INTERPRETATION, SUGGESTION AND CONCLUSION

The aim of this chapter is to discuss the findings, reach conclusions and make necessary recommendations from all the qualitative and quantitative analysis presented in chapter four.

INTERPRETATION

Enron, WorldCom, Tyco, and HealthSouth were selected for analysis because of the accessibility of information on their organizational culture and of the specific details of the companies' ethical lapses. While there is now a large and growing literature on the Enron debacle and, to a much lesser extent, the meltdown at WorldCom, information on the scandal and the organizational culture evident of the corporation at the time of the scandal is much more difficult to obtain from them than it is to get from most other folks.

The efforts taken by the new Tyco management team under CEO Ed Breen in the wake of the scandal suggest that Tyco management believed that the society might be laboring under a corrupt civilization. Breen replaced the entire top management team. Most of the table was also substituted. An agency of corporate establishment was put up and a comprehensive Guide to Ethical Conduct for employees was built up and distributed to Tyco's 260,000 employees (Pillmore, 2003). Tyco restructured and separated finance from operations. In a step directly relevant to the Kozlowski/Swartz scandal, Tyco revamped its compensation structure, placing a cap on severance payments, bonuses, and stock option equity awards (Pillmore, 2003). Much to the consternation of line employees who felt that they were being punished by the crimes committed by executives, Tyco also mandated ethics training for all employees.

The researcher proposed a fraud model to explain the various factors that may influence an executive to commit financial statement fraud. The example builds upon classic fraud theory. In late years, it has been almost impossible to open any business paper or magazine without seeing headlines relating to several cases of corruption. One consequence of corruption—fraudulent financial statements—has been particularly dominant. Although Europe has experienced several financial statement frauds, by companies such as Parmalat (Italy), Royal Ahold (Netherlands), and Vivendi (France), these frauds have not been nearly as devastating as frauds in
the United States, by companies such as Enron, WorldCom, Fannie Mae, Waste Management, Sunbeam, Qwest, Xerox, Adelphia, and Tyco:

As the events at Enron publicly unfolded, respondents in our investigation became considerably less accepting of the role of "accounting tricks" to hide embarrassing financial information of a corporation. Likened to the "Pre-Enron Coverage" (reference) period, respondents were significantly more likely to find such accounting methods unacceptable during the "Early Enron Coverage" phase and even more likely to find them unacceptable after the media coverage had fully revealed the scandal ("Post-Enron Coverage") (Table 4). This was true not only in conditions of significance, but also the magnitude (i.e., the coefficient for the "Post-Enron Coverage" effect was 0.401 vs. 0.194 for the "Early Enron Coverage" dummy). Insider trading also was seen significantly less acceptable after media coverage had fully disclosed the events at ImClone (i.e., the coefficient for "Post-ImClone Coverage" was 0.468) (Table 5). Perhaps repeated exposure to the negative implications of these actions (Petty and Cacioppo, 1996) made a transformation in attitudes among respondents in our sample.

SIGNIFICATION

This study made use of secondary information on examining the relationship between corporate governance and financial frauds of the 21 corporations listed on Stock Exchange. The secondary data was obtained basically from published annual reports of the selected corporations. Relevant data for the study were retrieved from the Stock Exchange Fact Book for 2008 and corporate websites of the surveyed corporations.

The Pearson Correlation and regression analysis were used to ascertain whether there is a kinship between the variables to be measured (i.e., Corporate governance and corporatins' financial frauds) and also to find out if the relationship is significant or non. Withal, the t-test statistics were employed to establish if there is any real dispute between the profitability of healthy and rescued corporations and also if a difference exist in the profit of corporations with foreign directors and those without. The proxies that were used for corporate system are; board size, proportion of non executive directors on board and directors' equity holdings. Accounting measure of frauds (return on equity and bring back an asset) as identified by the First Rand
corporation Group (2006) were used as the dependent variable. Decisions were later taken based on return on equity.

However, in examining the level of corporate governance disclosures of the sampled corporations, a disclosure index was developed using the CBN post consolidation code of best practices and guided by the papers prepared by the UN secretariat for the nineteenth session of ISAR (International Standards of Accounting and Reporting, 2001), entitled “Transparency and disclosure requirements for corporate governance” and the twentieth session of ISAR (2002), entitled “Guidance on Good Practices in Corporate Governance Disclosure”) for the corporations under study. Using this post consolidation code of best practices, issues in corporate governance disclosure are classified into 5 broad categories: Financial disclosures, non-financial disclosures, annual general meetings, timing and means of disclosure, and best practices for compliance with corporate disclosure. Under all these broad and subcategories, a total of 45 issues were considered (See Table checklist).

With the help of the list of disclosure issues, the annual reports of the corporations were examined and a dichotomous procedure of content analysis was followed to score each of the disclosure issue. Each corporate was awarded a score of “1” if it appears to have disclosed the concerned issue and “0” otherwise. The score of each corporate was totaled to find out the net score of the corporate. A corporate governance disclosure index (CGDI) was then computed. Furthermore, the t-test was used to establish if there is any significant difference in the profitability as recorded by the cleared corporations as identified by CBN.

FINDINGS

The summary of the determinations is in two parts. The first part talks about the theoretical findings under prior related studies while the second part discusses the empirical findings from the work we held out on the relationship that exists between corporate governance and the financial functioning of depository financial institutions.

**Theoretical Findings**

This work discovers that both board size and the proportion of external managers are significantly, but negatively related to financial frauds in
corporations. While the directors' equity interest and the level of corporate governance items disclosed are significantly positive in relation to carrying out.

Nevertheless, there is no question that various works have been deported so far and are still on — surviving on the examination of the relationship between firm frauds and corporate administration. The findings are thus in line with the work of Staikouras et al. (2007) where they studied a sample of 58 out of the 100 largest, in conditions of total assets, credit institutions operating in Europe for the period between 2002 and 2004. Their analysis inferred that corporation profitability — measured in terms of ROE and Tobin"s Q is negatively and significantly related to the size of the Board of Directors. Pathan et al. (2007) using a dataset of the Thai commercial corporations over the period 1999-2003, also obtained a negative relation between board size and ROE. This is likewise seen in Eisenberg, Sundgren, and Wells (1998), where a similar pattern for a sample of small and midsize Finnish firms. Their survey also brought out that board size and house value are negatively correlated. In conclusion, our findings also agree with Zulkafi and Samad (2007) in their study, in which they analyzed a sample of 107 listed corporations in the nine countries of Asian emerging markets (Malaysia, Thailand, Philippines, Indonesia, Korea, Singapore, Hong Kong, Taiwan, India). They deduced that board size is not significantly correlated with frauds criteria, such as the Tobin's Q and ROE. Our findings on display panel size, differs from Kyereboah-Coleman and Biekpe (2005) who conclude a positive relationship between a firm's value and display panel size. The determinations, also differs from Zahra and Pearce (1989) who argued that a large board size brings more management skills and makes it difficult for the CEO to manipulate the table. The result of Andres and Vallelado (2008) is likewise dissimilar from ours on display panel size and operation. After analyzing data on the characteristics of the boards of directors for 69 commercial corporations working in Canada, US, UK, Spain, France and Italy over the period 2000-2005, they found that the inclusion of more directors is positively related with frauds, which is measured by Tobin's Q, ROA:

Nevertheless, for the proportion of non-executives, The determinations are in line with Yermack (1996) who described a substantial negative correlation between proportion of independent directors and contemporaneous Tobin's q and ROE, but no significant correlation for several other frauds variables (sales/assets; operating
income/assets; operating income/gross revenue); Agrawal and Knoeber (2001) describe a negative correlation between proportion of outside directors and Tobin's q. Klein (1998) also describes a substantial negative correlation between a measure of change in market value of fairness and proportion of independent directors, but insignificant results for return on assets and raw stock market yields. Furthermore, Andres and Vallelado (2008) found an upside-down U-shaped relation between the proportion of outsiders, defined as the number of non-executive directors, and corporate frauds, indicating that an optimum combination of executive and non-executive directors would be more efficient in ensuring value for corporations than excessively independent boards.

The findings on the proportion of non-executives, further disagree with the positive finding as noticed in Pathan et al. (2007) and Bebchuk, Cohen and Ferrell (2009). The findings, as it relates to directors' equity holding is also in line with the findings of Saunders, Strock and Travlos (1990) and also Yu (2003). They establish a significant positive relationship between the fund taken by directors and the frauds level of resolution.

In parliamentary law to find out how the level of corporate governance disclosure affects frauds of US firms, a broad measure of corporate governance (Gov-Score) was prepared by Brown and Caylor (2004) with 31 factors, 8 subcategories for firms based on a dataset of Institutional Shareholder Service (ISS). Their findings suggest that better governed firms are relatively more profitable, more valuable and pay more cash to their stockholders. Gompers, Ishii, and Metrick (2003) used Investor Responsibility Research Centre (IRRC) data, and concluded that firms with fewer shareholder rights have lower firm valuations and lower fund returns.

The work on governance disclosure (hypothesis 6) therefore took the same course as in the prior studies discussed above.

Chibber and Majumdar, (1999) found that the availability of foreign directors in a firm is positively associated with the point of resource commitment to applied science transfer. Djankov and Hoekman (2000) also found that firms with foreign directors to be associated with the provision of generic knowledge (management sciences and tone systems) and specific knowledge.
Empirical Findings

From the descriptive analysis, it was discovered that on the average the board size of listed corporations is 13. This solution implies that on the average, a relatively moderate board size of 13 is noticed among the listed consolidated corporations. This is in line with the suggestion of Kyereboah-Coleman and Biekpe (2006) that a board size of between 12 and 16 is appropriate. Likewise, board composition which is the balance of outside directors on a board has a mean of 63%. This also reveals that on the average, approximately 63% of the panel members are non executive directors. This is in line with the section 4.10 of the CBN post consolidation code where it was said that “the act of non-executive directors should exceed that of executive director”. Although from the descriptive result, a minimum of 45% was noticed in GTB in 2006. A critical review indicates that this was so because there was no immediate replacement of some directors who went to sleep.

Although, the mean disclosure level of 66% shows that all the corporations present a statement of their corporate governance practices, yet, the largeness of the statement varies between corporations. Corporations were noticed to disclose more on disclosure items 1, 13-17, 22, 32, 40, 41, 44 and 45. Directors’ equity interest, therefore recorded a mean of 11%. Furthermore, the findings revealed that on average, the corporations included in the sample generate Return on Equity (ROE) of approximately 5% and a standard deviation of 4.7%. This implies that the value of the ROE can deviate from mean to both sides by 4.7%.

From the regression result of the relationship between board size and execution, the coefficient of the model is found out to be negative (-1.977), with a p-value of 0.053 significant at only 10%. This answer indicates that display panel size and public presentation in terms of ROE move in opposite ways. The negative relationship is also understood to be considerably important to the operation of the corporation. This shows a significant negative event of panel size on the financial operation of the listed corporations.

The significant negative relationship found between a larger panel size and ROE is consistent with the findings of Yermack (1996), Eisenberg, Sundgren and Wells (1998), Conyon and Peck (1998) and Loderer and Peyer (2002). The findings,
therefore, shows that a large display panel size can lead to the free rider problem where most of the board members play a passive part in supervising the firm.

Furthermore, the panel members will tend to be involved in dysfunctional conflicts where the control panel is not cohesive (board members are not working optimally to achieve a single goal) deteriorating the value of a house.

Ultimately, the answer means that large boards in corporations are likely to be less effective and more easygoing for a CEO to control. Likewise, when a panel becomes too large, it gets difficult to co-ordinate and process. Whereas, smaller boards will tend to dilute the possibility of free riding by individual managers and increase their decision taking process. The regression result also indicates that a significant negative association exists between the ratio of outside directors and public presentation.

The findings on the relationship between the ratio of outside directors and financial frauds indicates that a significant negative relationship exists between the two variables. One of the reasons why increasing board independence apparently doesn't pay off in improved operation is that owning a reasonable bit of inside directors could add value. A reinforcement for our view is the suggestion by Baysinger and Butler (1985) that an optimal board contains a mix of inside, independent, and perhaps also affiliated directors, who bring different skills and knowledge to the table.

Executive directors may also be more adept at strategic planning decision. This position is likewise consistent with Klein's (1998) evidence that inside director representation on investment committees of the board correlates with improved firm frauds.

The negative outcome can also be because non-executive directors are likely to be overly engaged with other allegiances and are entirely involved with the company business on a "part-time" basis.

In summation, as cited in the first place, non-executive directors are likely not to possess a hands-on approach or are not necessarily well versed in the clientele, hence do not necessarily arrive at the best decisions. The findings are in line with the study by Pi and Time (1993); Belkhir (2006); Staikouras et al. (2007) and Adams and Mehran (2005 and 2008) who found a negative, but a significant relationship between
the tested variables. Nonetheless, the findings disagree with Bebchuk, Cohen and Ferrell (2009) and Pathan et al. (2007) who found a confident relationship between the variables.

Furthermore, the findings revealed that a strong positive relationship exists between the governance disclosure of corporations and the functioning of depository financial institutions. This entails that corporation that made more disclosures did better during the period under review. On the other hand, while most of the corporations made disclosure of the frauds of insider-related credit, Zenith corporate and Intercontinental corporate do not make detailed disclosure. This disclosure will serve to assess the objectivity in insider-related transaction and therefore an evaluation of the peril of the money boxes. Besides, all the corporations disclosed directors' remuneration by amount only without an effort to disclose who has what and for what purpose is such emoluments received. They only expose the gross sum paid to conductors. This obscures the possibility of any meaningful analysis of the directors' remuneration. These findings are thus in line with Brown and Caylor (2004), Al-Amin, and Tareq (2006) and Ogidefa (2008).

Also, the study on directors' equity interest reported a significant positive relationship between directors' equity interest and public display. It was also discovered that an average of 10% of the directors of the corporations holds equity in the corporations. One explanation for this phenomenon is that the equity ownership creates better management, supervising on the portion of the board and hence improved results. The study further revealed that in a corporate where directors held stock, the ratio of directors' stock holding is positively related to frauds. This is believed to be in congruence with the findings in Bhagat, Carey and Elson (1999) and Yu (2003).

From the t-test results, it was revealed that the healthy corporations differ significantly in terms of net income from the rescued. This also compliments the result as in Rashid (2008). In the end it was also observed that the profitability of corporations with foreign directors do not differ from those without foreign directors.
RECOMMENDATIONS AND IMPLICATION OF STUDY

Based on the determinations of this research, we therefore present the following recommendations which will be useful to stakeholders.

1) Efforts to better corporate governance should focus on the value of the stock ownership of board members, since it is positively associated to both future operating frauds and to the probability of disciplinary management turnover in poorlyfrauds corporations.

2) Proponents of board independence should note with caution the negative relationship between board independence and future operating frauds. Hence, if the purpose of board independence is to improve frauds, then such efforts might be misguided. However, if the purpose of board independence is to discipline management of poorly defrauding firms or otherwise manage, then board independence has merit. In parliamentary law to have proper monitoring by independent managers, corporation regulatory bodies should require additional disclosure of fiscal or personal ties between directors (or the organizations they work for) and the company or its CEO. By so doing, they will be more completely independent. Similarly, corporations should set aside to examine out with modest departures from the current norm of a “supermajority independent” panel with only one or two inside directors.

3) Steps should also be taken up for mandatory compliance with the code of corporate governance. Also, an efficient legal framework should be developed that specifies the rights and responsibilities of a corporate, its managers, shareholders, specific disclosure requirements and provide for effective enforcement of the law.

4) In this study, all the disclosure items were passed on the same weight, which facilitates to reduce subjectivity; however, the federal office may place higher emphasis on certain components of nerve. Some aspect of the institution may be considered to be a basic element or requirement to implementing others and consequently should be given more weight.
5) The need to set up a unified corporate body saddled with the responsibility of gathering and collating corporate governance related information and preparing the relevant indices to facilitate corporate governance.

Contribution to knowledge

This subject area has, however, contributed the following to the study of corporate governance

1) This study used the CBN code of best practice and some specific governance index as provided by the Institutional Shareholder Services (2001; 2002) to get a summary index of corporation's specific governance i.e. "Gov- Score". This will be an advance over the index as used in Gomper, Ishii and Metrick (2003) (i.e. The GIM index), which focused entirely on anti-takeover measures.

2) Instead of seeing just a single measure of administration (as prior studies in the literature have done), this study looked at four different governance measures. This will serve researchers in this area of interest to draw inferences.

3) Since to the best of the researcher's knowledge, no study has extensively covered corporate governance of corporations as it relates to frauds, this study will attend as a database for future inquiry.

Suggestions for further study

The limitations of the study have prompted suggestions for further research as listed beneath;

1) This research has gone some way to exploring corporate governance and corporate frauds of depository financial institutions in a broader context. Further research could explore the relationship in more in specific categories for example, in not-for-profit organizations, in government organizations, and in family companies. Since this study focused on the corporation, it would be beneficial to have a well-defined understanding of corporate governance roles in other types of organizations. Such research could address the similarities and differences of the roles in different organizations and see also the sound requirements for different organizations.
2) The period of employment for this research is three years, i.e. (2006-2012), which the post consolidation period. This limitation was imposed by the non availability of info pertaining to the reviewed corporations. Nonetheless, further research can consider more time frame based on the availability of the annual reports.

3) Further research is also needed on the behavioral aspects of tables. Researchers in developed states have recently started examining board processes by giving way to actual board meetings. However, this too needs to be fleshed out by researchers in developing economic systems. There is therefore the need to go beyond the quantitative research, which is yielding a mixture of outcomes, to perhaps a more qualitative approach as to how boards function. Fleshing out this current research into a wider study of board dynamics and decision making would be a start in developing a broader understanding of corporate governance.

4) The data used for the current study was derived from 24 corporations and their return on equity. A larger data set comparing financial and nonfinancial firms may result in a different model of the relationship between corporate governance and the value of a home. The inclusion of new corporate governance instruments could also result in additional edge-worth combinations of the internal corporate governance mechanism while other fraud standards can also be entered.

CONCLUSION

From the analysis above, thence, the study concludes that there is no uniformity in the revelation of corporate governance practices made by depository financial institutions. Though they all expose their corporate governance practices, merely what is discovered does not conform to any particular standard. The corporations do not disclose in general how their debts are frauds, by offering a program line that expresses outstanding debts in terms of their ages and due dates. This is however done for insider-related debts in some corporations. The insider-related debts are required to form an insignificant percentage of the debts of the corporations and hence may provide an adequate characterization of the risk profile of the eants.
Disclosures on directors' remuneration do not supply sufficient details that would enhance any meaningful analysis. This makes it hard for anyone to judge the sufficiency or otherwise of directors' pay. Similarly, disclosures about employees are scanty. They do not supply sufficient details that would enable anyone to do any meaningful analysis of the mind of the sufficiency or otherwise of their remuneration, vis-à-vis the number in each category of staff.

Despite the requirements of blood exchange and government regulators, certain corporation managers still disclose selectively, especially when the monitoring and enforcement of disclosure requirements are not strict.

Furthermore, the study concludes that a negative relationship exists between corporation frauds, panel size and proportion of non executive directors. That is, a reasonably strong correlation exists between poor frauds and subsequent increase in display panel size and independence. While a percentage growth in yield on equity can be explained by directors' equity interest and the governance disclosure level.