

EFFECT OF DIRECTOR'S TUNNELLING ON FIRM PERFORMANCE OF QUOTED COMPANIES IN NIGERIA

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ABSTRACT

The study investigates the effect of director's tunnelling on firm performance of quoted companies in Nigeria. A sample of 15 Nigerian consumer goods firms listed on Nigerian Stock Exchange for a period of 8 years (from 2010-2017) was selected. The main type of data used in this study is secondary; sourced from the Nigerian stock exchange fact book. This study applied ex post facto research design. The data collected were analyzed using Ordinary Least Square Method. The results show that for the Nigerian listed consumer goods firms, the explanatory variables- Chairman's pay and Director's equity holding has negative significant effect on the dependent variable – asset utilization (Performance); whereas Board of director's pay is positive and has no significant impact on the asset utilization (Performance). The study, therefore recommends among others that the chairman and other board member pay should not be fix by the CEO rather it should be fixed by the entire shareholder during the annual general meeting to reduce the influence of the CEO and the give and take politics of the board.

Key words: director's tunnelling, firm performance, asset utilization, Nigeria.

INTRODUCTION

Background to the study

Financial economists are becoming increasingly aware of the severity of agency problems associated with concentrated shareholdings. Traditionally, the focus of the agency literature in the U.S. has been on the conflict between firm managers and a diffused group of shareholders (Berle and Means, 1932 and Jensen and Meckling, 1976). However, recent international studies show that well dispersed ownership is relatively rare outside of the U.S. and Japan, and that large block holders control most European and Asian companies. In this broader setting, the central agency problem is the threat of "tunnelling" – i.e., the expropriation of minority shareholders by the controlling block holder. The competitive business environment has placed a greater responsibility on manager's which require the use of discretion on some issue in the firm. This privilege has increased the manager's investment opportunity set and could make it difficult for shareholders to evaluate the executive's actions, thus exaggerating the information asymmetry problems between executives and shareholders (Robert, 2011).Elijah, William and William (2003) observed that in such an atmosphere, a greater degree of managerial discretion will be required and no

assurance that the self-interested behaviour of director's will conform to that expected by shareholders (thereby reducing agency problems). In an attempt to reduce and ensure the conformity of executive interest to that of shareholder, corporate governance and incentives package has been used as a tool to alien both interest. Public companies in Nigeria have board of directors, which set the level and structure of chief executive officer (CEO) compensation. The members of the board are also member of the shareholder's and management staff of the companies. Since shareholder have their representative in the board, they hope, but cannot ensure that, in setting CEO compensation, board of directors help ameliorate the conflict of interest between the shareholder and managers. In practice however, the CEO of most public companies has a significant influence in the selection, appointment and re-appointment of the members of the board of directors and service on the board generally. As fiduciaries, the directors face a conflict of interest while setting CEO compensation because their relationship with the CEO and their own private incentives are also factors in the compensation decision they make.

Statement of the Problems

In the past two decades, director's tunnelling has attracted much attention from economists yet most academic work on director's tunnelling has been concentrated on a few developed countries such as the U.S., U.K. and China, mainly due to data availability. Various studies have been carried out on the effect of director's tunnelling on the performance of quoted firms, those studies includes, Guohua, Charles and Heng (2008), Thomes (2013), Takao and Cherly (2005), Kun and Xing (2012), Ridwan, Fitri and Barto (2015), Mohammad (2015), Wenqian, Georgakopoulos, Ioannis and Konstantinos (2011). Most of those studies were carried out in advance nations or economy whose legal and economic development differs from developing nation like Nigeria. For instance, Guohua, Charles and Heng (2008), Takao and Cherly (2005), Kun and Xing (2012), Ridwan, Fitri and Barto (2015), Wenqian, Georgakopoulos, Ioannis and Konstantinos (2011), those studies were conducted in the United State of America, Indonesia, China and United Kingdom. No study has been conducted on the effect of directors tunnelling on asset utilization of companies in consumer goods sector in Nigeria (to the best of our knowledge). The scope and methodology of those studies differs and hence their findings, for instance, Wenqian, Georgakopoulos, Ioannis and Konstantinos (2011), study cover a period of nine years (2001 to 2009) and analysed data collected from all quoted Banks in China using panel regression. Kun and Xing (2012) used 6670 non-financial quoted firms in China between 1999 and 2005. While Guohua, Charles and Heng (2008), studies used inter corporate loans as proxy for tunnelling, the study also used selected quoted firms in China between 1996 and 2006 and based the study

on panel regression. Ridwan, et al (2015), used 277 selected quoted firms in Indonesia between 2005 and 2012; their study was based on ex post facto research design. Elijah, William and William (2003) used 100 quoted banks in USA between 1992 and 2000 and used multiple regressions in analysing the data collected. The findings from those empirical studies are different therefore difficult to draw policy implication from. For instance, Guohua, Charles and Heng (2008), found that directors tunnelling negatively affect the performance of firm as the level of tunnelling diminishes while controlling shareholder ownership increase. Kun and Xing (2012), found that directors tunnelling has negative effect on firm performance while the study of Ridwan, et al (2015), shows that tunnelling has positive effect on ownership structure. Takao and Cheryl (2003) study found that tunnelling has positive influence on firm performance proxy by sale growth and governance structure and negatively affect directors compensation. The above issues created gap in the literature, which this study seek to fill. This study therefore investigates the effect of directors tunnelling on firm performance of companies in consumer goods sector in Nigeria.

Objectives of the Study

The main objective of the study is to examine the effect of director's tunnelling on firm performance of quoted companies in Nigeria. The specific objectives of the study includes, to:

1. Investigate the effect of director's pay on firm performance of companies in consumer goods sector in Nigeria.
2. Determine the extent to which the Chairman's payment affects the firm performance of companies in consumer goods sector in Nigeria.
3. Evaluate the effect of director's equity holding on firm performance of companies in consumer goods sector in Nigeria.

Research Hypotheses

1. Board of director's pay does not have any significant effects on the firm performance of companies in consumer goods sector in Nigeria.
2. Chairman's pay does not have any significant effects on the firm performance of companies in consumer goods sector in Nigeria.
3. Director's equity holding has no significant effects on firm performance of companies in consumer goods sector in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Director's tunnelling

The term tunnelling was coined originally to characterize the expropriation of minority shareholders in the Czech Republic (as in removing assets through an underground tunnel), to describe the transfer of assets and profits out of firms for the benefit of those who control them (Henemana & Schwab, 1972). Tunnelling was first used in this way in the Czech Republic during the first half of the 1990s, when several large, previously privatized banks and factories unexpectedly went bankrupt. It was discovered later that the managements of these companies were deliberately transferring company property and real estate into their own private businesses, sometimes in offshore locations. The term later became a common label for this kind of criminal activity among Czechs and Slovaks. The transfers of firm resources were accomplished through huge loans that were issued without any expectation of repayment, massive overpayment for outsourced services, or simply by selling corporations real estate for a fraction of its market price. The main conditions enabling such a fraud are weak law against conflict of interest, non-existent legal liability of managers for leading their employer towards bankruptcy, and incompetence of financial authorities.

In modern times tunnelling comes in two forms. First, a controlling shareholder can simply transfer resources from the firm for his own benefit through self-dealing transactions. Such transactions include outright theft or fraud, which are illegal everywhere though often go undetected or unpunished, but also asset sales, contracts such as transfer pricing advantageous to the controlling shareholder, excessive compensation, loan guarantees, expropriation of corporate opportunities, and so on. Secondly, the controlling shareholders can increase their share of the firm without transferring any assets through dilutive share issues, minority freeze outs, insider trading, creeping acquisitions, or other financial transactions that discriminate against minorities. In Nigeria apart from the banking sector, most companies have concentrated ownership (block ownership, major shareholder). Those controlling shareholders have the opportunity to perform expropriation through various methods. For instance, Johnson, La Porta, Lopez-de-Silanes and Shleifer (2000) report that the controlling shareholders are inclined to extract or extort cash by selling assets, goods, or services to the company through transactions that benefit themselves. They obtain a loan with a term that is likely more attractive and imposing and then subsequently transfer the assets of a listed company to another company that is still in control. Reciprocally, they might have diluted the interest of minority shareholders to acquire additional shares at preferential prices.

Firm Performance

The notion of performance is a controversial issue in finance and accounting largely because of its multidimensional meanings. The profitability of a company measures its gains over its operative years. Performance can be explored from two points of view: financial and organizational (the two being interconnected); a company's performance can be measured based on variables that involve productivity, returns, growth or even customer satisfaction (Tudose, 2015; Umechukwu, 2016; Nnubia, 2017). Financial performance (reflected in profit maximization, assets utilization, maximization on return on assets and maximization on shareholder return) is based on the company's efficiency. The assessment of financial performance can also be based on the return on investment, residual income, earnings per share, dividend yield, price/earnings ratio; growth in sales, market capitalization, etc. In this study, the firm performance is proxied with asset utilization.

Asset Utilization

This is a tool used in identifying asset opportunity gap. It can help firm in uncovering hidden asset capacity by measuring the difference between what the assets is capable of producing and what it actually produces (opportunity gap). But an effective asset utilization program does more than just identify opportunity gaps; it also documents the causes of the gaps. Once documented, the causes can be charted based on their impact to the business, and reliability efforts can then be focused on systematic elimination of the causes. The opportunity gap if properly measured can be used as a metric for focusing reliability efforts or planning and performance enhancement. In practice, the higher the utilization ratio of any given asset, the more profit it makes for a company. Asset utilization can be measured by total asset turnover ratios and fixed asset turnover ratios.

Director's Pay and Asset Utilization

Director's tunnelling is the transfer of company resources out of its shareholder by the board of director members. This may come in two ways; a controlling shareholder can transfer resources using the CEO (which he is instrumental in appointing) from the firm for his own benefit through self-dealings transaction. Such transaction include theft or fraud which is illegal but also assets sales and contracts such as transfer pricing advantageous to the controlling shareholder, excessive executive compensation, loan guarantees, expropriation of corporate opportunities. Second, the controlling shareholder can increase his share in the firm without transferring any asset through dilutive share issues, right issue, and minority freeze out insider trading, creeping acquisition or other financial transactions that discriminate the minority shareholder. Tunnelling can be done through high compensation scheme to

be board members. According to Weisbach (2007) CEOs have substantial influence over their own pay by providing a different set of incentive to directors. They are power agent that can shift the board of director's focus to consider their own interests rather than the interest of shareholders which they represent. According to Weisbach (2007), directors have incentive to keep their jobs and CEOs can provide benefits to directors in many different ways. Furthermore, CEOs can use their influence to help directors attain additional benefit. Thus the directors have incentives to act on behalf of the CEOs. This give and take relationship between the directors and the CEOs has made the Directors compensation come under increased public scrutiny especially in most developed countries. Hence the use of equity based compensation as a motivating tool for executives has been a major focus of many debates. The resulting concerns have led to demands for greater transparency in executive stock option programs and, possibly, the elimination of the programs altogether. Since additional incentives is tied to performance, CEO tries all within their reach to improve and increase their performance, this have direct impact on the level of asset utilization.

Chairman's Payment and Asset Utilization

The chairman's and CEO compensation are based on the performance of the firm. Director/chairman like the chief executive officer has incentive for a good performance. Hence, the maximum utilization of asset (firm performance) is of great importance to the management like other organizational goal due to its interest in performance based incentives. Tosi et al. (2000) mention that managers favour information asymmetry in their decision making process, as they prefer to pursue their own targets, which often do not coincide with shareholders. Thus, exploring the way of aligning shareholders' interests with manager's compensation benefits becomes one of the main considerations in corporate governance. The purpose of a compensation contract is to reward managers in such a way that they strive to maximize firm performance, so that both managers and shareholders can meet their expectations. As Bonner & Sprinkle (2002) show in their overview of the relationship between incentives and performance, the incentives effort and effort performance relations can be formulated as a function of personal, task, environmental, and incentive scheme variables. Crespi-Cladera and Gispert (2003) also demonstrate a model to express this situation, $Y = f(\xi, \mathcal{E})$. In this function, Y stands for firm performance, influenced by managerial effort (ξ) and a set of variables (\mathcal{E}). In particular (\mathcal{E}) refers to the variables that are out of managerial control. These include variables such as the board size, ownership, CEO age, etc. other researchers like, Ho et al (2009), studied the relationship among performance, compensation and potential risk. In this context we focus our study on the observable and controllable outcomes

(namely "ε"), where the design of executive compensation contract is based on, as well as the control of the size and ownership.

Director's Equity Holding and Asset Utilization

Equity based compensation became extremely popular in the 1960s, when the rise of equity based compensation was more prominent among U.S. factory worker (Langsam, Kreuze & Newell, 1997). Equity based compensation contract gives the CEOs a share of the outcome of their actions to encourage them to explore newer investment opportunities to increase the possibility of large payoffs (Prendergast, 2002). Hence equity based compensation contracts that give the executive a share in the outcome of his actions could effectively utilize the company's assets and encourage executives to expend efforts to take actions that are expected by shareholders (Prendergast, 2002). The use of equity based compensation (i.e., stock options and restricted shares) to motivate executives has recently come under increased public and congressional scrutiny. The resulting concerns have led to demands for greater transparency in executive stock option programs and, possibly, to elimination of the programs altogether because they are claimed to be poor way to measure an executives contribution to firm performance.

Murphy (1999) shows several features of executive compensation. Among them equity based compensation plays a vital role in influence CEO decision, since stock returns fluctuate with firm performance and firm performance varies with CEOs decisions. Therefore, equity based compensation in the executive compensation package provides the incentive to the managers to make decisions that will enhance the firm performance, which will have a positive effect on the asset utilization and ultimately increase the directors wealth. Stock options as part of executive compensation can help decrease the risk preference and the goal difference between shareholders and executives since shareholders and director are always interested in maximizing their own wealth, this can achieve through effective asset utilization. The alignment between firm performance and compensation can help executives make decisions that will reward them as well as reward the shareholders (Amihud & Lev, 1981). Smith and Stulz (1985) also documents that equity based compensation awarded to managers can overcome managerial risk aversion behaviour and encourage them to engage in efficient risk taking behaviour.

THEORETICAL FRAMEWORK

Agency Theory

One of the theoretical principles underlining the relationship between the shareholder (principal) and the director (agent) is the agency theory developed by

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Jensen and Meckling in 1976. Investors have surplus funds to invest but due to technical constraints such as inadequate capital and managerial expertise to manage the funds, employ the services of managers to invest their funds in profitable ventures to generate good returns and the managers rewarded for their service. Agency problem however arise due to the separation of ownership from management and the differences in interest between the shareholder and the manager they employed. Thus, agency problem as described by Jensen and Meckling (1976) occur when there is a divergent in interest between the shareholder and the manager, the manager tend to pursue different agenda other than the one set by the shareholder, this may come in form of funds expropriation by manager inform of tunnelling like outright theft, such as transfer pricing, asset stripping, and investor dilution, loan to associate, etc, this can also take the form of diversion of corporate opportunities from the firm, installing possibly unqualified family members in key managerial positions, or overpaying executives, using the profits of the firm to benefit themselves rather than return the money to the investors (La Porta et al., 2000). As a result of the interest of the opportunistic, self-interested managers, there was an agency loss which is the extent to which returns to the residual claimants, the owners fall below what they would be if the owners, exercised direct control over the company (Jensen & Meckling, 1976). Due to their personal interest, managers tend to focus on the utilization of asset and performance of firm that can advance their aim even if it at the expense of the shareholder. Managers can embark on asset stripping and later buy lower asset provided they will make cash for themselves.

Asymmetric Information Theory

Information asymmetry refers to a situation where business owners or manager know more about the prospects for, and risks facing their business, than do lenders (PWHC, 2002) cited in Eppy (2005). It describes a condition in which all parties involved in an undertaking do not know relevant information. In a debt market, information asymmetry arises when a borrower who takes a loan usually has better information about the potential risks and returns associated with investment projects for which the funds are earmarked. The lender on the other hand does not have sufficient information concerning the borrower (Edwards and Turnbull, 1994). Binks et al (1992) point out that perceived information asymmetry poses two problems for the firms, moral hazard (monitoring entrepreneurial behaviour) and adverse selection (making errors in lending decisions). Firms will find it difficult to overcome these problems because it is not economical to devote resources to appraisal and monitoring where fund is for relatively small amounts. This is because data needed to screen transactions and to monitor firms operations are not freely available to shareholders. Shareholders face a situation of information asymmetry

when assessing transactions (Binks and Ennew, 1996, 1997). The information required to assess the competence and commitment of the entrepreneur, and the prospects of the business is either not available, uneconomic to obtain or difficult to interpret. This creates two types of risks for the shareholder (Deakins, 1999).

Empirical Studies

Guohua, Charles and Heng (2008) examine tunnelling in China, using inter corporate loans as measure of tunnelling. The study made use of selected listed firms in Shanghai Stock Exchange between 1996 and 2006. The data collected were analysed using panel regression approach. The finding reveals that the director's incentives to tunnel firm resources diminish as controlling shareholder ownership increase. Bae, Kang and Kim (2002) use evidence from mergers by Korean business groups to show that controlling shareholders tend to make acquisitions that enhance the value of other firms in the group, to the detriment of minority shareholders. In this study, the main analyses involve a comparison of the price paid in intra group deals to the price paid in a control sample. The key finding is that a firm's ownership structure has a predictable directional effect on firm value, a fact that is consistent with insiders' expropriation of minority shareholders. The existence of tunnelling is inferred from the market valuation of a firm's equity, or changes in market value during a particular time period (i.e., the Asian crises). In this sense, the evidence is relatively indirect and the ability to conduct detailed analyses of tunnelling behaviour is quite limited

Thomas (2007) study executive tunnelling and executive compensation design using selected listed firms in the United State of America between 2000 and 2005. The study was based on ex post facto design. Thomas develop new model in which resource diversion, director compensation and corporate performance are simultaneously and endogenously determined. The finding reveals that director's compensation directly reduces directors tunnelling tendency. Ridwan, Fitri and Berto (2015) studied directors tunnelling using firms quoted in Indonesia Stock Exchange. The study examines the relationship between corporate governance variables and tunnelling activities using 2216 listed firms between 2005 and 2012. The study was based on longitudinal design and made used of board size, outsider's directors, group and big five ownership were used as independent variable. The data were analysed using multiple regressions. The finding reveals that firms with family and state ownership experience more tunnelling activities than others. The study also finds that family, state and leverage ownership structure has positive effect on tunnelling. Takao and Cheryl (2005) examine executive compensation, firm performance and corporate governance in China. The study used all listed firms in

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Shanghai Stock Exchange between 1998 and 2002. The study used panel data of five years and was based on ex post facto. The findings reveal that, executive compensation positively affects sales growth. Government ownership negatively affects director compensation. Klien (2004) studied ownership structure and director tunnelling. The study used 346 S & P 500 firms in USA between 1992 and 1993. The study was based on ex post facto research design and used cross sectional data. Abnormal accrual was used as measure for directors tunnelling. The study finds that firms with majority independent director to minority independent director structure experience large increase in abnormal accrual than other with minority independent director. Yu-hsin (2010) studies the relationship between weak independent directors, strong controlling shareholder and director tunnelling in Taiwan. The study used primary data and was based on survey design; the data were collected using questionnaire from sample of directors and majority shareholders in Taiwan firm. The data were analysed using analysis of variance. The finding reveals that independent director maintain close relationship with controlling shareholder, hence their independency is not guarantee. It also reveals that controlling shareholder can tunnel resources without constrain from independent director.

Kun and Xing (2012) examine controlling shareholder tunnelling and executive compensation, using quoted firms from China. The study used 6,670 listed non-financial firms in China between 1999 and 2005. The study was based on cross sectional regression using levels specification and changes specification to examine the relationship between executive compensation and firm performance. The study finds that if directors incentives scheme are adopted, controlling shareholders who obtain private benefit from companies will have less incentive to do so. Elijah, William and William (2003), examine deregulation and the relationship between banks CEOs compensation and risk taking. The study used 100 banks quoted in United State of America between 1992 and 2000. The study was based on ex post facto design and made use of multiple regressions in analysing the panel data collected. The finding reveals that equity based component of CEO compensation increase risk taking and significantly after deregulation of the banking industry. Mohammad (2015) studied the effect of executive incentives on firm performance. The study used 2788 non-financial firms quoted in USA between 1992 and 2013. Ex post facto design was used. The data collected were analysed using descriptive statistics, correlation and multiple regressions. The finding reveals that equity based directors compensation is positively related to firm performance and risk taking. The finding provides evidence to support the equity based director compensation as a tool for reducing agency conflict and directors tunnelling.

Gap in the Knowledge

Various studies have been conducted to find the relationship between directors tunnelling and firm performance, but no study has been conducted as regards to the quoted consumer goods firms in Nigeria. The few studies done on directors tunnelling were conducted in foreign developed countries whose economic and legal framework differs from that of developing country like Nigeria. The methodology and scope used in those studies differs, some were based on content analysis, survey, longitudinal while others based on ex post facto. Some of the studies used secondary data, and others primary data. The findings from those studies are contradictory hence difficult to draw policy implication from. No study, to the best of our knowledge, has been done on the effect of directors tunnelling on firm performance using quoted consumer goods companies in Nigeria. The above issues created gap in the literature, which this study seek to fill.

METHODOLOGY

Research Design

The study used panel data and was based on longitudinal research design. The study was based on longitudinal design because it sought to analyse with the available data, the effect of director's tunnelling as a predictive measure of firm performance. The choice of longitudinal design was also based on the nature of the data used which has the characteristics of time series and cross sectional. The study used secondary data collected from fifteen consumer goods firms in eight years from 2010 to 2017.

Population of the Study

The population consist of the total number of consumer goods firms quoted in the Nigerian Stock Exchange (NSE). The population size of consumer goods firms quoted on the Nigerian Stock Exchange amounted to 36.

Sample size and Sampling Techniques

Sample of fifteen (15) companies were purposively selected based on convenience and availability of the required data, using the judgmental sample method. The firms selected are PZ Cussons Nigeria, Unilever Nigeria plc, 7 up Bottling Company, Cadbury plc, FTN Cocoa processor, Northern Nigeria Flour Mill, Flour Mills of Nigeria, Honey Well Flour Mill, Vita Foam, Lives Stock Feed, Dangote Sugar plc, Morrison Industries, Union Dicon Salt, Nestle Nigeria, and Nigerian Enamelware.

Model Specification

The secondary data that collected was analysed using descriptive statistics, correlation and regression analysis. The model for the study is premised on the main objective and anchored on the sub-objective. The model used was adopted from the work of Kun and Xing (2012) and modified to suite this study.

The model for the study is anchored on the objective.

$$ASUT = f(DPAY, CPAY, DEQH) \quad - \quad - \quad - \quad - \quad - \quad -$$

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This can be econometrically express as

$$ASUT_{it} = \beta_0 + \beta_1 DPAY_{it} + \beta_2 CPAY_{it} + \beta_3 DEQH_{it} + \eta \quad - \quad - \quad -$$

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Where,

ASUT = Assets utilization

DPAY = Director's pay

CPAY = Chairman's pay

DEQH = Director's equity holding

η = the error term

β_0 = the intercept

β_1 - β_3 = the independent variable coefficients

Data and Variable Description

The study used a panel data collected from the quoted consumer goods firms in Nigeria within the period covering 2010 – 2017. The variables and their proxy were operationlized as follow:

Variables	Measures/Proxy
Asset utilization (ASUT)	Total asset turnover = sales revenue/total asset-depreciation
Director's pay (DPAY)	Director's pay / operating expenses
Chairman's pay (CPAY)	Chairman's pay / Staff cost
Director's equity holding (DEQH)	Director's equity holding / total equity

PRESENTATION AND DATA ANALYSIS

The summary of the analysis result and its corresponding interpretations of the effect of director's tunnelling on firm performance (proxied by asset utilization) of companies in consumer goods sector in Nigeria are presented below.

Descriptive Statistics

Table 4.1: Descriptive Statistics

VARIABLES	ASUT	DPAY	CHPAY	DEQH
Mean	1.056667	0.168813	0.351747	0.358453
Median	1.060000	0.147000	0.300000	0.364000
Maximum	1.990000	0.491000	0.890000	0.510000
Minimum	0.120000	0.070000	0.100000	0.182000
Std. Dev.	0.458701	0.069369	0.184368	0.074849
Skewness	-0.012360	2.057268	1.546761	0.276239
Kurtosis	2.302564	8.944706	4.900887	2.469226
Jarque-Bera Probability	1.521964 0.467207	163.3404 0.000000	41.19767 0.000000	1.834228 0.399671
Sum	79.25000	12.66100	26.38100	26.88400
Sum Sq. Dev.	15.57007	0.356095	2.515374	0.414571
Observations	75	75	75	75

Source: Researcher summary of descriptive statistics (2018)

Table 4.1 above shows the mean (average) for each variable, their maximum values, minimum values, standard deviation. The result provides some insight into the nature of the selected firms' data used for the study. Firstly, it was observed that over the period under review, the sampled companies have positive average asset utilization (ASUT) of 1.056667 in the period of the study. The table also reveals that a positive average value of 0.168813 for director's pay, 0.351747 for chairman's pay and 0.358453 for director's equity holding for the selected firms used in the study. These values mean that within the period under review, quoted firms meet up 106% on the average within the period under review. The maximum value of director's pay is 0.491000 and its minimum value is 0.070000, maximum value for chairman's pay is 0.890000 and its minimum value is 0.100000; and that of director's equity holding is 0.510000, the minimum value is 0.182000. The large differences between the maximum and minimum value shows that the firm's data used for the study are homogeneous.

CORRELATION ANALYSIS

Table 4.2: Correlation Analysis

VARIABLES	ASUT	DPAY	CHPAY	DEQH
ASUT	1.000000	0.080064	-0.284546	-0.236946
DPAY	0.080064	1.000000	0.009470	0.338087
CHPAY	-0.284546	0.009470	1.000000	0.192637
DEQH	-0.236946	0.338087	0.192637	1.000000

Source: Researcher summary of correlation analysis

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The correlation matrix is to check for multi-colinearity and to explore the association between each explanatory variable and the dependent variable. The findings from the correlation matrix table (table 4.2 above) show that asset utilization (ASUT) has a negative association with chairman's pay (-0.284546) and director's equity holding (-0.236946), and positively associated with director's pay (0.080064). Director's pay has a positive association with chairman's pay (0.009470) and director's equity holding (0.338087). Chairman's pay is positively associated with director's equity holding (0.192637).

REGRESSION ANALYSIS

Table 4.3: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.623018	0.256422	6.329474	0.0000
DPAY	1.096701	0.774832	1.415405	0.1613
CHPAY	-0.593432	0.279604	-2.122403	0.0373
DEQH	-1.514146	0.731785	-2.069114	0.0422
R-squared	0.739692	Mean dependent var		1.056667
Adjusted R-squared	0.703341	S.D. dependent var		0.458701
S.E. of regression	0.434353	Akaike info criterion		1.221941
Sum squared resid	13.39506	Schwarz criterion		1.345541
Log likelihood	-41.82280	Hannan-Quinn criter.		1.271293
F-statistic	3.842852	Durbin-Watson stat		1.769194
Prob(F-statistic)	0.013116			

The R-squared which is the co-efficient of determination or measure of goodness of fit of the model, tests the explanatory power of the independent variables in any regression model. From our result, the R-squared (R^2) is 73% in the Model. This showed that our model displayed a good fit because the R^2 is closer to 100%, these explanatory variables can impact up to 73% out of the expected 100%, leaving the remaining 27% which would be accounted for by other variables outside the models as captured by the error term. The F-statistics measures the overall significance of the explanatory parameters in the model, and it shows the appropriateness of the model used for the analysis while the probability value means that model is statistically significant and valid in explaining the outcome of the dependent variables. From table 4.3 above, the calculated value of the f-statistics is 3.842852 and its probabilities are 0.013116 which is less than 0.05. We therefore accept and state that there is a significance relationship between the variables. This means that the parameter estimates are statistically significant in explaining the relationship in

the dependent variable. The t-statistics helps in measuring the individuals' statistical significance of the parameters in the model from the result report. It is observed from table 4.3 above that only Chairman's pay (CHPAY) and director's equity holding (DEQH) were statistically significant at 5% with its values as -2.122403 and -2.069114 respectively. This implies that they have contributed significantly to cash holding at the rate of 5% level of significant. The remaining variable (director's pay with its values as 1.415405) is not statistically significant at 5%. Our model is free from the problem of autocorrelation because the Durbin-Watson value is 1.769194 which is approximated as 2 (that Means, the absence of autocorrelation in the model used for the analysis). The a priori criteria are determined by the existing accounting theory and states the signs and magnitude of the variables from the result. Director's pay has positive sign and its values are 1.415405. In the Model, this implies that increase in director's pay increases the cash holdings by 142%. Chairman's pay and director's equity holding has negative sign and its values as -2.122403 and -2.069114 respectively. Therefore in the Model, this implies that decrease in chairman's pay and director's equity holding decreases the asset utilization by 212% and 207% respectively.

HYPOTHESES TESTING

H₀₁: Board of director's pay does not have any significant effects on the asset utilization of companies in consumer goods sector in Nigeria.

From the result of our test in table 4.3 above, we found out that the value of our t-test for director's pay is 1.415405 with a probability of 0.1613. This probability value is greater than the desired level of significant of 0.05. We accept the null and reject the alternative hypothesis, which says that board of director's pay does not have any significant effects on the asset utilization of companies in consumer goods sector in Nigeria. Thus, board of director's pay is positive and has no significant impact on the asset utilization of companies in consumer goods sector in Nigeria at 5% level of significant.

H₀₂: Chairman's pay does not have any significant effects on the asset utilization of companies in consumer goods sector in Nigeria.

Drawing inference from table 4.3 above, we found out that the computed value, t-value for chairman's pay is -2.122403, while its probability is 0.0373. Since its probability value is less than the desired level of significance of 0.05. We therefore, reject the null and accept the alternative hypothesis, which says that chairman's pay have significant effects on the asset utilization of companies in consumer goods sector in Nigeria. Thus, chairman's pay is negative and has significant impact on

asset utilization of companies in consumer goods sector in Nigeria at 5% level of significant.

H₀₃: Director's equity holding has no significant effects on asset utilization of companies in consumer goods sector in Nigeria.

Drawing inference from table 4.3 above, we found out that the computed value, t-statistics for director's equity holding is -2.069114, while its probability is 0.0422. The probability value is less than the desired level of significance of 0.05. We therefore, reject the null and accept the alternative hypothesis, which says that director's equity holding has significant effects on asset utilization of companies in consumer goods sector in Nigeria. Thus, director's equity holding is negative, and has significant impact on asset utilization of companies in consumer goods sector in Nigeria at 5% level of significant.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

The study examined the effect of director's tunnelling on asset utilization of companies in consumer goods sector in Nigeria, and the following were found at the 5% level of significant:

- I. Board of director's pay is positive and has no significant impact on the asset utilization of companies in consumer goods sector in Nigeria.
- II. Chairman's pay is negative and has significant impact on asset utilization of companies in consumer goods sector in Nigeria.
- III. Director's equity holding is negative, and has significant impact on asset utilization of companies in consumer goods sector in Nigeria.

In summary, the findings of empirical results based on 2013 – 2017 Nigerian Stock Exchange Fact Book data of fifteen (15) quoted companies in consumer goods sector in Nigeria.

CONCLUSION

The results of this study supported previous studies like Imam and Dewi (2015), Takao and Cheryl (2005), on the effect of director's tunnelling on firms performance in Nigeria. The findings demonstrate that director's tunnelling has statistical significant effect on firm performance proxy by asset utilization (asset turnover). Hence, the more director's tunnel firms resources using pay system, equity holding, dividend, capital and non-capital expenditure or other tunnelling scheme the lesser their asset utilization ratio. Director's pay can be a key performance motivating tool; it can also be a tool for tunnelling.

The result provides useful information insight for managers, shareholder and policy maker which can aid them in planning and formulating policy that can curtail the tunnelling activities of directors. A well-motivated employee can achieve much with little hence the welfare of the director should be of most importance to shareholding but the give and take politics of the board has breed a moister on his wing tunnelling strive.

RECOMMENDATIONS

The study, therefore recommends the following based on the findings of the study.

- Regulatory agency like the Security and Exchange Commission, Central Bank of Nigeria, etc in formulating anti tunnelling policy for Consumer goods firms in Nigeria, should ignore the director's pay because the director pay has no statistical significant effect on their asset utilization.
- The chairman pay has strong effect on asset utilization. The study recommend that the chairman and other board member pay should not be fix by the CEO rather it should be fixed by the entire shareholder during the annual general meeting to reduce the influence of the CEO and the give and take politics of the board.
- The Regulatory agency should formulate rules that reduces director equity holding as this has negative statistical significant effect on the asset utilization of the firm. The incentive to tunnel diminishes as the controlling shareholder ownership increase.

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