

THE EFFECTIVENESS OF FINANCIAL REGULATIONS ON SHAREHOLDERS' VALUE ON NIGERIAN STOCK MARKET: A CASE STUDY OF LISTED AGRICULTURAL RELATED COMPANIES

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ABSTRACT

This study examined the effectiveness of financial regulations on shareholders' value in the Nigeria Stock Market. Data was gathered from secondary sources. The secondary data source the annual reports of 10 Agricultural Related Companies. The results of the analysis show that there is a significant relationship between financial regulations and shareholders' value. The secondary data were analysed through regression method using ordinary least square and Cochrane-Orcutt Autoregressive method to examine the effectiveness of financial regulations on shareholders' value. The result shows that there is a relationship between financial regulations and shareholders' value, but it is statistically insignificant. Also, the regression result shows that there is a correlation between financial reporting and shareholders' value. The research recommends that Regulatory Agencies should ensure that financial regulations are targeted toward all the variables which affect the shareholders' value.

Keywords: Financial Regulation, Shareholder Value, Corporate Governance, Shareholder Theory, Stakeholder Theory, Stock Market, Agricultural Stocks.

INTRODUCTION

The regulation of the companies in its modern form has existed for over two centuries. Regulations are thus seen by the institutional theories as moulded not so much by notions of the public interest or

competitive bargaining between different private interests but by the institutional arrangements and rules (Chris 2003). Regulation is an activity which prevents the behaviour of companies from undesirable activities which might affect the stakeholders. It is a set of specific rules or agreed behaviour either imposed by some government or external agency or self-imposed by explicit agreement within the industry that shapes the activities and business operations of the institutions in the industry to achieve a defined objective. Parts of firm's defined objective include satisfactory returns on investor's investments and increases in shareholder value. This paper examined whether the financial regulation on the financial market has led to increases in shareholder value from 2011 to 2015. Regulation which governs the activities of companies listed on the Stock Market includes financial regulation, Companies and Allied Matter Act (hereafter referred to as CAMA), Central Bank Regulation, Environment and Social Regulation. This study focused on the financial regulation as it stands in a position to ensure that rules are followed, the behaviours sanitised, and operations among stakeholders are guided toward effective and efficient financial market. The global financial meltdown that started in 2007 caught many countries unprepared and thus had devastating effects on many individual countries' economic and financial systems. The crisis led to severe panic in financial markets and spurred investors to divest out of risky mortgage bonds and equities of companies listed on Nigeria stock exchange. The commencement of their fund's withdrawal from Nigeria triggered the equity market crash in Nigeria (Sere-Ejembi 2008). It sent both policymakers and academics involved in financial matters to the drawing board with the intention to bring about short, medium and long-term stability into the economic and financial system to prevent future catastrophe to companies listed on Nigeria stock exchange. This study was undertaken to investigate whether financial regulation can efficiently prevent future catastrophe about shareholder value using agriculture and agriculturally related firms on the Nigerian Stock Exchange. This is because the agricultural sector is considered as next focus of the Nigerian government for the diversification of the economy. (Lazonick, and O'Sullivan, 2000; Ndikumana, 2000).

REVIEWING THE LITERATURE

Tanweer(2015) said the doctrine of 'shareholder value,' which places shareholder wealth maximisation as the sole goal of corporate management gained the ascendancy in the 1970s and 1980s, amidst a changing economic environment and as part of a broader ideological shift towards a belief in markets and finance. (Inanga and Emenuga, 1997). The regulation of the financial system can be viewed as a particularly important case of public control over the economy. The accumulation of capital and the allocation of funds constitute an essential aspect of the process of the economic development of a nation. The peculiarities of financial intermediation and of the operators who perform this function justify the existence of a broader system of control on other forms of economic activity. (Demirgüç-Kunt and Levine, 1996) claimed that

"There is a boom in the developed, and emerging stock market with a substantial part of the growth accounted for by the emerging market. The reasons adduced for this are that: one, investing firms enjoy lower cost of equity when the stock market functions efficiently; two, the opportunity to trade securities and also hedge allows for relative reduction in risk; three, the ability of the market to adjust share prices almost instantaneously imposes control on the investment behavior of firms; and lastly, countries that are desirous of foreign investment can secure it, through the stock exchange" (p. 223).

In Nigeria, various institutions and individuals are charged with the responsibility for ensuring adequate accountability of public listed companies. The activities of the various business enterprises operating in Nigeria impact the economy in many ways; therefore, there are measures to control them to ensure that they operate in the best interest of the various stakeholders. The central legal framework for financial regulation in Nigeria is the CAMA 1990, which replaced the Companies Act 1968. The Corporate Affairs Commission 1990 (hereafter referred to as CAC) is charged with the responsibility of overseeing the regulation and supervision of the formation, incorporation, registration, management and winding up of companies. (Okike, 2007; Okereke-Onyiuke, 2008). The Securities

and Exchange Commission (hereafter referred to as SEC) is the Apex regulatory body for the capital market in Nigeria and established by Decree No. 71 of 1979, which took effect retrospectively from April 1978. It plays a crucial role in ensuring adequate financial regulations for companies listed in the capital market. A series of reviews of the country's capital market and the financial system led to the promulgation of the Investments and Securities Degree No. 45 1999 (Now the Investment and Securities Act of 1999). This Act was promulgated to make the investment climate in Nigeria more attractive to foreign investors. The SEC regulates the Securities market participants under the Investment and Securities Act of 1999 and the SEC Rules and Regulations (1999),(SEC, 2001, 2003, 2006). The Nigerian Stock Exchange (hereafter referred to as NSE) as a Self-Regulatory Organisation (hereafter referred to as SRO) can only enforce a financial and corporate governance regime within the broader framework as laid out by the Apex regulator – SEC(Adamun and Sanni, 2003). The more essential companies listed on the Exchange, i.e., the banks are also expected to comply with on stricter financial and corporate governance system as set out by the Central Bank of Nigeria (CBN).(Yakasai 2002; Ojeka et al., 2016).

THEORETICAL FRAMEWORK

Corporate governance: One of the major controversial issues in corporate governance is the accountability of the management to whom. There are two essential views on the matter of corporate accountability which are either the shareholders or the stakeholders. Despite this divide, there is some degree of overlap between these two views of corporate governance, with both sides frequently arguing that the long-term interests of a corporation's shareholders be best served by addressing the needs of multiple stakeholders and broader society.(Nwanji, 2016). The responsibility of a corporation and its shareholders, as responsible owners, towards broader society, is a recurrent theme in the literature of corporate governance, corporate social responsibility, and socially responsible investment. The theoretical underpinning for public intervention in economic matters is traditionally based on the need to correct market imperfections and unfair distribution of the

resources. The Cadbury Reports (1992:5) defined corporate governance as

“The system for the running firm the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The stockholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic goals, providing the leadership to put them into effect, supervising the management of the business, and reporting to the stockholders on their stewardship. The board's actions are subject to laws, regulations, and the wishes of the stockholders in the general meeting.”

Corporate governance regulation for listed firms on NSE is expected to make financial regulations efficiently prevent future catastrophe about shareholder value of agriculture and agriculturally related firms on the NSE. It is to this end that this theory is adopted in this study. (Orlitzky, 2003; Osaze, 2007; Dobbin and Zorn, 2005; Dobbin and Jung, 2010; Cadbury Reports 1992; Marks, 2010).

Shareholder Theory: Shareholder theory is concerned with the maximisation of shareholders' wealth, which corporations are expected to achieve by generating the largest possible flow of earnings over the long-term (Nwanji and Howell, 2007; Friedman, 1970). Lazonick (2014a) argued that the shareholder primacy model of corporate governance, which he characterises as 'downsize-and-distribute' has motivated managers to reduce costs, cut staff and distribute resources out of the firm at every opportunity. The above shows the relevance of shareholder theory to this study. (Hillman and Keim, 2001; Hellman, 2005; Gerard and Benjamin, 2011).

Agency Theory: Agency theory arises because of the separation of ownership from control in which the management is separated from the shareholders of the company. Tanweer (2015) said that the separation between equity investors and management, which lies at the heart of contemporary debates on corporate governance, was aided by the development of equity capital markets in the

nineteenth and twentieth centuries and the institution of the limited liability company. Dalton et al. (1998), states that the purpose of a corporation is the maximisation of the shareholders' profits as they; the shareholders are the owners of the companies and bear the highest risks (Jensen,1993). Agency theory and corporate governance regulation from the above are not divorceable. It is to this end that this theory is adopted in this study.(Jensen and Meckling, 1976; Berle and Means, 1932; Ball et al., 2000).

Stakeholder theory: A stakeholders defined as those groups who impact and are affected by the company and its activities (Freeman, 1984; Nwanji, 2006). Stakeholdership Model claims that corporate governance is about directors and managements managing for stakeholders which involved attention to more than merely maximising shareholder wealth. (Nwanji and Howell, 2007). The attention to the interests and well-being of those who can assist or hinder the achievements of organisation's objectives is the central admonition of the theory, Phillips (2003:15) states that "stakeholder theory is a theory of organisational management and ethics. It is distinct because it addresses morals and values explicitly as a central feature of managing organisations." It is to the extent of the relationship between stakeholder theory and corporate governance that this theory is also adopted in this study. (Jensen 2001; Nwanji, 2016; Howell and Sorour, 2016; Stoney, and Winstanley, 2001; Phillips et al., 2003).

EMPIRICAL FRAMEWORK

Schwert (1981) said that the stock market's reaction to a proposed regulation is a function of the change in the probability that the regulation will be adopted and the dollar value of the expected impact of the regulation on shareholder wealth. Transition economies, including China, suffer from severe enforcement failures. Thus, any mainstream law and finance wisdom will predict that financial market development in transition countries will be inevitably retarded. La Porta et al. (1999) argue that improving corporate governance rules, their enforcement and the quality of accounting standards result in more significant reliance on equity financing by companies. (Gul and Qui, 2002; Shleifer and

Wolfenson, 2002; Frost et al., 2005; Lazonick, 2014b; Friedman et al., 2006; Chatterjee, 2014).

Black (2001) explained the importance of culture as a self-reinforcing factor. He emphasised the importance of having the culture in which compliance with regulations is respected and enforced:

“In a strong market, good disclosure and limited self-dealing become self-reinforcing norms because they are how most businesspeople behave, regulators can aggressively pursue the few departures from the norm, and there is political support for the funding to maintain the enforcement that reinforces the cultural norm. In a weak market, weak disclosures and extensive self-dealing become self-reinforcing norms. Many businesspeople behave this way, many of them get away with self-dealing because the regulators (even if honest and decently funded) can address only the most egregious cases, and the self-dealers oppose stronger rules or better-funded regulators.” (p. 840)

Daferighe and Charlie (2012) said that considering the importance of the Stock Market to economic development, the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) should strive to improve on the market capitalisation of the stock exchange by attracting listing and increased trading activities. (NSE Green Book, 2000; Okike 2007; Okereke-Onyiuke, 2008; CBN 2006, 2009, 2014).

RESEARCH METHODOLOGY

The research methodology for this study is quantitative and linear regression method was used to analyse the secondary data. Secondary data were collected from the annual reports of the companies. (Rahim, 2012). Least Square (OLS) method was used to analyse the annual financial reports of the sampled agricultural related companies. Analyses of the annual reports of a cross-sectional sample of ten (10) listed agricultural related companies were conducted, and Ordinary Least Square (OLS) regression

method is used to analyse the relationships between the variables involved. In the use of the regression method, we use the Convenience Sampling Technique which could be described as a method of sampling where the researchers' objective is to get a quick impression of the phenomenon under study. In all the 28-listed agriculture and consumer goods companies on the Nigerian Stock Exchange Market (NSEM), a sample size represents 36% of the population were used. (Otekunrin 2017).

THE RESEARCH HYPOTHESES

In embarking on this study, the following are the hypotheses to be tested:

Hypothesis 1

H₀: There are no adequate financial regulations in the Nigerian Stock Exchange Market.

H₁: There are adequate financial regulations in the Nigerian Stock Exchange Market

Hypothesis 2

H₀: Effective financial regulations do not significantly enhance the shareholder's value of

Agricultural firms listed on the Nigerian Stock Exchange Market.

H₁: Effective financial regulations significantly enhance the shareholder's value of

Agricultural firms listed on the Nigerian Stock Exchange Market.

Hypothesis 3

H₀: Increase in investment does not significantly affect the shareholder value of the

Agricultural firms listed in the Nigerian Stock Market

H₁: Increase in investment does not significantly affect the shareholder value of the

Agricultural firms listed in the Nigerian Stock Market

Hypothesis 4

H₀: There is no significant relationship between financial reporting and shareholders' value.

H₁: There is a significant relationship between financial reporting and shareholders' value.

THE RESEARCH OBJECTIVES

The main aim and objective of this research are to evaluate the effectiveness of financial regulation on shareholder value using the Nigerian Stock Exchange. The specific objectives are to:

- ❖ Evaluate the effectiveness of the financial regulations in the Nigerian Stock Exchange.
- ❖ Determine whether financial regulations enhance the shareholder value of the Agricultural firms listed on the Nigerian Stock Exchange Market.
- ❖ Examine whether the increase in investment affects the shareholder value of the

MODEL SPECIFICATION

As mentioned earlier, the Ordinary Least Square method and the Cochrane-Orcutt Method were used to determine the effect of financial regulations on the wealth of the shareholders' value of Agricultural related companies in the sample.

The specification of the market value/ book value function is:

$$MV/BV = B_0 + B_1FINREG + B_2REVGR + B_3IFA + B_4IWC + B_5EPS + B_6SR + e$$

Where: MV/BV = Market Value divided by Book Value to measure the shareholders' value

(Dependent Variable)

FINREG = Financial Regulation (Dummy variable)

REVGR = Revenue Growth Rate

IFA = Investment in Fixed Assets (% changes)

IWC = Investment in Working Capital (% changes)

EPS = Earnings Per Share

SR = Shareholder Returns

B₀ = Proportion of the variation in MV/BV that is not explained by variations in the explanatory variables (Revenue Growth Rate, Investment in Fixed Assets (% changes), Investment in Working Capital (% changes), Earnings Per Share, Shareholder Returns)

e = stochastic error term

B₁, B₂, B₃, B₄, B₅ and are the slopes of financial regulation, revenue growth rate, investment in the fixed asset, investment in working capital, earnings per share and

shareholder return respectively, and e is the stochastic error term that is observed along with the variables.

APRIORI EXPECTATION

$B_1 > 0$: there is a definite relationship between financial regulation and shareholders' value.

$B_2 > 0$: there is a direct relationship between the revenue growth rate and shareholders' value.

$B_3 > 0$: there is a definite correlation between investment in fixed asset and Investment such that any increase in investment in the fixed asset will increase the shareholders' value.

$B_4 > 0$: there is a definite relationship between investment in working capital and Investment such that any effective management of working capital will increase the shareholders' value.

$B_5 > 0$: there is a direct relationship between earnings per share and shareholders' value such that any increase earnings per share will also increase the shareholders' value.

$B_6 > 0$: there is a direct relationship between shareholder return and shareholders' value such that any increase in shareholder return will also increase the shareholders' value.

OPERATIONALIZATION OF COMPONENTS OF THE MODEL

For this research, the following variables adapted to measure the effect of financial regulation on shareholders' value are:

$$\text{Market Value/Book Value} = \frac{\text{MARKET VALUE}}{\text{BOOK VALUE}}$$

$$\text{Revenue Growth Rate} = \left[\frac{\text{REV}_t - \text{REV}_{t-1}}{\text{REV}_{t-1}} \right]$$

Where REV = Revenue

t = Current Year

$t-1$ = Previous Year

$$\text{Investment in Fixed Asset} = \left[\frac{\text{FA}_t - \text{FA}_{t-1}}{\text{FA}_{t-1}} \right]$$

Where FA = Fixed Asset

t = Current Year

$t-1$ = Previous Year

$$\text{Investment in Working Capital} = \left[\frac{\text{WC}_t - \text{WC}_{t-1}}{\text{WC}_{t-1}} \right]$$

Where WC = Working Capital

t = Current Year

$t-1$ = Previous Year

$$\text{Earnings per share} = \frac{\text{PROFIT AFTER TAX}}{\text{NUMBER OF ORDINARY SHARES}}$$

$$\text{Shareholder Return} = \frac{\text{PROFIT BEFORE INTEREST AND TAX}}{\text{SHAREHOLDER RETURN}}$$

DATA ANALYSIS

Descriptive statistics for the year 2011-2015

Variable	Description	Mean	Median	Std. Dev.	Kurtosis	Skewness	Jarque-Bera	Probability
Market price/book value	Market Capitalization	5.48	2.31	6.89	3.77	1.53	20.68	0.00
Revenue	Revenue Growth Rate	19.23	7.14	69.00	32.66	5.07	2047.30	0.00
Fixed Asset	Fixed Asset Growth Rate	40.68	18.35	137.11	44.24	6.44	3889.71	0.00
Working Capital	Working Capital Growth Rate	25.46	12.22	756.58	21.65	-1.52	743.97	0.00
Earnings per share (Kobo)	Total Earnings/ No of ordinary shares	715.71	115.00	1339.734	6.93	2.26	74.63	0.00
Shareholders Return	Profit after tax/Shareholder fund	23.17	19.66	22.94	3.95	-0.31	2.70	0.26

Table (1)

The descriptive statistics in table (1) above the market value/ book value representing the shareholders' wealth, financial regulation (as a dummy variable), revenue growth rate, fixed asset growth rate, working capital growth rate, earnings per share and the shareholder return of the agricultural related companies listed on the Nigerian Stock Exchange covering the year from 2011.2015 is presented in table (1) above. The average growth rate of fixed assets and working capital amounted to 41% and 25% respectively. On the average, the market value to book value (MVBV) has a ratio of 5.48: 1 and the average earnings per share of the companies under study are 715 kobos meaning N7.15k. *Market value to book value (MV/BV)*: The results in the table above show that the average value of MV/BV for the ten companies within the period under study is 5.48 with a standard deviation of 6.89, thus implying a moderately high degree of dispersion. The coefficients of skewness and kurtosis are 1.53 and 3.77 respectively thus indicating that the distribution of MVBV is positively skewed; while there is an excess kurtosis of 0.77 (i.e. 32.77 - 3.0). The excess kurtosis implies that the distribution of MVBV is mesocratic meaning that it is slightly

positively peaked. The Jarque Bera statistic has a calculated value of 20.68 and a significant asymptotic probability of 0.000, thus indicating that the distribution of MVBV is not normal.

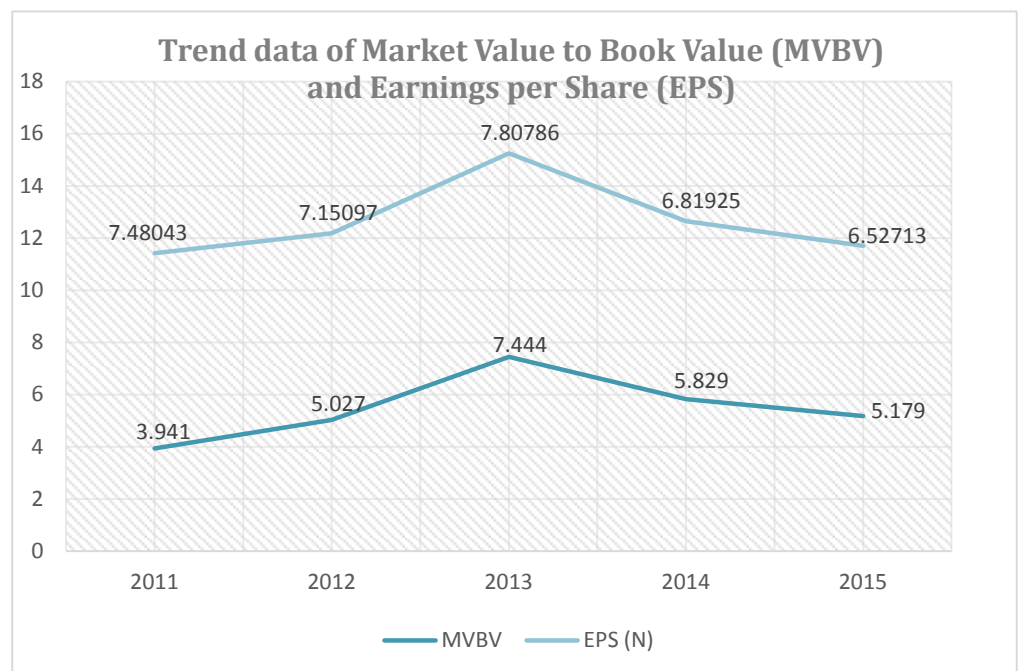
*Revenue Growth Rate (REVGR):*In Table (2) above, Revenue growth rate has an average value of 19.23 for the ten agricultural related companies listed on the Nigerian Stock Exchange with a standard deviation of 69.00, thus implying a high degree of dispersion. The coefficients of skewness and kurtosis are 5.07 and 32.66 respectively thus indicating that the distribution of Revenue Growth Rate is positively skewed; while there is an excess kurtosis is 29.66 (i.e. $32.66 - 3.0$). The excess kurtosis implies that the distribution of Revenue Growth Rate is leptokurtic (significantly positively peaked). The JarqueBera statistic has a calculated value of 2047.30 and a significant asymptotic probability of 0.00, thus indicating that the distribution of Revenue Growth rate is not standard which is consistent with the results of the kurtosis.

*Investment in Fixed Rate:*The fixed asset growth rate in Table (2) above has the mean value of 40.68 with a standard deviation of 137.11, thus implying a high degree of dispersion. The coefficients of skewness and kurtosis are 6.44 and 44.24 respectively thus indicating that the distribution of fixed asset growth rate is positively skewed; while the excess kurtosis is 41.24 (i.e., $44.24 - 3.0$). The excess kurtosis implies that the distribution of fixed asset growth rate is leptokurtic (significantly positively peaked). The JarqueBera statistic has a calculated value of 3889.71 and a significant asymptotic probability of 0.00, thus indicating that the distribution of fixed asset growth rate is not normal and it is consistent with the results of the kurtosis.

Investment in Working Capital: In the descriptive table (2) above, Investment in Fixed Assets has an average value of 25.46 for the ten agricultural related companies listed on the Nigerian Stock Exchange with a standard deviation of 756.58, thus implying a high degree of dispersion. The coefficients of skewness and kurtosis are -1.52 and 21.65 respectively thus indicating that the distribution of investment in working capital is negatively skewed; while there is an excess kurtosis is 18.65 (i.e. $21.65 - 3.0$). The excess kurtosis

implies that the distribution of Investment in working capital is leptokurtic (significantly positively peaked). The JarqueBera statistic has a calculated value of 743.97 and a significant asymptotic probability of 0.00, thus indicating that the distribution of investment in working capital is not normal. *Earnings Per Share (KOB0)*: The earnings per share in Table (2) shown above have the mean value of 715.17 with a standard deviation of 1339.734, thus implying a high degree of dispersion. The coefficients of skewness and kurtosis are 2.26 and 6.93 respectively thus indicating that the distribution of earnings per share (Kobo) is positively skewed; while the excess kurtosis is 3.93 (i.e., 6.93– 3.0). The excess kurtosis implies that the distribution of earnings per share is leptokurtic (significantly positively peaked). The JarqueBera statistic has a calculated value of 74.63 and a significant asymptotic probability of 0.00, thus indicating that the distribution of earnings per share is not normal and it is consistent with the results of the kurtosis. *Shareholder Return*: The outcomes in the table above demonstrate that the mean value of shareholder return of the ten companies within the period under study is 23.17 with a standard deviation of 22.94, thus implying a moderately high degree of dispersion. The coefficients of skewness and kurtosis are -0.31 and 3.95 respectively thus indicating that the distribution of shareholder return is positively skewed; while there is an excess kurtosis of 0.95 (i.e. 3.95– 3.0). The excess kurtosis implies that the distribution of shareholder return is mesokurtic meaning that it is slightly positively peaked. The JarqueBera statistic has a calculated value of 2.70 and a significant asymptotic probability of 0.26, thus indicating that the distribution of shareholder return is not healthy.

Figure (1



Ordinary Least Squares Estimation

The dependent variable is MVBV			
50 observations used for estimation from 1 to 50			
Regressor	Coefficient	Standard Error	T-Ratio
CONS	.17704	1.2547	.14110[.888]
FIN	1.3729	1.4404	.95315[.346]
REVG	-.0058448	.010373	-.56347[.576]
IFA	.12204	.0052874	2.3081[.026]
IWC	.5263E-3	.9465E-3	.55610[.581]
EPS	.0020911	.6381E-3	3.2770[.002]
SR	.11762	.037877	3.1054[.033]

Table (2)

R-Squared	.56577	R-Bar-Squared	.50518
S.E. of Regression	4.8481	F-Stat.	F (6, 43)
	9.3375[.000]		
Mean of Dependent Variable	5.4840	S.D. of Dependent Variable	6.8920
Residual Sum of Squares	1010.7	Equation Log-likelihood	-146.1055
Akaike Info. Criterion	-153.1055	Schwarz Bayesian Criterion	-159.7976
DW-statistic	1.2187		

Table (3)

Diagnostic Tests

* Test Statistics	* LM Version	* F Version	*

*	*	*	*
* A: Serial Correlation	*CHSQ (1) = 8.8920[.003]	*F(1, 42)= 9.0850[.004]*	
*	*	*	*
* B:Functional Form	*CHSQ(1)= 11.2798[.001]*	*F(1, 42)= 12.2353[.001]*	
*	*	*	*
* C:Normality	*CHSQ(2)= 72.3578[.000]*	Not applicable	
*	*	*	*
* D:Heteroscedasticity	*CHSQ(1)= .0089151[.925]*	*F(1, 48)= .0085600[.927]*	

Table (4):

- A: Lagrange multiplier test of residual serial correlation
- B: Ramsey's RESET test using the square of the fitted values
- C: Based on a test of skewness and kurtosis of residuals

D: Based on the regression of squared residuals on squared fitted values

Table (4) Market Value/Book Value Vs Explanatory variables, constant, financial regulation, revenue growth rate, investment in the financial asset, investment in working capital Earnings per share and Shareholders return (Adjusted Result).

Cochrane-Orcutt Method AR(10) converged after 11 iterations

The dependent variable is MVBV			
50 observations used for estimation from 1 to 50			
Regressor	Coefficient	Standard Error	T-Ratio
CONS	2.4868	2.3369	1.0641[.293]
FIN	.99917	.37087	2.6942[.010]
REVGV	-.012385	.0033080	-3.7441[.001]
IFA	-.0062538	.0029333	-2.1320[.039]
IWC	.0017872	.6579E-3	2.7167[.009]
EPS	.0031871	.6665E-3	4.7818[.000]
SR	.057168	.037154	1.5387[.131]

Table (5)

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*****
R-Squared          .84593          R-Bar-Squared
.73876
S.E. of Regression  3.8358          F-stat.  F( 16, 23)
7.8929[.000]
Mean of Dependent Variable  5.4840          S.D.    of    Dependent
Variable  6.8920
Residual Sum of Squares  338.4034          Equation  Log-likelihood
-99.4647
Akaike Info. Criterion  -116.4647          Schwarz Bayesian Criterion  -
132.7169
DW-statistic        2.0831

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Parameters of the Autoregressive Error Specification		

Coefficient	Asymptotic T-Ratio	
U(- 1)	1.3931	7.0032[.000]
U(- 2)	-1.2094	-3.8747[.000]
U(- 3)	1.1365	3.4176[.002]
U(- 4)	-1.1629	-3.4433[.002]
U(- 5)	1.0510	2.9790[.005]
U(- 6)	-1.0204	-2.8666[.007]
U(- 7)	1.1284	3.1299[.004]
U(- 8)	-1.1684	-3.1550[.003]
U(- 9)	.84743	2.4806[.018]
U(-10)	-.27548	-1.3176[.197]

Table (6):

DISCUSSION ON REGRESSIONAL RESULTS

The results in *Table (3)* shown above indicate that the values of R-square and adjusted R-square are 0.56577 and 0.50518 respectively. Thus implying that 50.52% of the variation in Market Value/Book Value is explained by variations the independent variables (constant, financial regulation, revenue growth rate, investment in the financial asset, investment in working capital, Earnings per share and Shareholders return). The coefficients of the explanatory variables are 0.17704, 1.3729, -0.0058448, 0.012204, 0.5263E-3, 0.0020911 and 0.11762 for constant, financial regulation, revenue growth rate, investment in the fixed asset, investment in working capital, earnings per share and shareholders return respectively. The coefficients show that only the coefficient of the revenue growth rate is consistent with the hypothesised relationship between shareholders’ value and the explanatory variables. The t-test for significance of the explanatory variables shows that the computed t statistics and the significant asymptotic probabilities are 0.14110 [0.888], 0.95315 [0.346], -0.56347 [0.576], 2.3081 [0.026], 0.55610 [0.581], 3.32770 [0.002] and 3.1054 [0.003] for constant, financial regulation, revenue growth

rate, investment in financial asset, investment in working capital, earnings per share and shareholders return respectively are significant predictors of shareholders' value. There is a positive relationship between investment in a financial asset and market value/book value, earnings per share and market value/book value, shareholders, return and market value/book value and shareholders' value. The value of the Durbin-Watson statistic was found to be 1.2187, and this value is outside the acceptable range of 1.53 - 2.37. The implication is that the stochastic error terms are serially correlated thus indicating that the regression results are spurious and the inference from the least square results are not valid. Consequently, the research data were adjusted using the Cochrane-Orcutt method (Autoregressive, order 10), which converged after 11 iterations. The results in Table (5) shown above indicate that the values of R-square and adjusted R-square are 0.84593 and 0.73867 respectively, thus implying that 73.8% of the variation in shareholders' value is explained. The coefficients of the explanatory variables are 2.4868, 0.99917, -0.012385, -0.0062538, 0.0017872, 0.0031871 and 0.057168 for constant, financial regulation, revenue growth rate, investment in assets and working capital, earnings per share and shareholders' return respectively.

The t-test for significance of the explanatory variables shows that the computed t statistics and the significant asymptotic probabilities are 1.0641 [0.293], 2.6942 [0.010], -3.7441 [0.001], -2.1320 [0.039], 2.7167 [0.009], 4.7818 [0.000] and 2.5387 [0.131]. The result indicates that financial regulation, revenue growth rate, investment in the fixed asset, investment in working capital and earnings per share are significant predictors of shareholder's value.

The least square regression equation is:

$$2.4868 + 0.99917 \text{ FIN} - 0.012385 \text{ REVGR} - 0.0062538 \text{ IFA} + 0.0017872 \text{ IWC} + 0.0031871 \text{ EPS} + 0.057168 \text{ SR}$$

The Autoregressive error specification equation is given by:

$$U = 1.3931*U(-1) + -1.2094*U(-2) + 1.1365*U(-3) + -1.1629*U(-4) + 1.0510*U(-5) + -1.0204*U(-6) + 1.1284*U(-7) + -1.1684*U(-8) + 0.84743*U(-9) - .27548*U(-10).$$

The t statistic and associated asymptotic significant probabilities are

$$\begin{matrix} 7.0032[.000] & -3.8747[.000] & +3.4176[.002] & -3.4433[.002] & + \\ 2.9790[.005] & -2.8666[.007] & + 3.1299[.004] & -3.1550[.003] & + \\ 2.4806[.018] & -1.3176[.197] & & & \end{matrix}$$

HYPOTHESIS TESTING

Hypothesis 2

H₀: Effective financial regulations do not significantly enhance the shareholder’s value of Agricultural firms listed on the Nigerian Stock Market.

H₁: Effective financial regulations significantly enhance the shareholder’s value of Agricultural firms listed on the Nigerian Stock Market.

The Dependent Variable: Shareholders’ Value

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
CONS	.17704	1.2547	.14110[.888]
FIN	1.3729	1.4404	.95315[.346]

Table (7):

The result of the Cochrane-Orcutt regression model conducted to determine whether there is a relationship between financial regulation and shareholders’ value; and also to evaluate whether the financial regulations have significantly enhanced the value of the shareholder's wealth of the Agricultural firm is shown in the table. The coefficient of the financial regulation which is 1.3729 indicates that there is a positive relationship between financial regulation and shareholders’ value, but this is not statistically significant. It means that although there is a relationship, this is insignificant on the shareholder’s value of 10 agricultural

companies listed understudy for the period from 2011 to 2015. Therefore, financial regulation in the Nigerian Stock Exchange Market does not significantly enhance the shareholders' value. About this, H_0 is not rejected which means that financial regulation does not substantially increase the value of the shareholders' wealth.

Hypothesis 3

H_0 : Increase in investment does not significantly affect the shareholder value of the Agricultural firms listed on the Nigerian Stock Exchange Market.

H_1 : Increase in investment significantly affect the shareholder value of the Agricultural firms listed on the Nigerian Stock Exchange Market.

The Dependent Variable: Shareholders' Value

Regressor	Coefficient		Standard	Error
	T-Ratio[Prob]			
CONS	2.4868	2.3369	1.0641	[.293]
IFA	-.0062538		.0029333	-
	2.1320			[.039]
IWC	.0017872	.6579E-3	2.7167	[.009]

Table (8):

The result of the Cochrane-Orcutt regression model conducted to determine reinvestment of fund in fixed asset significantly increase the shareholder's value of agricultural firms that listed on the Nigerian Stock Exchange is shown in the table above. The coefficient of the investment in fixed asset growth rate which is -0.0062528 indicates that there is a negative relationship between fixed asset growth rate and shareholders' value, but this is not statistically significant.

Hypothesis 4

H_0 : There is no significant relationship between financial reporting and shareholders' value.

H_1 : There is a significant relationship between financial reporting and shareholders' value.

The Dependent Variable: Shareholders' Value

Regressor Ratio[Prob]	Coefficient	Standard Error	T-
CONS	.17704	1.2547	.14110[.888]
EPS	.0031871	6665E-3	4.7818[.000]

Table (9):

The result of the Cochrane-Orcutt regression model as shown in the table above and the trend data graph of the relationship between the market value to book value and earnings per share. The chart above explains the relationship between the financial reporting and shareholders' value of the ten listed agricultural firm covering the period of 5 years ranging from 2011 to 2016. The coefficient of the earnings per share which is 0.0031871 shows that there is a positive relationship between earnings per share and shareholders' value and this is statistically significant. It means that increase or (decrease) in earnings per share will lead to increase or (decrease) in the shareholder's value of 10 agricultural companies listed under study for the period from 2011 to 2015.

EMPIRICAL FINDINGS

The finding from the primary data showed that there are adequate financial regulations on the Nigerian Stock Market, and it affects the shareholders' value, and the result from the secondary data supported this, but the relationship between the two variables is statistical insignificance. The descriptive statistics used for the analysis of this study present the following result. The findings show that on the average the market value to book value has a ratio of 5.48: 1, the average growth rate of fixed assets and working capital amounted to 41% and 25% respectively, and the average earnings per share of the companies under study are 715 kobos meaning N7.15k. From skewness, the study revealed that market value to book value, revenue growth rate, fixed asset growth rate; earnings per share and shareholders return are positively skewed while working capital growth rate is negatively skewed. Kurtosis values indicated that market value to book value, shareholders return is leptokurtic while revenue growth rate, investment in the

fixed asset, investment in working capital, and earnings per share are mesokurtic.

Ordinary Least Square (OLS) was used as a regression method to establish the relationship between financial regulation and shareholders' return and its statistical significance. The result of the Ordinary Least Square shows that the value of the Durbin-Watson statistic was found to be 1.2187 and this value is outside the acceptable range $d_u, 4-d_u$ which was 1.53 – 2.37. The implication was that the stochastic error terms were serially correlated thus indicating that the regression results were spurious and the inference from the least square results was not valid. Consequently, the research data were adjusted using the Cochrane-Orcutt method (Autoregressive, order 10), which converged after 11 iterations.

The result from Cochrane-Orcutt method shows that 73.8% of the variation in shareholders' value is explained by variations the independent variables (constant, financial regulation, revenue growth rate, investment in the financial asset, investment in working capital, earnings per share and shareholders return). The coefficient of the financial regulation which is 1.3729 shows that there is a positive relationship between financial regulation and shareholders' value, but this is not statistically significant. It means that although there is a relationship, this is insignificant on the shareholder's value of 10 agricultural companies listed under study for the period from 2011 to 2015. The coefficient of the earnings per share which is 0.0031871 which shows that there is a positive relationship between earnings per share and shareholders' value and this is statistically significant. It means that increase or (decrease) in earnings per share will lead to an increase or (decrease) in the shareholders' value.

RECOMMENDATIONS

The following recommendations are outlined; this will be useful to stakeholders such as accountants, auditors, company managers, investors, financial analysts, stockbrokers and the regulatory bodies responsible for accounting standard setting and stock market regulations.

- Regulatory agencies and National Accounting Standard setters such as Nigerian Accounting Standards Board (NASB), Securities Exchange Commission (SEC), Nigerian Stock Exchange (NSE) and other regulatory bodies should ensure that financial regulations are targeted toward all the variables which affect the shareholders' value. An increased focus on other variables will increase shareholders' value, and this will boost investment and aid the evaluation of the company's progress which invariably would reinforce the stock market development.
- The government should focus more on a policy that deals with macroeconomic factors because macroeconomics factors are proved to be much stronger shareholders' value creation determinants as compared to individual characteristics of the companies.

CONCLUSION

In this research work, three major theories which deal with the shareholder's value were examined – the shareholder theory, stakeholder theory, and agency theory. The idea of shareholder theory took off following Friedman (1970:126) when he stated that “there is one and only one social responsibility of business-to use its resources to engage in activities designed to increase its profits as long as management stay within the rule of the game”. (Nwanji and Howell, 2007). Shareholder theory is concerned with the maximisation of shareholders' wealth, which corporations are expected to achieve by generating the most significant possible flow of earnings over the long-term. Agency arises because of the separation of ownership from control in which the board of director as agents managed the corporation on their interest rather than the interest of the shareholders – the owners of the corporation. Stakeholder theory is defined as those groups who impact and are impacted by the activities of the company. Therefore the corporation should be managed in the interests of stakeholder groups.

The findings from this empirical studies on the effect of financial and corporate governance regulation on shareholders' value varied and conflicting. Variations have emerged in measuring

shareholders' value of listed companies using accounting data, the myriad factors influencing shareholders, the coefficient of determination, and the t- statistics of each independent variable, the significance or non-significance of the explanatory variables. The results also vary from country to country. It is evident that studies on financial regulation and shareholders' value are more prevalent in developed countries than developing ones. In Nigeria, very few attempts have been made to examine the effect of financial regulation on the shareholders' value and the factors influencing the value of the shareholders' wealth. In this study, the result of the Cochrane-Orcutt regression analysis suggests that there is a positive relationship between financial regulation and shareholders' value, but it is statistically insignificant.

This study throws lighter and adds to understanding the relationship between financial regulation and shareholders' value of listed agricultural related companies in Nigeria. The results of the study have implications for the regulators and enforcement agencies such as the Securities Exchange Commission (SEC), the Nigerian Stock Exchange (NSE), and Central Bank of Nigeria (CBN). It will enable the regulatory agencies to focus on effective financial regulation that will influence the factors that determine the shareholders' value. The findings offer current and prospective, local and foreign investors an objective assessment of the factors that are determining shareholders' value of agricultural listed companies in Nigeria.

LIMITATION OF STUDY

Like any other research study, there are limitations or constraints from this study. As stated above in this paper the focus of this investigation is on the effectiveness of financial regulation on shareholders' value using the Nigerian Stock Exchange Market as a case study. The following are the identified limitations of this study. (a) The main weakness of this research is about primary data collected for the survey. The survey questionnaire data gathered from the agricultural related companies in the Nigerian Stock Exchange Market was too small to generalise the findings, and this made the researchers to use the accounting data further to measure

the shareholders' value. (b) The use of only the Nigerian Stock Exchange market as a case study cannot be said to represent the effect of financial regulation on shareholders' value of all agricultural listed firms of developing countries in Africa.

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