BOARD CHARACTERISTICS AND FIRM SHARE VALUATION: EVIDENCE FROM LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA

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Abstract

There are numerous empirical studies on corporate governance and firms' performance. However few studies have been conducted on impact of corporate governance (Board Characteristics in specific) on firm's shares valuation. This paper, therefore, looks into the impact of board characteristics on valuation of share prices of listed industrial goods firms in Nigeria. The paper used a sample of ten (10) out of 14 listed firms in the industrial goods sector with secondary data collected for six years period (2014 – 2019) which gives us 60 firms - year observations. Multiple regression model was used along side with descriptive statistics such mean and correlation statistics run using Stata software. Based on the data collected, analyzed and interpreted, the study concludes that board size plays vital roles on shares valuation. In view of these, the study recommends, among others, that the management of industrial goods firms in Nigeria should adhere strictly to the laid down rules in constituting board of directors with sufficient members relative to the firm's size

Keywords: corporate governance, board characteristics, shares valuation, industrial goods firms, earnings per share and book value per share

INTRODUCTION

Corporate governance researches have received enormous attention from various researchers in relation to financial performance of firms in Nigeria and abroad. Most of these studies tend to relate some of the governance mechanisms to one or more proxies of firm's performance (under profitability) - Returns on Asset (ROA), Returns on Equity (ROE), Returns on Capital Employed (ROCE) and Returns on Investment (ROI). While other researchers studied the ability of accounting information to be reflected in stock values otherwise called Shares valuation. This is because the primary aim of financial statement is provision of information for investment decision making. This information must satisfy

the basic characteristics of relevance, reliability, understandability, comparability and accuracy as contained in the Generally Accepted Accounting Practice (GAAP). The existence of these characteristics gives prospective investors reliability to decide on their new investment while existing investors take decision on sustaining or withdrawing their investment. But if this information is misleading, investors may take decisions ignorantly at their expense which may lead to litigation against the affected firm.

Recent studies focused on effects on corporate governance on Shares valuation. Some of these studies have categorized it into three different dimensions – structure, expertise and meeting (Rani, 2011). Structure dimension includes audit committee size, board size and audit quality; expertise dimension represents audit committee financial literacy, audit committee independence and board independence; while meeting dimension captures audit committee meetings and board meetings. Since corporate governance codes are released to serve as a key driver of corporate accountability and business prosperity, it is expected that well established corporate governance should have positive impact on Shares valuation. But studies conducted on the dimensions and levels of association between these variables show conflicting results. This is partly due to the nature of the economy or country studied because different countries have distinct corporate governance codes and the levels of compliance to the codes as well as constant regulations by relevant bodies differ from country to country.

CGC released shows that board of directors is central in corporate governance and the highest governing body in the company. According to FRCN (2018), "the effective discharge of responsibilities of board and its committee is assured by an appropriate balance of skills and diversity (including experience and gender) without compromising competence, independence and integrity". The code did not specify the minimum or maximum size of the board but emphasize that the board should be of sufficient size relative to the firm size so as to effectively undertake and fulfill its business. In addition, the board should have majority non executive directors (NEDs) most of which should be independent. This research work is motivated by a publication of the Nigerian Stock Exchange (NSE) on "Corporate Governance: Ideas and change in the Nigerian Capital Market" (Onyema, 2014). The paper observed that many of the companies listed in sub Saharan Africa were a byword for scandal and corruption. And that listed companies are not reporting their financials, countless dealing members contravening the rules, there were minimum protection for investors and no verifiable governance structure at the Exchange. In an attempt to solve the above problems, the NSE created a portal in which

all listed firms are mandated to upload their published financial statements. On the 3rd May, 2019 the NSE published what it called an X-compliance report which its transparency initiatives to maintain market integrity and protect investors by providing compliance related information on all listed companies (NSE, 2019). The report shows that only two firms from Industrial goods sector, that is, Austin Laz and Company Plc and Dangote cement Plc uploaded their financial statements as at that date; the report also contains a number of firms sanctioned for default filings of financial statements and related disclosure violations.

These issues, therefore, raise the questions of role of board of directors as it affects the market valuation of the firms. The research uses two proxies for board of directors - board size and board independence as independent variables in addition to basic earnings per share and book value per share. While share price is used as dependent variable based on the model adopted. The main objective of the research is to evaluate the impact of board's characteristics on Shares valuation with particular emphasis on listed industrial good firms in Nigeria. Specifically, the paper seeks to assess the impact of board size, board independence on Shares valuation of listed industrial goods firms in Nigeria. Hence, the research hypothesizes are as follows:

H_{01}: Board size has no significant effect on Share price of listed Industrial Goods firms in Nigeria.

H_{02}: Board independence has no significant effect on Share price of listed Industrial Goods firms in Nigeria.

LITERATURE REVIEW

Holtz and Neto (2010) looked at the effect of board characteristics on the shares valuation in Brazil. The study found that the characteristics of board independence and separation of the roles of chairman and executive director positively influence the shares valuation reported, especially regarding the values of equity. Similar study was conducted by Alkdai and Hanefah (2012) with particular reference to Malaysian shariah-compliant companies. The findings indicated that board size is not an important factor to affect the Shares valuation because of their negative and non significant relationship and there was a positive and insignificant relationship between board independence and Shares valuation.

The research conducted by Whelan (2007) focused on the Quality of corporate governance from listed firms in Australia. The study established that good corporate governance practices enhance the Quality of earnings but reduce the Quality of book value of equity. But the study uses Ordinary Least Square

(OLS) instead of the Generalized Least Square (GLS) because of the panel effect of firms under study. In a related research, Almari (2007) focused on Jordanian firms. The study also found a positive influence of corporate governance mechanisms on Shares valuation for the entire firms in the bank sector. Another related study was conducted by Mungly, Babajee, Maraye, Seetah and Ramdhany (2016) on listed companies in Mauritius. The study established that both earnings per share and net asset values are significant to share price; and that, firms with smaller board size and more independent directors have high preference to others.

Omokhadu and Amake (2018) studied the effect of corporate governance on value relevance of accounting information evidence from Nigeria. The study used a sample of 45 listed firms over 8 years (2008 – 2015). The results showed that accounting information is value relevant on the Nigerian market; and that corporate governance practices do not lead to noticeable increase in the Shares valuation. The problem with this study is that two variables – dividend per share and cash flow from operation – were not specified in the model but used in the analysis and it failed to capture panel effect of the studied firms. Musa and Masoyi (2018) studied the effect of board size on Shares valuation of listed consumer goods firms in Nigeria using a sample of ten firms. The study used Generalized Least Square and found that board size has significant effect on value relevance of accounting information. But the study failed to capture board independence which is a significant variable. Also, the researchers did not test for normality of the data used.

The theoretical framework underpinning this study is the implicit hypothesis of capital market efficiency (Dung, 2010); otherwise called the Efficient Market Hypothesis (EMH). EMH refers to a market where there are reasonable number of rational investors and profit maximizers competing actively with each other. Each party tries to predict future market values of individual securities. The market is also characterized by availability of current information to all participants. In an efficient market, competition among the many intelligent participants leads to a situation where, at any point in time, actual prices of individual securities already reflect the effects of information both on events that have already occurred and on events which, as of now, the market expects to take place in the future. In other words, in an efficient market at any point in time the actual price of a security will be a good estimate of its intrinsic value. (Fama, 1970) identified three distinct levels (or 'strengths') at which a market might actually be efficient - Strong-form EMH, Semi-strong-form EMH and Weak-form EMH. Since the Nigerian capital market is efficient in its weak form (Markjackson & Omie, 2018), the study adopted the semi strong form of EMF

using valuation model developed by Ohlson (1995) to examine the value-relevance of earnings and book value of equity (Mungly, et al, 2016; Balagobei, 2017; Almari, 2017; and Musa & Masoyi, 2018).

METHODOLOGY

Correlation research design is used in the study because it is purely quantitative in nature. This research design assists in establishing a relationship among the variables as well as impact of the independent variables on the dependent variable of the study.

The research population of this study covers all the 14 Industrial Goods firms listed on the Nigerian Stock Exchange as from 1st of January 2014 and were not delisted as at 31st December, 2019. Ten (10) firms meet this criterion representing approximately 71% of the total population.

The study employed the use of data from secondary source collected from published financial statements of the sampled firms for the independent variables and the list of daily stock prices found in cash craft website for the dependent variable. Panel data includes ten Industrial Goods firms for the 6 years period (2014 to 2019), giving a total of 60 firms - year observations. Ohlson (1995) model was adopted based on the theoretical framework of the study which depicts that a firm's share price is a function of both earning and book value of equity. Four expanded equations were used to test the effect of board characteristics as independent variables on share price as the dependent variable. The models are specified as follows:

Ohlson (1995) Model

$$Shrpr_{it} = \beta_0 + \beta_1 Earps_{it} + \beta_2 Bkvps_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots \quad (1)$$

Where:

$Shrpr_{it}$ = Share price of firm i at time t

$Earps_{it}$ = Basic earnings after tax per share of firm i at time t

$Bkvps_{it}$ = Book value per share of firm i at time t

β_0 = Constant or intercept.

β_1 = Coefficients of explanatory variables

ε_{it} = Error term

The selected corporate governance mechanisms are included in model 1 above – Board size (Bsize), Board Independence (Boind). This gives model 2 as follows:

$$Shrpr_{it} = \beta_0 + \beta_1 Earps_{it} + \beta_2 Bkvps_{it} + \beta_3 Bsize_{it} + \beta_4 Boind_{it} + \varepsilon_{it} \ldots\ldots \quad (2)$$

Two control variables are used because of the variability of the firms under study - Firm Size (Size) and Leverage (Lev). When these are added, the resultant model becomes:

$$Shrpr_{it} = \beta_0 + \beta_1 Earps_{it} + \beta_2 Bkvps_{it} + \beta_3 Bsize_{it} + \beta_4 Boind_{it} + \beta_5 Size_{it} + \beta_6 Lev_{it} + \varepsilon_{it} \dots (3)$$

Where:
Bsize = Size or number of directors in the board
Boind = Board independence
Size = Firm size
Lev = Leverage

In order to determine the impact of board characteristics on Shares valuation, some interaction variables were used. Each of the board characteristics are weighted by the accounting information - Earps and Bkvps and added to the equation (Habib & Azim, 2008; Rani, 2011; Alkdai & Hanefah, 2012). This gives equation 4 below:

$$Shrpr_{it} = \beta_0 + \beta_1 Earps_{it} + \beta_2 Bkvps_{it} + \beta_3 Bsize_{it} + \beta_4 Boind_{it} + \beta_5 Size_{it} + \beta_6 Lev_{it} + \beta_7 Earps*Bsize_{it} + \beta_8 Earps*Boind_{it} + \beta_9 Earps*Size_{it} + \beta_{10} Earps_{it}*Lev_{it} + \beta_{11} Bkvps*Bsize_{it} + \beta_{12} Bkvps*Boind_{it} + \beta_{13} Bkvps*Size_{it} + \beta_{14} Bkvps_{it}*Lev_{it} + \varepsilon_{it} .. (4)$$

Share price (in naira) used in the study were price displayed three months after financial year end of the firm. Where there were no dealings on that day, a day or two before or after is taken into consideration. Earnings per share (in kobo) is measured as the ratio of profit after tax to the nominal value of ordinary share issued and paid. Book value per share (in kobo) is computed as the ratio of shareholders' fund to the nominal value of ordinary share issued and paid. Board size is the number of directors that constitute the board while board independence is the ratio of number of independent directors to the total board size. Size is measured by the natural logarithm of Total assets of the firm, while leverage is measured as the ratio of total liabilities to total assets, which is financial leverage.

RESULTS AND DISCUSSIONS
This section begins with data presentation regarding the dependent and independent variables. A cognate discussion begins with summary of the descriptive statistics on dependent variable and independent variables with minimum value, maximum value, mean and standard deviation. This is

followed by correlation matrix depicting the relative correlation between the dependent variable and the independent variables; and the correlation (if any) among the independent variables. Finally, the summary of the regression results computed using Stata is presented after taking into consideration various robustness tests to ensure accuracy of results presented and analyzed.

Descriptive Statistics and Normality test

The sample descriptive statistic is first presented in Table 4.1 where mean, standard deviation, minimum and maximum, of the data for the variables used in the study are described

Table 4.1: Results for descriptive statistics

Variable	Mean	Std. Dev.	Min	Max	Joint Skewness/ Kurtosis		N
					Adj Chi 2(2)	Pro Chi 2(2)	
SHRPR	28.335	59.97334	0	260.00	35.47	0.0000	60
EARPS	266.791	532.475	-58.25	2825.36	39.79	0.0000	60
BKVPS	1335.741	2253.457	-106.28	11252.86	31.96	0.0000	60
BSIZE	7.917	2.309	5	15	12.60	0.0018	60
BOIND	.064	.0894	0	0.33	14.76	0.0006	60
SIZE	6.884	.957	5.42	9.24	9.50	0.0087	60
LEV	.549	.716	0.02	5.53	73.47	0.0000	60

Source: Stata Output, 2020

Table 4.1 reports the summary of two accounting variables (earnings per share and book value per share) and share prices; board size, board independence, firm size and leverage of the entire panel of 10 firms over 6 years. The average share price is ₦28.34 with standard deviation of approximately ₦60. This means that the share price deviates from mean to both sides by ₦60. This indicates that there is high dispersion from the mean value of share recorded within the period of our study. The minimum share price recorded within the study period is ₦0, indicating that some firms do not have trading result on the NSE as at the date reported by the study while the maximum share price is ₦260.00 by Dangote Cement Nig plc in 2017 .

From the table, the overall average of earnings per share is 257 kobo with standard deviation of approximately 533 kobo. This also reveals high dispersion of earnings per share among the studied companies. The minimum earnings per share is -58.25 kobo because some firms recorded loss in some years within the period of study while highest earnings per share for the period is 2825 kobo by

Dangote Cement Nig PLC in 2018. The overall mean of book value per share is 1336 kobo with approximate standard deviation of 2254 kobo. This means that book value per share deviates from its mean value to both sides by only 2254 kobo. The minimum book value per share recorded during the period is -105.28 kobo because some firms recorded negative shareholders' fund within the period of study while the maximum is 11252.86 kobo by Cement Company of Northern Nigeria PLC in 2017. On the other hand, the average board of directors' size is 8 directors while the minimum and maximum are 5 directors and 15 directors respectively. This implies the studied companies vary in size because of high dispersion between the two values. The code of corporate governance specifies that the board should be of a sufficient size to effectively undertake and fulfill its business (FRCN, 2019).

The mean board independence is 0.06, with minimum and maximum values at 0 and 0.33 respectively. The size of the firms has a mean value of 6.9 and standard deviation of 1.0, with minimum value of 5.42 and maximum value of 9.24. Lastly, leverage recorded mean and standard deviation values at 0.55 and 0.72 respectively and the minimum and maximum values at 0.02 and 5.53 respectively.

It can also be seen from table 4.1 that all the study variables are not normally distributed because the joint chi square statistics of skewness and kurtosis tests show that the data are positively skewed to the right and statistically significant (Gujarati & Porter, 2009). This non normality of the data is also confirmed by the Shapiro-Wilk W test for normal data as displayed in table 4.2.

Table 4.2: Results of Normality test using Shapiro-Wilk W test for normal data

Variable	Obs	W	V	Z	Prob
SHRPR	60	0.55256	24.322	6.879	0.00000
EARPS	60	0.59533	21.997	6.662	0.00000
BKVPS	60	0.62560	20.351	6.495	0.00000
BSIZE	60	0.91681	4.522	3.252	0.00057
BOIND	60	0.86547	7.313	4.289	0.00001
SIZE	60	0.88511	6.245	3.948	0.00004
LEV	60	0.44188	30.338	7.355	0.00000

Source: Stata Output, 2020

Table 4.2 above shows results of normality test using Shapiro-Wilk W test for normal data. The probability of all the variables is less than 1%. This implies that all variables of the study are not normally distributed.

Heteroscedasticity test is conducted to check whether the variability of error terms is constant or not. The present of heteroscedasticity signifies that the variation of the residuals or term error is not constant which would affect inferences in respect of beta coefficient, coefficient of determination (R^2) and F statistics of the study. The result of the test reveals that there is presence of heteroscedasticity because the probability of the chi square is less than 5% This result provided enough evidence to reject the hypothesis that the data are not heterocesdastic, hence the Ordinary Least Square (OLS) model for our hypotheses testing. Since it is established that there is evidence of heteroscedasticity problem in the model, it is imperative to take further corrective technique to solve the problem. Hausman test is performed to choose between fixed and random effect models. The null hypothesis is that random effects model is not biased. From the results shown in table 4.3, the Probability (P) value is not significant (> 0.05). Therefore, we fail to reject the null hypothesis which states that random effects is not biased implying that RE is more efficient than FE. But the result of Lagrangian Multiplier (LM) test for random effect shows a chi square value which is not significant at all implying that OLS is more robust than RE, hence it is used in our final analysis (Table 4.5).

Table 4.3   Results for Heterocesdasticity and Hausman Specification Tests

Tests Statistics	chi2 Value	Probability of Chi2
Heterocesdasticity Test	26.24	0.0000
Hausman Specification Test	19.25	0.0860

Source: Stata Output, 2020

Correlation Matrix

In order to detect the presence of auto correlation among the independent variables of the study, correlation matrix is presented on Table 4.4

Table 4.4: Results for Correlation Matrix

Variable	SHRPR	EARPS	BKVPS	BSIZE	BOIND	SIZE	LEV
SHRPR	1.0000						
EARPS	0.5394*	1.0000					
BKVPS	0.4943*	0.8351*	1.0000				
BSIZE	0.5874*	0.4239*	0.4681*	1.0000			
BOIND	0.3879*	0.7564*	0.7833*	0.5946*	1.0000		
SIZE	0.5394*	0.8175*	0.8597*	0.4637*	0.7350*	1.0000	

LEV			-0.2440		1.0000

Source: Stata Output, 2020

Note: * indicates that correlation is significant at 1 percent or 5 percent

Table 4.4 contains results of Spearman Rank Correlation (SRC) values between dependent and independent variables as well as between independent variables themselves. The SRC is used because our data do not satisfy the normality distribution as shown in tables 4.1 and 4.2. This aids in buttressing our analysis when it comes to interpreting the final regression results. Table 4.4 depicts that the correlation between dependent variable and the independent variables are very high. The correlation coefficients range from 39% to 59%. All the correlations are statistically significant at 1%. But leverage is not correlated to the dependent variable at all. The highest positive correlation of 84% is between earnings per share and book value per share which is also significant at 1%. This may not be unconnected with the fact that both variables have the same surrogates, which is nominal value of ordinary shares issued and paid. This is followed by a positive correlation of 76% between earnings per share. These correlation results imply that there is present of autocorrelation among the studied variables. This is corrected in the study before final results are analyzed.

Regression Results

This section presents the regression results of the dependent variable and the independent variables of the study. It followed with analysis of the association between dependent variable and each independent variable individually and cumulatively. Four models were specified in the study, but the final model is used in the analysis and interpretation. Regression results of the four equations are summarized in tables 4.5 and 4.6 below

Table 4.5:Regression result of relationship between Shares valuation (Dependent Variable)

Variables	Equation 1			Equation 2		
	Coefficient	T – Value	Sig.	Coefficient	T – Value	Sig.
EARPS	.1083425	9.71	0.000	.1043895	7.60	0.000
BKVPS	-.0034887	-1.32	0.191	-.0033069	-1.19	0.238
BSIZE				3.623163	1.34	0.186
BOIND				-69.67873	-0.88	0.385
Constant	4.089749	0.90	0.374	-31.57909	-0.48	0.630
R^2	0.7538			0.7633		

Adj R²	0.7452	0.7365
F Stat	97.27	28.49
F – Sig	0.0000	0.0000

Source: Author's Computation 2020 using Stata

Based on the R-squared values in tables (4.5) and (4.6) above, which represent the explanatory power of the models' fitness, it can be seen that the highest R-square is 93% in equation (4), which means that 93% of the variation in the dependent variable is explained by independent variables in the model. In more details, comparing the (R^2) values in the four equations indicate that the fitness of the model is improved in the fourth equation (the full model after including the interaction variables) compared to the equations (1), (2) and (3). Equations (1) and (2) give R squared of approximately 75% and 76% respectively; but the value slightly improved to 81% in equation (3) after including the control variables of size and leverage in the regression model. It can be concluded that adding the interaction variables has increased the explanatory power of the model. Looking at the individual variable, the coefficients of EARPS is positive and statistically significant at 1% in equations (1), (2) and (3). Book value per share has negative coefficients which are not statistically significant in all equation 1, 2 and 3, but the results change to negative coefficients in equations (4). This was as a result of inclusion of the interaction variables in the equation. Furthermore, the fourth equation is used for further diagnostic tests in order to correct for the autocorrelation and heteroscedasticity problems. The results is shown in table 4.7

Table 4.6:Regression result of the effect of board size on Shares valuation (Dependent Variable)

Variables	Equation 3			Equation 4		
	Coefficient	T – Value	Sig.	Coefficient	T – Value	Sig.
EARPS	.0815254	5.72	0.000	-1.041762	-0.16	0.871
BKVPS	-.0036319	-1.40	0.167	1.122826	0.62	0.537
BSIZE	5.379727	1.99	0.052	2.251437	0.97	0.338
BOIND	-199.7646	-2.38	0.021	-120.8966	-1.85	0.072
SIZE	24.54238	3.34	0.002	3.239666	0.50	0.618
LEV	10.08883	1.69	0.097	-21.55371	-1.69	0.099
EARPS*BSIZE				-.0304659	-2.41	0.021
EARPS*BOIND				-.0894421	-1.02	0.314

BKVPS*BSIZE				-.0094312	-1.71	0.095
BKVPS*BOIND				-.1954475	-1.44	0.158
EARPS*SIZE				-.0608715	-2.14	0.038
EARPS*LEV				.0670109	1.38	0.175
BKVPS*SIZE				.0392559	6.48	0.000
BKVPS*LEV				.023166	2.06	0.046
Constant	-175.0929	-2.38	0.021	-281.5577	-0.88	0.382
R^2	0.8085			0.9328		
Adj R^2	0.7784			0.8984		
F Stat	26.91			27.08		
F – Sig	0.0000			0.0000		

Source: Stata Output, 2020

Table 4.7:Regression result of the effect of board size on Shares valuation after heteroscedasticity and autocorrelation correction (Dependent Variable)

Variables	Equation 4		
	Coefficient	Z – Value	Sig.
EARPS	-1.041762	-0.46	0.643
BKVPS	1.122826	1.63	0.104
BSIZE	2.251437	1.29	0.198
BOIND	-120.8966	-1.77	0.077
SIZE	3.239666	0.57	0.571
LEV	-21.55371	-3.11	0.002
EARPS*BSIZE	-.0304659	-2.25	0.025
EARPS*BOIND	-.0894421	-0.69	0.491
BKVPS*BSIZE	-.0094312	-1.73	0.083
BKVPS*BOIND	-.1954475	-1.43	0.152
EARPS*SIZE	-.0608715	-2.14	0.032
EARPS*LEV	.0670109	2.24	0.025
BKVPS*SIZE	.0392559	4.40	0.000
BKVPS*LEV	.023166	2.18	0.029
Constant	-281.5577	-2.27	0.023
R^2	0.9328		
Wald chi2	4302.11		
Prob Wald chi2	0.0000		

Source: Stata Output, 2020

The table (4.4.3) shows the result of the fourth equation after correcting for heteroscedasticity and autocorrelation. This result is used to test the two hypotheses of the study. Regarding the effect of board size on Shares valuation of listed Industrial Goods firms in Nigeria, the findings reveal that EARPS*BSIZE has a coefficient of -0.03 which is statistically significant at 5% (P = 0.011) while BKVPS*BSIZE has a coefficient of -0.01 which is only significant at 10%. The combined effects of these interaction variables indicate that the board size is an important factor to affect the Shares valuation especially on the value of earnings per share. This implies that the higher the board size the lower the value relevant of earning and book value with 0.03 and 0.01 respectively. This result is consistent with the well known point of view in corporate governance related literature that the smaller board of directors are more effective mechanism to monitor, because of higher degree of membership coordination they have, less communication difficulties they face and lower information costs they borne. Furthermore, the study does not support the results of Hussain and Hanefah (2012) who found that board size is not an important factor to affect the Shares valuation, because of their negative non-significant relationship. The findings also contradict the results of Alkdai and Hanefah (2012) indicating that board size is not an important factor to affect the Shares valuation because of their negative and non significant relationship. But the finding is in line with the study of Musa and Masoyi (2018) which found that board size has significant effect on Shares valuation. Therefore, the results in table 4.4.3 show evidence to reject the null hypothesis one which states that board size has no significant effect on Shares valuation of listed Industrial Goods firms in Nigeria.

Hypothesis two states that board independence has no significant effect on Shares valuation of listed Industrial Goods firms in Nigeria. The results in table 4.7 shows that the coefficients of Earps*Boind and Bkvps*Boind are - 0.09 and - 0.19 respectively both of which are not significant at all. This implies that board of directors' independence has no significant impact on Shares valuation and hence, we fail to reject null hypothesis two of the study which states that board independence has no significant effect on Shares valuation of listed Industrial Goods firms in Nigeria. This finding is in line with the study Alkdai and Hanefah (2012) which revealed that there was a positive and insignificant relationship between board independence and Shares valuation. But on the other hand, the finding contradicts that of Holtz and Neto (2010) which found that the characteristics of board independence positively influences the shares valuation reported, especially regarding the values of equity.

CONCLUSION AND RECOMMENDATIONS

The study looks at the effects of board's characteristics on Shares valuation with particular reference to listed firms in the Industrial goods sector of Nigerian economy. Based on the data collected, analyzed and interpreted, the study concludes that board play vital roles on the Shares valuation. On the other hand, the numbers of independent directors that constitute the board members do not have any effect on Shares valuation of listed Industrial Goods firms in Nigeria. In view of these, the study recommends thus:

i.   The management of industrial goods firms in Nigeria should adhere strictly to the provisions of corporate governance codes in constituting board of directors with sufficient members relative to the firm's size. This will go a long way in improving the value of earnings and book value of equity.

ii.   On the issue of board independence, it is recommended that management should incorporate sufficient independent directors to facilitate transparency.

iii.   The Financial reporting council of Nigeria (FRCN) should be reviewing the CGC on yearly basis and the level of compliance by listed firms should be published as a report and uploaded on the council's website.

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