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Research Paper

Corporate governance elements and return on capital employed by cooperative societies

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ABSTRACT
This study investigated the influence of corporate governance elements on the return on capital employed by cooperative societies in Southwest Nigeria using a sample of 231 cooperative societies for a period of eight years from 2011 to 2018. Data were obtained from the books and annual reports and accounts of the selected cooperative societies.The result of the study shows that management did not use the society capital efficiently to generate enough profit for their members. Majority of the cooperative societies reported returns on capital employed of about 6% which is lower than the range of 10% - 20% recommended for the non-listed institutions. The result of the study also revealed that executive compensation has an insignificant inverse relationship with return on capital employed. The inverse relationship between these two variables implies that higher remunerations were not able to generate higher returns for the members of the cooperative societies. The insignificant relationship on the other hand implies that remuneration or higher incentives for the management of cooperative societies in Nigeria does not improve their performance.Out of the two control variables in this study, only age of the society has significant effect on return on capital employed. The firm size has an insignificant effect on return on capital employed. Findings from the descriptive statistics indicated that corporate governance practices in the cooperative societies were not strong in comparison to the practice in the listed companies in Nigeria. The study recommends that risk management committee should be strengthened.
KEYWORDS:_risk management, ownership concentration, self-help financial assistance, committee members, non-executive directors_

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I. INTRODUCTION

Cooperative societies had been used to complement the efforts of other micro financial institutions to cater for the poor in rural areas. The people in the rural areas had always being at the receiving end of the pangs of poverty. The poor had many challenges to surmount in order to maintain or improve their economic or social status. One of the solutions to abate these numerous challenges is by coming together and pooling their financial resources to carry out what an individual could not effectively do. In Yorubaland of the south west geo political zone of Nigeria, this type of self-help financial assistance by people can be found in *esusu* or *ajo*. There are similar types of self-help financial contributory schemes in other geo political zones. *Esusu* is a contributory financial scheme where individuals contribute money together weekly or monthly or at an agreed regular interval and one of the contributors would collect the total sum being contributed. The collection of the total sum of money contributed at these regular periods would now go round the members of the scheme.

Modern cooperative society started with what is known today as Consumer society due to the needs of workers who were buying consumers goods at high prices. The modern cooperative system which is now being practiced worldwide started in a small town where workers in a manufacturing outfit decided to help themselves from the oppressive prices that goods were being sold to them. The industrial revolution that started in Britain afforded the entrepreneurs to establish factories in every nook and crannies of the country. In most cases, factories were established far away from towns and the workers had no time to go to for shopping but to rely on what were available in the nearby shops. Most of the goods sold to these workers were supplied by the owners of the factories who had engaged them. The workers were faced with high prices and the employers also collected their wages through the commodities supplied. It was this challenge of high prices that motivated the workers to form an association that will afford them with essential commodities at cheap prices. This formation of the association which was later given the name of cooperative society started in Rochdale, a small industrial town in England. The pioneer members who were 28 were mainly weavers and other artisans and were involved in selling food items they could not otherwise afford. This cooperative society which had Robert Owen as one of the founders was named as Rochdale Equitable Pioneers. This model of cooperative society, within a few years, spread like wildfire in many industrial towns in the United Kingdom (Kareem, Arigbabu, Akintaro and Badmus, 2012).

This Rochdale Equitable Pioneer soon became a model to other cooperative societies that had the same focus of selling foodstuffs to their members at affordable prices. With rules and regulations which were known as principles of cooperative societies, these societies were later bound to adopt them if they are to be called and recognized as cooperative societies. The latter form of modern cooperative societies which were not consumer in nature had the same principles and concepts the Rochdale Equitable Pioneers formulated. It is with these principles of cooperative societies that any would-be society has to abide with before a certificate of registration can be issued to it.

The genesis of modern cooperative societies in Nigeria was agriculture based (Yebisi, 2014). The first registered cooperative society in Nigeria was in Ibadan under the name Gbedun Cooperative Produce and Marketing Society Limited, in 1937. The activities of some indigenous farmers associations like Ibadan Agricultural Society of 1904, Agege Planters Union of 1907 and the Egba Farmers Association of 1910 contributed in no small measure to the Strickland commission established in 1933 on the advisability of introducing cooperative societies in the country (Uzonwanne, 2015). The commission recommended that with the establishment of modern cooperative system, exploitation by the middlemen would be eliminated; producers would be able to deal directly with entrepreneurs; cooperative members would be able to sell high quality cocoa, palm produce and cotton due to services that are to be rendered by the Department of Agriculture and high interest loans to members will be reduced by providing affordable and cheap credit to them.

In 1935, sequel to Strictland’s report on the establishment of cooperative society, the first Cooperative Ordinance was passed in Nigeria thereby commencing modern cooperative activities (Nwankwo, Ogbodo&Ewuim, 2016). The first Registrar of Cooperatives was appointed in 1936. He had administrative powers on all registered cooperative societies.

The operations of the cooperative societies, especially the clerical and bookkeeping aspects, are carried out initially by the founders or promoters of the society. Often, these presidents, secretaries and treasurers are the opinion leaders of the community in which these societies operate. The establishment and development of cooperative societies are mainly based on the local initiative of the founders and local economic strength of the members (Nwankwo, Ogbodo&Ewuim, 2016).

The societies are often unable to engage the services of professionals to manage the administrative and financial operations of the societies due to lack of funds. As these cooperative leaders may lack the knowledge and practice of internal control, the financial assets of the members are often not too safe. In addition to that is the lack of accounting knowledge in the preparation of annual accounts that may require accounting concepts of accruals and prudence which may not be understood by the illiterate members. The lack of internal control and inability of the committee members to properly discharge their oversight functions of control over the employees create rooms for embezzlement. The committee members themselves can perpetrate frauds or collude with the employees to carry out financial improprieties. Ohen, Ofem and Arikpo (2018) asserted that lack of qualified personnel, insincerity of members in credit management and changes in government credit policies were serious challenges that affected efficient delivery of credit by cooperative societies to agricultural enterprises in the study area.

Education of members is one of the cardinal principles of cooperative society. Members are aware of new developments which they would not have the advantage of knowing if they are not members of cooperative societies. Modern conduct of meetings in which agenda, reading of minutes, resolutions and consideration of annual reports are some of the new things the hitherto illiterate members have opportunity to know. This has added advantage on members in their other regular operation of their businesses. In a study conducted by Ebong, Eteng and Ekpo (2017), the findings show that membership of cooperative societies significantly influence development of managerial competence for business among rural communities of Odukpani in Cross River State.

According to Babalola, (2014), corporate governance can be defined as the system by which companies are directed and controlled.The principles of corporate governance therefore include respect for the rights of shareholders, equitable treatment of all stakeholders, responsibilities of the board, transparency, and disclosure (Azim, 2012). Thus, corporate governance, is an all-encompassing concept as it entails relationships among different stakeholders of the company (Siyanbola, Adedeji and Sobande, 2014).

Ownership, size of the board, executive compensation and enterprise risk management are some of the key elements of corporate governance. However, operations of cooperative societies are far away from what the corporate governance code stipulates. The most important reason for establishing a business enterprise is to make and maximize profit. An investors is expected to receive returns on his investment. With corporate governance which is being accorded to non-listing corporate entities like cooperative societies, what are the effects of corporate governance elements on the return on capital employed by cooperative societies in Southwest Nigeria. This will be the focus of this paper. The rest of the paper is divided into four sections.Section two is on conceptual framework and literature review while section three is on research methodology. Section four is on findings and discussion. Section five summarizes, concludes and recommends.

II. CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

Conceptual framework

Board's size and composition

The overall number of directors serving on the board of a listed company is known as the board size. The composition of the board implies selection /election of the board members according to scale and complexity of the company's operations. It is necessary, while composing the board, to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. The board should comprise a blend of executive and non-executive directors, headed by a Chairman who must be a non-executive director. Membership of the board, according to SEC (2011), should not be less than five.

In order to perform its oversight function in an effective and objective manner, the board is expected to be independent of management (Vrieze, 2019). To be independent, the board is to be composed of executive and non-executive directors. The size of the board is to be determined by the firm's need.

To have good checks and balances in the discharge of its duties and avoiding over concentration of powers in one individual, the positions of the Chairman of the Board and Chief Executive Officer shall not be held by one person. (Oyerogba, 2017). This is applicable in all public companies.

Similarly, a non-executive director who is not involved in daily operations of the company is to be the Chairman of the Board. Non-executive directors in which at least one of them should be an independent director should be more than executive directors on the board (SEC, 2011). They are expected to bring independent judgment on the actions and proposals of management and executive directors especially on issues of strategy, performance evaluation and key appointments. For effective discharge of their duties, a conducive environment should be provided. Comprehensive and adequate information on all matters concerning the board should be provided.

An independent director is a non-executive director with a maximum shareholding of 0.1% of the company's paid up capital. He is not a representative of any substantial shareholder of the company. He is not a sibling of an individual who is, or has been in any of the past three financial years, employed by the company or the group in an executive capacity. It is mandatory that a listed public company should have a minimum of one independent director on its Board (OECD, 2004).

Ownership structure

Ownership is an important instrument of control in a public institution (Conyon, 2006).

Ownership structure is defined not only by the distribution of equity with regard to votes and capital but also by the identity of the equity owners (Brown & Marcus, 2006). These structures are of major importance in corporate governance because they determine the incentives of managers and thereby the economic efficiency of the corporations they manage (Acharya, Gabarro&Volpin, 2013). In particular, the categorization means percentage ownership by largest block of equity ownership. In particular, several institutional investors form consortia to control several firms and the monitoring job is delegated to one investor in each consortium who is also informally responsible for possible losses of other investors money due to negligent monitoring (Cohen, 2002).

According to Crosswell and Clark (2011), if the concentration of equity is large in some individuals, it is regarded as ownership concentration and may be an instrument for exploitation of the minority by the block shareholder and if ownership is well dispersed, it may also give self-seeking managers an opportunity to maximize their interest more than the interest of the shareholders. Therefore, every organization has a responsibility to determine the appropriate ownership structure for its organisation.

An important benefit of ownership as observed by scholars is that shareholders are given the privilege of electing members of the board. This is normally done at the annual general meeting. A shareholder with a minimum of 10% is expected to have a nomination at the board. The ownership of the company rests on the shareholders who are the real owners.

Enterprise risk management

Risk, according to Dermine (2011), is a situation when the probability distribution of losses can be identified with relevant data while in uncertainty the distribution of losses cannot be measured because no relevant data is available. It is worthwhile to mention that scholars worldwide are increasingly interested in the connection between risk management and firm performance.

The board is to create a risk management committee and one of the board members should be appointed as the chief risk officer. Board members should be fully aware of the importance of enterprise risk management.

A risk management committee is to take care of risk management, addressing the incentives for compensation or reviewing rules that govern limited liability entities (Mulbert&Citlau, 2011).

With the establishment of an efficient risk management function (including a chief risk officer or equivalent) and an effective internal control systems, the chief risk officer must be independent, having sufficient authority and full access to the board.For a healthy financial environment, it is necessary to identify risk and be able to differentiate risk from uncertainty.

III. LITERATURE REVIEW

Corporate governance refers to the set of rules, controls, policies and resolutions put in place to dictate corporate behavior in order to improve the long-term shareholders' value by enhancing corporate performance and accountability while taking into account the interest of other stakeholders. The origin of corporate governance could be traced to the period of industrial revolution when joint stock companies were formed which gave rise to separation of ownership from control as the owners wanted their investments secured (Babalola, 2014).

Corporate governance is not only on how a set of processes, customs, policies, laws and institutions affect the way companies are directed, administered or controlled but it includes the relationship among various important stakeholders who are mainly members / shareholders, management and board of directors (Aggarwal, 2013). Certain factors, according to Aggarwal (2013), affect the good corporate governance or otherwise in an organization. These are:

(i) Integrity of management;
(ii) Size of Board (the larger the board, the better it is);
(iii) Ability of board, qualifications / expertise and commitment of board members;
(iv) Frequency of Board Meetings;
(v) Insider Trading and Whistle Blowing Policy;
(vi) Quality of corporate reporting;
(vii) Stakeholder Engagement (participation of stakeholders in management) ;
(viii) Independent Directors (protect overall organizational and stakeholders interest);
(ix) Board Committees - Audit Committee, Remuneration Committee, Nomination Committee, Investor Grievance Committee, Risk Management Committee, etc.;
(x) Class Action Suits; and
(xi) Role and Rotation of Auditors.

In measuring the various impacts corporate governance have on corporate performance and profitability, Governance Metrics International and Byun (2006) found that companies with higher governance ratings enjoy higher profits and returns. This is similar with the opinion of Sachs (2007) that investments in poorly governed companies are not as profitable as that of highly governed companies. However, Statman and Gluskhov (2009) and Aggarwal (2013) found no significant differences in the performances of firms with bad corporate governance and firms with good corporate governance. The results of the studies which are carried out in India may be due to the early stages of corporate governance in the country. If all the elements of corporate governance are not taken together to find their effects on corporate governance and each one of them is independently measured, there is different elemental impact of each element on corporate profitability (Azim, 2012).

Many studies had been carried out in respect of corporate governance in public and private companies. The financial performances vary from one sector of the economy to the other.

Kajola (2008) used Panel methodology and OLS as a method of estimation of corporate governance and firm performance in his work titled Corporate Governance and Firm Performance: The Case of Nigerian Listed Firms. The findings showed evidence of positive significant relationship between ROE and board size as well as chief executive status. So also there was positive significant relationship between profit margin and chief executive status.

Babatunde and Olaniran (2009) in their work titled The effects of internal and external mechanism on governance and performance of corporate firms in Nigeria used panel data regression analysis and Returns on

Assets (ROA) as measures of firm performance, concluded that there is no significant evidence to support the idea that outside directors help promote firm performance.

In the work of Kushoka (2010), it was found that funds are not sufficient to meet members' requirement in employee based cooperative societies. The published work is In Sustainability of an Employee Based Savings and Credit Co-Operative Society: A Case of Dar Es Salaam City Council Saccos Tanzania. Pearson correlation and linear regression were used. But this work may not be relied upon as the sample size used was fifteen employees which were so small to arrive at meaningful conclusion.

In a study conducted by Sonza and Kloeckner (2013) on corporate governance influence on some selected companies in Brazilian listed companies on the Stock Exchange of Sao Paulo, some parameters of corporate governance were tested and results found were not so different from findings in other developing economies. The title of the work is Does Corporate Governance Influence the Efficiency of Brazilian Companies?The study used static optimization techniques through data envelopment analysis (DEA). The findings showed that executive turnover has negative impact on the efficiency of companies; combining the functions of CEO and that of chairman of the board impair corporate efficiency negatively; executive tenure is negatively related to corporate efficiency; an increase in the proportion of independent directors is positively related to efficiency; turnover of the chairman of the board is positively related to efficiency; board size negatively influences a company's efficiency and director age is positively related to efficiency.

A study on good corporate governance and organizational performance was conducted by Adebayo, Ibrahim, Yusuf and Omah (2014). The work is titled Good Corporate Governance and Organizational Performance: An Empirical Analysis. Primary data collected were analyzed using both Regression analysis and Karl Pearson's correlation techniques to find the relationship between corporate governance and organizational performance on one hand and the degree of relationship between corporate governance and organizational performance. The findings of the study showed that large board size, board skill, management skill, longer serving CEOs, size of audit committee, audit committee independence, foreign ownership, institutional ownership, dividend policy and annual general meeting are positively associated with the performance of organizations. They further include foreign ownership, institutional ownership, dividend policy and annual general meeting to be positively associated with organizational performance. They conclude that other indices like social, legal and economic factors influenced good corporate governance.

In quantifying the relationship between corporate governance and the performance of firms in Vietnam, Vo and Phan (2013) conducted a research with the title of Corporate governance and firm performance: Empirical evidence from Vietnam. Flexible generalized least squares (FGLS) technique on 77 listed firms trading over the period from 2006 to 2011 was used. The result showed that corporate governance elements such as the presence of female board members, duality of the CEO, working experience of board members, and compensation of board members have positive effects on the performance of firms, as measured by the return on asset (ROA). However, board size has a negative effect on the performance of firms. The older-age directors, according to Vo and Phan (2013) are more aggressive and more dictatorial in decision making. Change in the business environment will not easily get tackled by the-older age directors like the younger directors. This will affect strategic decisions and will have significant impact on the financial performance of the company. The findings also show that board's compensation positively contribute to the financial performance of the firm as the compensation provide better link between the board and the management.

A study was conducted on factors that affect loan repayment in cooperative societies among members of Cooperative Thrift and Credit Society in Yewa North Local Government Area, Ogun State, Nigeria. Multi stage random sampling techniques with structured questionnaires and personal interview were used. Descriptive statistics and multiple regressions were also employed. The results of the regression showed that the amount of loan collected by farmers, level of education and year of experience and labor used were the major factors that positively and significantly influence loan repayment (Akerele, Aihonsu, Ambali&Oshisanya, 2014). When loans are not paid, this will have negative impact on the profit of the society. The essence of getting loan from cooperative society is to fill the gap in their economic needs. The needs may be special or otherwise. Part of the education being given to those collecting loans is that the loan collected should not be used for unfruitful ventures like marrying additional wives or using it for burial rites of their relatives. Members collecting loans have to get guarantors among the members and some may need to get additional security in terms of properties before the loans are granted. These loans, according to Assenga (2008), reduce poverty among the down trodden when there is positive changes in their income.

IV. RESEARCH METHODOLOGY

Data Structure and Technique of Analysis

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

This study adopted stratified random sampling technique and purposive sampling technique in the selection of the sample for this study. According to Pitton (1990) stratified random sampling is a form of probability sampling technique where every member of the population has equal chance of being selected. This technique was preferred owing to the fact that it minimises the sampling error and also eliminates selection bias which is a major weakness of non-probability sampling techniques. Therefore, the population were stratified into six strata with each state forming a stratum.

In this study, the population consists of all the forty six thousand two hundred and ninety six (46,296) registered cooperative societies in the South West geo-political zone. The population according to the states were as follows:

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

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

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

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

Model Specification

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

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

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

Apriori expectation is that $\beta_{1 \ldots\ldots} \beta_6 > 0$

Where:

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

ROCE = Return on capital employed

EPS = Earnings per share

BSC = Board structure and composition

OS = Ownership structure

ERM = Enterprise risk management

EC = Executive compensation

AS = Age of the society

SS = Size of the society

V. FINDINGS AND DISCUSSIONS

The study employed an ordinary least regression analysis to investigate whether corporate governance mechanisms have significant influence on return on capital employed of corporative societies in Southwest Nigeria. According to Kothari and Garg (2014), regression is the determination of a statistical influence of one variable on another variable or variables. There are independent and dependent variables in simple regression analysis. The independent variable causes the behaviour of dependent variable. Multiple regression occurs when the independent variables are more than two thereby resulting to multiple regressions. In a typical regression analysis, three components are important (model summary, analysis of variance (ANOVA) and the beta coefficient).

Model summary included the coefficient of determination (R-square) and the adjusted R-square. R-square explains the amount of variation in the dependent variable attributable to the collective effects of all the independent variables. Kothari and Garg (2014) described ANOVA as a procedure for testing the difference among different groups of data for homogeneity. The essence of ANOVA is that the total amount of variation in a set of data is broken down into two types, that amount which can be attributed to chance and that amount which can be attributed to specified causes while T- test was also used in the context of the multiple regression analysis for judging the significance of multiple regression coefficients.

In this study, R-square was 0.421, suggesting that about 42% of the systematic variations in the return on capital employed of the cooperative societies were attributable to the combined effects of all the corporate governance variables (board structure, ownership structure, risk management practices and executive compensation) as well as control variables (society age and size) while the remaining 58% is due to other variables not considered in this study.

To determine the individual influence of the independent variables on the dependent variable, the beta coefficient results were analysed. For board structure, the result obtained was beta coefficient of 0.557 with a t-statistics of 5.989 and p-value of 0.000. The result shows that board structure have significant influence on the financial performance of cooperative societies in Nigeria. The result supports the findings of Oyerogba (2016) who carried out a study on the relationship between corporate governance and profitability of listed manufacturing companies in Nigeria.

Ownership structure was also found to have significant influence on the return on capital employed of the cooperative societies. As presented in table 4.1, the beta coefficient was 0.814 which implies that a unit change in ownership concentration of cooperative society may result into about 81% increase in return on capital employed of the cooperative societies in Nigeria and vice-versa. The simple explanation to this result can be drawn from the position of agency theory. When larger proportion of equity of a business organisation is owned by few individual, there is higher possibility of insider abuse since those few individuals determine who will be in the management team of the organisation through their voting right.
Similarly, the result of the beta coefficient and t-statistics for risk management practices produced strong and sufficient evidence to conclude that risk management practices have significant influence on the return on capital employed of cooperative societies. As presented in table 4.1, the beta coefficient was 0.138 while the t-statistics was 6.273. Since the computed t-statistics of 6.273 was greater than the 2.318 obtainable from the t-statistic table, it can be concluded that risk management practices has a statistically significant influence on the return on capital employed of cooperative societies. The significant relationship was in the expected direction, suggesting that companies who operated within their risk limit as put in place by the board have the potential to earn higher returns on capital employed than those with aggressive appetite for risk taking. Most of the societies only expose their societies to only twice the amount of savings and shares as loans to members. Members are to provide guarantors as collateral security to loan given. However, some very few societies grant loan in excess of 100 % of members' assets as occasions warrant it (Dermine, 2011).

In contrast, the regression result in table 4.1 showed that executive compensation has an insignificant inverse relationship with return on capital employed. The inverse relationship between these two variables implies that higher remunerations were not able to generate higher returns for the members of the cooperative society. The insignificant relationship on the other hand implies that remuneration or higher incentives for the management of cooperative societies in Nigeria does not improve their performance. The results on executive compensation and return on capital employed was not in conformity with previous studies (Oyerogba, 2016; Oyerogba, 2018; Deegan & Gordon, 2019).

Lastly, out of the two control variables in this study, only age of the society has significant effect on return on capital employed. The firm size has an insignificant effect on return on capital employed. These results are not in agreement with economies of scale. In economics of scale, big firms benefit from interrelated activities of other units operating in the same industry. Finance, technology, labour and other infrastructural facilities are available to them and these make them perform at higher profits. (Oyerogba, 2018).

Table 4.1 Regression results for corporate governance and ROCE

Multiple R: 0.649
R-Square: 0.421
Adjusted R-Square: 0.374

	Beta	**Std. Err.**	**T**	**Sig.**
Constant	-1.275	0.918	-1.389	0.233
Board Structure	0.557	0.093	5.989	0.000
Ownership Structure	0.814	0.305	2.669	0.001
Enterprise Risk Management	0.138	0.022	6.273	0.000
Executive Compensation	-0.872	0.539	-1.618	0.094
Society Age	0.391	0.047	8.319	0.000
Society Size	0.535	0.386	1.386	0.116

Table 4.2 Summary statistics for all the variables

Variables	Mean	Median	Mode	Std. Dev	Min	Max	No of Obs.
Board Structure and composition	10.59	11.00	13.00	1.25	7.00	18.0	1848
Ownership Structure	18.25	18.75	10.38	1.81	9.31	35.00	1848
Enterprise Risk Management	2.65	2.00	2.00	0.05	2.00	3.00	1848
Executive Compensation	19.75	18.22	15.50	1.22	14.80	25.05	1848
Society Age	21.00	23.00	18.00	2.49	8.00	32.00	1848

Society Size	133.14	127.26	163.21	1.47	97.25	432.16	1848
Return on Capital Employed	0.78	0.72	0.63	0.32	0.15	1.59	1848
Earnings per Share	0.059	0.498	0.059	0.032	0.023	2.64	1848

The descriptive statistics results for the two dependent variables (earnings per share and return on capital employed) were also presented in Table 4.2. The mean figure for the return on capital employed was 0.078 which implies that an average cooperative society in Nigeria have relatively low return on capital employed of about 8%. If return on capital employed is a ratio of profit to equity that reveals how a company has utilised its capital, it means that management did not use the society capital efficiently to generate enough profit for their members. The maximum figure was about 15%, the modal class was 6%, indicating that majority of the cooperative societies reported returns on capital employed of about 6% which is lower than the range of 10% - 20% recommended for the non-listed institutions (Oyerogba*et al*, 2017).

VI. SUMMARY, CONCLUSION AND RECOMMENDATION

This study investigated the influence of corporate governance elements on the return on capital employed by cooperative societies in Southwest Nigeria using a sample of 231 cooperative societies for a period of eight years from 2011 to 2018.

Board structure, executive compensation, ownership structure, and risk management practices were considered as corporate governance mechanisms while return on capital employed and earnings per share were taken as financial performance indicators. Data were obtained from the books and annual reports and accounts of the selected cooperative societies.

The result of the study shows that management did not use the society capital efficiently to generate enough profit for their members. Majority of the cooperative societies reported returns on capital employed of about 6% which is lower than the range of 10% - 20% recommended for the non-listed institutions (Oyerogba*et al*, 2017).

Also, the study showed that executive compensation has an insignificant inverse relationship with return on capital employed. Remuneration or higher incentives for the management of cooperative societies in Nigeria does not improve their performance.The inverse relationship between these two variables implies that higher remunerations were not able to generate higher returns for the members of the cooperative society. The insignificant relationship on the other hand implies that remuneration or higher incentives for the management of cooperative societies in Nigeria does not improve their performance.

Out of the two control variables in this study, only age of the society has significant effect on return on capital employed. The firm size has an insignificant effect on return on capital employed. These results are not in agreement with economies of scale. In economics of scale, big firms benefit from interrelated activities of other units operating in the same industry.

Findings from the descriptive statistics indicated that corporate governance practices in the cooperative societies were not strong in comparison to the practice in the listed companies in Nigeria.

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

This study has contributed to the frontier of knowledge in exploring the application of corporate governance in non-listed entities. The belief, hitherto, is that the tenets of corporate governance are applicable only to public companies. However, by this research, literature on corporate governance as applicable to non-listed companies, especially cooperative societies has increased. For not adequately monitoring these non-listed entities about their compliance with the elements of corporate governance, many of them are below the benchmark of the elements of corporate governance.

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