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Corporate Governance Structure and Institutional Investment: Evidence from a Developing Country

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Abstract

In recent times, the corporate governance structure debate has tended to expand the objective of business beyond the maximization of shareholders' wealth to include discharge of duty to the society. This study examines the influence of corporate governance structure and institutional investment of 32 listed companies on the NSE, covering the period of 2006-2010. The postulated hypotheses were tested, using multiple linear regression (MLR) analysis. The empirical results showed no significant influence between corporate governance and institutional investors. Rather, institutional investors exert a significant and, positive influence on corporate governance structure. The studies advocate that given more attention to the large institutional investment, since there is a positive relationship between corporate governance structure and the whole number of institutional investors. And a negative influence between corporate governance structure and volume of institutional investors. To have better monitoring by large institutional investors, they should set up board of investee companies in order to have wider bird's view image the capital market authority and NSE should set regulations that prevent a percentage holding of share in the companies to protect the control by few institutional investors. The study also recommends further investigations into the influence of corporate governance structure and institutional investors, using larger *sample size, covering more years, and including particularly the banking sectors that has witnessed major reforms since 2005 and plays a critical role in the economic development of Nigeria.*

Keywords: Corporate governance structure, Developing country, Institutional investment, Number of institutional investors, Value of institutional investors, Nigeria, Quoted companies.

1. Introduction

The relationship between corporate governance structure and institutional investment has evoked much interest among researchers. While some studies revealed a positive relationship between the two constructs (see (John and Sembet, 1998; Abdullah, 2006; Li *et al.*, 2006; Nguyen and Faff, 2006). Others indicate a negative (Jennings, 2005; Wymeersch, 2006; Zubarira, 2006); and still others (Sanda *et al.*, 2005; Brown and Caylor, 2006; Gregory and Simmelk, 2007) establish no relationship between Corporate Governance Structure and Institutional Investment. Though a positive relationship between corporate governance, and institutional investment has prevailed in many studies (Abarbanell *et al.*, 2003; Ihendinihu, 2009), results still remain inconclusive (Ogbowu, 2014). Such inconclusiveness creates ground for further investigation.

Corporate governance has been the subject of numerous theoretical and empirical studies especially after the fraudulent financial reporting scandals such as Enron, world.com, Adelphia, Parmalat, Tyco, AIG, Global crossing, HIH Insurance, lever brothers, and the eight Nigerian banks of 2009, have increased attention and concerns about corporate governance. These corporate meltdowns raised the consciousness of regulators and policy makers to the negligence or weakness of corporate governance/organizations.

Corporate governance refers broadly to the systems or structures (Internal and external) – processes, rules, regulations and control mechanisms – that govern the conduct of an organization for the benefit of all stakeholders. An effective corporate governance, for example, creates organizational efficiency by (see (Dockery and Herbert, 2000)), pacifying the rights and responsibilities of owners (shareholders); employees (Managers and staff) and third parties (Woidtke, 2002; Miller, 2004). Balancing shareholder interests with those of other key stakeholder groups, including customers, creditors, government and communities (Klapper and Love, 2004); ensuring that the organization operates in accordance with the best practices and accepted ethical standards (Aaboan, 2006; Ow-Yong and Kooi, 2006); instituting incentive and control techniques to mitigate abuse of corporate power and other egregious frictions and distortions within the firm (Sanda *et al.*, 2005). In short, effective or good corporate

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governance is the joining of both the letter and spirit of the law to achieve all of the above (see also (Moshirian *et al.*, 2006; Carleton *et al.*, 2007; Javed and Iqbal, 2007; Blanca *et al.*, 2009)).

Despite these governance and rapid changes regarding who owns firms and how they go about imposing pressure on boards and managers to act in specific ways, our empirical knowledge of the effect of different forms of firm owners and how they affect firm outcomes is advancing rather slowly especially in emerging economics. The introduction of institutional investors in Nigeria programme raises empirical concerns. First, as a new phenomenon, there is no literature evidence of its adoption in any other country companies' policy. Consequently, the institutional inventors' model has not been subjected to any empirical analysis to determine its superior performance efficacy vis-à-vis extent models used hitherto in Nigeria and in other climes. Although the investors' method bears some of the characteristics of Brada (1996) second and third methods, there are however distinguishing features. Although, we shall empirically differ a more complete statement of the institutional investor organizational framework until section 2.3, suffice it observe here that under the Nigerian listed companies policy, on investor is characterized as one who possess the simultaneous complementarily technical know-how (Ihendinihu, 2009) financial capacity (Maxwell, 2011) managerial competence (Nwaiwu and Dan Jumbo, 2014) to turn around the fortunes of the companies. On the relationship between corporate governance and institutional investment in Nigeria, the mixed evidence inherent in previous studies (see (AdenikinJu and Ayovinde, 2001; Sanda *et al.*, 2005; Ogbowu, 2014) makes further empirical investigation imperative.

The aim of this paper is to empirically bring to the mainstream of the study of corporate governance analysis, the stylized institutional investors. In the 1990's, Nigeria started the experimentation of institutional investors model ostensibly as a panacea to the unrelenting corporate governance and performance failures in the country's quoted companies. This study delineates the conceptual and practical issues in corporate governance and evaluates its institutional efficacy as both as ownership structure and corporate governance mechanism. Through this, we seek to enrich the existing literature by bringing into the mainstream discourse and testing the hypotheses concerning the relationship between corporate governance and institutional investment drawing on the experience of Nigeria.

The remainder of this paper is structured as follows: Section two provides the theoretical framework and review the literature related to the phenomenon of interest. Section three presents the methodology, section four analyses the data and discusses the results while section five concludes the paper and makes recommendations.

2. Review of Related Literature

2.1. Theoretical Framework

The contextual background to the study of Corporate Governance Structure generally is traceable to international concerns about the possible adverse consequences of the separation of ownership rights and control rights in a modern corporation. Smith (1776) provides the antecedent framework in this regard, followed by Veblen (1924) who canvassed for the transfer of control from capital – owners to engineer – managers in the belief that such would lead to consequential growth and economic importance of diffuse corporate ownership. However, systematic inquires into the effect of Corporate Governance Structure on the value of institutional investors and number of institutional investors are rooted in the seminal works of Berle and Means (1932) whose concern was on the adverse effect of the separation of owners and control on institutional investment of firms. These early concerns set the tone and context for modern explication of the agency perspective and systematic enquiry into the influence of Corporate Governance Structure on investment outcomes.

The agency theory postulates behavioural attribute of the economic man with respect to transactional characteristics as a devious, self-interest seeking being with divergent, opportunistic and suboptimal pursuit different from efficiency goal pursuit of the firm (Dockery and Herbert, 2000). The corporate activities in the corporate governance structure in corporate reporting literature is that absent monitoring and other incentive stratagems, managers are likely to promote opportunism with guide, display sensitivity to divergent expectations and other expose manifestations of moral hazard to the atmospheric detriment of the firm. The theory further maintains that maximization of firm value/performance will be infeasible under managerial discretions that provide opportunities to expropriate wealth (Turnball, 1997). For organizational benefits to be realized require that incentives, monitoring and regulatory devices be institutionalized to checkmate egregious managerial excesses. Violation of Governance principles can create internal market frictions and moral hazards and these can be mitigated by a strong corporate activity which is often a reflection of firms' institutional investment.

3. Nature and Concept of Corporate Governance Structure

Corporate governance structure broadly refers to the systems or structures (Internal and External) – processes, rules, regulations and control mechanisms – that govern the conduct of an organization for the benefits of all stakeholders. An effective corporate governance structure, for example, creates organizational efficiency by (a) specifying the rights and responsibilities of all stakeholders, to it: owners (shareholders), employees (managers and staff) and third parties, (b) balancing shareholder interests with those of other key stakeholders groups, including customers, creditors, government and communities (c) ensuring that the organization operates in accordance with the best practices and accepted ethical standards; and (d) instituting incentive and control techniques to mitigate abuse of corporate power and other egregious frictions and distortions within the firm. In short, effective or good corporate governance is the joining of both the letter and spirit of the law to achieve all of the above (see also (Sanda *et al.*, 2005; Carleton *et al.*, 2007; Javed and Iqbal, 2007)).

An important objective of corporate governance structure, therefore, is to secure accountability of corporate managers as shareholder's agents who are provided with authority and incentives to promote wealth-creating strategies (Dockery and Herbert, 2000). There is, therefore a strong connection between corporate governance structure and institutional investors because the former is considered to be one of the core governance mechanisms along with others such as, debt structure, board structure, incentive-based compensation structure, dividend structure, and external auditing (Faro *et al.*, 2007).

The need for corporate governance derives from the "expectation gap" problem which arises when the behaviour of corporate enterprise falls short of the shareholders' and other stakeholders' expectation (Achua, 2002). Sanda *et al.* (2005) attribute the phenomenal pre-eminence accorded to corporate governance recently to the increasing incidence of corporate fraud and corporate collapse on a previously unimagined scale; the dominance of the corporation in modern business, occasioned principally by privatization and consolidations; the collapse of socialism and centralized planning and; greedy bosses.

The variety of corporate governance structures commonly investigated in extant literature includes the dominant/largest shareholders, diffuse versus concentrated, insider (board or managerial) ownership, institutional owner. The focus of the present study is on corporate governance structure and institutional investment have emerged as the preferred governance mechanisms in Nigeria's differing and conflicting policies on corporate governance through the indigenization programmes (see (Federal Government of Nigeria (FGN), 1972 & 1999)).

4. Empirical Studies

The influence of corporate governance structure and institutional investment has been a subject of several empirical investigations since the seminal work of Berle and Means (1932). Many empirical studies have documented a positive and significant effect (Hartzell and Sturks, 2002), others' negative effect (Gompers *et al.*, 2003), and some mixed and significant effect between corporate governance structure and institutional investment (Claessen and Fan, 2002; Bushee and Noe, 2004). The average conclusion from these studies is that corporate governance structure influences institutional investment. However, contrarian view's surfaced from Firth (1985) and Johnson *et al.* (1995) in New Zealand, Simon *et al.* (1992) in Malaysia, and Carson *et al.* (2003) in Australia, Ogbowu (2014) in Nigeria, among others about the influence of institutional investment and corporate governance. The findings of these studies do not have positive relationship between institutional investment and corporate governance structure. In fact, Carson *et al.* (2003) aver that institutional investments do not linearly influence corporate governance structure. But Ogbowu (2014) argues that institutional investment influence corporate governance, even when there are no distinguishable differences in literature. So far, there appears to be no consistent or discernible empirical evidence about the direction of the influence between corporate governance structure and institutional investment or institutional investment and corporate governance. In the light of this, more empirical evidence or further research is warranted, especially from developing and less developed countries (DLDCs) geographical contexts, in particular sub-Saharan African countries that have witnessed very little research in this area (Bushee *et al.*, 2007; Bushee and Goodman, 2007).

Although, empirical literature of most relevant studies examining this effect with their authors are display in webometric analysis in terms of the sample, variables, methodology and results. This seeks to add to the stock of knowledge on the phenomenon of interest.

Other than these empirical works, surveys have been conducted by various organizations to evaluate the effect between the two issues corporate governance and institutional investors. A study performed by credit Lyonnais Securities Asia. (CISA) in 2002 indicates the existence of the positive link between corporate governance on almost 500 developing economy companies. In a prior study conducted in 2001, CLSA generated on index for 495 firms from 25 emerging markets to find out their corporate "governance rankings. This report demonstrated that firms that rank high in this index display better operating and marketing performance.

Another striking and more recent research was performed by the Association of British Insurers (ABI) in 2008. The aim of that study was to address the two main questions of whether corporate governance enhances institutional investors and whether corporate governance creates value for the UK listed companies. That study utilized a total of 654 companies with 2007 firm-year observations during the period between 2004 and 2007. The results were positive in terms of the influence between the governance system of the firm and it investors. The companies that demonstrated the best governance records were found to outperform others by generating 18% higher investors. Other findings showed that a breach of governance best practice led to about one percentage point decline in the firms' industry adjusted number of investment.

Table-4.1. Webometric Analysis of Corporate Governance Structure research.

S/N	Author/year	Sample	Explanatory variable	Dependent variable	Methodology	Results
1	Mehdi (2007)	24 Tunisian firms (2000-2005)	Corporate Governance Structure	Institutional investment	Panel Regression Model	Evidence of a strong relationship between governance and institutional investment.
2	Mashcyekhi and Buzaz (2008)	240 Tehran firms (2005-2006)	Corporate governance mechanism	Number of institutional investors	Multiple regression analysis	Board size is negatively associated with institutional investors.
3	Brown and Caylor (2006)	2363 firms (2003)	51 individual Governance factor	Number and value of institutional investors	OLS Regression Analysis	Ten of 51 governance provisions are positively and significantly related to at least one of our two investors' measures.
4	Freeman and Reed (2010)	20 Californian firm 1999-2003	A New perspective on corporate governance	Volume and percentage holdings of institutional investment	Manu Whitney U "test"	No significant relationship between corporate governance and volume of institutional investors and positive relationship between corporate governance and percentage holdings.

5	Blanca *et al.* (2009)	21 non-listed firms Spain	Outsider on the board of directors	Institutional investors	Multiple Regression Analysis	A positive relationship between outsider on board of directors and institutional investors.
6	Kurt (2012)	55 listed Companies in Illinois	Ownership structure, audit independence	Institutional investors	OLS Regression	Ownership structure and audit independence have significant positive influence on institutional investors.
7	Theo *et al.* (2013)	40 Groningen companies	Board composition	Institutional investors	OLS Regression	Find support for a negative influence between the board composition and institutional investors
8	Ogbowu (2014)	32 listed companies in Nigeria 2004-2008	Board size, Board independence, shareholders representative in Audit committee, size of Audit committee, Audit committee Independence	Number, volume and percentage holdings	Multiple Regression Analysis	Bard size have a significant influence on number of institutional investors and Board independence, shareholders representative in audit committee, size of audit committee and audit committee independence have positive influence on institutional investors.

The major reason why the presence of institutional investors in a firm ownership structure is taken into account in this study is due to the significance of these investors in corporate practices. Based on Mckinsey & company's 2002 survey, institutional investors are found to prefer investing in companies with sound corporate governance structure. Therefore, we try to provide.

5. Corporate Governance and Institutional Investors

Corporate governance has recently received much attention due to Adelphia, Enron, world.com, failed eight Nigerian banks, and other high profit scandals, serving as the impetus to such recent U.S. regulations as the Sarbanes – Oxley Act of 2002, considered to be the most sweeping corporate governance regulation in the past years, and enhancing the long standing bandwagon for increasing shareholder power, according to (Hugghebaert and Hulle, 2004), corporate governance concerns the development of performing to structures in corporate organization. One of the important dimensions of corporate governance is the creation of effective monitoring of managers, voting by shareholders is a legal exercise for monitoring management. Regularly, many questions have been raised if institutional investors should be assigned to an influential role in corporate governance.

During the past decades, institutional investors become increasingly important as shareholders. There are two views about institutional investors activism, the one is active monitoring. The opposite view is represented by the "passive monitoring" hypothesis. On the other hand, a study was conducted by David and Kochhar (2006), they argued that various institutional obstacles, such as barriers derived from business relationships, the regulatory environment and information processing limitations, may interrupt institutional investors from exercising their corporate governance role.

Leech (2000) argues that many institutional shareholders do not seek control over companies in which they invest for many reasons, which include the fear of obtaining price sensitive information, so institutional investors are more likely to influence rather than complete control.

Although, much literature have written about the influence of corporate governance and institutional investment in sub-Saharan Africa due to the newly established securities markets and the new trend in institutional investment especially the foreign once. Very few studies were conducted concerning corporate governance and institutional investment at the Nigeria Stock Exchange (NSE), was conducted by Maxwell (2011). This study relates corporate governance on a number of institutional investors for companies listed at the NSE by considering board of independence as one of governance dimensions, they found that institutional investors is negatively correlated to board of independence that weakens the corporate governance and value of institutional investors at all. They reported that Nigerian listed companies have corporate governance that affects information disclosure and transparency that have an inverse effect on institutional investors.

Another European study was conducted by Dim Tropouls and Asterion (2010) who examine the influence of corporate governance structure (board size, board independence, shareholders representation in audit committee, audit committee and audit committee independence) on number and volume of institutional investors for 97 non-financial firms listed on the Athens Stock Exchange in Greece for the year 2000-2004. They use the modified Jones model to measure the two variables of Institutional investment and consistent with Anglo-American countries studies, they found that corporate governance structure does not influence institutional investment rather, institutional investment influence corporate governance structure. Prior studies provide evidence on the influence of institutional investors on corporate governance structure. Ogbowu (2010) extends this argument by suggesting that institutional investment influences corporate governance structure due to their ability to distribute the work load over a greater number of observers. The majority of the previous literature supports this argument, by finding that institutional investment are strongly associated with level of corporate governance structure (David and Kochhar, 2006).

All in all, the vast majority of previous empirical findings suggest that boards with a high preparation of independence outside directors enhance the integrity of the financial reporting process and provide assurance to shareholders on the quality of reported earnings. However, while the studies from the U.S.A, U.K, Canada and Australia, that is Anglo-American countries with slender differences in their institutional environments, advocate for board independence as essential in ensuring financial reporting quality, the Spanish and Asian studies draw attention to the argument that different institutional contexts have different needs in corporate governance and there is no one model that fits all environments.

Base on the literature, this paper empirically attempts to answer the following questions.

1. Can corporate governance structure influence value of institutional investors of quoted Nigerian companies?
2. Does corporate governance structure influence number of institutional investors of quoted Nigerian companies?
3. Is there any difference between the involvement of institutional investors and corporate governance of quoted Nigerian companies?

Based on the above mentioned questions, the foregoing discussion provides the context for three important hypotheses that track the influence between corporate governance structure and institutional investment, formulated in the null form, to wit:

H_{01}: Corporate governance structure does not have any significant effect on the value of institutional investors of quoted Nigerian companies.

H_{02}: Corporate governance structure does not have any significant influence on number of institutional investors of quoted Nigerian companies.

H_{03}: Institutional Investment does not have any significant influence on corporate governance structure of quoted Nigerian companies.

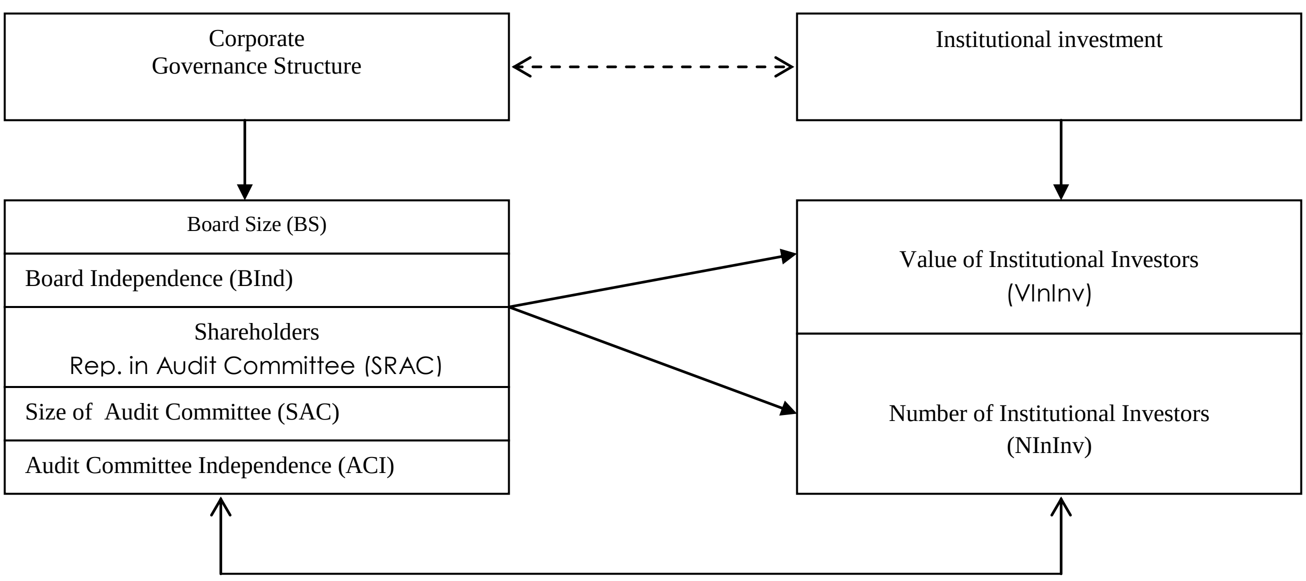

Figure-1. Conceptual framework of corporate governance structure and institutional investment.

Source: Conceptualized by the author (Nwaiwu and Dan Jumbo, 2014)

6. Research Methodology

Numerous studies in the literature have investigated on the relationship between corporate governance and institutional investment. Some of the studies are conducted as survey (Aaboan *et al.*, 2006; Brenes *et al.*, 2009), while others are performed as empirical analyses. The study sample was drawn from listed companies on the first tier of the Nigerian Stock Exchange (NSE) as compiled by the NSE Fact Book, using the census method of sample selection. The census method eliminates sampling error and provides data on all the individuals in the population (Israel, 2009). This approach is in accordance with prior investigations such as Okike (1991), Sanda *et al.* (2005), Chuntad (2005), Liu (2007), Kantudu (2008), and Ogbowu (2014). Further, the adoption of panel data analysis model in this longitudinal study imposed the following requisite characteristics on the sample elements:

1) The companies must have been listed on the first tier of the NSE on or before 1st January 2001 and remained listed throughout the five years understudy.
2) The company's financial statement must cover the 12 months period ending 31st December of each calendar year. This condition is consequent upon the criterion that the observations must be captured in periods with fixed and constant intervals between them as espoused by Patibardla (2006), Omran *et al.* (2008); Suegoshi (2010).

The general format of the panel data model specification can be expressed as:

$$Y_{it} = \alpha + \beta_k x_{k,\, i,t} + ui,_{\,t} \text{ --------------(1)}$$

Where by the dimension of cross-sectional units are represented by i and that of time-series is represented by t. Y_{it} denotes the institutional Investment measure, which is the dependent variable of the model; β_k represents the parameters to be estimated with $_K$ = 1, 2, 3, 4, 5, showing the independent variables; $U_{i,\,t}$ represents the stochastic error term.

The multiple regression procedure is utilized based on the results of the modified regression test for heter-oskedastcity (Woolridge, 2003). Furthermore, the different models used are not found to suffer from serial regression based on the results of the Wooldridge test for auto regression (Woolridge, 2003).

7. Empirical Results

The central research question to be investigated in this section is whether there is a significant causal link between corporate governance structure and institutional investment among quoted Nigerian companies.

Hypothesis 1: The effect of Corporate Governance Structure on the value of investment in quoted Nigerian companies.

Table-7.1. The effect of Corporate Governance Structure on the value of Institutional Investment in quoted Nigerian companies

Variables/Test Statistic	Linear	Exponential	Semi-Log	Double-Log
Constant	3.936E8* (.695)	16.883*** (8.979)	-2.215E9*** (-3.857)	9.270*** (4.981)
X_1: Board Size	3.183E7* (1.490)	.030* (.423)	3.127E8* (1.491)	.182* (.268)
X_2: Board Independence	-1.6344E8* (-.407)	-.959* (-.719)	-1.160E8* (-.506)	-.810* (-1.091)
X_3: Shareholders Representatives in Audit Committee	1.205E8* (.194)	-.388* (-.944)	3.365E8* .915	-1.682* (-1.411)
X_4: Size of Audit Committee	1.402E8* (1.666)	1.062*** (3.801)	6.780E8* (1.496)	6.025*** (4.101)
X_5: Audit Committee Independence	-1.740E9*** (-2.878)	-2.870* (-1.430)	-1.280E9*** (12.805)	-1.991* (-1.346)
R:	.697	.726	.701	.744
R^2	.486	.527	.491	.554
Adjusted R^2	.388	.436	.394	.468
Std Error of the Estimate	3.10854E8	1.03200	3.09338E8	1.00260
F – ratio	4.924***	5.801***	5.024***	6.456***
Durbin – Watson	1.862	2.455	1.828	2.407

Source: Extracted from Panel Data 2006-2010.
Note: *** = Significant at 1%; ** = significant at 5%; and *= significant at 10% and above. T-values are shown in parenthesis.

Based on the number of significant variables and the statistical values of the test statistic, the Double-log form yielded the best fit and is according used in our discussion. The function produced an r of .744 indicating a strong influence between corporate governance structure on the value of investment in quoted Nigerian companies and the identified predictors (x_1, x_2, ----x_5). With an r^2 of .554, our results that Corporate Governance Structure accounts for 55.4% of changes in Institutional investment and 44.6% due to other factors. The appropriateness of the model specification is further highlighted by the F-ratio of 6.456 which is significant at 1% probability level. However, board independence, shareholders representatives in audit committee are all shown to have insignificant effect on and are negatively correlated with, the value of institutional investment. This finding is consistent in previous studies by Bushee and Goodman (2007) who found a positive causal link between corporate governance structure and institutional investment in Japan.

Hypothesis 2: Effect of Corporate Governance Structure on Number of Institutional Investors in quoted Nigerian companies.

In terms of the number of significant variables and the statistical values of the test statistic, the exponential function yielded the best fit and is accordingly used in our discussion. This function produced an r of .489 indicating a weak positive influence between corporate governance structures on number of institutional investors. With r^2 of .240. The study evidenced that only 24.0% of variations in the number of institutional investors' changes is attributed to changes in the existing corporate governance structure. F-ratio of 1.638 was not significant highlighting the inappropriateness of the model specification. The result revealed that board size, board independence, size of audit committee, audit committee independence is not significant determinants of the number of institutional investors. However, only shareholders representatives in audit committee were significant at 5% level.

Table-7.2. Effect of Corporate Governance Structure on number of Institutional Investors in quoted Nigerian companies.

Variables/Test Statistic	Linear	Exponential	Semi-Log	Double-Log
Constant	2.720* (1.410)	1.365* (1.885)	1.922* (.970)	.881* (1.185)
X_1: Board Size	-.081* (-1.114)	-.040* (-1.461)	-.727* (-1.003)	-.386) (-1.420)
X_2: Board Independence	-908* (.663)	.267* (.519)	.599* (.757)	.201* (.678)
X_3: Shareholders Representatives in Audit Committee	-.861* (-2.043)	-.389** (-2.458)	-2.320* (-1.827)	-1.057** (-2.219)
X_4: Size of Audit Committee	.536* (1.870)	.210* (1.950)	2.774* (1.772)	1.014* (1.881)
X_5: Audit Committee Independence	-.579* (-.281)	-.442* (-.571)	-.905* (-.574)	-.564* (-.954)
R:	.433	.489	.417	.477
R^2	.188	.240	.174	.227
Adjusted R^2	.032	.093	.015	.079
Std Error of the Estimate	1.05907	.39738	1.06800	.40055
F – ratio	1.203*	1.638*	1.096*	1.530*
Durbin – Watson	2.294	2.308	2.370	2.403

Source: Extracted from Panel Data 2006-2010.
Note: *** = Significant at 1%; ** = significant at 5%; and *= significant at 10% and above. T-values are shown in parenthesis.

We therefore accept our null hypothesis and conclude that Corporate Governance Structure does not have significant influence on number of institutional investors in Nigerian companies. These findings offer support to previous studies on corporate governance structure our result is not in concordance with the findings of Bushee *et al.* (2007). But the test result for testing H_{01}- H_{02} does not confirm with the existence of any significant influence of corporate governance structure on any of the components of institutional investment. The values of the Durbin-Watson statistic are consistently above 2, thereby conforming the existence of multi-collinearnity. We accordingly investigated the effect of institutional investment on corporate governance structure and the result is as shown below:

Hypothesis 3: Effect of Institutional Investment on Corporate Governance Structure.

Table-7.3. Effect of Institutional Investment on Corporate Governance Structure of quoted Nigerian companies.

Variables/Test statistic	**Coefficients/ (t-values)**	**Tolerance**	**VIF**	**Eigen value**
Constant	12.682*** (8.011)	-	-	3.198
Value of institutional investment	1.884EA*** (1.564)	.911	1.097	.547
Number of institutional investors	-.338** (-.752)	.964	1.037	.196
Share % holding by institutional investors	.071*** (3.244)	.925	1.082	.059
R	.757			
R^2	.573			
Adjusted R^2	.549			
Standard error of the estimate	80.77524			
f-ratio	5.400***			
Durbin-Watson	.712			

Source: Extracted from Panel Data 2006-2010.
Note: *** = Significant at 1%; ** = significant at 5%; and *= significant at 10% and above. T-values are shown in parenthesis.

The able table 7.3 provides a puzzling result. Contrary to our expectations and results in H_{01} – H_{03}, it is institutional investment that affects CGS with about 57.3% of the changes in the later being attributable to variations in institutional investment. Two of the three measures of institutional investment were shown to have positively and significant influences on Corporate Governance Structure. Thus, increases in the value and percentage – holding of institutional investors are most likely to strengthen Corporate Governance Structure. This result stands out as a major contribution of this work, with strong advocacy for enabling environment to attract more institutional investments in Nigerian companies.

8. Concluding Remarks and Recommendations

The investigation attempts to add to the literature by providing evidence from an emerging market on the influence of corporate governance structure and institutional investment. One of the distinguishing features of this study is the development of additional models to consider the influence of institutional investment. Furthermore, the use of panel data analysis enhances the results by empirically investigating the issue from both a cross-sectional and a time series dimension.

The main motivation of this study is the lack of empirical evidence regarding issues of corporate governance structure and institutional investment for Nigerian listed companies. Therefore, the results of our study are critical in terms of providing insight into the influence of corporate governance structure and institutional investment, which is a topic receiving considerable attention after the recent financial reporting scandals.

From the previous analyses, institutional investors are the majority owners of most corporations listed on NSE. The results presented in this paper show contradiction findings. In one hand, it revealed a significant positive effect between corporate governance structure and number of institutional investors; this result was found in 2004-2007, but not in 2008. On the other hand, a significant negative effect was between corporate governance structure and volume of institutional investors in 2005-2008 only. These results can be explained in light with some dimensions; Board size, Board Independence, share holders representative in audit committee, audit independence and audit committee independence. The results are somewhat consistent with other studies but are inconclusive findings, results for number of institutional investors and corporate governance structure are consistent with existing evidence, and other variables (volume and percentage holdings) results are somewhat consistent or less consistent due to the weak efficiency in the securities market in Nigeria.

9. Recommendation

- Given more attention to the large institutional investment, since there is a positive relationship between corporate governance structure and the whole number of institutional investors. And a negative between corporate governance structure and volume of institutional investors.
- It is important to work on knowledge and informative programmes about the good influence of the large number of institutional investors and the bad influence of few large institutional investors who controls boards of Investee Company, enhancing low governance practices.
- To have better monitoring by large institutional investors, they set on board of investee companies in order to have wider bird’s view image
- The capital market authority and NSE should set regulations that prevent a percentage holding of share in companies to protect the control by few institutional investors.
- The study also recommends further investigations into the influence of corporate governance structure and institutional investors, using larger sample size, covering more years, and including particularly the banking

sectors that has witnessed major reforms since 2005 and plays a critical role in the economic development of Nigeria.

10. Contribution to Knowledge

This work contributes to knowledge in the following ways:

1. It brings into empirical focus the governance role of the investment horizon of institutional investors.
2. The study presents a model specification which incorporates the interplay of the dynamics of corporate governance structure, institutional investment and financial performance.

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