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Research Paper

The impact of corporate governance elements on financial performance of cooperative societies

OYEROGBA, Ezekiel Oluwagbemiga
College of Management and Social Sciences, Bowen University, Iwo, Nigeria.

OSENI, Michael
Department of Accountancy, The Polytechnic, Ibadan, Nigeria.
Corresponding Author: OSENI, Michael

ABSTRACT
The study evaluated the effects of corporate governance practices on financial performance of cooperative societies. The area of study covered the entire states in the South West geopolitical zone of Nigeria with a sample of 231 cooperative societies for a period of eight years from 2011to 2018.The study considered board structure, executive compensation, ownership structure, and risk management practices as corporate governance mechanisms while return on capital employed and earnings per share were taken as financial performance indicators.Data were obtained from the books and annual reports and accounts of the selected cooperative societies. Inferential statistics results revealed significant relationships between the corporate governance mechanisms and financial performance variables. Higher return on capital employed was associated with increase in board structure, ownership structure and risk management practices. Findings from the descriptive statistics indicated that corporate governance practices in the cooperative societies were not strong in comparison to practices in the listed companies. It was also found out that the maximum figure for return on capital employed was about 15%, while the modal class was 6%, indicating that majority of the cooperative societies reported a return on capital employed of about 6%. The mean figure for the return on capital employed was 0.078 which implies that an average cooperative society in Nigeria have relatively low return on capital employed of about 8%. The study recommends that board of directors or committee members of cooperative societies should endeavor to install reasonable risk management practices to mitigate financial losses.

KEYWORDS:*financial performance, financial objective, surpluses, executive compensation, traditional saving schemes*

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I. INTRODUCTION

Since time immemorial, cooperative societies have been used to tackle poverty among rural people. There are many things to be settled by the peasants in order to make life meaningful. There are many economic challenges, and these challenges could be overcome by getting help or support from people outside. A way-out of these challenges was the formation of support groups that would be able to provide additional capital to finance their businesses. It then became necessary that pooling together of resources had to be done to tackle their inadequate capital to finance their businesses individually. This led to the formation of indigenous cooperative societies. What was then difficult or insurmountable for individuals then became achievable after getting additional support from outside.

The types of support rendered by these societies range from periodic contributions that are made by all members, and at the end of each contribution, a member would be asked to collect all what had been contributed. This type of contribution is known as *esusu* in Yorubaland. The collections had to go round all the members. The contributions can be started again with the same amount or with an increment mutually agreed to by all members. The amount collected by an individuals would enable him to have larger capital if he wants to embark on any business venture or to increase his working capital in already existing business. Social, marital, and economic problems are easily solved by these contributory schemes.

Participating in group work is another type of self-help which is called *aaro*. *Aaro* is commonly found in farming businesses. Members are required to work together in groups in farm fields of one another. The work to be carried out may be clearing, weeding, or harvesting of the crops. This type of self-help which is common among the agrarian peasants in the south west Nigeria is known as *aaro*. *Aaro* enables the participants to have increased economic advantages that evidently may not be available if working alone. Closely related to *aaro* is *owe* which involves communal work being carried out in projects like building or farming. Friends, relatives, and neighbors work together in assisting one another in his work or task. The significant difference between *aaro* and *owe* is that unlike *aaro*, *owe* is not necessarily repayable. A beneficiary or recipient of *owe* is not bound to reciprocate the assistance rendered to him (Sofola, 1995).

However, notwithstanding the indigenous self- programmes being used to tackle poverty and to improve the relative economic standards of people, there are now modern self-help micro financial institutions that cater for the poor in the society. Some of these financial institutions is cooperative society.

A cooperative society is a business organization in which members pool their resources together with a view to making profit for themselves so as to improve their economic standard (Uzonwanne, 2015). It is an organization of people with collective responsibilities and thoughts for the development of the needy, especially the under-privileged (Kumari, Wankhede&Gena, 2015). A cooperative society is an organization often controlled by members, workers, producers or other less economically endowed members of the society for themselves in order to surmount the hurdles often associated with dealing with business ventures (Mwangi, 2015).

Due to the bottlenecks that are available in the formation of corporate business legal entities, cooperative societies are however easily formed. In the formation of cooperative societies, the requirements needed to be fulfilled like huge capital, participation or involvement of experienced shareholders before a business is given corporate approval to become a limited liability are not required. There is no fixed amount required as capital.

The management functions of cooperative societies are initially carried out by foundation members as there is no specific laws that stipulates the qualification of the management. As cooperative societies are created as micro financial institutions to create wealth and reduce poverty in the land, various tiers of government especially states and federal, render supervisory and regulatory roles. Governments provide officials who check their books and accounts and periodically attend their meetings. These officials explain the main principles of cooperative to the members whenever they attend their general meetings.

Some cooperative societies had passed the level of being micro financial institutions as they engage in many major business ventures like manufacturing, trading, railway transport and agro allied business (Jordi, Miguel &Lluís; 2006; Odhiambo, 2012; Tumwine, Mbabazi, & Jaya, 2015). Attaining that status of performance without losing the toga of cooperative require such societies to operate on the template of business entrepreneurship where corporate governance go a long way to improve the performance of the corporate entities.

Corporate governance is concerned with the process and structure by which the businesses and affairs of institutions are managed in order to improve the long-term shareholders' value by enhancing corporate performance and accountability. The interests of other stakeholders apart from the owners of the organization are of paramount importance in corporate governance. Larcker, Richardson and Tuna (2008) postulate that the set of mechanisms that influence decisions made by management when ownership and control are not in the hands of a single person is termed to be corporate governance.

The excesses of management in big business corporations that led to business failures coupled with the agency theory shortcomings have led to the increasing interests in corporate governance in recent time. In 2001, the bankruptcy of Enron Incorporation made the shareholders to lose $74 billion and the employees had all their pension entitlements in ruins. In Nigeria, the Cadbury financial scandals where financial statements were cooked through non-existing inventories between 2002 and 2005 adversely affected the share price of the company (Oseni&Sanni, 2016).

The code of corporate governance highlights the minimum corporate behavior and responsibilities for all the stakeholders in the organization. The composition of the board, for example, should be of a sufficient size relative to the scale and complexity of the company's operations in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings.

The need for corporate governance also arises from the potential conflict of interest among the shareholders and the management team. In agency theory, there is the notion that the agents operate the firms in line with their own interest instead of the shareholders' interests (Boshkoska, 2015).

The primary aim of establishing a business enterprise is to maximize the shareholders' wealth. The financial performance of business enterprise like returns on asset, liquidity and profitability ratios are computed to appraise the status of the company. Performance in cooperative societies can also be measured in like manner.

However, ability to collect loans as at and when required and payment of dividends (surpluses) are some of the indices some members of cooperative societies use to measure performance of cooperative societies (Churk, 2015). People join cooperative societies with the specific aims of getting loan to expand their businesses and to receive surpluses at the end of the financial year. Failure in these two objectives means failure in financial performance of the society. A society that has good financial performance will attract new members and those with poor performances may remain stagnant for many years with the same membership. Financial performances in corporate entities had not been encouraging in recent years in Nigeria due to corporate, social and political factors. The same thing is applicable to cooperative societies that are major players in the micro financial institutions sector.

With all these expectations from members of cooperative societies coupled with the recent low level financial performances in business corporate entities in Nigeria, what could be the effects of corporate governance practices on financial performance of cooperative societies in Nigeria from 2011 to 2018?This is the main issue to be discussed in this paper.The rest of the paper is divided into four sections. Conceptual framework and literature review will be in section two while research methodology is discussed in section three. Findings and discussions are in section four. Section five is on summary, conclusion and recommendation.

II. CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

Conceptual framework

Financial performance

Performance is referred to as the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. It is also the execution, accomplishment, performing an activity or process of work (Crosswell& Clark, 2011). The quality of result achieved in comparison with the standard is also referred to as performance. Performance, in corporate organisations, indicates success, conditions, and compliance.According to Donaldson and Davis (2004), the word 'Performance' is derived from the old French words of *parfornir.* and*parfournir*.

Financial performance, in general terms, refers to the process of measuring the results of a firm's policies and operations in monetary terms. Similar firms in the same industry can easily be compared in terms of profitability over a period of time through their financial performances (Chen & Lee, 2008).

The daily activities of the firm cannot be shown comprehensively at a glance in the financial statement, but the financial performance of the firm is presented when profitability and liquidity tests are carried out on the financial statements (Crosswell& Clark, 2011).This underscores the importance of financial statements analysis in financial performance (Conyon, 2006).

One of the main aims of the management of a firm is to achieve the financial objective of the firm. This can be measured by comparing the present financial improvement of the firm with that of the last period (Conyon, 2006). The measurement is through monetary terms which will show the increment or otherwise in the net worth of the business.

Tests carried out on the financial statements will enable the investors know the state of the affairs of the company which will enable them decide their future stake in the company. Key performance indicators (KPI) which are mainly based on profitability, solvency and successful business status of the company will show the financial health of the company (Chen & Lee, 2008).

Board members' compensation / remuneration

Executive compensation, in corporate world, is very controversial as remunerations differ from one organization to the other. Stakeholders, especially the shareholders, are interested in what the executives / management are getting compared to dividends being paid to them which is a measure of returns on investment. Executive compensation is an issue that most shareholders are interested in (Hermalin, &Weisbach, 2003).

A popular view on executive compensation is that recommendation of salary increment of the chief executive should not be by him or her and if a compensation consultant is hired, he or she should be retained by the board and not by the executive (Fahlenbrach, &Stulz, 2009). Therefore, the determination of executive compensation is viewed as an exclusive responsibility of the non-executive directors. The concept of executive compensation has been defined by different scholars using different approaches. Executive compensation is the total emoluments available to the strategic decision makers of public companies and other institutions in similar capacity which is used as a motivation for enhancement of desired performance level (Dermine, 2011).

On discussion and definitions of executive compensation, many scholars have contributed to it.Incentives and other compensation rewards according to Cohen (2002), are not inherently good or bad. A good incentive system can increase motivation which will lead to good performance and better productivity. Incentive should be able to produce the best in the workforce so as to produce higher profits at all levels (Brown & Marcus, 2006).

However, an incentive system in some organizations can discourage creativity and teamwork. The results expected may be far lower than what it should be. Therefore, the Security and Exchange Commission code of corporate governance requires a Governance / Remuneration committee to be established by the board and it should comprise solely of non-executive directors (SEC, 2011). In the determination of their remuneration, executive directors should not be involved. It is the board's responsibility to approve the remuneration of all executive directors including the CEO taking into consideration direct relevance of skill and experience to the company at that time.

Focus of cooperative societies

The establishment of cooperative societies always have some target members who are supposed to benefit from the services that will be rendered. Agricultural farming cooperatives, for instance, involve peasant farmers who come together to combat problems envisaged in the procurement of herbicides, fertilizers, tractor and marketing of their products (Ogbeide, 2015). Similarly, cooperative marketing involves the combination of marketing efforts of producers to gain competitive advantages which may not be possible if the products are marketed individually. The cooperative society helps producers to market their products (Anil & Singh, 2013).

The shortcomings of *esusu* and other traditional saving schemes are addressed when members have access to reasonably priced financial services. Cooperative Thrift and Credit society encourages thrift among members (Otto &Ukpere, 2011). The offshoot of savings generated is loan granted to members.

Producers' cooperative societies are formed by producers who produce goods in small quantities in their houses or at a common place (Alkali, Gwary, Umar, Mustapaha&Thlawur, 2018). They have access to raw materials, capital and tools which are provided to them by the society to produce goods which are sold for them by the society at wholesale price.

Kareem, Arigbabu, Akintaro and Badmus (2012) opined that the purpose of Consumer's cooperative society is the removal of middlemen, where foods and other household materials are purchased at whole price and these are sold to the members with a smaller margin.

Tradesmen and artisans belonging to the same profession can form cooperative societies to improve their individual businesses. Apart from providing access to loans, they also monitor members' career growth and development and offer professional advice, training and seminars.

All types of traders and artisans are members of this society. The purpose is to give loans to members at low interest to further their trade. They also benefit from loan to execute contract. They are also involved in buying goods in bulk and sharing them to members.

In places of works, workers form cooperative societies by pooling resources together to give loans to members and purchase goods in bulk to sell at affordable prices to members. They also engage in income generating activities and the profit is shared amongst members at the end of the year.

III. LITERATURE REVIEW

Cooperative societies are encouraged to invest outside for the benefits of the members who are the shareholders. Shares acquired in quoted companies can be disposed by shareholders any time they wish to do so. It is the prevailing market price that will be used to determine the amount of income accruable to the shareholders at the time of exit.

Once these shares are disposed, the rights and privileges of membership of the company are transferred by the sellers of these shares to the new shareholders (Mallin&Melis, 2010). There is capital appreciation if shares are sold more than the cost price and the shareholder's wealth is better off than the time the shares were initially purchased.

In cooperative societies, at the time of withdrawal of membership, either voluntarily or otherwise, the final entitlement is determined by the book value of savings, interest and shares less any loan that might be standing against the member (Oseni, Ogunniyi&Sanni, 2012). No consideration is given to the fixed assets and investments of the company in determining the final entitlement of the member. The remaining members would now be the owners of these assets. This method of calculating the final entitlement of exiting members is not fair and equitable as the efforts of the members towards developing the societies are not remunerated enough at the time of withdrawal. Cooperative societies should find a more equitable way of determining the entitlement of members when exiting (Oseni, Ogunniyi&Sanni, 2012). They argue further that if there is a high withdrawal rate in a society that has large fixed assets and these members are paid off, it is only the remaining members who will be entitled to the assets of the society in which the exiting members had contributed to. Members who had just joined the society may be the ones reaping the fruits of the labour of the exiting members who might have stayed long as members. They further recommended in their study that investment in fixed assets by employee-based cooperatives societies should be discouraged and they should only concentrate on savings, loans and purchases of consumer goods.

This argument was supported by Hafizah, Mahazril 'Aini, Hussin and Siti (2016) that a model for cooperative performance should be based on its intangible assets. In their study conducted on performance of cooperatives in Malaysia, there are positive relationships between structural capital and performance in cooperative societies while human capital has negative relationship with performance.

In corporate entities, actions of the executives have to be monitored by regulatory bodies. This would be of benefit to all stakeholders (Aganga, 2014). It is essential to have a separate management which is different from ownership. The management reports to the owners after the end of the accounting year by presenting qualitative and quantitative reports known as financial statements (Noori, Turabi&Ajdar, 2017). However, in cooperative society, this separation of ownership and management is not clearly spelt out (Babalola, 2014). The owners are free to participate in the management. This is far from the spirit and principles of corporate governance. The element of democracy which is practiced in cooperative society by having one vote whatever the number of shares held is not in consonance with the element of corporate governance where shareholders vote according to the number of shares held. Board appointment is made in corporate companies taking into consideration experience of the shareholders and non-shareholders can be appointed to the board. There is limitation to board appointment in cooperative societies. Only members of the society are qualified and appointed to the committee of the society. A specific limit to the tenure of a chief executive officer is stipulated in some companies, but there is no limit to the duration of being a member of the committee of a cooperative society.

All the above instances need to be streamlined to the elements of corporate governance by cooperative societies so as to extend the maximum benefit to the members.

One of the distinctive features of cooperative society is that it combines both the toga of the suppliers and the customers. In consumer cooperatives, the bulk of the customers are the members. In thrift and saving societies, members provide savings and these savings are given to the members as loans. The committee considers those to be given loans and on what terms these loans are to be repaid. There is a need to be a balance between the providers of these loans and the receivers of the loans. This then results to net savers and net borrowers' syndrome. According to Dopico and Rogers (2017), net borrowers being non-cooperative members could lead to lower loan approval rates, higher loan interest rates, and perhaps also higher interest rates on deposits for pre-existing credit union members. It was further argued that if non-financial cooperatives become large net borrowers at individual credit unions, they could have disparate effects across credit unions and subgroups of existing credit union members. The net borrowers should not be in control of resources available to the detriment of the net savers.

In a study carried out by Nwankwo, Ogbodo, &Ewuim (2016) on how age and size of a cooperative society can affect the financial performance, it was found out that age and size of cooperative societies are positively related to their financial performances. The main research instrument was the questionnaire. Descriptive statistics such as means, tables, frequency count etc., were extensively used while inferential statistics like correlation and regression analyses were used to test formulated hypotheses.

A study in financial performance of cooperative societies was conducted by Rebelo, Leal and Teixeira (2017) with the title of Management and Financial performance ofAgricultural cooperatives: A case of PortugueseOlive oil Cooperatives. The methodology used was financial assessment and the application of a multi-criteria approach (PROMETHEE II). The findings show that the existence of professional management does not lead to better financial performance. This result reinforces the belief that cooperatives that are structured differently have different and conflicting stakeholder interests. The primary objective of cooperative society is the economic development of the owners who are shareholders.

Dzingai and Fakoya (2017) used panel data analysis to find effect of corporate governance structure on the financial performance of listed mining firms in South Africa. The work, tilted Effect of Corporate Governance Structure on the Financial Performance of Johannesburg Stock Exchange (JSE)-Listed Mining Firms, finds weak negative correlation between ROE and board size, and a weak, but positive, correlation between ROE and board independence. Furthermore, a positive, but weak, correlation between ROE and sales growth was established. There was a negative and weak relationship between ROE and firm size.

Sathyamoorthi, Baliyan, Dzimiri and Wally-Dima (2017) in their work titled The Impact of Corporate Governance on Financial Performance: The Case of Listed Companies in the Consumer Services Sector in Botswana, made use of Return on Assets as the dependent variable to measure profitability and Board size, gender diversity, male-female representation in the board, composition of executive and non-executive directorship, number of sub-committees and frequency of board meetings as independent variables. The findings indicated significant positive relationships between board size and the number of male board members and between board size and the number of non-executive directors. There were also significant positive relationships between the number of non-executive members and the number of male board members. Negative significant relationships were identified between male board representation and female board representation and between the number of executives and gender diversity. Return on assets, which measured the performance of the selected companies showed a strong negative relationship with number of sub-committees.

IV. RESEARCH METHODOLOGY

Data Structure and Technique of Analysis

This study focused on the South West geopolitical zone of Nigeria. The area covers Lagos, Ogun, Oyo, Osun, Ondo and Ekiti States. The reason for this choice was because cooperative activities in Nigeria started from Oyo state.

In research, according to Castillo (2009), population is being referred to as a large collection of individuals or objects having common characteristics. The population of this study consists all the forty six thousand two hundred and ninety six (46,296) registered cooperative societies in the South West geo-political zone. The population according to the states were as follows:

Lagos -15,989, Oyo – 11,962, Ogun - 8,045, Osun - 4,687, Ekiti - 3,005 and Ondo - 2,608.

From these, the sample size considered was 0.5% of the population of each state.

Therefore, 80, 60, 40, 23, 15 and 13 societies making a total of 231 societies were the sample sizes from Lagos, Ogun, Oyo, Osun, Ondo and Ekiti States respectively.

Data collection sheet which was used to collect data sourced from the audited financial statements of the cooperative societies for the entire research period was the second research instrument.

Model Specification

The researcher carried out a study on the impact of corporate governance variables (independent variables) on the financial performance (dependent variable) of cooperative society. The following formulated equations were used for the study.

$ROCE_{it} = \beta_0 + \beta_1 BSC_{it} + \beta_2 OS_{it} + \beta_3 ERM_{it} + \beta_4 EC_{it} + \beta_5 AS_{it} + \beta_6 SS_{it} + \varepsilon_{it}$ ………..…..... (i)

$EPS_{it} = \lambda_0 + \lambda_1 BSC_{it} + \lambda_2 OS_{it} + \lambda_3 ERM_{it} + \lambda_4 EC_{it} + \lambda_5 AS_{it} + \lambda_6 SS_{it} + \varepsilon_{it}$……..……...…. (ii)

Apriori expectation is that $\beta_1 \ldots \beta_6 > 0$

Where:

$_i$ is number of entities and $_t$ is number of years

ROCE = Return on capital employed

EPS = Earnings per share

BSC = Board structure and composition

OS = Ownership structure

ERM = Enterprise risk management

EC = Executive compensation

AS = Age of the society

SS = Size of the society

V. FINDINGS AND DISCUSSIONS

The study analyzed the trend of financial performance in cooperative societies for a period of eight years. To achieve this, the study computed an arithmetic mean for the eight years using the earnings per share for each state. The full sample was also split into six states considered.

The results of the trend analysis for the earnings per share on yearly basis revealed that there was a significant increase between 2011 and 2012 and a significant fall occurred from 2012 to 2014. There was another sharp rise between 2014 and 2015 and that increase was maintained between 2015 and 2016 while a significant fall was also experienced between 2016 through 2018 as presented in figure 4.1. The fall in earning per share between 2012 and 2013 may be due to the cooperative society's reform that took place in the year 2010 and the reforms that took place in the financial market in that year. Whatever crises that affect the financial market will automatically have ripple effect on other sectors of the economy, whether listed or non-listed. The rise in those years following the fall might be due to the positive macroeconomic policies introduced by the government.

In like manner, it can be observed from the trend analysis for earnings per share for the six states in figure 4.2, Lagos State had the highest performance in terms of earnings per share during the period under consideration while Ekiti State recorded the lowest financial performance in form of earnings per share. Also, it was observed that only Lagos and Ogun states had earning per share above 5% indicating that cooperative societies have not been performing reasonable well in other states.

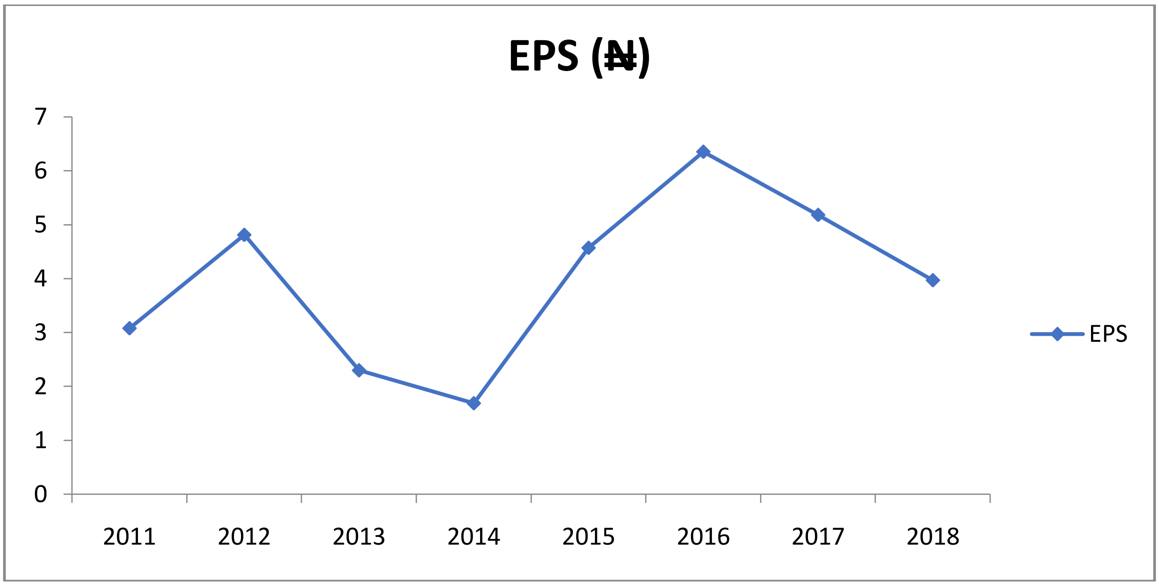

Figure 4.1: Trend analysis results for earnings per share

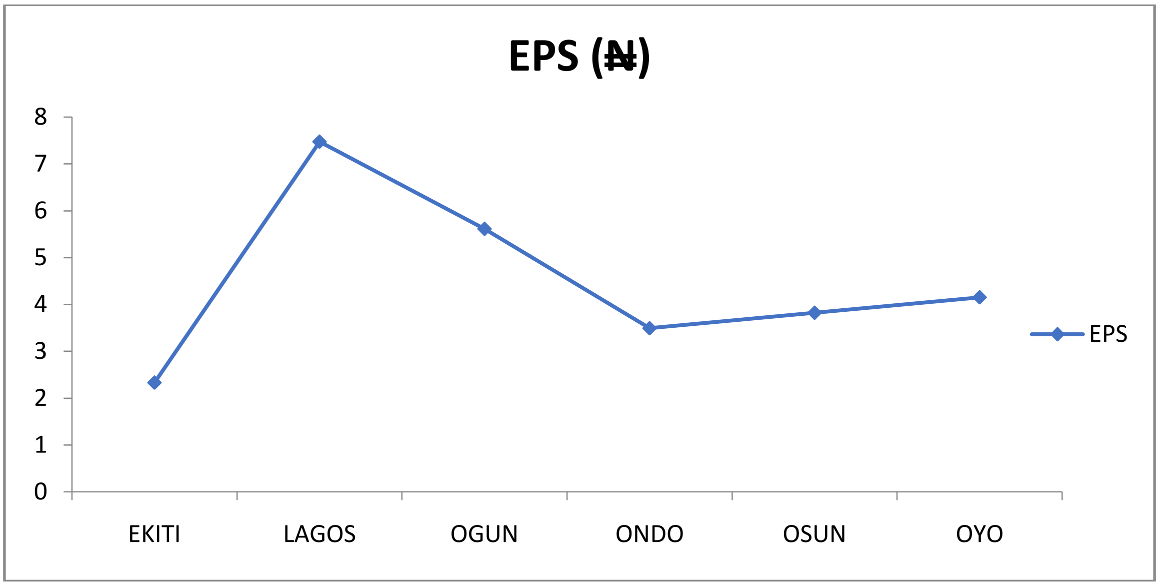

Figure 4.2: Trend analysis results for earnings per share on state basis

The result for return on capital employed using trend analysis for cooperative societies for the eight years under consideration revealed serious fluctuations. The best performance occurred in 2017 when return on capital employed were about 40% while the lowest financial performance occurred in 2012 when return on capital employed was about 8%. From 2013 to 2016, return on capital steadily increased. The reduction in financial performance in 2012 may not be unconnected with the restructuring in the national economy due to transition from local to global standard (IFRS). The increase in the succeeding year may be an indication that the national economy experienced stability not long after the reform. Details of these results can be found in Figure 4.3.

Furthermore, the results for trend analysis for return on capital employed in figure 4.4 for the six states considered in this study were not significantly different from that of earnings per share. Lagos state maintained the lead in financial performance while cooperative societies in Oyo State reported the lowest return on capital employed of about 13%. Another significant difference observed in this result was that Ondo State performed next to Lagos State. By and large, the result can be considered satisfactory since none of the societies reported return on capital employed below the acceptable rate of 5% for this category of business.

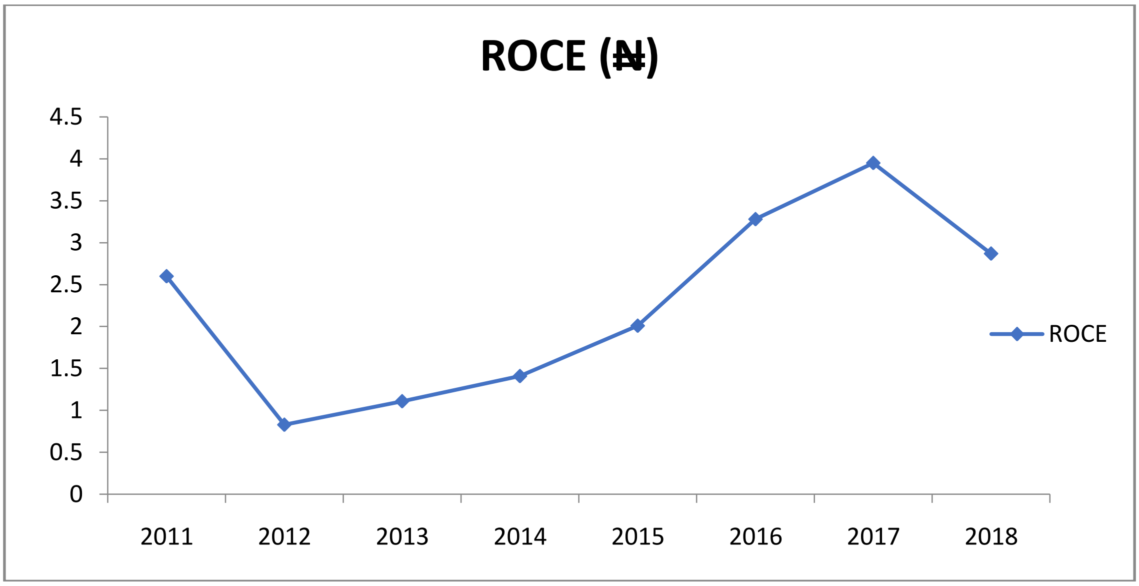

Figure 4.3: Trend analysis results for return on capital employed

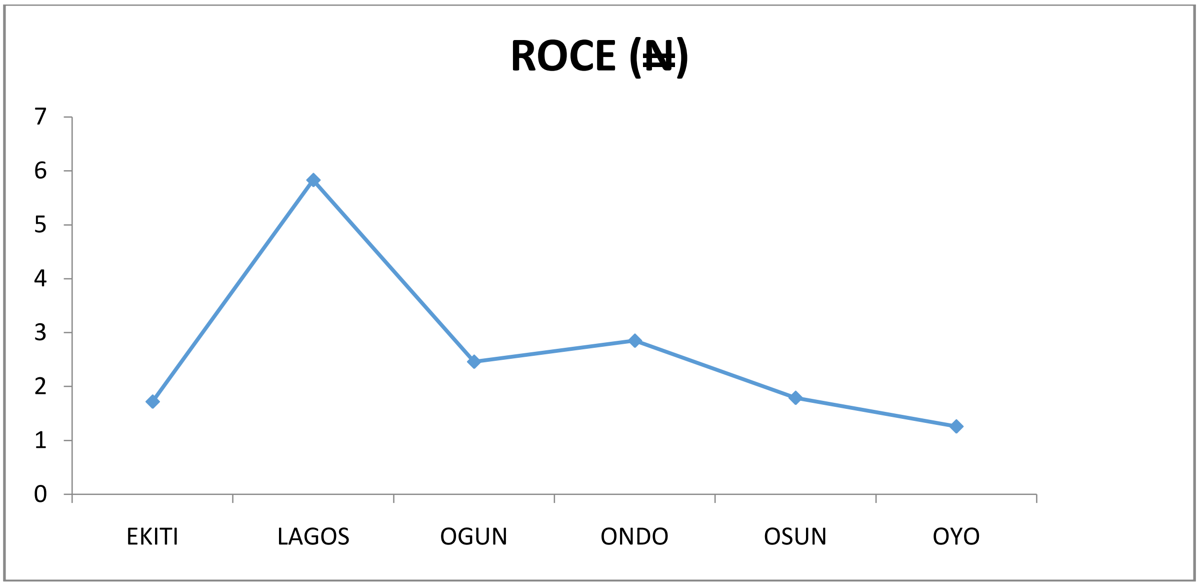

Figure 4.4: Trend analysis results for return on capital employed on state basis

Table 4.1 Summary statistics for all the variables

Variables	Mean	Median	Mode	Std. Dev	Min	Max	No of Obs.
Board Structure and composition	10.59	11.00	13.00	1.25	7.00	18.0	1848
Ownership Structure	18.25	18.75	10.38	1.81	9.31	35.00	1848
Enterprise Risk Management	2.65	2.00	2.00	0.05	2.00	3.00	1848
Executive Compensation	19.75	18.22	15.50	1.22	14.80	25.05	1848
Society Age	21.00	23.00	18.00	2.49	8.00	32.00	1848
Society Size	133.14	127.26	163.21	1.47	97.25	432.16	1848
Return on Capital Employed	0.78	0.72	0.63	0.32	0.15	1.59	1848
Earnings per Share	0.059	0.498	0.059	0.032	0.023	2.64	1848

The descriptive statistics results for the two dependent variables (earnings per share and return on capital employed) were also presented in Table 4.1. In Table 4.1, the mean figure for the return on capital

employed was 0.078 which implies that an average cooperative society in Nigeria have relatively low return on capital employed of about 8%. If return on capital employed is a ratio of profit to equity that reveals how a company has utilised its capital, it means that management did not use the society capital efficiently to generate enough profit for their members. The maximum figure was about 15%, the modal class was 6%, indicating that majority of the cooperative societies reported returns on capital employed of about 6% which is lower than the range of 10% - 20% recommended for the non-listed institutions (Oyerogba*et al*, 2017).
The percentage of profit allocated to executive members in form of compensation was very high. On the average, about 20% of the profit was spent on executive compensation while some societies went ahead to spend as much as 25.05% of the profit on executive compensation. From the results of the board structure presented earlier, the size of the board ranges from 7 to 18 whereas society size ranges from 94 to 288. It therefore implies that using the two upper boundaries, about 18 people were rewarded with about 25% of the profit while about 75% of the profit was distributed to about 288 members as return on their investment.

VI. SUMMARY, CONCLUSION AND RECOMMENDATION

The study focused on the effects of corporate governance practices on financial performance of cooperative societies using a sample of 231 cooperative societies for a period of eight years from 2011-2018. The study considered board structure, executive compensation, ownership structure, and risk management practices as corporate governance mechanisms while return on capital employed and earnings per share were taken as financial performance indicators. Data were obtained from the books and annual reports and accounts of the selected cooperative societies.

Inferential statistics results revealed significant relationships between the corporate governance mechanisms and financial performance variables. Higher return on capital employed was associated with increase in board structure, ownership structure and risk management practices. Although, most recent studies emphasize the cost of maintaining large board as the peril of having larger board but that does not undermine the role of larger board towards the growth of any organization

Findings from the descriptive statistics indicated that corporate governance practices in the cooperative societies were not strong in comparison to the practice in the listed companies in Nigeria. It was also discovered that the maximum figure for return on capital employed was about 15%, while the modal class was 6%, indicating that majority of the cooperative societies reported a return on capital employed of about 6% which is lower than the range of 10% - 20% recommended for the non-listed institutions.

The board of directors or committee members of cooperative societies should endeavor to install reasonable risk management practices. They should be aware of the society's annual risk limit and risk strategy to curb excessive risk taking by the management.

Executive compensation in form of honoraria is on the high side as the findings of the study revealed that less than 10% received 25% of the profit while 90% are left with the balance.

The study was carried out on the application of corporate governance on non-listed entities in which cooperative society is a major player. Other non-listed entities may not have the same results like the cooperative societies. The audited financial statements of these cooperative societies were not readily available like public companies where financial statements are published. It required moral persuasion and assuring members of these societies that information collected are only to be used for academic research purposes before data could be collected.

This study has contributed to the frontier of knowledge in exploring the application of corporate governance in non-listed entities. Hitherto, the belief is that the tenets of corporate governance are applicable only to public companies. By this study, literature on corporate governance as applicable to non-listed companies, especially cooperative societies has increased. For lack of monitoring these non-listed entities about their compliance with the elements of corporate governance, many of them are far from the threshold of the elements of corporate governance.

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