviewee OP3 opines thus, "*it* (pay for performance) *is not as well stated, but I think that there is a slow move to have a bit more transparency. I mean many banks, for instance, have quarterly calls now with institutional investors especially, and these questions increasingly come up. People would dissect their books and ask more questions about line items. So yes, far from ideal, but I think things are improving, and if I hear some of the comments coming from regulators, SEC, the CBN, there is a stronger move to have more transparency around*

this. So, I would say it is in the detail, it is in how it is treated where it is abused and used as an avenue for self-enrichment without the interest of shareholders being taken into consideration then absolutely we would desist from investing in those situations".

The findings on clarity of compensation schemes in Nigeria, is consistent with some literature on pay for performance in developed countries which found that while pay for performance to executives was increasing, performance was not necessarily improving (Conyon & Leech, 1994; Tosi et al., 2000) and can be viewed negatively by the public in Nigeria (Adegbite, 2015). This skepticism is more likely to be exhibited by investment analysts that work in larger organizations. The literature is corroborated by interviewee LC2" as follows "*most times if you look at the compensation, it is all bucked up, and so, you cannot really tell how much each executive is earning per se and differentiate, and there is no link to performance. So, there is a stronger link to pay and inflation than pay for performance… So, I have to align pay to inflation instead of performance*". The double digits inflation rate in Nigeria (NBS, 2018) might therefore necessitate the increase in compensation more than performance.

The lack of clarity in compensation schemes as stated in financial statements of banks has negated the importance of this driver according to investment analysts. In addition, the lack of trust of the Nigerian environment makes this driver not to be viewed with great importance (Adegbite, 2015) despite the recognition of it as a driver of good corporate governance. Interviewee LC6 highlights this thus "*no, you cannot determine an executive compensation in Nigeria. The CBN yes, might be able to but the man on the street cannot determine it. It is not very clear because there is a lot of unclarity. I mean it is a* (Nigerian) *system issue. Similar to politics or any other firms, there are a lot of benefits and those benefits are not necessarily apparent from just looking at a document*".

In any case, from the literature, there is a dearth of detailed information about executives' pay (Gregg et al., 1993). Hence, unsurprisingly in Nigeria, from the evidence provided in this study, "clear compensation" is a disputed feature of pay for performance.

Therefore, H8a is not supported.

Rewards schemes for management acceptability

Rewards schemes for management acceptability is positively statistically significantly correlated with investment decision making ($\beta = .44$, $p<0.1$). This suggests that with some certainty, we can conclude that reward schemes for executives are acceptable to investment analysts and represent a favorable feature of pay for performance that can lead to investment decision making. The statistical analysis is consistent with the theory which posits that rewards schemes help to align the interests of manager with shareholders (Jensen & Meckling, 1976; Shleifer & Vishny, 1997) and indeed other stakeholders. According to interviewee OP2 *"what we look for is an alignment of interests. So, if pay for performance is aligned to increasing the earnings per share of the company, then fair enough, something that we would look at as opposed to other tools that management use to increase their pay*."

Similarly, interviewee MF1 captures this positive association between reward schemes for management and pay for performance thus, "*well, I want to know that there is a merit based system that rewards good performance. Secondly, it* (the reward scheme) *comes with candor. It is transparent.*" Supporting this further, interviewee MF1 presumes reward schemes can help breach information asymmetry. Interviewee MF1 highlights this as follows "*what has this guy* (executive) *done to merit this amount of bonus? And if it* (reward for management) *is excessive, we should be able to query it. Is there stock option? Those are the things part of fundamentals, and if they are not there, you have a shortage of information*."

According to the literature (e.g., Fama & Jensen, 1983), reward schemes for management can be designed to serve as incentives for management to perform on behalf of shareholders (Eisenhardt, 1989). Investment analysts operating in Nigeria also believe reward systems will enable management to take ownership of the business. Interviewee LC3 highlights this finding as follows "*it* (reward schemes) *makes them* (managers) *the owners of the business. They* (managers) *do well; you are going to pay them. So, basically it sees them as the owners of the business, and they can drive the institutions very well. It is a good development*." Some of the analysts even went further to suggest reward schemes can act as a deterrence to illicit activities, which can have negative consequences for investment returns. For example, according to MF2 "*yes, pay for performance for management is a yes! Because that is what is going to drive them towards performance. If you do not put that* (reward schemes) *there, management will find a way of making their money through their expenses. So the only way you can drive your own returns is to ensure that there is pay for performance*". This finding agrees with the literature on agency theory (e.g., Fama & Jensen, 1983).

Even though 75.86% of investment analysts agree or strongly agree with this feature, there was a note of caution considering the Nigerian environment and trustworthiness. Especially when the reward scheme might not necessarily correlate with firm performance (Pass, 2003) or leads to short-termism by management. Interviewee LC5 highlight this thus *"I am all for it* (reward scheme). *My problem is that it can be abused too easily. Well, I am all for it, if there is real performance, I am 100% for it. My problem is that many times there is no real performance. Somebody gives out a loan say a billion naira* (approx. $3.13M), *it looks fantastic today, and three years down the line,* (the loan) *is bad. So, if it is appraised very well, I am a hundred percent in support of strong pay per performance*".

Nevertheless, the "reward scheme for management" is a feature of pay for performance that is realistically measurable hence its desirability to investment analysts. Interviewee

LF2 highlights as follows "*I am in full support. Again, it speaks to something we spoke earlier around having KPIs or measurable… it is probably going to be bonus based. So, outside of the sitting fee that they pay them, they are saying to them if your committee is able to drive through certain initiative they will pay a certain fee. You will find more commitment, more engagement and more involvement from the board*".

Therefore, H8b is supported.

Employee reward schemes bring accountability

"Employee reward schemes bring accountability" is positively statistically significantly correlated with investment decision making induced by pay for performance (β= 1.02, p<.01). In line with stakeholder-agency theory, which expects employee reward system to align employee performance of their contractual objective with those of business principals (Hill & Jones, 1992), investment analysts presume that employee reward schemes promote accountability in Nigerian banks especially when well structured. The investment analysts are nevertheless skeptical about the implementation of employee reward schemes. Interviewee OP4 describes this feature thus "*I think it is good but then it should be well structured in such a way that you do not necessarily overweight in short-term performance, and then long-term performance suffer. So it has to be well balanced because if you do pay for performance a lot of performance metrics are wired towards the short-term, and then you see the employee cutting corners doing things just for the benefit of the short term, and in the long term you suffer.*" This challenge of short term and long term objectives led the majority of the investment analysts to refer to the double-edged nature of pay for performance in ensuring accountability. Interviewee LA2 highlights this thus "*it* (employee reward scheme) *is a two-edged sword in the sense that it can actually ensure that the executives*[21] (employees/managers) *put in their best and get the best for the company. But the reason why I said it is a double-edged sword is the fact that it may then* (lead to short-termism)*…. if the pay is only in cash, it means that the*

[21] Executives here refers to managers/workers in Nigerian banks

executives (employees/managers) *will only be looking at short-term gains for the company. But if it is split maybe cash and maybe to some extent shareholding, then you know you want to ensure that long-term value for the company. The way it is structured is really important to ensure that the executives* (employees/managers) *are not just looking at returns right here and right now without looking at what the long-term gains are for the institution. It may be eroding long-term value while they are just trying to get present. So, it needs to be structured very well otherwise it may not be in the best interest of the company*." This is supported by literature (Main et al., 1996; Buck et al., 2003; Ozkan, 2011) which posits that the inclusion of equity incentive payments increases pay-performance sensitivities.

From the literature, in Nigeria, the culture of pay for performance and employee reward schemes is still at its infancy and aspirational (Adegbite, 2015). Interviewee LC2 alludes to this thus "*because it* (employee reward scheme) *is not happening right now, I would say* (employee reward schemes) *has not come to play per se, even though questions around employee schemes keep on coming up. There is always that view that it* (employee reward scheme) *helps to influence the activity or actions ,,,,, if you are seeing the links more, then it should influence investment decision*." Notwithstanding the belief that pay for performance might lead to short-termism (Filatochev et al., 2007), "employee reward schemes" has been acknowledged as a means to ensure accountability by employees in Nigeria especially if the long term and short term objectives of the firm can be aligned. Interviewee LF1 highlights this further as follows "*that is where I think the direction should be going into the future but again it has to be done with caution. Because it is good to tie the compensation to performance and at least to be sure they* (employees) *can justify why they are being paid at least. But at the same time, excessive use of that compensation arrangement can actually lead to a short-term view on, on the part of the executive* (employee). *So meaning that viable opportunities that are going to materialize in the future might not be taken by such executive* (employee) *because it is not going to*

translate into the current period gain. So, I will say the benefit scheme that rewards both on the short and long-term should be worked out".

Hence, in agreement with studies by Main et al. (1996), Buck et al. (2003) and Ozkan (2010), interviewee LC6 confirms the need to change the employee reward scheme from mainly cash to a mix of cash and equity tying earnings potential of the executives (employees/managers) to the future of the company. According to interviewee LC6 "*give them equity! I agree. They* (employees) *have to get paid, or else they can use their brains elsewhere, I know cash is king in Nigeria but at the same time ideas do matter, and I am a big proponent of that. So give them equity*." The evidences support the study's hypothesis. Therefore, hypothesis 8c is accepted.

The next section presents the findings of part D, board evaluation as an accountability mechanism driver.

8.5. Part D- Perception of Investment Analysts on Board Evaluation Driver Features.

The next subsection presents the results of the features of board evaluation from the perspectives of investment analysts.

8.5.1. Statistical Analysis of Study Variables.

8.5.1.1 Descriptives of Board Evaluation Features in Nigeria

Tables 8.24-8.27 report percentage and frequencies of respondents' perception of features of board evaluation. In table 8.24, only 49.18% of respondents agree or strongly agree that board evaluation reports are transparent. For table 8.25, 95.08% of respondents agree or strongly agree that board evaluation reports are necessary this is despite the fact that over half (as reported in table 8.26) do not believe the transparency of the board evaluations. In table 8.26, again, less than half of respondents (48.36%) believe the report

is important as presently reported. For table 8.27, 73.77% of respondents agree or strongly agree that board evaluations are a representation of directors' performance.

This finding represents interesting inconsistencies in the Nigerian investment clime as expectations would have been that if investment analyst associate performance of directors with the board evaluation reports, then one should have safely assumed that the investment analysts would believe the contents of the report. Especially as an overwhelming majority of the investment analysts reckon that board evaluation is necessary.

Table 8. 24. Perception of transparency of evaluation report

	Frequency	Percent	Cumulative
Strongly Agree	22	18.03	18.03
Agree	38	31.15	49.18
Neither Agree or Disagree	33	27.05	76.23
Disagree	18	14.75	90.98
Strongly Disagree	11	9.02	100

Table 8. 25. Necessity of evaluation report

	Frequency	Percent	Cumulative
Strongly Agree	85	69.67	69.67
Agree	31	25.41	95.08
Neither Agree or Disagree	4	3.28	98.36
Disagree	1	0.82	99.18
Strongly Disagree	1	0.82	100

Table 8. 26. Importance of report

	Frequency	Percent	Cumulative
Strongly Agree	21	17.21	17.21
Agree	38	31.15	48.36

Neither Agree or Disagree	36	29.51	77.87
Disagree	20	16.39	94.26
Strongly Disagree	7	5.74	100

Table 8. 27 Content of evaluation report as indication of director performance

	Frequency	Percent	Cumulative
Strongly Agree	29	23.77	23.77
Agree	61	50.00	73.77
Neither Agree or Disagree	20	16.39	90.16
Disagree	8	6.59	96.72
Strongly Disagree	4	3.28	100

Table 8. 28 Summary of features describing board evaluation

	MEAN	STD. DEV	MIN	MAX	Frequency Aggregate of strongly agree and agree (%)
Perception of transparency of evaluation report	2.6755738	1.19759	1	5	48.18
Necessity of evaluation report	1.377049	.672087	1	5	95.08
Importance of report	2.622951	1.123218	1	5	48.36
Content of evaluation report as indication of director performance	2.155738	.970818	1	5	73.77

8.5.1.2. Test for Normality of Board Evaluation Features

The Skewness and Kurtosis tests were conducted and provided evidence of fairly normal distribution of the variables. For Skewness, the value of the symmetrical distribution is zero (Gujarati, 2003; Brooks, 2008).). For Kurtosis, the hypothesis of non-normality can be rejected if its value is 3 (Gujarati, 2003; Brooks, 2008).

Table 8.29 below which reports board evaluation features shows that the Skewness values for most of the variables fall between 0.000 and 0.1780, which indicates mostly

symmetrical distribution. For Kurtosis test statistics, the variables fall between 0.0000 and 0.0582 indicating normal distribution.

Table 8. 29 Skewness/Kurtosis Tests for Normality

	OBS PR(SKEWNESS)	PR(KURTOSIS)	ADJ CHI2(2)	PROB>CHI2
Perception of transparency of evaluation report	0.0884	0.0240	7.33	0.0256
Necessity of evaluation report	0.0000	0.0000	57.06	0.0000
Importance of report	0.1780	0.0511	5.48	0.0645
Content of evaluation report as indication of director performance	0.0000	0.0582	16.17	0.0003

8.5.1.3. Spearman and Pearson Correlation of Board Evaluation Features

A correlation matrix was used to test the direction and magnitude of the linear relationship between the variables. This test helps to discover the potential presence of multicollinearity among the variables. There could be multicollinearity if a correlation coefficient between two variables is large. Following Ntim et al. (2012a) and Ntim & Soobaroyen (2013), the Pearson and Spearman coefficients are reported in Table 8.30. The table shows the correlation matrix for the dependent, independent and control variables employed for the board evaluation and decision making models. The magnitude and direction of both the Pearson correlation coefficients (parametric) and Spearman correlation coefficients (non-parametric) appear to be relatively similar. This adds to the evidence that there is no major problem of non-normality among the variables in the models (Ntim & Soobaroyen, 2013). In addition, the correlations among the variables are fairly low, indicating that there is not a serious multicollinearity problem (see Haniffa & Hudaib, 2006; Dam & Scholtens, 2012; Ntim et al., 2012a; Ramly, 2012).

Table 8. 30 Correlation for board evaluation features

Pearson Correlation

	gen	age	bg	tny	sub	annut	be1iv	be2iv	be3iv	be4iv	be5dv
gen	1.0000										
age	-0.1742	1.0000									
bg	0.0102	0.0953	1.0000								
tny	-0.1743	0.5768	-0.1851	1.0000							
sub	-0.0084	-0.1039	0.0252	-0.0352	1.0000						
annut	-0.0804	-0.0991	-0.1151	0.0169	0.3197	1.0000					
be1iv	-0.0684	-0.0300	-0.1144	0.0151	-0.0254	0.1217	1.0000				
be2iv	0.0980	0.1072	-0.0664	-0.0780	-0.0886	-0.0862	0.1176	1.0000			
be3iv	0.1017	-0.0379	-0.1055	-0.0535	-0.0412	0.1349	0.3047	0.2727	1.0000		
be4iv	0.2295	-0.1635	-0.1203	-0.1515	0.0128	0.0085	0.1706	0.3387	0.2858	1.0000	
be5dv	0.2500	-0.0108	-0.0878	-0.0927	-0.0678	0.0012	0.1774	0.3041	0.4223	0.4264	1.0000

Spearman Correlation

	gen	age	bg	tny	sub	annut	be1iv	be2iv	be3iv	be4iv	be5dv
gen	1.0000										
age	-0.1812	1.0000									
bg	0.0238	0.0399	1.0000								
tny	-0.1648	0.5662	-0.1840	1.0000							
sub	-0.0084	-0.0736	0.0281	-0.0257	1.0000						
annut	-0.1254	-0.0838	-0.1424	-0.0026	0.3046	1.0000					
be1iv	-0.0731	-0.0331	-0.1140	-0.0236	-0.0376	0.1409	1.0000				
be2iv	0.1184	0.0715	-0.0443	-0.1271	-0.0546	-0.1160	0.2112	1.0000			
be3iv	0.1139	-0.0273	-0.1814	-0.0639	-0.0479	0.0854	0.3076	0.2408	1.0000		
be4iv	0.2298	-0.1473	-0.1292	-0.1336	-0.0395	0.0092	0.2051	0.3535	0.2964	1.0000	
be5dv	0.2107	-0.0632	-0.0815	-0.1117	-0.0956	-0.0475	0.1793	0.3766	0.4106	0.4674	1.0000

8.5.1.4. Ordered Logit Regression of Board Evaluation Features against Decision Making

The ordered logit regression (Table 8.31) was used to investigate the relationship between features of board evaluation and investment decision-making induced by board evaluation. The table will reveal that seven submodels were built each with varying independent variables. Sub model with Adjusted R^2 of 0.1559 was the best fit. This model can explain 15.59% of the variables relationship. When seeking only a weak signal in the presence of a lot of noise, and even a small signal can be of interest, then R-squared of even 10% or lower can have some information (Nau, 2018). Moreover, as suggested by Nau (2018), the results obtained from this regression were cross validated through the semi-structured interviews conducted. Other studies reported similar low R-squared values. For example, McCahery et al. (2016) reported R-squared of 10% in their study.

A summary of the results from the ordered logit and hypothesis can be found in table 8.32 below. For robustness, ordered probit regression was conducted and produced similar results to the ordered logit regression. See appendix 3.

Table 8. 31 Ordered logit regressions of features of board evaluation against investment decision making influence of board evaluation

VARIABLES	(1) be5dv	(2) be5dv	(3) be5dv	(4) be5dv	(5) be5dv	(6) be5dv	(7) be5dv
gen	1.054**	0.919**	0.833*	0.654	1.028**	0.891**	0.658
	(0.430)	(0.429)	(0.434)	(0.432)	(0.433)	(0.440)	(0.449)
age	0.201	0.0114	0.192	0.284	-0.00599	0.0396	0.141
	(0.276)	(0.283)	(0.278)	(0.277)	(0.287)	(0.289)	(0.293)
bg	-0.251	-0.214	-0.217	-0.168	-0.181	-0.157	-0.0877
	(0.201)	(0.205)	(0.202)	(0.205)	(0.205)	(0.204)	(0.201)
tny	-0.269	-0.126	-0.213	-0.198	-0.144	-0.135	-0.134
	(0.204)	(0.211)	(0.207)	(0.204)	(0.212)	(0.214)	(0.214)
sub	-0.288	-0.293	-0.0999	-0.435	-0.272	-0.146	-0.291
	(0.398)	(0.400)	(0.409)	(0.403)	(0.402)	(0.412)	(0.417)
annut	-0.0173	0.0378	-0.131	0.0126	0.0222	-0.0765	-0.0625
	(0.143)	(0.147)	(0.149)	(0.144)	(0.148)	(0.155)	(0.155)
be1iv	0.345**				0.311*	0.190	0.191
	(0.159)				(0.162)	(0.169)	(0.170)
be2iv		0.894***			0.843***	0.626**	0.353
		(0.286)			(0.279)	(0.295)	(0.303)
be3iv			0.804***			0.643***	0.566***
			(0.188)			(0.198)	(0.199)
be4iv				0.884***			0.665***
				(0.203)			(0.216)
/cut1	-0.151	0.328	0.739	1.301	0.993	1.800*	2.949**
	(0.933)	(0.985)	(0.956)	(1.011)	(1.032)	(1.082)	(1.160)

/cut2	1.786*	2.375**	2.871***	3.460***	3.089***	4.035***	5.321***
	(0.946)	(1.014)	(0.995)	(1.059)	(1.073)	(1.140)	(1.240)
/cut3	2.930***	3.561***	4.103***	4.693***	4.283***	5.291***	6.639***
	(0.987)	(1.059)	(1.047)	(1.111)	(1.118)	(1.195)	(1.306)
/cut4	4.668***	5.303***	5.910***	6.459***	6.045***	7.128***	8.507***
	(1.186)	(1.248)	(1.247)	(1.295)	(1.308)	(1.393)	(1.492)
Pseudo R^2	.0489	.0712	.1005	.1037	.0839	.1220	.1559
Observations	118	118	118	118	118	118	118

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Codes

Gender	GEN	0 Male 1 Female
AGE	AGE	21-30 – 1, 31-40 -2, 41-50 – 3, 51-60 -4, Over 60 - 5
Your Background (Which area have you gained most of your working investment experience)	BG	Banking and Finance – 1, Pol Science -2, Economics – 3, Accounting – 4, Others - 5
Total number of years you have spent as an analyst	TNY	0-4 – 1,5-9 – 2, 10-15 – 3, 16-20 – 4, Over 20 -5
Is your firm a subsidiary/affiliate of an international company?	SUB	Yes- 1, No -0
What is the annual investment turnover of your company?	AnnuT	N1M-N100M -1, N101M-N1bn – 2, N1bn-N10bn – 3, N10bn-N100bn – 4, Over N100bn - 5
Evaluating board directors in banks is done effectively and transparently. **Please Note that this function is done by external consultants induced by regulation. However, only a summary is produced in the financial statements	BE1IV	Perception of transparency of evaluation report

of banks for public consumption. The main report is restricted for internal management/board consumption only.		
Board evaluation is necessary for accountability and helps prevent organizational failure	BE2IV	Necessity of evaluation report
I read the board of directors performance evaluations in banks' annual reports (or other bank reports) before making investment decisions on a bank	BE3IV	Information in report
If a bank has performed well in specific performance criteria (e.g., risk management, auditing, credit quality, customer service, technology, etc.), I assume the individual director supervising that function has performed well	BE4IV	Content of evaluation report as indication of director performance

Table 8. 32 A Summary of all the hypotheses and findings for the board evaluation and decision making model

Dependent Variable			**Decision Making influence of Board Evaluation**		
Independent variable	No. Hypothesis	Expected sign	Finding sign	Finding significance	Hypothesis status
Perception of transparency of evaluation report	1	-	+	Insignificant	Rejected
Necessity of evaluation report	2	+	+	Insignificant	Rejected
Importance of information in report	3	+	+	Significant at the 1% level	Accepted
Content of evaluation report as an indication of director performance	4	+	+	Significant at the 1% level	Accepted

8.5.2 Discussions and Triangulation of Qualitative and Quantitative Findings of Board Evaluation

Model 1: Board Evaluation Induced Propensity to Make Favourable Investment Decision = β_0 + .19(BE_1) + .35(BE_2) + .57((BE_3) + .67(BE_4) +65(Gen) - .09(BG) + .14(AGE) - .29(IA) - .06(FS) - .13(TNY) + εi

8.5.2.1. Preamble

Board evaluations are a way to assess board performance (Ingley & van der Walt, 2002; 2005; Leblanc, 2005; Leblanc & Schwartz, 2007; Long, 2006; Minichilli et al., 2007; Gabrielsson & Huse, 2004; Kiel & Nicholson, 2005). However, interviewee OP6 posits that "*board evaluation report as presented now* (for Nigerian banks)*, will speak to composition, the committees, the attendance of meetings. However, it is actually very sketchy. It is not like it allows you to do a deep dive into what it each person contributed to it*". So how will evaluations features be perceived or represented?

8.5.2.2. The features of board evaluation driver findings

Perception of transparency of evaluation report

Perception of transparency of evaluation report is positively correlated with investment decision making although not statistically significant (β=.19, p=.26). This represents interesting results and is contrary to the hypothesis (H9a) for this study as it would have been expected that the abridged evaluation report would have represented negativity to the investment analysts. However, the sheer volume of pages of annual reports or financial statement and other reports emanating from banks means most analysts are unable to go through all details in the report but instead might be satisfied reading the abridged version. From the interviews, the reason for the insignificance of this feature might not be unconnected to the lack of believability in the transparency of evaluation reports by investment analysts. For example, interviewee CP1 posits that "*I would also imagine that even if the banks were obligated to share the evolution reports on their managers or their directors, the investor or the fund manager will still also need to carry out so an independent evaluation. So, that in itself does not in any way influence or decide*

what I do with that financial institution. I always will carry up my own independent evaluation" Similarly, interviewee LA3 posits that "*we are going to an era of transparency and it* (board evaluation report) *is not too good. It needs to be improved. I mean, you know that when you are elected onto the board of a bank and a public service like that, then you must be prepared for it* (evaluation). *It should not be a summary thing. It should be a full-blown report, because being a director is a huge responsibility that must be taken up with all sense of seriousness and so by the time you bring an abridged version you are trivializing it kind of*".

From the evidence provided above, H9a is not supported.

Necessity of evaluation report

Necessity of evaluation report is positively correlated with investment decision making although not statistically significant (β=.35, p=.24). The literature suggests that evaluations are necessary as they help prevent potential governance failures (Kiel & Nicholson, 2005). However, in Nigeria, there is widespread apathy towards reports generated on directors despite the CBN mandating that evaluation reports be generated by external auditors. Interviewee MF1 describes the necessity of evaluation reports as follows "*In this environment, you do not go looking for who are the board members? What value are they adding? Even though the financial now says, Oh have they attended board meeting, what do they say in their meeting? You do not know. So, why should I bother myself?..... what we just see is that his past experience has been this, is being that; that they attend board meeting; they just tick box, tick off. It is like checkbox*".

Furthermore, the distrust prevalent in the Nigerian environment (Nakpodia & Adegbite, 2018) means investment analysts attach homogeneity (DiMaggio & Powell, 1983) to transparency to evaluation report. Interviewee LF2 highlights this as such, "*in my own opinion, I might be wrong, but I think a lot of those board meetings are probably just held to fulfill all righteousness because the CBN demands that you should have I believe one meeting every quarter I am not sure, but there is a statutory number of meetings you*

must have and they, I think, they just have it. Seeing through a lot of the decisions they make for me is what is key and important, and I would like to see". The stakeholder distrust as evidenced by the submissions of the investment analysts provides ample support to the non-significance of this feature. Therefore, H9b is not supported.

Information in report

Information in report is positively statistically significantly correlated with investment decision making (β=.57, $p<.01$). This corroborates the literature (e.g., Kiel & Nicholson, 2005) and suggests that investment analysts presume that information in evaluation is important. Digging further however, while it seems investment analysts feel the evaluation reports are important, they attach little influence to it. Interviewee LC6 highlights this as follows "*we review them but it does not really influence, because to be truthful it is not the easiest thing to digest. It feels very tick boxy. so you have attended this number of meetings, not even sure if it shows you vote in a certain way, so it is information, but it is not really relevant*."

Furthermore, the abridged version of the evaluation report seems adequate in meeting the requirement of the investment analysts. Interviewee LA4 highlights this as follows "*I think it is fine. You do not have time to roam around like a hundred page financial statement, so abridged is all right. Google is your friend if you need to find out more information about any of these people you can Google them, you can ask about them, you can research them, information is available*". Interviewee LC8 corroborates this further as follows "*you do not have to read the life history of a director before you know enough about the person but in any case, you do not have to limit yourself if you really want to know. All you need to do is google the person and then ask around…several ways you can make discreet enquiries*."

From the above, H9c is supported.

Content of evaluation report as an indication of director performance

Content of evaluation report as an indication of director performance is positively statistically significantly correlated with decision making (β=.67, p<.01). This suggests that investment analysts associate contents of the evaluation report with director performance. For example, according to interviewee LC3 "*If they* (directors) *are rated high, you invest, if not, you run away. So, the evaluation report is very critical because at least it sheds light on the personality and the people on the board. It helps a great deal*."

Investment analysts also linked the content of evaluation reports to information divulged about director related loans. Interviewee OP2 opines that "*this evaluation report to be disclosed fully. Also, transactions with related parties should also be fully disclosed*" Similarly, interviewee MF1 states as follows "*are the committees doing their job, advising correctly. If you see, a bank with non-performing assets, well above the recommended limit, if the recommended limit for a bank is five percent and if you start seeing 30 percent 40 percent, you wonder what the board is doing. Why are they creating bad quality assets? That comes with questions such as; are these board members there on merit? Or they are just rubber stamp?* "

From the foregoing, H9d is supported.

8.6 Conclusion

This chapter presented the quantitative and qualitative findings of accountability driver mechanisms and provided impetus to the literature on accountability mechanism drivers. Of the four drivers reviewed in the study, voluntary disclosure was most important according to survey results. Further, the relationships between decision-making and features that describe voluntary disclosure, independent audit committee, pay for performance and board evaluation were revealed.

For voluntary disclosure as a driver of good corporate governance, findings from both the quantitative and qualitative studies establish that investment analysts presume that mandatory financial reporting and voluntary disclosure can be complements. Wherein the former produces verifiable information that improves the credibility of the latter and therefore encourages managers to issue more forecasts, i.e., the confirmatory role of mandatory reporting (Balakrishnan et al., 2012). The psychological reasoning findings of the investment analysts obtained through interviews when triangulated with the regression analysis reveal the following; investment in Nigeria is mostly short-term hence the majority of investment analysts rely on fundamental ratios of the bank to make short-term investment decisions. Hence, for investment analysts, mandatory reports of banks as detailed by the Central Bank of Nigeria serves as the primary disclosure required for investment purposes. Moreover, the Nigerian banks report their financial statements and annual reports according to international financial reporting standards (IFRS). However, relevant voluntary disclosure by a bank projects the bank as transparent and accountable.

Furthermore, voluntary disclosure improves the believability of the mandatory reports especially as the homogeneity of the mandatory reports makes it difficult to differentiate the Nigeria banks. 96.55% of survey respondents for this study agree or strongly agree that voluntary disclosures represent accountability. Voluntary disclosure also signals performance to investment analysts. Voluntary disclosures cognitively signal more accountability (than performance) to investment analysts. The findings from this section enhance the literature on voluntary disclosure as well as deepens our understanding of the signaling theory.

For independent audit committee, the results revealed that audit reports are important for providing preliminary background information on internal happenings in the bank. However, the independence or otherwise of the audit committee members cannot be proved. The psychological reasoning findings of the investment analysts obtained

through interviews when triangulated with the regression analysis reveal the following; in Nigeria, most individuals are appointed into critical positions such as audit committee based on family ties or loyalty to the dominant shareholder. This makes it difficult to trust that individuals on the audit committee are truly independent. Indeed, independence in the Nigerian environment can only be regarded as a post event. The only way investment analysts know an audit committee member is independent is if he resigns from his position due to a difference of opinion or by behind the scenes interactions (McCahery et al., 2016).

Nevertheless, audit reports provide a first glimpse into the activities of the firm hence are an important material for investment analysts. However, the audit committee reports are read with a bit of reservation especially as mandatory regulatory requirements imprints homogeneity on the Nigerian banking sector. Most analysts will rather read the external audit committee reports; hence the independent audit committee reports are not decisive for investment decision making.

For Pay for performance, triangulated findings from both the quantitative and qualitative studies establish that compensation schemes are not clear in Nigeria. Despite the lack of clarity, reward schemes are encouraged by investment analysts believing it aligns agents and principals interests. The psychological reasoning findings of the investment analysts obtained through interviews when triangulated with the regression analysis reveal the following; the issue of pay for performance is still relatively unclear in the Nigerian business environment. The findings of this research confirm that while pay for performance is viewed positively, one cannot confidently predict its effect on decision-making. For example, interviewee LA1 argues as follows "*it* (pay for performance*) is not stated in financials. I have been through a good amount of financials I do not think I have seen exact details of bonus and things like that*". Investment analysts are unable to decipher the micro-details of pay for performance therefore, this necessitates more intervention by regulators.

Furthermore, the distrust of performance as presented in the financials is prevalent in the Nigerian family/dominant shareholder business clime, especially where remuneration committees can be viewed as compromised. Interviewee OP2 highlights this as follows "*pay for performance most times is not objective. If the compensation committee is a related party, then your compensation is an arrangement. It is a conversation with friends as opposed to conversations held at arm's length*". However, reward schemes are acceptable incentives and can be confidently predicted to influence decision-making. This is in line with the stakeholder-agentic position that presumes pay for performance potentially aligns executives' interests with shareholders and investors (Hill & Jones, 1992). According to interviewee LC8, "*the truth is if at the end of the day, after they* (management) *have rewarded themselves but the bank is able to make good profits, we just have to be satisfied with that. So, pay for performance I think it is a very opaque area, no matter how deep you dig, you cannot really know how much those guys pay themselves*." Interviewee LA3 corroborates the importance of this feature thus: "*the era of having an executive* (employee/manager) *that just sits down and do not do anything, you know, there is nothing better than pay for performance. It aligns the interests of the shareholders and the executive and the management. I really believe in more because otherwise, we will be creating room for inefficiencies*".

In Nigeria, Pay for performance is described as double-edged as it might be viewed as promoting short-termism to the detriment of the going concern realities of a firm (Filatotchev et al., 2007). According to interviewee OP5, "*remuneration is a very dicey aspect* (of corporate governance) *especially because it brings up an issue of how the individuals being put in charge of the business* (are conducting their affairs) *.... So, again I refer to the agency relationship which I mentioned originally. So, pay for performance. I think is again a double edge sword. I think it is down to how it is going to be implemented or how it is being implemented that would determine if it is positive or it is being used for other personal benefits*". Nevertheless, Investment analysts support reward schemes as they see it as a measure of accountability and the implementation can

determine investment outlook. Interviewee LA2 posits as follows "*so in the case where I can ascertain that the pay for performance is skewed more in terms of things that would ensure the long-term value of the company is not eroded, then it does influence investment decisions. But in a case where it is skewed more towards monetary performance bonuses, it does not enhance our long-term investment. Maybe short-term decisions, so just one year when you know there would not be likely change in management. However, once there is a change in management, we will start looking, ...; okay I need to get out before this managing director gets out so., you know, those kinds of decisions. So in the case where we are able to verify the pay for performance details, then it sways investment decisions*."

Finally, while board evaluations provide some information, there is a belief among investment analysts that it is mainly a window dressing activity. The psychological reasoning findings of the investment analysts obtained through interviews when triangulated with the regression analysis reveal the following; investment analysts treat evaluation reports as a box-ticking exercise, as they do not believe negative or essential information is divulged in the reports. They believe management manages the reports. They do think the report is necessary. There was no agreement on whether the abridged report is satisfactory. While some investment analysts recommend more information be divulged, others were of the opinion that even the abridged version is rarely read in depth.

Overall, however, there is some importance attached to evaluation report regardless of the trust level in such reports. Interviewee CP2 states as follows "*I think the more information you have, regardless of whether it is window dressed or not, you should be able to now see through those window dressings if you like and make some decisions."* This importance is however minimal as according to interviewee OP3 *"It plays a role but not a significant role. Our approach is to do our evaluations ourselves. Maybe some of the key takeaways from those areas of coverage but in truth it is easy to have board evaluation documents. I mean there is not a significant difference from the evaluation*

documents for what we may feel at the worst run banks and the best-run banks. So really how do you make that a big consideration in your investment decisions?"

The findings in this chapter have advanced the stakeholder-agency, signalling and social cognition theories, and confirmed that important stakeholders such as investment analysts operating in the Nigerian investment clime, place a premium on accountability mechanism drivers especially voluntary disclosures.

The next chapter provides a conclusion to the thesis.

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Chapter Nine: Discussion and Conclusions

9.1 Introduction

Using an explanatory sequential mixed method design, this study investigates the perspectives of investment analysts on drivers of good corporate governance in Nigerian Banks and the influence of the features of the drivers on investment decision making. The drivers of good corporate governance and the features of each driver were followed or developed from previous studies (e.g., Adegbite, 2015; Filatotchev et al., 2007).

More precisely, the study used quantitative data to reveal; A. Which features of board structure and composition mechanism governance drivers matter to investment analysts for investment making decision? B. Which features of external ownership mechanism governance drivers matter to investment analysts for investment decision making? C. Which features of accountability mechanism governance drivers matter to investment analysts for investment decision making? Additionally, the study used qualitative data (semi-structured interviews) to explore psychological reasoning of investment analysts on of why drivers and features revealed from the quantitative study matter or otherwise.

This chapter proceeds thus. First, this chapter summarises triangulated the findings from the quantitative and qualitative data. Subsequently, this chapter highlights the implications of the findings for corporate governance literature of developing countries, actors in the banking sector and policymakers. Finally, this chapter addresses the contributions and limitations of the study and offers suggestions for future research.

9.2 Summary of triangulated findings

This section summaries the findings obtained from the triangulated data obtained from the quantitative and qualitative studies. Recently, the mixed-methods approach has been widely welcomed in the corporate governance literature and is considered very effective

for developing a deep understanding of corporate governance behavior (McNulty et al., 2013; Zattoni et al., 2013).

The quantitative study followed methodology as employed by previous studies such as Filatotchev et al. (2007) and MaCahery et al. (2016). While the qualitative study employed semi-structured interviews following Nakpodia & Adegbite (2018), Adegbite (2015), Haniffa & Hudaib (2007), Liew (2007), Johl et al. (2012), Piesse et al. (2012), Soobaroyen & Mahadeo (2012) and Bailey & Peck (2013). This study aimed to reveal features of corporate governance drivers that have the most significant relationship with investment decision making using the Nigerian banking sector for context.

Chapter Six presented board structure and composition drivers' findings. This chapter represented the study one results of this thesis. The chapter was divided into Part A-C. Part A was for board independence, B, for board heterogeneity and C, for board reputation. From Part A of the chapter, it was revealed that diverse share ownership is the preferred indication of board independence. This feature is also preferred because it provides an easy exit either for profit taking or dissatisfaction with the firm practice/performance. Also, despite the weak institutional environment, presence of more non-executive directors on a board projects some level of independence. The Part B of the chapter, revealed that investment analysts that operate in the Nigerian investment space, pay little attention to board diversity even though majority of female investment analysts interviewed expressed sentiments for having more women representations on boards. Despite the seemingly irrelevance of board diversity, age diversity is positively received and is linked with innovation and business experience. Tribe is only relevant for business expediencies for the firm but not as an investment decision-making factor. Investment analysts ascribe multiple directorship to the nature of firm ownership in Nigeria as firms are still dominated by family or influential beneficial owners. These findings are consistent with prior literature such as Adegbite (2015).

For Part C, while the importance of reputation of firm/directors to investment decision cannot be overstated, majority of investment analysts interviewed interpret reputation differently from the legal connotation of Central bank of Nigeria (CBN). They do understand and agree that CBN conducts a "fit and proper" test before directors are appointed onto boards of Nigerian banks; however, they feel that the weak institutional environment might still allow people of disrepute onto boards of banks. Credibility of directors is extremely important and can determine success or otherwise of the bank. The name precedes the person, hence a director's name is a brand that can enhance or diminish the reputation of a board. In Nigeria, it is believed that most persons of repute are connected politically, and hence the degree to which the director is involved in politics is what is most critical in determining how being politically exposed affects the director's reputation.

Chapter Seven presented investment analysts perception of external ownership drivers. The chapter was divided into Part A and B. Part A was for foreign institutional investors while Part B covered effective shareholder activism. Part A of the chapter revealed that foreign institutional investors possessing shares of a bank and being on the board excites investment analysts. This is because investment analysts believe these foreign institutional investors perform competent due diligence before investing. Further, foreign institutional investors are less likely to be influenced by the corrupt Nigerian environment especially as they are likely to be monitored by their foreign parent company. Local institutional investors are also desirable as they understand the local terrain better than the foreign institutional investors and are more likely to stay in the Nigerian market even during times of crisis. The results demonstrate that opening up a market to foreign institutional investors can be an effective way to reduce the agency problem of controlling shareholders that are trying to expropriate from minority shareholders. As also reported by Huang & Zhu (2015), to the extent that external monitoring benefits all shareholders, the presence of foreign institutional investors generates positive externalities.

For Part B of the chapter, it was revealed that activism is still at its infancy in Nigeria, and shareholder associations are unreliable and exposed to corrupt questionable characters. The wealth concentration in a few hands in developing countries, means shareholders who Adegbite (2015) conceived as "reputable shareholders" are likely to influence investment decisions as in they might be in possession of the right set of information. The limited shareholder activism in Nigeria, especially by institutional investors means the possibilities of shareholder activism addressing the principal-principal agency problem is still not effective at the moment. This might have to do with the inability of the minority shareholders to have a common protective voice leaving the dominant principal to dictate activities (Adegbite, 2015, Uche et al., 2016).

Chapter Eight presented the quantitative and qualitative findings of accountability driver mechanisms and provided impetus to the literature on accountability mechanism drivers. Divided in Part A-D, the four drivers reviewed in the study were voluntary disclosure, independent audit committee, pay for performance and board evaluation. For voluntary disclosure as a driver of good corporate governance, findings from both the quantitative and qualitative studies establish that investment analysts presume that mandatory financial reporting and voluntary disclosure can be complements. Wherein the former produces verifiable information that improves the credibility of the latter and therefore encourages managers to issue more forecasts, i.e., the confirmatory role of mandatory reporting (Balakrishnan et al., 2012). Indeed, investments in Nigeria is mostly with short-term horizon hence the majority of investment analysts rely on fundamental ratios of the bank to make short-term investment decisions. Hence, for investment analysts, mandatory reports of banks as detailed by the Central Bank of Nigeria serves as the primary disclosure required for investment purposes. Moreover, the Nigerian banks report their financial statements and annual reports according to international financial reporting standards (IFRS). However, relevant voluntary disclosure by a bank projects the bank as transparent and accountable. The findings from this section enhance the literature on voluntary disclosure as well as deepens our understanding of the signaling

theory.

For Part B, of the chapter, it was revealed that audit reports are important for providing preliminary background information on internal happenings in the bank. However, the independence or otherwise of the audit committee members cannot be proved. The reason adduced by investment analysts was that most individuals are appointed into critical positions such as audit committee based on family ties or loyalty to the dominant shareholder. This makes it difficult to trust that individuals on the audit committee are truly independent. Nevertheless, audit reports provide a first glimpse into the activities of the firm hence are an important material for investment analysts. However, the audit committee reports are read with a bit of reservation especially as mandatory regulatory requirements imprints homogeneity on the Nigerian banking sector. Most analysts will rather read the external audit committee reports; hence the independent audit committee reports are not decisive for investment decision making.

The Part C of the chapter established that despite the lack of clarity of pay for performance in the Nigerian banking sector, reward schemes are still encouraged by investment analysts as they believe it aligns agents and principals interests. This is in line with the stakeholder-agentic position that presumes pay for performance potentially aligns executives' interests with shareholders and investors (Hill & Jones, 1992). However, in Nigeria, pay for performance is described as double-edged as it might be viewed as promoting short-termism to the detriment of the going concern realities of a firm (Filatotchev et al., 2007).

Finally for Part D of the chapter, it was revealed that while board evaluations provide some information, investment analysts assume this exercise to be a box-ticking and mainly window dressing activity. They believe management manages the information divulged in such evaluation reports. However, although investment analysts agreed the evaluation reports are necessary, there was no consensus on the how much information

should be revealed in the reports. While some investment analysts recommend more information be divulged, others were of the opinion that even the abridged version is rarely read in depth.

9.3 Contributions of this Study

As discussed in Chapter One, the current study contributes to the literature on corporate governance in several ways. First, business studies in general and corporate governance studies, in particular, are dominated by quantitative studies (Molina-Azorin, 2012). Boyd et al. (2012) suggest that the literature on corporate governance could greatly benefit from the use of additional qualitative methods or mixed-methods research approaches in order to enhance the understanding of corporate governance practices. It can be argued that quantitative data alone does not present an explanation of the findings from statistical tests. More precisely, quantitative findings do not provide sufficient interpretation of the findings, and are less likely to shed light on the insights of 'why' a social phenomenon happens (Morgan & Smircich, 1980; Cohen et al., 2002; Creswell & Clark, 2011).

In this regard, Zattoni et al. (2013) indicate that the lack of agreement in corporate governance findings refers to the inability of quantitative data to provide explanations of the results. Therefore, researchers use interviews along with quantitative data (mixed-methods research) to explore interactions among key stakeholders (Molina-Azorin, 2012; Boyd et al., 2012; Zattoni et al., 2013). Boyd et al. (2012), Albassam, (2014) and Molina-Azorin (2012) argue that mixed-methods research generates more reliable and credible findings than any single method used. Hence, responding to prodding for more mixed-methods research, this study uses mixed-methods as an approach to studying corporate governance (Boyd et al., 2012; Zattoni et al., 2013; McNulty et al., 2013). Therefore, this study contributes to the corporate governance literature by showing how the findings from quantitative and qualitative data can be integrated to examine corporate governance behavior in Nigeria, an important developing country. This study encourages future

research to use mixed methods for corporate governance research in developing countries.

Second, the study contributes to the literature by adopting a multi-theoretical framework to interpret the empirical findings and to understand corporate governance behavior in depth. More precisely, it is argued that most existing studies on corporate governance concentrate on agency theory, though they mention other corporate governance theories (Filatotchev & Boyd, 2009; Chalevas, 2011; Zattoni et al., 2013). Hence the mixed findings obtained from corporate governance research might be a consequence of the dominance of an agency-based perspective (Zattoni et al., 2013). Specifically, this study responds to the recent calls by scholars (e.g, Connelly et al., 2011) to use complementary theories in empirical governance studies to enhance understanding of corporate governance behavior. Moreover, the corporate governance phenomenon is related to a variety of disciplines, such as sociology, economics, law, and business (Rwegasira, 2000; Bebchuk & Weisbach, 2010), which are inherently multi-theoretically oriented..

Third, this thesis also makes a contribution to the empirical literature on corporate governance in developing countries. In these countries, it has been severally noted that literature regarding corporate governance is scarce (Berglöf & Claessens, 2006; Mangena & Tauringana, 2007; Adegbite, 2015). Even more scarce is evidence-based empirical literature (Adegbite et al., 2013). In fact, the majority of studies on corporate governance in developing African countries such as Nigeria are substantially undertaken as non-empirical (conceptual) studies (for example, see Okike, 2007). A few others have employed a large-scale survey-based quantitative approach (for instance, see Okpara, 2011). Recently though, some intrepretivist and qualitative empirical studies have started emerging (e.g., Nakpodia, 2015, Adegbite, 2015; Nakpodia & Adegbite, 2018; Uche et al., 2016). Nevertheless, evidence-based qualitative research is still sparse in many developing economies. To the best of this researcher's knowledge, no study has used the mixed methodology approach of quantitative and qualitative method to obtain

triangulated empirical evidence from less studied but increasingly important developing country of Nigeria.

The aforementioned has implications for the understanding of corporate governance drivers globally and, in particular, Nigeria, as the lack of empirical outputs hinders governance scholarship in countries like Nigeria. In view of increasing globalization, the continued lack of evidence-based corporate governance literature means that it may be difficult for multinational organizations, for instance, to appropriately comprehend the challenges of corporate governance in developing countries. This could have implications for their (multinational companies) investments in developing countries and, subsequently might affect their operations globally. Following the preceding observation, a key motivation of this thesis is to contribute knowledge in order to address concerns regarding the scarcity of empirical literature on corporate governance amongst developing countries.

Fourth, this study contributes by extending the scope of behavioral theory under agentic conditions. The social cognition theory "accords a central role to cognitive, vicarious, self-regulatory and self-reflective processes" (Wood & Bandura, 1989 p. 362). This theory is especially relevant to this present study as it looks at interactive human psychosocial functioning in terms of behavior, cognition, trust, other personal factors and environmental events (Wood & Bandura, 1989). Decisions of individuals are influenced by internal cognitive processes and external social situations (Cooper & Lu, 2016). This is because the environment of people predicts their behavior (Bandura, 1989). This environment includes social norms, access within the community, peer influence and values (Bandura, 1991). Further, in complex, uncertain environments (such as Nigeria), stakeholders' social cognition can be traced to research on individual perception (Asch, 1946; Cantor & Mischel, 1979a; Schneider et al., 1979), cognitive schemata (Alba & Hasher, 1983; Anderson, 1982; Reder & Anderson, 1980), categorization (Rosch et al., 1976) and decision making which enables individuals achieve their set objectives

(Kotter, 1982; Mintzberg, 1973; Stewart, 1967). Investment analysts create their decision support systems and selectively process the information generated by their environment (George, 1980). This research extends the social cognition theory by advancing the understanding and predictability of investment analysts' decision-making based on their perception of features of good corporate governance drivers signaled by Nigerian banks.

Moreover, the social cognition theory has been criticized as broad reaching, and difficult to operationalize in entirety (Flamand, 2017).). This study has attempted to string the loosely organized social cognition theory by focusing on the agentic behavior of a particular set of audience in a particular sector of a developing country. The theoretical framework for this study is that banks will signal governance drivers which investment analysts will understand and interpret based on their experience operating in the weak institutional environment of Nigeria. In an environment such as Nigeria, the reliance on institutions is treated at best with skepticism and usually with distrust (Nakpodia & Adegbite, 2018). Conversely, this study assumes that the absence of trust will distort normal agency theory predictions on governance drivers. The fact that the institutional environment in Nigeria does not lend itself to trust enables this study to extend the social cognition theory. Thus, based solely on the dynamic interplay between person, behavior, and environment, the study revealed in a clear methodological manner the extent to which each feature of the governance mechanism drivers affect actual investment behavior. Furthermore, the study revealed which features in a family of governance drivers is more influential.

Fifth, this study offers a stakeholder-agentic approach to understanding corporate governance drivers. The rise of institutional (Davis, 2009a; Davis, 2011) and, the advent of agency theory, (Dobbin & Jung, 2010; Shapiro, 2005) has perhaps made the shareholder-value oriented corporate governance more popular. Dobbin & Jung (2010) however criticized this approach as they argued it leads to short-termism in corporate policy. Also, when investigating developing countries, most existing studies (e.g

Adegbite, 2015; Acemoglu et al., 2005; Adegbite & Nakajima, 2012; Nakpodia & Adegbite 2018) posit that the establishment of a good corporate governance system is dependent on the degree of robustness possessed by institutional elements in a particular institutional environment (Judge et al., 2008; Filatotchev et al., 2013). They suggest that corporate governance enhances the capacity of institutions to act as a check on the behavior of agents (North, 1990) which, in turn, allows a good corporate governance system to manifest (Fiss, 2008). The generality of corporate governance literature which integrated institutional theory in its analysis has embraced this view (Scott, 1999; Aguilera & Jackson, 2010). This understanding is identified as the top-down approach (Nakpodia, 2015). However, the context of this study offered in-depth but different insights when compared with the foregoing position. This study obtained the perspective of important economic agents by using a stakeholder-agentic approach to understand if features of governance drivers' signals projected by actors of a sector were similarly received by the audience, especially investment analysts.

9.4 Contribution to Practice and Policy

This research by focusing on investors' perception of features of corporate governance drivers as signaled by actors in the banking sector has expanded the scholarship on governance in the banking sector for all stakeholders but especially the following three. A. Investors are increasingly important in the finance world. This study can have implications for investors who want to be assured about the safety of their investment before making investment decision. B. Managers of banks need to position their banks for investment opportunities. Considering the weak institutional environment in Nigeria and indeed most developing countries (La Porta et al., 1999), this research reveals what managers should be signaling to enable them to attract the required finance from investors. C. Regulators in Nigeria (such as CBN, SEC, and CAC) are authorized to supervise banks. One way these regulators function is by the use of codes of corporate governance. However, it has been documented that codes of corporate governance as introduced in most developing countries are similar to those obtainable in Anglo/Saxon

codes (Nakpodia & Adegbite, 2018). In most developed countries, the institutions are developed unlike developing countries, which are replete with weak institutions (La Porta et al., 1999). For example, our findings support regulators' concern about financial-reporting quality and the recent calls for more independent audit committees (Carcello & Neal, 2000). This is because firms should gear towards safeguarding investors' value (Groves, 1999; Blackburn, 1999) and independent audit committee mechanism represents a way for investment analysts to recognise and manage risks. We recommend a more open verification and documentary process that assures external stakeholders that audit committee members will uphold their accountability and fiduciary responsibility more independently. This can be achieved in a number of ways. One of such improvements is the recent emphasis of independent directors by the CBN onto the boards of banks and the insistence by the Federal Reporting Council of Nigeria (FRCN) in their combined corporate governance code of 2018 that an independent director acts as the chairman of the independent audit committee to guarantee more accountability and enhanced independence (Bhasin, 2015). Similarly, our findings suggests that the advent of technology and more open information sourcing outlets (e.g. social media), means the CBN and other regulators can encourage anonymous suggestions from members of the public in a manner that will encourage banks to be increasingly more responsible for the quality of reports that emanate from banks (Beasley et al., 2009). Therefore, this research presents a springboard for policymakers who are desirous to tackling corruption and governance issues in their country. The opinions and reasoning of a cross-section of top investment executives who are critical economic agents provided for in this research present policymakers a glimpse into amendments to make to existing regulations and codes of corporate governance. In essence, copying codes of governance obtainable in developed countries might not necessarily be the panacea to agency issues in developing countries where trust of institutions is lacking or at best waning.

9.5 Research Implications and Recommendations

The agency theory suffers from several limitations in international business governance research. The theory assumes an efficient and competitive market environment, where firm ownership is dispersed, information asymmetry is minimal and competitive pressures are maximized (Udayasankar et al., 2005). However, in many developing countries, these presumptions are predominantly invalid (Adegbite, 2015; La Porta 1999). Furthermore, there is empirical evidence that drivers of good corporate governance are different across countries (Hove, 1986; Chang, 1992; Adegbite & Nakajima, 2011a; Adegbite, 2015; Demirag et al., 2000). Nevertheless, the findings in this study are consistent with stakeholder agency theory and with a number of studies conducted in both developed and developing countries. Furthermore, this research supported the stakeholder agency theory with the social cognition theory. The social cognition theory was used as a theoretical lens to understand the investment environment debate regarding the effectiveness of corporate governance mechanisms (Wijewardena & Yapa, 1998) in Nigeria. This research revealed the perceptions of investment analysts who hold a critical role in the Nigerian investment space. Prior to now, many management studies have been slow to recognize the importance of external investors (Aguilera et al., 2015).

Consequently, this study contends that rather than creating codes of corporate governance or supposedly building institutions in order to enhance corporate governance practices (see Acemoglu et al., 2005; Adegbite & Nakajima, 2012), the concerns created by overly powerful/influential audience (investment analysts) must first be addressed. These concerns must be sufficiently addressed prior to the creation of additional institutional framework especially in developing countries where corruption and weak legal systems erode the confidence and trust of market players (La Porta, 1999; Adegbite, 2015).

Contextually, the numerous corporate governance scandals in the past decade and the limited success of regulatory reforms and prosecution of offenders further help to underscore the usefulness of a Nigerian case study for this research inquiry (Okike, 2007; Adegbite et al., 2012; Adegbite et al., 2013; Amao & Amaeshi, 2008; Yakasai, 2001). This is because despite the introduction of governance codes in Nigeria since 2003, and sterner monitoring by the CBN occasioned by regular updating of the governance codes, there have still been many bank infractions and crisis most of which were blamed on governance failure (Adegbite, 2012). Just recently in October 2018, the CBN withdrew the banking licence of Skye bank Plc and attributed the failure of the bank to poor corporate governance (Bloomberg, 2018). The findings in this research reveal that investment analysts are extremely skeptical about corporate governance claims of Nigerian banks. This is despite the nearness of the banking sector in Nigeria to the institutional framework in developed countries and the proactivieness of CBN (Nakpodia & Adegbite, 2018). The findings in this study lead the researcher to suggest that a combination (or bundle) of governance mechanisms is required to reduce principal-agent/principal costs and align the interests of principals and agents. Complementarities/substitution of features of governance drivers implies that reforms made in one element of corporate governance are mediated by the wider configuration of governance channels and national institutions. Thus, best practice should be understood in terms different combinations of practices, rather than as individual good corporate governance ‘drivers' that are universally applicable.

Nevertheless, despite the numerous challenges confronting the investment climate in Nigeria and indeed developing countries, there is a growing belief in the principles embedding corporate governance. This belief has propelled constant improvements towards achieving acceptable standards in corporate governance (Nakpodia & Adegbite, 2018). On the evidence presented in this research, what is necessary is perhaps not more regulations but a rebuilding of the core fabric of the society. The differing perspectives of investment analysts on drivers of good corporate governance projected by banks

become even more evident when a comparison is drawn between strong and weak institutional contexts. The lack of trust existing in the Nigerian society negates whatever gains regulations proffer.

9.6 Limitations of the Study and Future Directions

Research undertakings are typically subject to limitations. As this study is not different in this regard, it is important that such limitations are acknowledged. While it is essential to state that precaution was taken to limit the effect of identified limitations on the outcome and integrity of this thesis, it is equally imperative to emphasize that not all limitations are completely addressed. The limitations are discussed from three main aspects: (i) the general framework of the research; (ii) the quantitative research design; and (iii) the qualitative research design.

Regarding the general framework of the research, the study has the following limitations. First, although the banking sector is important, there are other sectors that significantly contribute to the Nigerian economy and are worthy of being studied, such as the oil and gas sector or agricultural sector. The current study focuses on banking sector due to the importance of the sector to any economy and particularly because of its comparability with governance in developed countries since the sector is highly regulated (Lewane, 2012). In addition, the sector has established industry-specific mandatory code of corporate governance which creates homogeneity of governance practices by the banks which might not necessarily be present in other sectors. It is also more difficult to obtain data for the non-banking sector due to the limited number of sizeable player. Second, given the diverse nature of corporate governance, the theoretical framework of the study relied on multiple theoretical perspectives to explain corporate governance mechanisms (Rwegasira, 2000; Solomon, 2010). Analysis of the quantitative and qualitative data is limited to main theories, such as agency, institutional, stewardship, managerial, and resource dependence theories. This is because the governance system (Anglo-American model) in Nigeria mainly focuses on shareholders' interests (ROSC, 2004; Oyejide &

Soyibo 2001; Okeahalam & Akinboade, 2003) or institutional environment (Adegbite, 2012; Adegbite, 2015; Nakpodia, 2015; Nakpodia & Adegbite, 2018). Thus, adopting additional theories could extend the multiple theoretical perspectives and provide a richer basis for understanding corporate governance drivers in developing countries.

Using mixed-methods research involves a number of challenges in terms of the time and cost needed to design and conduct the research (Creswell & Clark, 2011). Regarding the quantitative research design, there are some limitations that need to be addressed. First, the quantitative sample size of 161 respondents is relatively small. However, the total population of investment analysts in Nigeria is 1400. Moreover, these investment analysts are the ones with required knowledge of signaled corporate governance drivers by Nigerian banks. Although the sample used in this study is comparable to other finance/governance related studies (e.g., MaCahery et al., 2016), the generalisability of the findings could be improved if the sample size was even larger. Second, the study relies on the opinions of investment analysts obtained via a survey instrument. Hence data that are produced are likely to lack details or depth on the topic being investigated. It is also possible to have omitted some important control variables (e.g. past performance of banks). The survey instrument covered only non - financial variables.

Furthermore, results from questionnaires should be interpreted with caution for two reasons. First, participants may read the same questions, however, respond based on their interpretations which involve a level of subjectivity. Second, questionnaires could be useful to know what the participants mean when they think about corporate governance drivers however they are incapable of capturing what the participants do not mean, which is important for understanding phenomenon in a certain context. To overcome this challenge, the study used interviews to explore top executives perspective of governance drivers and their features. This could help to minimize the limitations of using quantitative study. A third limitation is that this is a cross-sectional study where all

constructs were measured at the same time, and therefore the found significant correlations among variables do not imply causation.

Finally, there are also some limitations of the qualitative research design. First, the interviews focus only on senior management investment analysts of pension funds and asset managers; especially those who can understand good corporate governance practices, such as chief investment officers or managing directors (see Haniffa & Hudaib, 2007; Solomon, 2010). However, other important stakeholders involved in investing activities who might potentially have varied opinions on governance mechanisms and governance drivers, such as retail investors were ignored. This was largely due to the requirement of the research to target a particular audience- institutional investment analysts. Second, some potential interviewees refused to participate in the research. Thus, it is noted that they may have potentially provided different insights although the qualitative research achieved saturation by interviewing 27 top management of pension funds and asset companies. Third, unlike quantitative research, the researcher in a qualitative study faces the problem of subjectivity while analyzing the research problem (Collis & Hussey, 2009). Therefore, the collection and analysis of the interview data may be influenced by the researcher's subjectivity (Creswell & Clark, 2011). However, and arguably, the use of mixed-methods research design has helped in minimizing such subjectivity problems.

The study limitations themselves open up new avenues for further corporate governance research. First, attention has been recently paid to the use of mixed-methods in exploring corporate governance behavior, and researchers are encouraged to employ this approach in their analyses (McNulty et al., 2013; Zattoni et al., 2013; Albassam, 2014). According to Creswell & Clark (2011, p.15) "One way to help convince others of the utility of mixed-methods is to locate exemplary mixed-methods studies in the literature on a topic or in a content area and share studies to educate others." This may help to overcome the limitations of using mixed-methods, such as the need to develop a clear theoretical

framework (Smith & Heshusius, 1986; Morgan, 1998). Moreover, mixed-methods research helps achieve integration between the findings from quantitative and qualitative data. Greene et al. (1989) examine integration by reviewing 57 mixed-methods studies. Their findings indicate that 44% of the studies did not show any integration between the quantitative and qualitative methods used. Therefore, wider use of this promising field in management research can improve findings, understanding of reasoning and conclusions.

Second, future studies can examine drivers of good corporate governance in non-listed firms and potentially SMEs. Especially investigating the level of compliance with corporate governance regulatory standards. While most existing empirical studies are conducted on listed firms, a study examining non-listed especially SMEs firms may be an innovative opportunity to reveal drivers of good corporate governance which might impact investment in developing countries. Additionally, one can investigate whether corporate governance mechanisms have similar impacts on all companies (listed, non-listed, SMEs). The negligence of corporate governance in SMEs could be a factor in explaining existing corporate governance practice. It is necessary to gain knowledge as to how good governance structures can be improved in SMEs as a way to drive consciousness of the concept, promote the adoption of sound governance mechanisms in their operations and enhance their contribution to a developing country's economy.

Third, future studies can examine both banking and non-banking sector in Nigeria. This can help determine whether the findings are different especially considering the corporate governance practices in the banking sector is based on coercive isomorphism by the bank regulatory authorities in Nigeria.

Fourth, corporate governance is related to different disciplines and is explained by many theories (Rwegasira, 2000). Existing studies have focused on a number of governance theories, such as agency, stakeholders, shareholders, resource dependence, managerial

signaling and stewardship theories, in investigating the relationship between corporate governance and firm performance (see Ntim et al., 2013). Therefore, future studies could take a cue from this study to integrate psychological and governance theories to develop multiple theoretical frameworks in examining the relationship between corporate governance and performance. This can assist in achieving integration between theoretical and practical frameworks, thereby providing a deeper understanding of corporate governance practices.

Fifth, new research may possibly improve the number of respondents who participate in surveys testing corporate governance drivers and investment decision making. New research may conduct surveys of retail investors and other much smaller investment groups (e.g., cooperatives, clubs) that could help in examining the weighting of governance drivers and their relative importance to investment decision making.

Sixth, future research could explore more in-depth the different corporate governance mechanisms and how they relate to performance, investment decision making or even other aspects of corporate governance, such as social responsibility. Topics like social responsibility have been addressed in existing studies in developed countries; however, this topic has not been researched widely in developing countries (Ntim & Soobaroyen, 2013). Also, it would be interesting to conduct a study in Nigeria investigating the influence of religion on governance mechanisms and compliance with codes of corporate governance.

Lastly, whereas it must be noted that corporate governance literature in Nigeria is somewhat scant, it is worth mentioning that corporate governance scholarship in Nigeria has generally neglected perspectives of regulators on how policies are developed. This is particularly worrisome as there are indications that many policies are developed by adopting the ubiquitous Anglo-Saxon governance models (Nakpodia et al., 2016).

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Consequently, future studies may evaluate the perspectives of corporate governance regulators to understand policy development influencers.

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Appendix 1 Research Survey

Start of Block: Introduction

Q74

Dear Executive

I am a PhD management student in Durham University Business School, UK. The purpose of this study is to learn more about investors' perception towards good corporate governance in Nigerian Banks and how this perception affects investment decisions.

This confidential anonymous questionnaire is prepared only for the purpose of gathering information to ascertain corporate governance practices in the Nigerian banking sector and how these perceived practices influence investment analysts' decisions.

It is expected that the results of this research when analysed can have major impacts on corporate governance practices not only in Nigeria but the developing world at large.

The value of your time is recognised and sincerely appreciated. Individual responses are anonymous and all company level data will be held in confidence.

Please take 15 minutes to complete this survey and submit it in online at your earliest convenience.

Thank you

End of Block: Introduction

Start of Block: Personal Questions

Q1 what is your gender

- ○ Male (1)
- ○ Female (2)

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Q2 Age

- ○ 21-30 (1)
- ○ 31-40 (2)
- ○ 41-50 (3)
- ○ 50-60 (4)
- ○ Above 60 (5)

Q3 Your Background (Which area have you gained most of your working investment experience)

- ○ Banking and Finance (1)
- ○ Political Science or Legal (2)
- ○ Economics (3)
- ○ Accounting (4)
- ○ Others (5)

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Q4 Total number of years you have spent as an analyst

- ○ 0-4years (1)
- ○ 5-9years (2)
- ○ 10-15years (3)
- ○ 16-20years (4)
- ○ Over 20years (5)

Q5 Would you like to receive a copy of research findings sent to you

- ○ Yes. Please provide email address ..... (1)
- ○ No (2)

Q72 Is your firm a subsidiary/affiliate of an international company?

- ○ Yes (1)
- ○ No (2)

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Q73 What is the annual investment turnover of your company?

- ○ N1M-N100M (1)
- ○ N100M-N1BN (2)
- ○ N1BN-N10BN (3)
- ○ N10BN -N100BN (4)
- ○ N100BN and above (5)

End of Block: Personal Questions

Start of Block: Section 1

Board Independence – A board is independent when it has more outside (non-executive) directors than (inside) executive directors such that conflict of interest is minimised. **THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN NIGERIA**

Q6 When the CEO of the bank is NOT the same as the chairman, I am inclined to think there is minimal conflict of interest on the board

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

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Q7 To reduce the conflict of interest on a bank's board, the number of non-executive directors must be more than executive directors on the board of a bank

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q8 When I perceive the board of a bank to have minimal or no conflict of interest, I am inclined to make investment recommendations.

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q9 To guarantee board independence, the number of non-executive directors must be more than executive directors on the board of a bank

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q10 Shares of a bank owned by different individuals/organisations rather than concentrated in the hands of a few individuals/organisations, helps to achieve less conflict of interest in a bank's board

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q11 Presence of at least 2 independent directors helps to minimise conflict of interest on a bank's board

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

End of Block: Section 1

Start of Block: Section 2

Q75 **Board diversity/Heterogeneity** – board diversity aims to cultivate a broad spectrum of demographic attributes and characteristics in the boardroom. These attributes include age, gender, tenure, tribe, network, etc

THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN NIGERIA

Q76 For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of both male and female

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

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Q77 For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of people in different age brackets

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q78 For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of people of different tribes

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q79 For accountability to all stakeholders and continued success of the bank, it is important for the board to consist of people that have spent different lengths of time on the board.

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q80 It is important that members of a bank board are on boards of many other companies

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q81 Having a board that consists of both male and female, and/or people in different age brackets, and/or people of different tribes and/or people that have spent different

lengths of time on the board is important and influences my investment decision-making

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

End of Block: Section 2

Start of Block: Section 3

Q29 **Board Directors' Reputation** - Prestige or positive reputation of a board is the perception the society has of the board and is typically based on perceived positive character of individual members of the board

Q30 Positive character of board members increases visibility of the bank

- ○ Strongly agree (1)
- ○ Agree (2)
- ○ Somewhat agree (3)
- ○ Neither agree nor disagree (4)
- ○ Somewhat disagree (5)
- ○ Disagree (6)
- ○ Strongly disagree (7)

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Q31 Positive character of board members is essential for credibility of the bank

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q32 Positive character of board members increase the goodwill of the bank

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q33 Positive character of board members influences investment decision making

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q34 Presence of directors with prestigious names influences investment decision making

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q35 Presence of directors that are politically connected influences (positively or negatively) investment decision making

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q36 Presence of directors who are on boards of other firms influences investment decision making

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

End of Block: Section 3

Start of Block: Section 4

Q37
Board Evaluation - Board evaluations examines board members' performance. Individual board members can be evaluated on the fulfilment of their specific board functions.

THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN

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Q38 Evaluating board directors in banks is done effectively and transparently **Please note that this function is done by external consultants induced by regulation. However, only a summary is produced in the financial statements of banks for public consumption. The main report is restricted for internal management/board consumption only.

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

Q39 Board evaluation is necessary for accountability and helps prevent organisational failure

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

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Q40 I read board of directors performance evaluations in banks' annual reports (or other bank reports) before making investment decisions on a bank

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q41 If a bank has performed well in specific performance criteria (e.g risk management, auditing, credit quality, customer service, technology, etc), I assume the individual director supervising that function has performed well

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q42 Board evaluation is an important driver of good corporate governance I consider before making investment decision about a bank

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

End of Block: Section 4

Start of Block: Section 5

Q43
Foreign or Large institutional shareholders – institutional shareholders are businesses that own shares in a quoted company.

THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN NIGERIA

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Q44 When foreign institutional shareholders hold shares of a bank, I perceive the bank as being accountable and well managed

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q45 When foreign institutional shareholders hold the shares of a bank, it influences my investment decisions

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q46 Presence of local institutional shareholders influence my investment decision making exactly the same way as presence of foreign institutional shareholders

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

Q47 Presence of representative of foreign institutional shareholders on board of a bank leads to the bank being well managed and accountable

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

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Q48 If a bank's shares are listed on a foreign stock exchange, I perceive the bank to be accountable and well managed

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q49 Listing of shares of a bank on a foreign stock exchange influences investment decision making

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

End of Block: Section 5

Start of Block: Section 6

Q50
Effective shareholder activism - Shareholder activism occurs when shareholders (anyone or group of persons) use of ownership position to actively influence company policy and practice

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THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN NIGERIA

Q51 When a bank has active sophisticated shareholders (typically people working in the formal sector of the economy), I am inclined to invest in the bank

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

Q52 When a bank has active reputable shareholders (typically positively influential and well known individuals), I am inclined to invest in the bank

- ○ Extremely positive (1)
- ○ Somewhat positive (2)
- ○ Neither positive nor negative (3)
- ○ Somewhat negative (4)
- ○ Extremely negative (5)

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Q53 The more activism by shareholders, the more accountable and successful the bank is

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q54 Institutional shareholder activism acts as a check to management

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q55 Shareholder activism influences my investment decision-making

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

End of Block: Section 6

Start of Block: Section 7

Q56
Performance related executive compensation : The act of linking executive management/directors' remuneration to firm performance

THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN NIGERIA

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Q57 Compensation schemes of directors and executive management of banks as stated in the bank's financial report are well understood

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q58 Performance pay reward schemes for executive management of Nigerian banks should be encouraged and is viewed positively by the public

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q59 Performance pay reward schemes (monetary and non-monetary) including employee share option schemes promote accountability in Nigerian banks

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q60 Performance pay reward schemes for executive and directors influence investment decision making

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

End of Block: Section 7

Start of Block: Section 8

Q62
Full and transparent information disclosure - Information transparency can be defined as the level of availability and accessibility of market information to its stakeholder.

This research is primarily concerned about voluntary information bank's release to the public of their own free will that is not mandated by regulators. This voluntary

information can be on the following: financial/operating results; ownership structure; members of board of directors and management; quantitative and qualitative matters relating to employees and other stakeholders in the bank; governance structures and policies; corporate targets and prospects.

THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN NIGERIA

Q63 The more voluntary information I have about a bank, the more I am likely to make favourable investment decisions about the bank

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

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Q64 Mandatory information disclosure as mandated by Central Bank of Nigeria (CBN) is more important when making investment decisions

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q65 Banks disclosing more information voluntarily other than those mandated by the regulators, signals accountability

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q66 More profitable banks disclose more voluntary information than less profitable banks

- ○ Strongly agree (1)
- ○ Somewhat agree (2)
- ○ Neither agree nor disagree (3)
- ○ Somewhat disagree (4)
- ○ Strongly disagree (5)

End of Block: Section 8

Start of Block: Section 9

Q68
Independent audit committees- Audit committee is independent when the majority of the members are independent and are not influenced by the bank's management

THE QUESTIONS BELOW ARE IN RELATION TO BANKS OPERATING IN NIGERIA

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Q69 When members of the audit committee are not influenced the executive management of the bank, then the bank is presumed accountable to all stakeholders

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

Q70 I can tell easily when members of an audit committee are influenced by the executive management of the bank

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

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Q71 The reports produced by the audit committee which consists of members not influenced by the bank's management are important for investment decision making

- Strongly agree (1)
- Somewhat agree (2)
- Neither agree nor disagree (3)
- Somewhat disagree (4)
- Strongly disagree (5)

End of Block: Section 9

Start of Block: Section 9

Q82 Thank you

End of Block: Section 9

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Appendix 2 Interview Questionnaire Guide

What is your name?
What organisation do you work for?
How long have you worked for them?
What do you do with your organisation?
1. When the board of a bank is said to be independent, what do you expect to see?
2. What is your opinion on CEO duality, presence of 2 independent directors, presence of more NED and dispersed share ownership? Do they influence investment decision?
3. Do the following board heterogeneous characteristics a. having a board that consists of both male and female, b. and/or people in different age brackets, c. and/or people of different tribes d. and/or people that have spent different lengths of time on the board influence your investment decision making? How and why?
4. Considering the corruption prevalent in the country, what is your opinion on reputation requirement of board directors of banks? How does board reputation influence your decision to invest or not in a bank?
5. What if the director is politically connected, will this affect your decision to invest in the bank shares?
6. Presently, banks do not share the full evaluation report on their directors. They only present an abridged version in their financial statements. What is your view on this? Does board evaluation report as it is presented now by banks influence your investment decision?
7. How do you suppose board directors should be evaluated?
8. What is your opinion on presence of foreign investors on a board? What is your opinion on presence of local institutional investors on a board? Does their presence influence investment decision making?
8b. Will you consider foreign institutional investors more important than presence of local institutional investors? Does the foreign listing of shares of a bank influence your decision making? Why?
9. What is your opinion on shareholders activism? Which sets of activist shareholders will be more likely to influence your investment decision making, Reputable (well known individuals) or sophisticated (working class people) or activist institutional? Why?
10. What is your opinion on Pay for performance for executives/directors and employees? Is it well stated in financials or are you are able to verify the exact details? How does pay for performance influence your investment decision making?
11. Banks make mandatory and voluntary disclosure. Mandatory is enforced by regulators while voluntary is at discretion of the banks. Which of these disclosures are more important when you are making investment decisions and why?
12. How are you able to tell when audit members are not influenced by the bank's management? Are reports from independent audit committee members important for investment decision making? Why?
13. Do you consider only financial statements when making investments in banks? How important is corporate governance when you want to make investment decisions? Why?
Please do you have any other drivers that influence your investment decisions?
Thank you for your time.

Appendix 3 Robustness Test using Ordered Probit Regressions

Ordered probit regressions of features of voluntary disclosure against investment decision making influence of voluntary disclosure

VARIABLES	(1) vi1dv	(2) vi1dv	(3) vi1dv	(4) vi1dv	(5) vi1dv
gen	0.172	-0.0284	0.0911	-0.0727	-0.144
	(0.288)	(0.320)	(0.290)	(0.328)	(0.332)
age	-0.102	0.0370	-0.129	-0.0197	-0.0905
	(0.192)	(0.203)	(0.195)	(0.211)	(0.224)
bg	0.193	0.0976	0.165	0.169	0.206
	(0.133)	(0.145)	(0.132)	(0.150)	(0.154)
tny	0.0199	-0.0332	-0.00725	0.0441	0.0953
	(0.146)	(0.149)	(0.144)	(0.159)	(0.169)
sub	0.148	0.124	0.0216	0.153	0.102
	(0.269)	(0.289)	(0.270)	(0.294)	(0.301)
annut	-0.0290	0.0361	-0.0352	0.0393	0.0376
	(0.0996)	(0.107)	(0.100)	(0.109)	(0.113)
vi2iv	0.410***			0.303**	0.242
	(0.144)			(0.153)	(0.158)
/cut1	1.052	2.433***	0.847	3.135***	3.696***
	(0.710)	(0.790)	(0.654)	(0.876)	(0.923)
/cut2	3.097***	5.113***	2.903***	5.852***	6.504***
	(0.789)	(0.995)	(0.726)	(1.073)	(1.134)
vi3iv		1.411***		1.346***	1.324***
		(0.262)		(0.266)	(0.270)
vi4iv			0.385***		0.322**
			(0.118)		(0.130)
Observations	112	112	112	112	112

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of pay for performance against investment decision making influence of pay for performance

VARIABLES	(1) pf4dv	(2) pf4dv	(3) pf4dv	(4) pf4dv	(5) pf4dv
gen	0.311	0.319	0.352	0.323	0.355
	(0.252)	(0.253)	(0.256)	(0.253)	(0.257)
age	-0.116	0.00676	0.00613	-0.0284	0.0164
	(0.160)	(0.161)	(0.162)	(0.162)	(0.166)
bg	0.0913	0.0540	0.132	0.0872	0.143
	(0.115)	(0.113)	(0.116)	(0.115)	(0.117)
tny	0.0259	-0.00546	0.0125	0.0202	0.0241
	(0.120)	(0.120)	(0.122)	(0.121)	(0.123)
sub	0.0286	0.0596	0.167	0.129	0.239
	(0.231)	(0.231)	(0.235)	(0.236)	(0.240)
annut	-0.164*	-0.120	-0.208**	-0.136	-0.196**
	(0.0858)	(0.0860)	(0.0877)	(0.0868)	(0.0894)
pf1iv	0.155			0.164*	0.118
	(0.0945)			(0.0954)	(0.0971)
/cut1	-1.261**	-0.641	-0.369	-0.174	0.329
	(0.594)	(0.627)	(0.601)	(0.685)	(0.703)
/cut2	0.0569	0.735	1.117*	1.225*	1.847***
	(0.583)	(0.625)	(0.603)	(0.689)	(0.714)
/cut3	1.133*	1.831***	2.350***	2.338***	3.089***
	(0.593)	(0.636)	(0.629)	(0.704)	(0.739)
/cut4	1.678***	2.404***	2.969***	2.914***	3.714***
	(0.613)	(0.661)	(0.656)	(0.726)	(0.764)
pf2iv		0.398***		0.404***	0.213
		(0.123)		(0.124)	(0.133)
pf3iv			0.610***		0.525***
			(0.120)		(0.129)
Observations	112	112	112	112	112

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of board evaluation against investment decision making influence of board evaluation							
VARIABLES	(1) be5dv	(2) be5dv	(3) be5dv	(4) be5dv	(5) be5dv	(6) be5dv	(7) be5dv
gen	0.624**	0.529**	0.495**	0.381	0.570**	0.495**	0.357
	(0.246)	(0.245)	(0.250)	(0.253)	(0.248)	(0.252)	(0.259)
age	0.133	0.0197	0.110	0.175	0.0332	0.0432	0.114
	(0.155)	(0.159)	(0.156)	(0.158)	(0.160)	(0.160)	(0.164)
bg	-0.156	-0.123	-0.126	-0.111	-0.118	-0.0998	-0.0716
	(0.116)	(0.116)	(0.115)	(0.118)	(0.117)	(0.117)	(0.119)
tny	-0.133	-0.0624	-0.114	-0.0933	-0.0694	-0.0718	-0.0666
	(0.114)	(0.117)	(0.116)	(0.116)	(0.117)	(0.118)	(0.119)
sub	-0.179	-0.179	-0.114	-0.253	-0.159	-0.0980	-0.155
	(0.228)	(0.228)	(0.232)	(0.231)	(0.229)	(0.234)	(0.237)
annut	-0.00388	0.0345	-0.0527	0.0166	0.0133	-0.0405	-0.0393
	(0.0856)	(0.0854)	(0.0880)	(0.0857)	(0.0866)	(0.0893)	(0.0900)
be1iv	0.196**				0.170*	0.0903	0.0595
	(0.0890)				(0.0901)	(0.0939)	(0.0956)
/cut1	0.0102	0.239	0.497	0.836	0.602	1.046*	1.685**
	(0.555)	(0.560)	(0.562)	(0.596)	(0.595)	(0.616)	(0.658)
/cut2	1.176**	1.447**	1.754***	2.108***	1.832***	2.353***	3.065***
	(0.561)	(0.571)	(0.575)	(0.614)	(0.610)	(0.637)	(0.688)
/cut3	1.799***	2.074***	2.441***	2.771***	2.463***	3.037***	3.778***
	(0.580)	(0.590)	(0.602)	(0.637)	(0.628)	(0.661)	(0.714)
/cut4	2.633***	2.884***	3.373***	3.642***	3.304***	3.975***	4.769***
	(0.652)	(0.652)	(0.690)	(0.710)	(0.698)	(0.747)	(0.811)
be2iv		0.482***			0.453***	0.339**	0.191
		(0.155)			(0.156)	(0.160)	(0.167)
be3iv			0.450***			0.377***	0.351***
			(0.101)			(0.107)	(0.110)
be4iv				0.509***			0.386***
				(0.114)			(0.123)
Observations	118	118	118	118	118	118	118

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of board reputation against investment decision making influence of board reputation

VARIABLES	(1) br4dv	(2) br4dv	(3) br4dv	(4) br4dv	(5) br4dv	(6) br4dv	(7) br4dv	(8) br4dv	(9) br4dv	(10) br4dv	(11) br4dv
gen	-0.144	-0.0489	-0.0110	-0.420	-0.175	-0.179	-0.153	-0.116	-0.429	-0.436	-0.455
	(0.260)	(0.261)	(0.262)	(0.274)	(0.260)	(0.264)	(0.268)	(0.270)	(0.289)	(0.290)	(0.296)
age	0.167	0.0984	0.148	-0.264	0.0205	0.0524	0.139	0.155	-0.197	-0.202	-0.171
	(0.164)	(0.166)	(0.166)	(0.183)	(0.168)	(0.171)	(0.169)	(0.169)	(0.193)	(0.193)	(0.200)
bg	0.0192	0.0188	0.0902	0.128	0.0450	0.0991	0.0164	0.0565	0.166	0.167	0.197*
	(0.102)	(0.102)	(0.103)	(0.108)	(0.102)	(0.105)	(0.103)	(0.105)	(0.113)	(0.113)	(0.116)
tny	-0.196	-0.236*	-0.261**	-0.135	-0.182	-0.173	-0.196	-0.217*	-0.148	-0.142	-0.139
	(0.121)	(0.123)	(0.123)	(0.127)	(0.122)	(0.125)	(0.125)	(0.126)	(0.133)	(0.134)	(0.138)
sub	-0.455*	-0.527**	-0.502**	-0.776***	-0.604**	-0.687***	-0.408	-0.405	-0.609**	-0.607**	-0.672**
	(0.246)	(0.246)	(0.247)	(0.256)	(0.240)	(0.250)	(0.253)	(0.254)	(0.272)	(0.272)	(0.279)
annut	0.0188	0.0719	0.0181	0.0596	0.0628	0.109	0.0653	0.0446	0.0652	0.0696	0.111
	(0.0863)	(0.0887)	(0.0875)	(0.0914)	(0.0871)	(0.0901)	(0.0897)	(0.0902)	(0.0964)	(0.0970)	(0.0999)
br1iv	0.528***						0.487***	0.398**	0.231	0.219	0.183
	(0.175)						(0.179)	(0.185)	(0.195)	(0.197)	(0.201)
/cut1	0.604	1.100*	1.009*	0.582	0.368	1.528**	1.970***	2.004***	2.462***	2.525***	3.396***
	(0.626)	(0.617)	(0.600)	(0.578)	(0.590)	(0.654)	(0.704)	(0.706)	(0.743)	(0.761)	(0.829)
/cut2	1.854***	2.493***	2.465***	1.981***	1.612***	2.951***	3.425***	3.522***	4.189***	4.252***	5.250***
	(0.641)	(0.647)	(0.637)	(0.595)	(0.599)	(0.682)	(0.744)	(0.753)	(0.805)	(0.822)	(0.901)
/cut3	2.715***	3.635***	3.574***	3.001***	2.513***	3.968***	4.569***	4.706***	5.572***	5.639***	6.804***
	(0.669)	(0.732)	(0.704)	(0.647)	(0.640)	(0.736)	(0.819)	(0.830)	(0.914)	(0.931)	(1.053)
/cut4	3.166***	4.176***	4.089***	3.733***	3.032***	4.624***	5.085***	5.224***	6.316***	6.383***	7.644***
	(0.717)	(0.792)	(0.759)	(0.798)	(0.716)	(0.859)	(0.865)	(0.874)	(0.991)	(1.008)	(1.141)
br2iv		1.153***					1.118***	0.679**	0.489	0.494	0.513
		(0.236)					(0.237)	(0.315)	(0.329)	(0.329)	(0.332)
br3iv			1.088***					0.600**	0.722**	0.718**	0.670**
			(0.209)					(0.284)	(0.294)	(0.295)	(0.300)
br5iv				0.676***					0.615***	0.594***	0.519***
				(0.124)					(0.131)	(0.142)	(0.147)
br6iv					0.338***					0.0508	-0.0656
					(0.111)					(0.130)	(0.138)
br7iv						0.681***					0.489***
						(0.127)					(0.147)
Observations	124	124	124	124	124	124	124	124	124	124	124

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of board heterogeneity against investment decision making influence of board heterogeneity

VARIABLES	(1) bh6dv	(2) bh6dv	(3) bh6dv	(4) bh6dv	(5) bh6dv	(6) bh6dv	(7) bh6dv	(8) bh6dv	(9) bh6dv
gen	0.534**	0.518**	0.563**	0.689***	0.564**	0.531**	0.552**	0.697***	0.728***
	(0.233)	(0.235)	(0.234)	(0.239)	(0.235)	(0.236)	(0.236)	(0.243)	(0.245)
age	-0.152	-0.125	-0.157	-0.194	-0.291*	-0.114	-0.114	-0.124	-0.204
	(0.152)	(0.154)	(0.153)	(0.152)	(0.154)	(0.154)	(0.155)	(0.156)	(0.160)
bg	-0.0454	-0.101	-0.0317	-0.0887	-0.0346	-0.0914	-0.0756	-0.105	-0.0786
	(0.0977)	(0.0991)	(0.0984)	(0.0987)	(0.0987)	(0.0993)	(0.1000)	(0.101)	(0.101)
tny	0.0989	0.0781	0.0721	0.141	0.167	0.0837	0.0765	0.123	0.173
	(0.112)	(0.113)	(0.113)	(0.113)	(0.114)	(0.113)	(0.114)	(0.116)	(0.119)
sub	-0.285	-0.174	-0.204	-0.264	-0.140	-0.198	-0.184	-0.197	-0.128
	(0.213)	(0.215)	(0.214)	(0.213)	(0.215)	(0.216)	(0.217)	(0.218)	(0.221)
annut	-0.0710	-0.108	-0.0895	-0.0414	-0.0966	-0.0975	-0.0972	-0.0605	-0.0666
	(0.0791)	(0.0798)	(0.0792)	(0.0802)	(0.0791)	(0.0803)	(0.0804)	(0.0820)	(0.0823)
bh1iv	0.282***					0.135	0.0983	0.0877	0.0664
	(0.0894)					(0.0976)	(0.101)	(0.101)	(0.102)
/cut1	-0.593	-0.404	-0.378	-0.316	-2.624***	-0.169	0.0229	0.719	-0.387
	(0.540)	(0.528)	(0.545)	(0.571)	(0.583)	(0.555)	(0.570)	(0.627)	(0.757)
/cut2	0.600	0.855	0.836	0.878	-1.382**	1.106**	1.312**	2.055***	0.998
	(0.538)	(0.527)	(0.544)	(0.569)	(0.556)	(0.558)	(0.576)	(0.641)	(0.757)
/cut3	1.463***	1.772***	1.712***	1.755***	-0.490	2.034***	2.245***	3.036***	2.015***
	(0.558)	(0.551)	(0.565)	(0.593)	(0.561)	(0.584)	(0.602)	(0.675)	(0.781)
/cut4	2.311***	2.736***	2.632***	2.640***	0.393	2.991***	3.226***	4.054***	3.045***
	(0.599)	(0.615)	(0.621)	(0.641)	(0.594)	(0.642)	(0.665)	(0.739)	(0.834)
bh2iv		0.445***				0.393***	0.328***	0.330***	0.265**
		(0.0923)				(0.0998)	(0.109)	(0.109)	(0.113)
bh3iv			0.335***				0.151	0.117	0.113
			(0.0848)				(0.101)	(0.102)	(0.102)
bh4iv				0.389***				0.321***	0.305***
				(0.114)				(0.117)	(0.118)
bh5iv					-0.423***				-0.280***
					(0.0986)				(0.105)
Observations	124	124	124	124	124	124	124	124	124

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of board independence against investment decision making influence of board independence

VARIABLES	(1) bi3dv	(2) bi3dv	(3) bi3dv	(4) bi3dv	(5) bi3dv	(6) bi3dv	(7) bi3dv	(8) bi3dv	(9) bi3dv
gen	0.289	0.148	0.157	0.204	0.217	0.148	0.143	0.0893	0.0767
	(0.234)	(0.242)	(0.240)	(0.237)	(0.238)	(0.243)	(0.245)	(0.247)	(0.249)
age	-0.226	-0.180	-0.163	-0.253	-0.258	-0.180	-0.160	-0.185	-0.196
	(0.157)	(0.159)	(0.160)	(0.159)	(0.158)	(0.159)	(0.161)	(0.162)	(0.164)
bg	0.0215	0.0318	0.0446	0.0101	0.0121	0.0318	0.0444	0.0335	0.0302
	(0.0971)	(0.0981)	(0.0989)	(0.0979)	(0.0976)	(0.0981)	(0.0990)	(0.0996)	(0.0998)
tny	-0.0123	-0.0455	-0.0235	0.0144	-0.0118	-0.0454	-0.0278	-0.00744	-0.00697
	(0.120)	(0.121)	(0.122)	(0.121)	(0.120)	(0.121)	(0.123)	(0.124)	(0.124)
sub	-0.131	-0.0606	-0.139	-0.0794	-0.134	-0.0606	-0.131	-0.0825	-0.0796
	(0.225)	(0.229)	(0.228)	(0.228)	(0.226)	(0.229)	(0.233)	(0.235)	(0.236)
annut	-0.101	-0.0848	-0.0930	-0.127	-0.106	-0.0848	-0.0906	-0.111	-0.113
	(0.0839)	(0.0847)	(0.0850)	(0.0854)	(0.0843)	(0.0850)	(0.0855)	(0.0868)	(0.0870)
bi1iv	0.0766					0.000221	-0.0162	-0.0415	-0.0433
	(0.0914)					(0.0975)	(0.0988)	(0.0998)	(0.100)
/cut1	-0.601	-0.130	0.166	-0.388	-0.530	-0.130	0.168	0.316	0.340
	(0.542)	(0.571)	(0.584)	(0.535)	(0.526)	(0.580)	(0.598)	(0.604)	(0.606)
/cut2	0.397	0.898	1.224**	0.644	0.473	0.898	1.225**	1.396**	1.419**
	(0.539)	(0.573)	(0.590)	(0.535)	(0.523)	(0.583)	(0.604)	(0.613)	(0.614)
/cut3	1.106**	1.628***	1.984***	1.364**	1.186**	1.628***	1.984***	2.164***	2.188***
	(0.558)	(0.593)	(0.614)	(0.554)	(0.541)	(0.604)	(0.629)	(0.639)	(0.641)
/cut4	1.762***	2.312***	2.702***	2.008***	1.865***	2.312***	2.700***	2.873***	2.909***
	(0.643)	(0.679)	(0.709)	(0.630)	(0.632)	(0.693)	(0.725)	(0.731)	(0.738)
bi2iv		0.246**				0.246**	0.0333	0.0383	0.0411
		(0.0968)				(0.102)	(0.139)	(0.139)	(0.140)
bi4iv			0.356***				0.336**	0.302**	0.287*
			(0.105)				(0.146)	(0.149)	(0.152)
bi5iv				0.259**				0.197*	0.186
				(0.109)				(0.114)	(0.115)
bi6iv					0.185*				0.0606
					(0.107)				(0.116)
Observations	131	131	131	131	131	131	131	131	131

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of audit committee against investment decision making influence of audit committee

VARIABLES	(1) ac3dv	(2) ac3dv	(3) ac3dv
gen	0.0426	0.240	0.102
	(0.269)	(0.267)	(0.274)
age	-0.0943	0.0864	0.0220
	(0.173)	(0.176)	(0.180)
bg	-0.200	-0.120	-0.164
	(0.138)	(0.141)	(0.143)
tny	0.000184	-0.0910	-0.0659
	(0.130)	(0.130)	(0.134)
sub	-0.140	-0.199	-0.0772
	(0.253)	(0.250)	(0.257)
annut	-0.0845	-0.109	-0.104
	(0.0920)	(0.0909)	(0.0935)
ac1iv	0.756***		0.644***
	(0.150)		(0.155)
/cut1	0.135	-2.287***	-0.982
	(0.610)	(0.641)	(0.725)
/cut2	1.636***	-0.855	0.597
	(0.621)	(0.617)	(0.718)
/cut3	2.708***	0.153	1.696**
	(0.674)	(0.639)	(0.759)
/cut4	3.269***	0.646	2.292***
	(0.778)	(0.711)	(0.865)
ac2iv		-0.438***	-0.326***
		(0.106)	(0.111)
Observations	111	111	111

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of foreign institutional against investment decision making influence of foreign institutional investors

VARIABLES	(1) ii2dv	(2) ii2dv	(3) ii2dv	(4) ii2dv	(5) ii2dv
gen	0.264	0.167	0.256	0.180	0.202
	(0.240)	(0.246)	(0.243)	(0.247)	(0.248)
age	-0.0343	0.0588	-0.0902	0.0721	0.0257
	(0.156)	(0.159)	(0.157)	(0.160)	(0.163)
bg	-0.0545	-0.106	-0.0297	-0.0955	-0.0651
	(0.111)	(0.112)	(0.111)	(0.113)	(0.113)
tny	-0.125	-0.141	-0.0411	-0.174	-0.132
	(0.118)	(0.118)	(0.118)	(0.121)	(0.124)
sub	0.506**	0.475**	0.702***	0.477**	0.618***
	(0.227)	(0.231)	(0.234)	(0.232)	(0.238)
annut	-0.121	-0.0449	-0.157*	-0.0560	-0.0988
	(0.0856)	(0.0879)	(0.0876)	(0.0885)	(0.0907)
ii3iv	0.269***			0.184*	0.150
	(0.102)			(0.106)	(0.108)
/cut1	-0.532	0.492	-0.213	0.836	1.068
	(0.571)	(0.613)	(0.561)	(0.646)	(0.657)
/cut2	0.759	1.968***	1.173**	2.338***	2.619***
	(0.570)	(0.629)	(0.560)	(0.668)	(0.680)
/cut3	1.468**	2.760***	1.974***	3.139***	3.481***
	(0.585)	(0.653)	(0.586)	(0.692)	(0.710)
/cut4	2.294***	3.593***	2.913***	3.981***	4.400***
	(0.644)	(0.704)	(0.663)	(0.743)	(0.772)
ii4iv		0.712***		0.675***	0.539***
		(0.134)		(0.137)	(0.145)
ii5iv			0.521***		0.344***
			(0.109)		(0.117)
Observations	117	117	117	117	117

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Ordered probit regressions of features of shareholder activism against investment decision making influence of shareholder activism

VARIABLES	(1) sa5dv	(2) sa5dv	(3) sa5dv	(4) sa5dv	(5) sa5dv
gen	-0.239	0.205	-0.299	-0.341	0.0398
	(0.244)	(0.250)	(0.246)	(0.248)	(0.261)
age	0.00773	0.0134	-0.0870	-0.0721	-0.0590
	(0.155)	(0.160)	(0.158)	(0.159)	(0.165)
bg	-0.0727	-0.0608	-0.0958	-0.0859	-0.0680
	(0.108)	(0.110)	(0.108)	(0.109)	(0.111)
tny	0.0929	0.0993	0.108	0.118	0.135
	(0.116)	(0.120)	(0.117)	(0.118)	(0.123)
sub	0.134	0.0770	-0.00485	0.0686	0.0710
	(0.230)	(0.230)	(0.226)	(0.233)	(0.239)
annut	-0.0588	-0.182**	-0.0261	-0.0299	-0.149*
	(0.0834)	(0.0875)	(0.0845)	(0.0846)	(0.0892)
sa1iv	0.334***			0.172	-0.0128
	(0.120)			(0.128)	(0.134)
/cut1	-0.415	0.0971	-0.0823	0.199	0.928
	(0.580)	(0.555)	(0.572)	(0.610)	(0.640)
/cut2	0.804	1.461***	1.207**	1.507**	2.394***
	(0.580)	(0.552)	(0.574)	(0.617)	(0.651)
/cut3	1.478**	2.284***	1.913***	2.217***	3.261***
	(0.586)	(0.567)	(0.582)	(0.626)	(0.671)
/cut4	2.342***	3.492***	2.831***	3.130***	4.509***
	(0.610)	(0.637)	(0.614)	(0.655)	(0.732)
sa3iv		0.680***			0.641***
		(0.103)			(0.108)
sa2iv			0.650***	0.577***	0.543***
			(0.148)	(0.158)	(0.163)
Observations	115	115	115	115	115

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 4

Appendix 4a. Agency theory

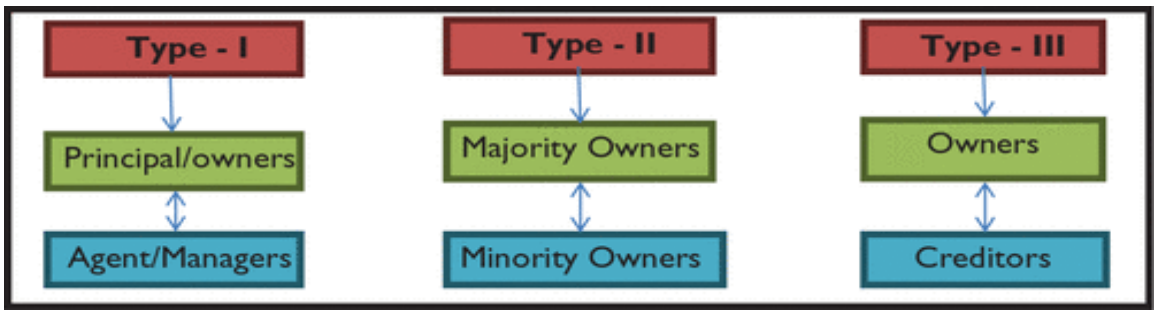
The agency theory assumes that the ability of a firm to maximize its wealth is advanced by minimizing possible conflicts between its main actors (Fama & Jensen, 1983). This possible conflict is usually referred to as the agency problem (Jensen & Meckling, 1976). The history of agency problem is well dated and is one of the age-old issues that have persisted since the evolution of the quoted companies. Agency problem cannot be ignored since every organization possibly suffers from this problem in different forms. The presence of agency problems has been widely witnessed in different academic fields. Evidences have been found in different fields including accounting (Watts & Zimmerman, 1983; Ronen & Balachandran, 1995), economics (Spence & Zeckhauser, 1971; Ross, 1973; Jensen & Meckling, 1976), finance (Fama, 1980; Fama & Jensen, 1983; Jensen, 1986), political science (Weingast & Moran, 1983; Hammond & Knott, 1996), sociology (Adams, 1996; Kiser & Tong, 1992), organisational behaviour (Kosnik & Bittenhausen, 1992) and marketing (Bergen et al., 1992; Logan, 2000; Tate et al., 2010).

In a bid to encapsulate the agency problem, Alchian & Demsetz (1972) and Jensen & Meckling (1976) described firms as legal fictions, where some contractual relationships exist among the persons involved in the firm. The principal(s) is (are) the individual(s) who own(s) the firm, while the agent(s) manage(s) the business of the firm on behalf of the principal(s). According to the theory, the principal(s) and agent(s) reside in the same firm. However, both parties have different interests and opposite goals, posing a conflict, which is termed as the agency problem. An agency relationship is a kind of contract between the principal and the agent, where both parties work for their self-interest that leads to the agency conflict. In this context, principals exercise various monitoring activities to curb the actions of the agents to control the agency cost. In the principal-agent contract, the incentive structure, labor market, and information asymmetry play a crucial role, and these elements help in building the theory of ownership structure.

Similarly, Jensen & Meckling (1976) portray the firm as a black box, which operates to maximize its value and profitability. The maximization of the wealth can be achieved through proper coordination and teamwork among the parties involved in the firm. However, the interest of the parties differs, the conflict of interest arises, and it can only be relegated through managerial ownership and control. In the same line of argument, Fama (1980) advocated that

the firms can be disciplined by the external players who monitor the performance of the entire firm and the individual persons. Thus, the agency problem is not only limited to the principal and agent, rather it has gone beyond and covered other parties like creditors, majority shareholders, and minority shareholders. The economic and finance researchers have categorized the agency problem into three types, which are depicted in figure 2.1.

Appendix 4a Table 1. 1 Types of Agency Problem



Source: Panda & Leepsa (2017)

Type 1: Principal-Agent Problem: The problem of agency between owners and managers in the organizations due to the need to separate ownership from control, was found since the establishment of large firms (Berle & Means, 1932). The principals engage managers to manage the company with a hope that managers as agents will operate the company for the benefit of the principals. However, managers are interested in the maximization of their compensation. The argument on the agent's self-satisfying behavior is based on the rationality of human behavior (Williamson, 1985; Sen, 1987), which states that human actions are rational and motivated to maximize their ends. The misalignment of interest between the principal(s) and agent(s) and the improper monitoring due to diffused ownership structure leads to the conflict, which is known as principal-agent conflict.

Type 2: Principal–Principal Problem: The underlying assumption of this type of agency problem is the conflict of interest between the majority and minority owners. Majority owners are termed as a person or group of person holding the majority of the shares of a firm, while minority owners are those persons holding a very less portion of the firm’s share. The majority owners or blockholders have higher voting power and can take any decision in favor of their benefit, which hampers the interests of the minority shareholders (Fama & Jensen, 1983). This kind of agency problem prevails in a country or company, where the ownership is concentrated in the hands of few persons or with the family owners, then the minority shareholders find it difficult to protect their interests or wealth (Demsetz & Lehn, 1985).

Type 3: Principal–Creditor Problem: The conflict between the owners and creditors arise due to the projects undertaken and the financing decision taken by the shareholders (Damodaran, 1997). The shareholders try to invest in risky projects, where they expect a higher return. The risk involved in the projects raise the cost of the finance and decreases the value of the outstanding debt, which affects the creditors. If the project is successful, then the owners will enjoy the huge profits, while the interest of the creditors is limited as they get only a fixed rate of interest. On the other hand, in the event the project fails, then the creditors will be enforced to share some of the losses and generally, this problem persists in these kinds of circumstances (Panda & Leepsa, 2017).

To mitigate these agency issues, the agency theory relies on firms abiding by regulations as enforced by the authorities (Coffee, 1999; 2002). However, this fits more with the dominant shareholder – centered approach to corporate governance, which relies on the fact that firms have a collective identity and are distinguishable from their owners (Hall, 1989). In addition, firm business activities take place within the borders of legal and moral obligations. Hence, in these developed countries, the agency theory supposes that the primary purpose of corporate governance systems (board, ownership and accountability mechanisms) is to provide shareholders with some level of assurance that their interests will be protected by managers who are trying to achieve outcomes that are consistent with the shareholders' objectives (Shliefer & Vishny, 1997). Accordingly, agency theory assumes that the institutionalization of corporate governance mitigates the problems resulting from the separation of ownership and control in the most efficient manner by means of the market efficiency/mechanism.

For developing countries, on the other hand, the principal – principal conflicts are rather more relevant. These developing countries are characterized by poor institutional protection of minority shareholders, and concentrated ownership and control. In these environments, indicators of weak governance such as lower levels of dividends payout (La Porta et al., 2000), less publicly traded firms (La Porta et al., 1997), firms with low valuations (La Porta et al., 2002; Claessens et al., 2002; Lins, 2003), less investment in innovation (Morck et al., 2005), inefficient strategy (Filatotchev et al., 2003; Wurgler, 2000), less information contained in stock prices (Morck et al., 2000), and in many cases, expropriation of minority shareholders (Claessens et al., 2000; Faccio et al., 2001; Mitton, 2002) are prevalent. In short, the corporate governance structures in developing countries often resemble those of developed countries in form but not in substance (Peng, 2004). As a result, concentrated ownership and other informal

mechanisms emerge to fill the corporate governance vacuum. While these ad hoc mechanisms may solve some problems, they create other problems in the process.

Therefore, while agency theory has provided scholars with the dominant theoretical inspiration for understanding corporate governance, it has also been criticized in favor of more accommodating theoretical views (Eisenhardt, 1989; Hillman & Dalziel, 2003; Judge Jr. & Zeithaml, 1992). Researchers increasingly realize that there is not a single agency model that adequately depicts corporate governance in all national contexts (La Porta et al., 1997, 1998; Lubatkin et al., 2005a). The agency theory satisfactorily explains situations where executives/managers (agents) can have economic self-interest, which will naturally affect firm performance and the subsequent payoff to the shareholders, it misses essential bases of human behavior, upon which cooperation and collective action are possible. Sullivan & Conlon (1997) for example argue that firms are recognized by regulation not only for generating wealth for its owners but also for contributions to its environment in general.

Another limitation of the agency theory is that it is too general to account for the diversity of institutional contexts in which empirical studies are based (Bruce et al., 2005). For example, the agency theory presupposes the operation of an efficient and competitive market environment, where corporate ownership is dispersed, information asymmetries are minimal and competitive pressures are maximal (Udayasankar et al., 2005). However, in many developing market economies, these agency theory presumptions are predominantly invalid (Adegbite, 2015). In these developing countries, the principal – principal conflicts are more pertinent (Young et al., 2008; Chang, 2006; Jiang, 2006; Adegbite, 2015). The prevalence of family dominated ownership of firms makes the agency problem less important in developing countries environments. Therefore, a more pluralistic theoretical view of corporate governance is essential for understanding the complexities of relationships, mechanisms, and structures surrounding corporate governance.

Other scholars such as Perrow (1986) claimed that agency theory addresses no clear problems, and Hirsch & Friedman (1986) called it excessively narrow, focusing only on stock price. Also, according to researchers such as Kaczmarek et al. (2014), the agency theory may have become a self-fulfilling prophecy which assumes managers are selfish and will always act according to type. The resulting agency cost from the selfish managers is then borne entirely by the shareholders (Baulkaran, 2014; Kay & Vojtech, 2016; Rashid & Islam, 2013). However, Hiebl (2013) found the presence of owner-manager in management lowers the perceived control by

top management and in turn ensures mutual trust and respect between the managers and shareholders, thereby reducing agency problems.

Further, the agency theory by itself provides weak empirical evidence regarding the efficacy of policing mechanisms that seek to mitigate agency costs (Tosi et al., 2000; Dalton et al., 2007). For instance, empirical studies highlight the lack of efficient executive contracting (Bertrand & Mullainathan, 2001), the scarcity of relative performance evaluation of CEOs (Abowd & Kaplan, 1999), and the weak power of shareholders in selecting directors (Bebchuk & Fried, 2004). Furthermore, other factors apart from corporate governance failures can determine market swing of share prices; therefore, the market is seemingly punishing managers for prejudices beyond their control (Keynes, 1936; Shiller, 1989). Consequently, Daily et al. (2003) have argued that "(w)hereas agency theory is appropriate for conceptualizing the control/monitoring role of directors, additional theoretical perspectives are needed to explain directors' resource, service and strategy roles" (Daily et al., 2003, p. 372).

Finally, the weak institutional environment prevalent in developing countries weakens agency theory as a theory to use in isolation for research focused on investment analysts' perspective on governance drivers. Hence, although agency theory lends itself to information processing contingency theories (see Chandler, 1962; Galbraith, 1973; Lawrence & Lorsch, 1967), and is still acknowledged as a major theory for firm practices, it is not relied upon by itself for this study especially as it positions managers as people concerned only about their self-interests despite the responsibilities placed on them as stewards.

Appendix 4b. Stewardship theory

Stewardship theory, rooted in sociology and psychology, is usually presented as the alternative theory to agency theory (Davis et al., 1997). This is because stewardship theory rather than assume a divergence of principal and agent interests defines human relationships around a more robust behavioral model. Stewardship theory postulates instances in which a convergence of interests can occur, resulting in a more collaborative approach to governance. The theory also defines situations where managers are not necessarily motivated by individual goals, but instead are stewards whose motives are in tune with the objectives of their principal(s). The premises of stewardship theory follows from the underlying assumption that "pro-organizational, collectivist behaviors have higher utility than individualistic, self-serving behaviors" (Davis et al., 1997, p. 24). Consequently, the satisfaction of stewards (executives)

is linked to the success of the organization, thereby creating organizationally centered behaviors.

Stewardship theory further argues that managers have many motives to perform other than just self. These motives include recognition, intrinsic satisfaction and feeling of success (Marris, 1964; Etzioni, 1975). As a result of this more trusting perception of management, stewardship theory does not advocate for some corporate governance mechanisms of agency theory. For example instead of board independence, the theory favors a majority of inside directors who bring company and industry knowledge and skills (Davis et al., 1997). Additionally, the need to separate the Chairman and the CEO as in agency theory is not viewed as central to effective board functioning. Stewardship theory presents managers as trustees of firms (Kay & Silberston, 1995) who should not serve the interest of residual owners alone but the wider environment as a whole. Donaldson & Davis (1991) argue that stewardship theory suggests that corporate governance practices should allow CEOs have high authority and discretion and where possible permit CEO duality (Davis et al., 1997). This argument, for instance, fits the case in developing countries, where firms are dominated by family ownership. This duality structure, however, is not permitted in the Nigerian banking sector as the Central Bank of Nigeria (CBN) mandates separation of CEO and board chairman positions very much in line with the agency theory model.

Under the stewardship model, executives seek to maximize their utility as they achieve organizational rather than self-serving objectives. The contingency nature of this theory is based upon the idea that stewardship is about choice. Managers choose to behave as stewards or agents based upon their motivations and reading of the particular situation (Clarke, 2004). Similarly, principals also choose whether to create an agency or stewardship relationships based upon their reading of the situation (Clarke, 2004). Hence, rather than self-serving behavior, a steward's behavior will not depart from the interests of his or her organization. The steward will substitute behaviors that can be considered self-serving for cooperative behaviors. Thus, even in situations where the interests of the steward(s) and the principal(s) seem not aligned, the steward(s) place(s) a higher value on cooperation. This is because if the steward perceives greater utility in cooperative behavior and behaves accordingly, his or her behavior can be considered rational.

Implied in this theory is the fact that the power of directors over the enterprise is derived from their democratic appointment by shareholders at the Annual General Meetings (AGMs). In

most developing countries, this largely remains a theory that has not and might not ever be practiced especially in those nations with dictatorial regimes (Adegbite, 2010). In Nigeria, until recently, the AGMs of many of the large corporations were fait accompli to rubber stamp government appointments and directives (Adegbite, 2010)

Therefore, in spite of suggestions that executives/stewards in "loosely coupled, heterogeneous organizations with competing stakeholders and competing shareholder objectives are motivated to make decisions that they perceive are in the best interests of the group", (Davis et al., 1997, p. 25), this study is not concerned with the motives of managers to perform or serve. This present study concerns itself with the perspective of investment analysts on which features of good corporate governance drivers are important for investment decision-making purposes and why. As a result, the stewardship theory is not appropriate for this study especially as it accounts mainly for managers as stakeholders and not investors or investment analysts.

Appendix 4c. Stakeholder Theory

Stakeholder perspective can be traced to 1930's depression era when used by General Electric Company to engineer its survival (Preston & Sapienza, 1990). The theoretical concept here is that the general society expects firms to behave properly in a manner that guarantees their going concern and in manners that befits their social and economic roles. Freeman, (1984) defines a stakeholder of a firm as those who can affect or are affected directly or indirectly by the firm's success or otherwise. They can also exercise some form of power or discretion over the firm or its activities (Donaldson & Preston, 1995). Stakeholders are classified into two groups: primary stakeholders (e.g employees, management, investors, regulators, etc.), whose participation is essential for the survival of the firm, and secondary stakeholders (e.g analysts, NGOs, regulators, etc), who are not essential to the survival of the corporation although their actions and response can significantly damage or benefit the corporation (Freeman, 1984; Clarkson, 1995). However, the rights of all stakeholders should be considered to be equal (Freeman, 1994).

Consequent upon this equal right, the stakeholder theory can be applied when investigating phenomena which generate mutual interests between different stakeholders, not focusing on trade-offs (Moriarty, 2014). These interests can even involve regulators who are interested in making effective policies for specialized sectors such as the banking industry. Moriarty (2014) advocated that stakeholders should be given opportunities to participate in the running of firms, recommending that managers do so by taking inputs and interests of other stakeholders during

decision-making as it is believed that involving other stakeholders leads to better accountability (Gray et al., 1997). Lee (1998) believes that weak/failing management affects everyone not just shareholders and managers thus making the monitoring of firms the business and responsibility of everyone involved internally and externally with the firm. Furthermore, the involvement of more stakeholders might help contain crisis (Alpaslan et al., 2009) making the stakeholder model beneficial to the corporate governance practices of firms.

Typically, the agency model predominately concerns itself with contractual relationships, (Giudice et al., 2013; Miletkov et al., 2014). However, the stakeholder theory's underlying philosophy is much broader and accommodates external and internal perspectives of anyone with connections to the firm (Conyon & He, 2016; Haβ et al., 2016). Therefore, this theory is more interested in a larger group than just the shareholders and their managers/agents (Mallin, 2004; Nasi, 1995; Conyon & He, 2016; Haβ et al., 2016). Moreover, nowadays, firms' best assets are their personnel, knowledge, information, and relationships (Zingales, 2000). Indeed, when firms signal their corporate governance practices, different stakeholders will perceive the drivers of corporate governance differently. Therefore, the stakeholder perspective stresses the long-term economic relationships and going concern nature of firms, which are beneficial to managers, shareholders and other stakeholders. Stakeholder theory arises due to the rejection of the concern about maximizing the benefits of just a single stakeholder (shareholders) (Wijnberg, 2000). The stakeholder theory's main advantage is providing a means for dealing with multiple stakeholders with multiple conflicting interests as a firm does not focus on interests of just one individual stakeholder. Hence, the interests of the firm's different stakeholders are satisfied using system centered theory (Freeman, 1984).

The stakeholder theory is categorized into three main aspects of normative, instrumental and descriptive. Normative stakeholder theory originates from the social entity concept of the independent firm. It presumes that in modern times, everyone has a stake in the firm. The theory supposes that in any society, shareholders own only shares as investors, while other stakeholders have other different types of claims to the firm (Mayson et al., 1994). Instrumental stakeholder theory posits that to improve the overall success of a firm, all stakeholders have a value (Slinger, 1998; Freeman, 1984). This does not suggest that shareholders right should be ignored, but instead, that other stakeholders can also lay claim to the firm (Gamble & Kelly, 2001; Turnbull, 1994; 1997a). The descriptive accuracy of the stakeholder theory presumes the truth of the core normative conception. The normative approach is considered to be the central core of the stakeholder theory. The instrumental approach is the second level of the theory,

which predicts that performing certain practices, should mean certain results are obtained. The external shell of the theory is its descriptive aspects explaining the observed relationships in the external world. Therefore, stakeholder theory has been advanced and justified based on “its descriptive accuracy, instrumental power, and normative validity” (Donaldson & Preston, 1995, p.69). Turnbull (1997a) postulates that stakeholder participation in corporate governance can engender firms to produce more accurate information of operation and management, thereby improving effectiveness.

Especially in situations where stakeholders invest in firms, then the stakeholders should be able to lay claim to the firm and make specific demands of managers (Blair, 1995; Kelly & Parkinson, 1998). Therefore, corporate governance of firms should assign "control rights, rewards, and responsibilities to the appropriate stakeholders" (Blair, 1995, p 274). According to stakeholder theory proponents, if firms do not take into consideration the concerns of stakeholders, then the firm might cease to exist (Donaldson & Preston, 1995) or face rebuttal actions from the stakeholders (Reverte, 2009). As a result, to manage information needs of important stakeholders, firms have corporate disclosures (Reverte, 2009) as "the stakeholder theory explicitly considers the expectation impact of the different stakeholder groups within society upon corporate disclosure policies" (Reverte, 2009, p.353). However, although, proponents of the stakeholder theory focus on stakeholder relationships, they do not suggest equal treatment of all stakeholders (Moriarty, 2014) or that these treatments should compromise the objectives of the firm (Klettner et al., 2014). Instead, the stakeholder theory seeks to define specific stakeholders of a firm and satisfy the legitimate needs of these stakeholders as the success of a firm depends on the inputs of its stakeholders.

Critics of the stakeholder theory posit that in the real world, trade-offs exist, and it is impossible to make decisions without trade-offs (Klettner et al., 2014). In addition, in reality, it is difficult for a firm to meet the demands of all stakeholders at all times (Klettner et al., 2014; Zeitoun et al., 2014). Some researchers such as Sternberg (1997) go further to suggest that stakeholders other than shareholders and agents are not able to provide either better corporate governance monitoring or better financial performance for firms. Further, some researchers have stated that the notion of considering the interests of all stakeholders may have been extended to an impracticable extent, and it is important for corporate managers and practitioners to know where to draw the line (Arenas & Rodrigo, 2016; Perrault & HcHugh, 2015). These criticism have failed to recognize an important element of the stakeholder theory which supposes that the more important the stakeholder to a firm, the more effort the firm puts into managing and

manipulate this relationship. Moreover, stakeholder theory posits the “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another” (Donaldson & Preston, 1995, p. 68).

The corporate governance drivers signaled by firms can be used by the firm to influence their stakeholders in order "to gain their support and approval, or distract their opposition or disapproval' (Gray et al., 1996, p. 46). As stakeholder's priorities might be heterogeneous, the stakeholder theory focuses on the relationships and interactions between the firm or industry and the various stakeholders who compose the organizational/sectoral environment. Hence, the stakeholder theory can be applied such that rather than considering the social environment completely and assuming the homogeneity of stakeholders' perception and expectations it permits heterogeneity in thoughts and decision-making.

However, the broad nature of the stakeholder theory makes it only partially suited for this present study. Although the stakeholder theory supports a concept where non-financial measures are designed to investigate firm activities (Logsdon & Lewellyn, 1998), it fails to recognize the agency challenges that exists between managers and investment analysts who make investment decisions. Moreover, even though environmentalists and consumerists particularly find a perfect ally in the stakeholder theory, the weak institutional environments prevalent in developing countries makes many stakeholders of a firm disadvantaged compared to certain principals and agents. Hence, some scholars apply the institutional theory to the study of corporate governance.

Appendix 4d. Institutional theory

Institutional theory is a well-developed theory in management studies that presupposes that firms are not just concerned or affected by internal environment but also by its external regulatory, normative and cognitive institutional environment (Scott, 1995). Institutionalism assumes that organizations conform to accepted standards of behavior in an effort to enhance their survivability by gaining legitimacy with other external organizations. Leading from this, the institutional theory is based upon the idea that much of what shapes organizational structures and behaviors are a reflection of patterns that have evolved from doing things over a period. As a result, the prediction of organizational practices and their explanations can be arrived at by examining industry traditions and patterns (Eisenhardt, 1988; Judge & Zeithaml, 1992). Thus, from an institutional theory perspective, in order to gain competitive advantage,

firms in particular concentrated industries adopt similar strategies (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995) which leads to some form of homogeneity (D'Aveni, 1994). This action makes some firm activities fashionable (Sharma & Vredenburg, 1998).

Going further, institutional theory concerns itself with how firms seek to project themselves cognitively in order to be perceived as legitimate in society (DiMaggio & Powell, 1983) using what Di Maggio & Powell (1983) describe as one or a combination of "coercive, mimetic or normative" isomorphism. Isomorphism, according to DiMaggio & Powell (1983), explains how and why organizations conform to accepted norms. Perhaps it is not coincidental that Hoskissou et al. (2000) see institutional theory as one of the top three most insightful theories when delving into developing countries. Adegbite & Nakajima (2011b) showed two classes of institutional effects on corporate governance: those external (macro) and those internal (micro) to the firm. They provided empirical evidence to suggest that the external institutional environments, which profile a firm's corporate governance, consist of the country's social, economic, political, and legal environments, whereas those internal to the firm consist of the firm's/industry's values, culture, history, and ethics. They noted that this model represents an encompassing framework that provides illumination on certain institutional effects and relationships, thereby encapsulating the complex dynamics and realities of governance in modern-day corporations. This resonates with practices in Nigeria where corporate governance of financial institutions is dictated by regulation and mandated by the Central Bank of Nigeria (CBN). Further, Useem & Zelleke (2006) argue that because of the need for isomorphism, firms that have to make public disclosures seem to align their behavior. Hence, banks boards operating in Nigeria, readily look to one another for guidance in aligning visible structural elements such as composition, size, committee structure, and policies involving compensation practices and ethics.

Besides the external pressures to conform driven by publicly disclosed information, institutional pressures on boards to conform to industry norms can lead to passive acquiescence that does not contribute to the organizations' interest and efficiency (Tolbert, 1985; Zucker, 1997). In other words, firms' corporate governance practices may be determined by conformity to environmental constraints. While centrally mandated governance reforms may invoke institutional changes, the impact may not occur uniformly across all firms due to variations in institutional inertia. Institutional logics affect the flow of information and resources through relationships as well as network formation and evolution (Fligstein & Shin, 2007; Shin, 2013).

However, when it comes to actual behavioral processes in Nigeria, we should expect to see evidence of substantial variance from boardroom to boardroom. These differences present themselves in the Nigerian environment despite the enforced governance regulations. Also, while centrally mandated governance reforms may invoke institutional changes, the impact may not occur uniformly across all firms due to variations in institutional inertia. Furthermore, this current study concerns itself not with the conformity or otherwise of banks with mandatory regulations which produces the isomorphism. Instead, the study focuses on perspectives of investment analysts and how features of drivers of good corporate governance can influence their decision-making. The study is not primarily concerned with Nigerian banks' legitimacy or compliance with codes of corporate governance. Therefore, while the institutional theory has some relevance to this current research, it does not provide enough impetus to answer the research questions, which are concerned about perspectives of investment analysts on features of good corporate governance drivers that leads to decision making. Theories that explain the agentic relationship between external stakeholders and firm and psychological reasoning for actions these external stakeholders engage in are more relevant to this research.