

**GOVERNANCE COST, PAY DISPARITY AND FINANCIAL FIRMS'  
EFFICIENCY IN NIGERIA**

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**AUGUST, 2022**

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**A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE  
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UNIVERSITY, OTA, OGUN STATE, NIGERIA**

**AUGUST, 2022**

## **ACCEPTANCE**

This is to attest that this Thesis is accepted in partial fulfilment of the requirements for the award of the degree of Doctor of Philosophy in Accounting degree in the Department of Accounting, College of Management and Social Sciences, Covenant University Ota, Ogun State, Nigeria.

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## **DECLARATION**

I, **OZORDI, EMMANUEL EBUBECHUKWU (16PAA01294)**, declare that this research work was carried out by me under the supervision of Prof. Olubukunola R. Uwuigbe, of the Department of Accounting, College of Management and Social Sciences, Covenant University, Ota, Ogun State and Dr. Stephen A. Ojeka, of the Department of Accounting, College of Management and Social Sciences, Covenant University, Ota, Ogun State. I attest that the Thesis has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this thesis are duly acknowledged.

**OZORDI, EMMANUEL EBUBECHUKWU**

**Signature and Date**

## **CERTIFICATION**

We certify that this Thesis titled "**GOVERNANCE COST, PAY DISPARITY AND FINANCIAL FIRMS' EFFICIENCY IN NIGERIA**" is an original research work carried out by **OZORDI EMMANUEL EBUBECHUKWU (16PAA01294)**, in the Department of Accounting, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria under the supervision of Prof. Olubukunola R. Uwuigbe and Dr. Stephen Ojeka. We have examined and found this work acceptable as part of the requirements for the award of the degree of Doctor of Philosophy (Ph.D) in Accounting.

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## **DEDICATION**

This Thesis is dedicated to God, who has given me the strength, grace, wisdom, and inspiration to complete this study successfully. Unto thy name, O Lord, be all the Glory.

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## LIST OF ABBREVIATIONS

AGM	Annual General Meeting
AMCON	Asset Management Company of Nigeria
BOFIA	Banking and Other Financial Institution Act
CAC	Corporate Affairs Commission
CAMA	Company and Allied Matters Act
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CRS	Constant Return to Scale
DEA	Data Envelopment Analysis
DMU	Decision-Making Units
EPS	Earnings Per Share
FGLS	Feasible Generalised Least Squares
FLC	Firm Life Cycle
GC	Governance Cost
IARS	International Accounting and Reporting Standards
IASB	International Accounting Standard Board
IFRS	International Financial Reporting Standard
LTIPs	Long-term Incentives Plans
NAICOM	The National Insurance Commission
NSE	Nigerian Stock Exchange
OECD	Organisation for Economic Corporation and Development
OLS	Ordinary Least Square
PCA	Principal Component Analysis
PE	Performance Efficiency
PENCOM	Pension Commission
PPF	Production Possibility Frontier
PTRA	Panel Tobit Regression Analysis
ROA	Return on Asset
ROE	Return on Equity
RNOA	Return on Net Operating Assets
SDGs	Sustainable Development Goals
SE	Scale Efficiency

SEC	Security and Exchange Commission
SFA	Stochastic Frontier Analysis
SFP	Statement of Financial Position
TE	Technical Efficiency
TMT	Top Management Team
UNDESA	United Nations Department of Economic and Social Affairs
VRS	Variable Return to Scale
WBG	World Bank Group

## ABSTRACT

Organisation must factor in governance costs as they aspire to build a sustainable business. The consistent agency problems need attention within the financial firm operations in this sensitive era. Therefore, this study examined the impact of governance cost and pay disparity on financial firms' efficiency. The study selected 40 out of the 50 financial firms on the Nigeria stock market. The study employed Saunders, Lewis and Thornhill, (2019) sampling technique formula because it ensured an adequate representation and selection process of the firms within its sub-sector. The study adopted an *ex-post-facto* research design. Data was collected using secondary sources from the firms' annual reports for nine years (2012-2020). The efficiency scores were measured using the Data Envelopment Analysis (DEA), factoring two input variables (Total Assets and Total Equity) and Output variables (Gross premium, Net premium, underwriting losses or gains). Consequently, firms with an efficiency score of (1) served as the benchmark for an efficient firm operation in which other similar firms could emulate. The study found that Banks and Investment firms approached the threshold on the efficiency scores while insurance firms operated below the average benchmark score point in aggregate. The outcome suggests that insurance firms are not performing optimally. Additionally, the study utilised the Panel Tobit regression to test the hypotheses and found a significant influence amidst the constructs. The findings from the study showed that the current governance cost positively influences the efficiency of the sampled firms. In the same vein, pay disparity had a positive influence on the sampled firms' efficiency. The study found a widen pay gap between directors pay packages and other staffs pay packages on an average. Despite these wide ratios the sampled firms performed optimally. Furthermore, governance cost across corporate life cycle exhibited an adverse influence on financial firm's efficiency which suggest that raising the cost of governance without factoring the corporate life cycle will be detriment to the efficiency than improving it. Therefore, the study concluded that governance cost and pay disparity significantly influence financial firms' efficiency and recommended that the current budgetary provision on financial firms' governance costs is sufficient to drive efficiency. However, an increase won't affect the firms' efficiency, but the consistent increase without paying attention to the corporate life cycle of the firm will affect the firms' efficiency negatively. Hence, Managers should consider a periodic and structural approach this will help moderate the increment with the corporate life cycle pathway per time. The study recommends that the current pay structure should be managed to ensure that all segments contribute to efficiency over time.

***Keywords: Corporate lifecycle, Data Envelopment Analysis, Governance Cost, Pay Disparity, Performance Efficiency***