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Corporate Governance Practices of Contributory Pension Scheme Operators in Nigeria

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ABSTRACT

Unlike the previous defined benefit pension scheme in Nigeria, the current contributory pension scheme (CPS) is characterised by separation of ownership and management of pension fund. In view of agency problem this portends, the need to empirically examine corporate governance (CG) practices of operators is of importance for CPS survival. Thus, this study examines corporate governance practices of operators of CPS in management and custody of the CPS fund. Survey data from 212 managers and assistant managers of CPS operators were analysed using one-sample t-test and mixed ANOVA. The results showed significant practices of CG mechanisms in the form of board independence, director independence, board disclosure and audit committee effectiveness. Significant difference was found in practice of above CG mechanisms. However, there was no significant difference in GC practices among various types of CPS operators. Similarly, the interaction of CG mechanisms with CPS operator type was also found to be insignificant. Based on the results, good corporate governance practices in the management of CPS fund is evident. However, it is recommended that there is an urgent need to intensify regulatory role of the part of CPS regulator- National Pension Commission to ensure that operators are not lacking behind in practices of various mechanisms of CG.

Keywords: Corporate governance, board independence, board disclosure, audit committee, director independence, ownership

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INTRODUCTION

The study examines corporate governance practices among the operators (pension fund administrators [PFAs] and pension fund custodians [PFCs]) of contributory pension scheme (CPS) in Nigeria. It is established that good corporate governance practice facilitates stakeholders' trust in stewardship of the operators of CPS to effectively manage the pension fund (Ekpe, 2016). Unlike the previous defined benefit pension scheme, the current CPS in Nigeria is characterised by separation of ownership and management of pension fund which might lead to agency problem. In line with standard global practice, National Pension Commission [PenCom] as the regulator of Nigerian CPS issued a code of corporate governance (CG) in 2008 as part of its regulatory responsibility. Similar to other industry-specific codes of CG in Nigeria, PenCom's code of corporate governance aims at protecting the interest of major stakeholders in the pension industry especially CPS participants (contributors and retirees). This is line with corporate governance aim of proper management of resources under the stewardship of managers to ensure that such resources are managed in the best interests of their owners.

CG has widely gained importance in management of multitude of enterprises where the ownership is separated from management. Historically, the advocacy role of large pension funds such as California Public Employees' Retirement System [CalPERS] and California State Teachers Retirement System [CalSTRS] was instrumental to the emergence of CG (Becht et al., 2003; Cadbury Committee, 1992; Romano, 1993). The advocacy drive evolved due to managerial abuses and board tendency to act in their own interests rather that of the plan participants who own and bear associated risks of pension fund failure with the aim of eliminating management abuses (Cocco & Volpin, 2007; Kowalewski, 2012). Although, literature has emphasized the role of CG in boosting stakeholders' trust in Nigerian CPS industry (Ekpe, 2016; Okoye & Eze, 2013). Yet, no empirical study has so far examined the CG practices among the operator of Nigerian CPS industry in Nigeria. Thus, the study fills this gap.

Despite the long history of CG in Organization for Economic Co-operation and Development (OECD), literature has documented weak external and internal governance mechanisms among pension plans (Kowalewski, 2012). Available empirical findings in the banking sector indicate that the situation is no different among Nigeria banks. This might have a spill over effect on the Nigerian CPS industry. In relation to Nigerian CPS industry, Ekpe (2016) has established that managers of emerging CPS industry have high tendency to overlap their stewardship with other business interests. Other studies (Akinkoye & Olasanmi, 2014; Nwannebuike & Ike, 2014; Okike, 2007; Proshare, 2014) also noted that weak corporate governance practices could prevail in CPS industry as documented in other industries such as banking. These assertions to date are yet to be tested empirically in relation to CPS industry. This study gives further insight into CG practices of various operators (PFAs and PFCs) of the CPS which are treated as heterogeneous groups due to their distinct function as well as ownership. Thus, we examine the implementation of four mechanisms of CG and further test for differences among operators charged with different functions in the management of CPS as well.

Research evidence has documented mixed and mostly weak evidence on level of corporate governance practices in Nigeria. More so, the evolving CG empirical studies were drawn largely from the banking sector with mixed findings (Abiola, 2012; Aina, 2013; Bhagat & Bolton, 2013; Idam, 2015; Ogbechie & Koufopolous, 2010; Turley & Zaman, 2007) across countries with no empirical study yet on the emerging CPS industry in Nigeria (Okoye & Eze, 2013). Although Ekpe (2016) recently examined how corporate governance may affect stakeholders' trust in CPS industry, the study however fell short to indicate the level of CG practices in the industry. In view of this gap with respect to CG practices in the pension industry, this study was conducted to provide empirical insight into CG practices among the operators of CPS industry.

Examining the corporate governance of Nigerian CPS is significant for some rationales. First, CPS has become a vital and indispensable part of the Nigerian financial system within its 13 years of coming into effect. As a such, the need to strengthen the corporate governance practices of CPS operators to be at be at par with other players in Nigerian financial system is timely. Second, CPS fund has proved to be easier and cheaper domestic source of providing funding for corporate entities and various tiers of government in Nigeria. Thus, CPS has provided the needed finance to curtail fiscal sustainability challenge that could have unfolded due to protracted challenge of declining oil revenue- which has been the main source of revenue to Nigeria since independence. Third, given that CG addresses conflicting interests of ownership and management of pension fund, examining the CG practices of CPS operators can provide guides to policymakers and regulators to prevent weak implementation of CG that might spell doom for the future income payment of post-retirements benefits to employees. The remaining part of the study is organised as follows. The next section focuses on related literature on CG generally and its mechanisms of board independence, director independence, board disclosure and audit committee effectiveness specifically as well as hypotheses development. The materials and method were presented in the section that follows. Results and discussion of analyses of data and conclusion of the study follow in that order.

LITERATURE

Corporate Governance

According to Cadbury Committee (1992), "Corporate governance is the system by which companies are directed and controlled". Corporate governance (CG) involved mechanisms put in place to monitor the actions, policies, and decision of agents of corporation to align the conflicting interests of agent (management) and that of other relevant stakeholders in the corporation (OECD, 2004). Though, good CG is pivotal to the activities of pension funds while acting in their fiduciary capacity (OECD, 2004), empirical studies have reported mixed findings on the impact of CG. The mixed results could be due to difference in governance structures and regulatory framework among countries with attendant tendency of management to consider CG as simply a technical matter of low-priority that can be evaded when its implementation is not convenient as well as use of different mechanisms of CG (Lehn et al., 2007; Rahman & Bremer, 2016). While several mechanisms of corporate governance have been identified, this study focuses on four mechanisms of CG reviewed below:

Board Independence

Board independence has remained a vital mechanism of corporate governance mechanism, yet what constitutes the independence of board has remained mixed (Almania, 2017; Beltratti & Stulz, 2009; Erkens et al., 2012; Malik & Makhdoom, 2016). In an attempt to clarify board independence, Lefort and Urzúa (2008) identifies two bases of independence of board members to include presence of outside directors and professional directors. Professional directors are mostly experts appointed by institutional investors or controlling shareholder while outside directors are elected by minority shareholders. As a mechanism of CG, board independence addresses agency problem from separation of owners of the resources from managers who might operate the firm in their own interest (Romano, 1993). Thus, the criteria for independence of board is associated with whether board member are free from undue influence of the management or not to discharge their responsibilities.

In developed countries with long history of CG, much attention has been focused on board independence and its committee. As such, as high as 80% of boards listed companies are considered as independent (Gunes & Atilgan, 2016; Weir & Laing, 2001). Despite the high rate of board independence in these countries, the effects of board independence remained mixed. For instance, Erkens et al. (2012) documented negative effect of board independence on stock returns of 296 firms across 30 countries during financial crisis of 2007-2008. In consistent with Erkens et al., Beltratti and Stulz (2009) found similar evidence of negative relation between board independence and performance of banks in selected European countries. Almania (2017) examined the impact of board independence on leverage of 122 non-financial Saudi Arabian firms over 2012-2015. The results show a significant but negative impact of independent board on firms' leverage proxied by proportion of total debt to total assets.

The negative impact of board independence documented by Almania (2017) and Erken et al. (2012) is not consistent with study of Fortune Global 500 firms over 2005-2012 across 18 countries by Malik and Makhdoom (2016). Based on data of 33 US firms and 67 non-US firms, it was reported that board independence enhances transparent decision making. Similar evidence was found in a meta-analysis of 27 studies conducted by Garcia-Meca, and Sanchez-Ballesta (2010). The study reported that board independence (proxied as the proportion of independent directors on firms' board) positively related to voluntary disclosure. Whereas, Vafeas (2003) found no evidence to confirm that outside directors significantly affected CG practices of firms, Bhagat and Bolton (2013) examined the impact of board independence on firm performance in two scenarios: before and after introduction of Sarbanes Oxley Act, 2002. The results show two conflicting evidences of significant negative and positive relationship between board independence and firm performance before and after the Act respectively. These conflicting results calls for examining the practices of corporate governance mechanisms in an emerging industry like Nigerian CPS in view of different regulatory environment and governance structure across countries.

Director Independence

Director independence is a position of being devoid of conflict of interest by a director (Van den Berghe & Baelden, 2005). Extant literature conceptualized director independence from multiple perspectives. Director independence has been established on the basis of nonemployee status of the directors in the firm as well as absence of financial, family, donor and social relationships (Johnson, 2008). Empirical findings on director independence has largely stand mixed across industries and countries. For instance, Kang et al. (2007) found that in Australia, 83% of sampled companies duly appointed adequate number of independent directors in their board and board committees as required by Australian corporate governance regulations. Wan (2003) also examined the influence of independent director on board to reduce executive pay and boost firm performance. The results based on data of US firms show that the presence of independent director neither reduce executive pay nor improve firm performance. Further analysis of the sampled firms establish that firm-industry specific factors largely account for difference in executive pay. Whereas, studies have also reported significant positive relationship between proportion of independent directors and debt ratio (Jensen, 1986; Abor & Biekpe, 2007).

On the contrary, Agrawal and Knoeber (1996) documented negative relationship between proportion of independent director on board and performance of firms. In contrast, Petra (2005) stated that outside independent directors did appear to strengthen corporate boards. Besides, studies and anecdotal report have recognised presence of outside directors on board as a way of attaining director independence. Vafeas (2003) noted that the presence of outside director was instrumental towards proper monitoring of management. Such monitoring of management actions as noted by Petra (2005), ensured that managers make decision in the best interest of stakeholders- to whom the resources under their stewardship belong. Thus, the presence of independent director is a mechanism that minimise agency conflicts between owners and managers (Fama & Jensen, 1983). The effect of director-chief executive officer (CEO) tie and compensation on director independence compromise was also examined by Westphal and Zajac (1995). It was found that when CEO appointed a director, there was a probable risk that such director might support the CEO rather than to discharge their duty of monitoring the CEO. The implication of their finding is that under such scenario the independence of director may be jeopardized.

However, the option of compensation of the independent director may minimize the risk based on evidence provided by Podder et al. (2013). They examined the impacts of director compensation options on their independence using 2006-2010 data of 104 insurance companies in the US and found that equity-based compensation aligns the interests of independent directors and stakeholders they represent. On the contrary, Deutsch et al. (2011) noted that compensating independent director using equity option negatively affected the risk taking in board decision–making. Notwithstanding failure to locate study that relate impact of cash compensation on director independence, empirical evidence of independent director cash compensation on earning management presented by Ye (2014) showed positive relationship based on 2002-2008 data of Chinese listed firms. The finding indicates that higher cash compensation may compromises the independence of director to effectively discharge their oversight on financial reporting.

Board Disclosure

Corporate board disclosure has become a subject of growing concern (Garcia-Meca & Sanchez- Ballesta, 2010). Broadly speaking, emerging markets tend to be characterized by high level of information asymmetry (Uyar & Kilic, 2012). Such information asymmetry has led to distrust in corporate management (Patel & Dallas, 2002). Therefore, Sihombing and Pangaribuan (2017) proposed that timely information dissemination to various stakeholders significantly reduced such information asymmetry. Also, Engel et al. (2010) stated that presence of reputable directors minimized such information asymmetry between firms and investors as the reputable status offers them some discretion on information disclosure (Turley & Zaman, 2007). Thus, the need for adequate disclosure cannot be under-estimated in general and on Nigerian CPS industry in particular towards minimizing the effect of such information asymmetry.

However, poor disclosure of executive and non-executive information sensitive to market dealings to facilitates stakeholders' confidence, CEO compensation, directors' remuneration, and transactions with related-parties were documented in Nigeria (Okike, 2007). This may have accounted for investors' reluctance to channel their resources to environment where corporate disclosure is low (Ejuvbekpokpo & Esuike, 2013). Therefore, poor level of disclosure among firms no doubt constitutes a serious threat to the growth of developing countries due to loss of confidence by investors to inject the needed capital for investment (Okpara & Kabongo; 2010). Aina (2013) posited that disclosure of remuneration of directors and senior executives of Nigerian firms eliminates controversy and unsustainable pay. On the contrary, Sanda et al. (2005) stated that disclosure of reliable financial and non-financial information enhanced investors' participation in stock of a firm. Adegbite (2012) also noted that disclosure improves participation of investor in a firm that provided information on ownership structure of the firm and matters relating to members of board and key employees.

Audit Committee Effectiveness

As a board sub-committee, audit committee (AC) is a vital mechanism of CG that its effectiveness has continued to be a global concern. To arrest the concern, several reports and professional publications have focused on AC effectiveness among CG mechanisms (Cadbury Committee, 1992; Deloitte, 2015; Hong Kong Society of Accountants [HKSA], 2002; PricewaterhouseCoopers, 2011). Traditionally, AC is established to facilitate a continuous communication between the board and external auditors through regular meetings. Such meetings are held to review internal accounting controls system and audit process to improve financial statements credibility (Rahman & Ali, 2006). Besides, audit committee assists investors to obtain relevant information for decision making based on external audit (Okike, 2007). While justifying the need for audit committee in a meta-analysed study, DeZoort et al. (2002) affirmed that AC was vital to protect stakeholders' interests. In a comparative study, Gunes and Atilgan (2016) examined the impact of AC effectiveness (ACE) on performance of Turkish and UK banks during 2006–2010. ANOVA results of data obtained from 10 banks in each of the country showed significant difference of effect of AC effectiveness on performance (proxied by return on asset and return on equity) among Turkish banks. Contrarily there was no significant differential effect found among UK banks. The differential effect was attributed to varying independence level of AC members in UK (100%) and Turkey (19%) due to relatively long history of corporate governance in UK compared to Turkey.

Another paradigm of literature has focused on the impact of audit committee members' skills on the performance of their function. With the aim of comparing the effect of AC effectiveness (proxied by independence and expertise) on restatement of accounts, Carcello et al. (2011) used matched data of 2000-2001 financial statements of equal sample (104) for restating firms and non-restating ones. The results of conditional logistic regression showed that the higher the independence of the AC, the lower the tendency of restatement of financial statements. They also found a significant negative relationship between AC expertise and account restatement with no significant effect of CEO involvement in selection of AC members on the relationship. McDaniel et al. (2002) corroborated that inclusion of financial experts as members of audit committee improved the focus on financial reporting quality far deeper than financial literates due to differences in judgement of financial experts and financial literates. The study established that the differences might lead to different basis of opinion on financial reporting issues

In a study of Thai listed firms, Kamolsakulchai (2015) examined effect of audit committee effectiveness (proxied by members' expertise) on financial reporting quality (exponential of discretional accrual) of three industries (Agro & food, Technology and industrial) over 2008-2012. The results show positive significant effects of AC expertise on discretional accrual with significant difference across three industries. Literature has further investigated how interaction with other control mechanisms affect audit committee effectiveness. In a case study conducted by Turley and Zaman (2007), interview analyses showed that interactions of audit committee with internal controls (internal auditor and senior management) and external controls (external auditor) had effect on the potential achievement of audit committee effectiveness. Based on the review of related studies on the four mechanisms of CG, the following hypotheses are proposed:

H1: there is significant board independence practices by operators of CPS in Nigeria

H2: there is significant director independence practices by operators of CPS in Nigeria

H3: there is significant board disclosure practices by operators of CPS in Nigeria.

H4: there is significant audit committee effectiveness practices by operators of CPS in Nigeria.

Ownership and Corporate Governance

According to Petra (2005), through ownership shareholders take control of firms. Consequently, there is need for CG regulations to take cognisance of corporate ownership (Adegbite, 2012). By design, there are two categories of CPS operators: pension fund administrators (PFAs) and pension fund custodians (PFCs). While, PFAs are charged with management of the CPS fund, the PFCs are the custodians of the fund. PFAs are in two sub-categories of open PFAs and closed PFAs. Open PFAs manage the pension fund of employees engaged by unrelated employers while closed PFAs are established by employers to manage the pension fund of their employees (Pension

Reform Act, 2004). Therefore, closed PFAs represent a kind of related-parties in terms of ownership on the basis that the employers that established the PFAs may have influence on their activities unlike open PFAs where such ownership relationship does not exist. The PFCs also have unique ownership type as well under the Nigerian CPS. As at 2017, all the four PFCs licensed to operate as custodians of CPS are fully owned by institutional investors (banks).

Literature has focused attention on effect of various ownership type on CG practises. For instance, Balagobei and Velnampy (2017) asserted that there was vital effect of ownership structure on corporate governance mechanisms among beverage and tobacco firms in Sri Lanka. Also, corporate ownership of Bangladeshi firms was found to have negative relationship on board independence largely due to family concentrated ownership (Hasan et al., 2016). They further reported significance difference among various ownership types (family, institutional and public) on board independence. Whereas employer managed pension funds have demonstrated poor corporate governance practice (Kowalewski, 2012), institutional owners have shown high preferences for CG through their intervention behind the scene (Bushee et al., 2014; McCahery et al., 2016). The evidences presented above provide arguments that ownership of the CPS operators may have impacts on their level of corporate practices. Therefore, this study hypothesized as follow:

H5: there is significant difference in practices of various mechanisms of corporate governance by CPS operators in Nigeria.

H6: there is significant interaction effect of various CG mechanisms with CPS operators type in Nigeria.

H7: there is significant effect of ownership of CPS operator type on CG practices in Nigeria.

MATERIALS AND METHOD

The population of the study covered all the 32 operators of CPS which consist of 21 open PFAs, 7 closed PFAs and 4 PFCs as at the end of 2017. The units of analysis comprised 212 managers and assistant managers of CPS operators (PFAs and PFCs). The sample were drawn from PFAs and PFCs which are charged with the administration and custody of CPS fund respectively. With respect to measurement of corporate governance, studies have used various mechanisms of CG as proxies for measurement. While some studies have used single of CG mechanisms such as board independence (Bhagat & Bolton, 2013; Chen & Jaggi, 2001; Malik & Makhdoom, 2016), audit committee characteristic (Gunes & Atilgan, 2016), CEO duality (Duru et al., 2016), others have combined various mechanisms of CG (Bhagat, & Bolton, 2013; Sang & Il, 2004). This study therefore adapts measures of CG mechanisms of board independence, director independence, board disclosure and audit committee effectiveness developed by Sang and Il (2004) in a CG study of five Asian countries.

The responses to the measurement item were Likert-scaled from between 1 indicating “strongly disagree” to 7 indicating “strongly agree”. The instrument consists of 22 items covering the above corporate governance mechanisms. Six items measure board independence, five measure director independence, four measure board disclosure while seven measure audit committee effectiveness. Cronbach’s alpha reported by the CG mechanisms are board independence (0.906), directors independence (0.838), board disclosure (0.806) and audit committee effectiveness (0.816). The items were tested for validity using factor analysis (see Table 1). All items adequately loaded on the CG mechanism they measure with the loading of 0.40 and above, except one of the seven items that measure audit committee effectiveness (AUDCOM3) which was deleted from further analyses. Kaiser Meyer-Olkin (KMO) and Bartlett’s test of sphericity were examined to ensure sampling adequacy and significance. For all the four CG mechanisms KMO of 0.60 and above and significant Bartlett’s test of sphericity were reported as recommended for sampling adequacy and significance respectively (Tabachnick & Fidell, 2013; Pallant, 2013). The results of reliability and validity test is in consistent with study by Ibrahim and Zulkafli (2016) that adapted the same items in their study. The justification for use of items to measure CG is in line with suggestion of Malik and Makhdoom (2016). They suggested the need to go beyond secondary data to measure corporate governance mechanisms. They futher argued that using other than secondary data allowed researchers to go for other alternative data source such as item–response questions to elicit perception of relevant players on the extent corporate governance practices.

Scholars have emphasized that corporate boards play substantial roles in entrenching good GC while acting as the guardian of shareholders’ interest in oversight of management (Dalton et al., 1998). Others (Amrah et al., 2015; Lefort & Urza, 2008) argue that board of directors and its committee are pivotal in internal governance of firm. Therefore, this study measures CG based on some vital characteristics of the board and its committees. In order to analyse data collected, one sample t-test was used to examine the practices of four corporate governance mechanisms (board independence, director independence, board disclosure and audit committee effectiveness) of operators of CPS. Further analyses were conducted to examine if difference exists in practice of corporate governance across the four mechanisms as well as among the various type of CPS operators based on ownership (open PFAs, Closed PFA and PFCs) using mixed ANOVA. The use of mixed ANOVA accommodates scores generated from repeatedly observed sampled cases for the four mechanisms of CG to be compared (Lindstrom & Bates, 1990). Mixed ANOVA

Table 1
Summary of factor analysis estimates

CG Mechanisms	Items	Loadings	KMO	Bartlett test of Sphericity		Eigen Value	% of Variance Explained
				Chi-Square Statistics	p-value		
Board independence			0.877	1052.550	0.000	4.179	69.653
	BODIND1	0.929					
	BODIND2	0.925					
	BODIND3	0.728					
	BODIND4	0.902					
	BODIND5	0.927					
	BODIND6	0.508					
Director independence			0.779	430.180	0.000	3.069	61.374
	DIRIND1	0.713					
	DIRIND2	0.829					
	DIRIND3	0.754					
	DIRIND4	0.847					
	DIRIND5	0.766					
Board disclosure			0.780	284.296	0.000	2.566	64.142
	BODDIS1	0.794					
	BODDIS2	0.842					
	BODDIS3	0.835					
	BODDIS4	0.726					
Audit committee effectiveness			0.782	393.545	0.000	3.049	50.049
	AUDIT1	0.634					
	AUDIT2	0.777					
	AUDIT4	0.654					
	AUDIT5	0.688					
	AUDIT6	0.731					
	AUDIT7	0.779					

Note: Extraction method: Principal component analysis

was also appropriate due to its merit to test difference among CPS operator type (open PFAs, closed PFAs & PFCs) and analyse interaction of the two factors (CG mechanisms and CPS operator type).

RESULTS AND DISCUSSION

A total of 212 managers participated in the survey out of which 155 and 42 were from open and closed PFAs respectively. The remaining 15 were from PFCs. The average tenure of holding managerial position by the respondents was 3.87 years with standard deviation of 2.15years. Table 2 reports the results of hypotheses (HI, H2, H3 and H4) in relation to the practices of the four mechanisms of CG tested with one-sampled t-test as follow: $t(211) = 3.040$, $p < 0.003$; $t(211) = 15.513$, $p < 0.000$; $t(211) = 18.032$, $p < 0.000$; and $t(211) = 20.775$, $p < 0.000$ respectively. The results show significant practices of each of the four CG mechanisms which indicate their significant practices by CPS operators. Thus, hypotheses HI, H2, H3 and H4 were supported.

Subsequently, other hypotheses (H5, H6 and H7) were tested using mixed ANOVA to examine the effect of three CPS operator types (open PFAs, closed PFAs and PFCs) on the practices of CG across the four CG dimensions (board independence, director independence, board disclosure and audit committee effectiveness). The results of mixed ANOVA were presented in Table 3 and Table 4. As a prelude to guide the use of appropriate estimates of mixed ANOVA, test of sphericity assumption was conducted across the repeated measures (CG mechanisms). Mauchly's test showed Chi-Square value of 68.069 and $p < 0.000$ for repeated scores across mechanisms of CG (within-subject effects) violated the sphericity assumption indicating a siginigicant differences in variances of the CG mechnisms (Field, 2013). The violation indicates that the F-values of CG mechanisms for the main effect and its interaction effect with CPS operators type (between-group effect) need to be corrected using Greenhouse-Geisser correction.

Based on Greenhouse-Geisser correction, the results ($F(2.842, 518.809) = 25.479$, $p < 0.000$, $eta^2 = 0.109$) of Hypothesis H5 showed there was significant main effect difference among the practices

Table 2

One-sample t-tests results

	Test Value = 5					
Corporate governance Mechanisms	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
BODIND	3.040	211	0.003	0.234	0.083	0.387
DIRIND	15.513	211	0.000	0.905	0.790	1.020
BODDIS	18.032	211	0.000	1.074	0.957	1.191
AUDCOM	20.775	211	0.000	1.021	0.924	1.118

Note: computed using alpha= 0.05
BODIND=Board independence, DIRIND=Director independence,
BODIND= Board disclosure, AUDCOM=Audit committee effectiveness

Table 3
Tests of within-subject effects

Source		Sum of Squares	Df	Mean Square	F	Sig.	Partial Eta Squared
CGMechanisms	Sphericity Assumed	50.196	3.000	16.732	25.479	0.000	0.109
	Greenhouse-Geisser	50.196	2.482	20.221	25.479	0.000	0.109
	Huynh-Feldt	50.196	2.539	19.773	25.479	0.000	0.109
	Lower-bound	50.196	1.000	50.196	25.479	0.000	0.109
CGMechanisms *CPSopertatortype	Sphericity Assumed	6.245	6.000	1.041	1.585	0.149	0.015
	Greenhouse-Geisser	6.245	4.965	1.258	1.585	0.163	0.015
	Huynh-Feldt	6.245	5.077	1.230	1.585	0.161	0.015
	Lower-bound	6.245	2.000	3.122	1.585	0.207	0.015
Error (CGMechanisms)	Sphericity Assumed	411.743	627.000	0.657			
	Greenhouse-Geisser	411.743	518.809	0.794			
	Huynh-Feldt	411.743	530.558	0.776			
	Lower-bound	411.743	209.000	1.970			

of four CG mechanisms (Table 3). Pairwise comparisons revealed that average board independence practices (5.235) of CPS operators was significantly lower compared to other CG mechanisms that reported average ranging from 5.905 to 6.074. Therefore, Hypothesis H5 was supported. For Hypothesis H6, the results (F (4.965, 518.809) = 1.585, $p < 0.163$, $eta^2 = 0.015$) showed there was no significant interaction effect of CG mechanisms and CPS operator type. Thus, Hypothesis H6 was not supported. Also, the results (F (1, 2) = 0.043, $p < 0.958$, $eta^2 = 0.000$) of Hypothesis H7 on the main effect comparing the practices of CG among the three CPS operator types was also found not to be significant. Therefore, Hypothesis H7 was not supported (Table 4).

The findings from results (H1, H2, H3 and H4) showed adequate practices of CG among CPS operators in Nigeria. The findings of the first four hypotheses are in contrast with the poor level of CG reported in the Nigerian banking sector (Akinkoye & Olasanmi, 2014; Nwannebuike & Ike, 2014). The findings are also inconsistent with the weak practices of CG among pension fund in OECD (Kowalewski, 2012). With regards to H5 which states there is significant difference in practices of various mechanisms of corporate governance by

Table 4
Tests of between-subject effects

Source	Sum of Squares	df	Mean square	F	Sig.	Partial Eta Squared
Intercept	12503.116	1	12503.116	9772.472	0.000	0.979
CPSopertatortype	0.111	2	0.055	0.043	0.958	0.000
Error	267.399	209	1.279			

Note: computed using alpha= 0.05

CPS operators in Nigeria. The results show a significant difference with relatively low board independence practices compared to other mechanisms of CG under review. For H6 on interaction effect of type of CPS operators with CG mechanisms, the study reported no significant effect. The finding is contrary to that of Turley and Zaman (2007) that interactions of audit committee with internal controls (internal auditor and senior management) and external controls (external auditor) have effect on the potential achievement of audit committee effectiveness. As for H7 on the effect of ownership of different types of CPS operators on CG practices in Nigeria, there is no significant effect. This is inconsistent with the finding of Balagobei and Velnampy (2017) that reported significant effect of ownership structure on corporate governance mechanisms among beverage and tobacco firms in Sri Lanka. The finding is also incongruent with study of Bangladeshi firms that found negative effect of ownership on board independence (Hasan et al., 2016).

CONCLUSIONS

The study examines practices of corporate governance among operators of CPS in Nigeria. Despite the preponderance of studies related to CG in banking and other sectors in Nigerian, there is relatively scarcity of attention paid to CG practices in the CPS industry. The paper empirically examines board independence, director independence, board disclosure and audit committee effectiveness of operators of CPS in Nigeria. The study fills the literature gap of presenting empirical evidence in relation to practices of CG of operators of CPS. The findings showed that there exist significant practices of CG mechanisms (board independence, director independence, board disclosure and audit committee effectiveness mechanisms) among the CPS operators of CPS. More so, there is significant difference in practices of CG across the various mechanisms of CG. It was also found that CPS operators types (PFAs and PFCs) based on their ownership perspective do not differ with respect to practices of CG. The study also reported no interaction effects of CG mechanisms and type of CPS operators based on ownership.

The study makes significant contributions in a number of ways. Far more than other industries, the strategic significance of CG to the performance of CPS industry cannot be under- estimated. CPS has become a vital aspect of the Nigerian financial system. For instance, within barely over a decade of coming into effect, CPS fund has become a major source of finance for corporate entities and various tiers of government to maintain fiscal sustainability. Similarly, given that CG addresses conflicting interests of ownership and management of pension fund, examining the CG practices of CPS operators can provide guide policymakers and regulators to prevent weak implementation of CG. The finding will also forestall likely future crisis similar to ugly experience of the old defined benefit scheme in the CPS industry so as to safeguard the future income of retirees.

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