JOURNAL OF ACCOUNTING, BUSINESS AND SOCIAL SCIENCES, VOLUME 5 NUMBER 2, DECEMBER 2021; ISSN 2672-4235 (JABSS)

AGENCY COST AND VALUE OF QUOTED HEALTH CARE FIRMS IN NIGERIA

Agubata, Nonye Stella[1] Abarika, Christian[2]

[1,2]Department of Accountancy, Faculty of Management Sciences, Chukwuemeka Odumegwu Ojukwu University, Anambra State, Nigeria.

E-mail: [1]sn.agubata@coou.edu.ng [2]christianabarica@gmail.com

Abstract

This study evaluates the relationship between Agency Cost and value of quoted Health Care firms in Nigeria between 2010 and 2019 (10 years). The study adopted ex-post facto research design and data were collected from the financial report of the sampled firms within the period covered by the study. The proxies for Agency Cost were Corporate Governance Board Cost, Audit fee, Corporate report production cost, and Employee bonus incentive, while firm value was used as response variable. The panel data collected were analysed using regression analysis. Other preliminary analysis conducted to ascertain the normality and check for the presence of multi-colinearity, include descriptive statistics, correlation analysis, and variance inflator. The result reveals that agency costs have positive influence of about 41.2% on the level of firm value among health care firms in Nigeria. The specific findings show that, Corporate Governance Board Cost, Audit fee and Employee bonus/incentive have positive and significant relationship with firm value, while corporate report production cost has a non significant negative relationship. The study recommends among others that adequate funds should be allocated to bonding and other monitoring measures, and less to Corporate report production cost, which can be sent conveniently through email.

Keywords: Agency Internal Cost, Corporate Governance Board Cost, Audit fee, Corporate reporting cost, Employee bonus incentive, firm value

Introduction

Organizations exist to maximize profit and shareholder’s wealth. Achievement of these objectives depend on the effectiveness of the managers. Ogbe, Ogbe and Alewi (2013) stressed that manager’s decisions are expected to enhance shareholder’s wealth. Unfortunately, companies with diverse ownership are seen to be controlled by managers even if formal control belongs to the shareholders. The dispersed shareholders have become increasingly more passive in their roles, leaving the management with reasonably free hand to pursue goals that may not necessarily correspond with the objectives of the firm. In line with that, Ghanbari, Rashidi and Abbasi (2018) opined that Lack of ownership concentration results in the shareholders' inability to consider the managers' actions and measures. Xiao (2009) added that the separation of management from ownership in modern corporations gives the managers the motivation and opportunity to conduct activities that serve their own interest instead of maximizing the value of the owners’ wealth. These are happening because the owners and managers have divergent interests. These incompatible interests have always been a source of conflict (Investopedia Team, 2021).

The non-alignment of managers’ interest and that of business owners can take the form of preference for on-the-job benefits and making self-interested and entrenched choices that can

lower profit and shareholders wealth. Agency cost theory is hinged on this, that dispersion of ownership could leave the managers in control of firms, resulting in deterioration of firm performance (Agubata and Ekwueme, 2019) The performance of publicly listed companies in Nigeria has been unsatisfactory despite several reforms introduced over the years (Salawu, Asaolu &Yinusa 2012). The unsatisfactory performance can be associated with agency conflict. Mehdi, Farshid, Mohammed, and Zakiya (2020) provided reasons for such agency problem, which includes disparity in knowledge between insiders and outsiders and information asymmetry between the company and the market. So for the principal to protect himself against opportunist behaviour and ensures that agents act in the owners' best interests, he has to design plans for them. The design as suggested by Mallin 2004, can be a monitoring mechanism put in place as an oversight tool for the owners. Jenkins, Ambrosini and Collier (2016), added that the measures must be monitored and enforced.

Establishment of the monitoring mechanism would involve costs. The cost can take the form of expenditure on appointment of auditors and auditing process, expenditure on appointment of board of directors, the implementation of formal control systems, budget constraints and so on (Mehdi, Farshid, Mohammed, & Zakiya, 2020). Thus, Jensen and Mackling (1992), refer agency costs as the sum of the costs of designing, implementing, and maintaining the appropriate control system within organizations and the residual loss resulting from the difficulty of solving control problems completely, this cost implication, can have effect on the wealth of the owners, but its desirable because the benefits sometimes outweigh the cost. That is why Brigham and Gapenski (1993) cited in Sheng (2009) argued that agency cost are costs borne by shareholders in order to monitor managers, encourage them to maximise shareholder’s wealth rather than act in their self-interest, and provide incentives to align both interests. Therefore, agency costs are seen as the costs that shareholders incur when they allow professional managers to run the firms on their behalf. Where the owners and the managers are exactly the same individuals, the cost would not exit (ICAN, 2014).

Agency costs in this study include, cost of external auditing of financial statement and the report production, corporate governance cost and cost of providing incentives for the managers. These costs are derived from Jensen and Mackling (1976) definition of Monitoring Expenditure. Jensen and Mackling (1976), see monitoring expenditures, as agency costs incurred by the principal, and stated that, the principal in order to bring the agent’s action in line with his own, should establish incentives, like stock option and inevitably need to incur some monitoring costs to limit the agent’s deviation from the principal’s interest. Such cost can be a wise investment that will generate profits in the form of greater efficiency. For instance, through corporate governance, the board ratifies the decisions made by the managers, and monitor the implementation of those decisions. Through effective auditing, misstatements and material errors are identified and reported to the shareholders in form of a report and through incentives, employees behaviour are influenced to better accomplish organizational objectives. By accomplishing organizational objectives, the value in terms of stock price will be enhanced, which is a relative and proportional value of a company’s worth.

A stream of research work has established the effect of agency costs on firm performance. Majority of the work were carried out in foreign countries. For instance, in Vietnamese, Khuyen (2021), explored the impact of Agency Costs on Business Performance of Vietnam Listed Food and Beverage Companies. He measured agency cost with, agency cost of equity and agency cost of debt. ROE and ROA were the proxies for business performance. Another study in Vietnam by Hoang, Tuan, Nha, Nha & Phuong (2019), used Asset utilization ratio,

sales, administrative and general expenses to net sales, as agency cost measures. A similar study by Hossein, Zohreh and Labeshka (2013) in listed firms in Tehran stock exchange, used operating expenses to sales ratio, asset turnover to sales ratio as proxies for agency cost. Martinez and Moraes (2014), carried out a study in companies quoted on the Brazilian Stock market between 2009 and 2011, to determine the relationship between audit fees and firm value. In France, Ammari, Sarra, Zemzem and Ellouze (2016) explored the impact of corporate board cost on the performance of French firms between 2001 and 2013. Manuel (2012) examined agency costs, firm value, and corporate investment. Other similar studies include, Xiao (2009) in China, Chrisostomos and Ozkan (2004) in United Kingdom, Hall (1998), in South Africa. All these studies used deferent proxies for agency cost and the findings may not be too relevant to Nigeria due to some differences in investors perception and capital market efficiency which are the major determinants of stock price. More importantly, none of the studies considered the costs implications for mitigating agency conflicts as stated by Jensen and Mackling (1976), This aspect of agency cost on firm value is the contribution of the study to knowledge.

The study therefore evaluates the significant relationship between agency cost i.e. monitoring expenditure and value of firms quoted on the Nigerian Exchange Group. Specifically, the study sought to ascertain, how corporate governance cost, auditor’s fees, Annual report production cost and company directors bonuses/incentives are related to firm value. To achieve these objectives, assertions were formulated and stated in null form, as follows; corporate governance cost, auditor’s fees, Corporate report production cost and company directors share bonuses/incentives have no significant relationship with firm value. The findings of the study will highlight the various aspects of agency cost that increase the firms value, this can help the shareholders and independent directors know the cost to reduce or increase in other to enhance the firm's value. Results of the study can greatly contribute to accounting literature by providing a further understanding of the role of monitoring expenditure toward increasing the value of firms in Nigeria. The remainder of this paper is organized as follows: section 2 presents review of related review, section 3 describes research methodology, section 4 presents data analysis and discussion, section 5 presents conclusion and recommendations.

Agency Costs

Agency costs are costs that a principal incurs to decrease or eliminate the agency problem by providing measures to induce and monitor the agent’s actions, to ensure the agent is acting honestly and in the best interests of the principal. According to Sheng (2009), Agency costs are the internal costs incurred to reduce information asymmetric and conflicts of interest between principals and agents in a firm. The owners of resources are the principals who engage the services of agents (managers). The principal-agent problem arises in the form of information asymmetric and divergent objectives leading to moral hazard. The owners expect the agents to run the company in a way that maximizes the shareholder value. On the other hand, the managers may want to run the company in a way that maximizes their own personal wealth. Such actions usually increase the operating cost of the company while providing no added benefit or value to shareholders. In order to eliminate or reduce the problem, policy makers and the shareholders institute some measures like the establishment of governance board, engagement of an external auditor, mandatory publication of annual report, and hosting of annual general meetings. Since these costs emerge due to the formation of agency relationship, they are called agency costs (Chen 2019) and (Ghanbari, Rashidi, & Abbasi, 2018). There are three dimensions of agency cost according to Jensen and Meckling, (1976)

monitoring cost; expenditures by the principal, bonding expenditures by the agent and a residual loss (a direct costs of agent misconduct that bonding and monitoring do not prevent). Agency cost in this study is centred on m**onitoring costs**, which include, cost of running and maintaining the board of directors and cost of auditing of financial statement and reporting to the shareholders, to reduce information asymmetry and bonding cost (share bonus).

Corporate governance board cost

Corporate governance is a system of rules, practices and processes by which a firm is directed and controlled (Chen 2019). The corporate governance board is managed by the board of directors which is made up of independent executive directors, executive directors and non-executive directors. Prior studies have applied various sets of corporate governance, such as Board structure, board independence, board gender diversity, directors' share ownership, ownership structure, audit committee and so on. All of these structures have the primary responsibility of making important decisions, which affect the firms short and long run survival among others. They monitor and restrict the activities of managers (Chen 2019), on behalf of shareholders, to ensure that the managers act in the best interest of shareholders. The company spends substantial amount of money on the board to ensure good corporate governance. Such cost include, sitting allowance, travelling allowance, postage, telecommunication, etc. as members of the board are drawn from different works of life and location. The meetings of the various sub-committee of the board also require funding.

The corporate board cost here represents the entire cost incurred to enable the board carry out their function and discharge their responsibilities properly. The results can create effective corporate governance mechanisms in controlling the managerial opportunistic behavior to lower agency conflicts, and hence lower residual loss. Thus, Ashbaugh, Collins and LaFond, (2004) view corporate governance as a set of mechanisms that intended to reduce agency problems that arise due to the information asymmetry between the agents and the principals.

Auditor’s Fees

According to Suharli and Nurlaelah, (2008) audit fee is the amount charged by a public accountant to the client for the audit and advisory services rendered. Audit fee is paid for annual audits and reviews of financial statements by the professional accounting firms (Yuniarti, 2011). Audit fee varies, depending on the complexity of services, volume of work, risk, the required level of expertise, and other professional considerations. In this study, audit fee represent the amount charged by the auditor for an audit assignment carried out. The audit fees charged for carrying out auditing assignment can reflect the time spent to render the service, which is related to the size of the company audited. Auditors are hired by directors, so the cost incurred in engaging the services of auditors is considered an agency cost, because the engagement is partly to oversee the activities of managers, which serves as a monitoring mechanism. In the opinion of Ghanbari, Rashidi, & Abbasi (2018) High audit quality leads to a reduction in information asymmetry, but could cause increase in agency costs.

Use of auditing as a mechanism to reduce information asymmetry is considered a valuable process. The dispersed shareholders on their own, do not have any method to control the managers' measures, it is only the managers that know whether the steps taken by them are in the interests of shareholders or not. Auditors when engaged, can check on them by influencing the selection of accounting methods. Hence, they influence the final financial statements and

increase the reliance of the items contained in the financial statements. More so, by providing independent verification of financial statements prepared by managers, through auditing, auditors ensure they are in line with all the relevant standards and make professional opinion regarding the true and fair view of the statement. This gives reasonable assurance of the quality of information contained in the financial statements, by implication, agency problem is reduced. For this reason, Ghanbari, Rashidi, and Abbasi (2018) assert that independent audit services can be an efficient tool to reduce information asymmetry between informed managers, shareholders and other uninformed or less -informed beneficiaries. In confirmation, the study of Akway, and Ramadan (2019), provided evidence that audit quality measured by auditor's firm size and auditor's industry specialization contribute to reduction in agency costs.

Employee bonus/incentives

The term employee bonus refers to the financial compensations and other non-financial rewards received by employees of a company in view of their service to the organizations. It is typically a mixture of bonuses, shares of or call options on the company stocks. According to Dale-Olsen, (2007), employee bonuses are extra benefit an employee derive from the firm due to the services rendered within the period under review. Employee bonuses can be in form of cash, or stock option. Bonuses are granted to employee as a tool for motivation and reward for loyalty, using stock as a bonus instead of cash, gives employee the right to purchase at a fixed price a number of the shares of the enterprise. This share option may be paid for by cash or by deducted from its entitled benefit. Belghitar and Clark, (2015) argued that in the absence of effective internal monitoring mechanisms, compensation based incentives in form of share option or bonus could be a credible alternative. Incentives can be used to redirect the behavior of the agents to align his interest with that of his principal. The share option scheme is based on the argument that a participant will act and make decisions that leads to better share price for the enterprise. As a shareholder, the manager will take decision that will increase the share price which can benefit and lead to personal wealth maximization. In line with Jensen & Mackling, (1976), the conventional remedy for principal-agent conflict is to align managerial interests with those of shareholders by tying the manager's compensation to firm value or firm performance. The compensation scheme should be such that maximizes the expected utility of the principal (Stiglitz, 2008). Thus, Basweti and Nyagoa (2014) opined that bonuses are compensations given to top executives for them to supply a proper work effort.

Theoretical Framework

This work is anchored on Agency theory. Agency Theory is developed by Jensen and Mackling, in 1976. It is a principle that is used to explain and resolve issues in the relationship between business principals and their agents. The shareholders are the principals and managers the agents. Most often, the shareholders and managers have conflicting interest Where the desires of the principal and agent conflict, and the agents are not provided with proper incentives or are constrained in some manner, perhaps through the terms of contract, they may act more in their own interests than those of the principal. This is known as an ‘agency problem (Jenkins, Ambrosini & Collier, 2016). Resolving this conflict will give rise to agency costs. So this study seeks is to ascertain how the agency cost, incurred in health care sectors have helped to restore the principal/ agency relationship and translated to firm value.

Empirical review

Khuyen (2021), explored the Impact of Agency Costs on Business Performance of Vietnam Listed Food and Beverage Companies. He measured agency cost with, agency cost of equity 1, and 2, and agency cost of debt. ROE and ROA were the proxies for business performance. The results demonstrate that agency cost indicators are reliable and have a statistically significant impact on the business performance sampled firms.

Hoang, Tran, Pham, Tran, and Phuong (2019) examined the impact of agency costs on performance of quoted firms in Vietnam, between 2010 and 2015. The study measured agency costs using asset utilization ratio, administrative and general expenses to net sales. While firm performance was measured with return on assets and return on equity. The findings from regression analysis shows that agency costs have negative impact on firm performance.

In Pakistan, Bhat, Yan, Khalil and Bhutto (2018) conducted a comparative analysis on the relationship that exists between corporate governance in state and non-state owned companies, and firm value, between the period of 2010 and 2014. The study adopted panel data regression estimation techniques using Hausman specification test. The result shows that board independence has significant and positive relationship with firm value only for state-owned companies, market capitalization and return on assets have a significant and positive relationship with firm value for both state and non state-owned enterprises. All other variables are found insignificant for both state and non state owned companies.

Ammari, Sarra, Zemzem and Ellouze (2016) explored the impact of corporate board cost on the performance of French firms between 2001 and 2013. Data were collected from 80 publicly quoted companies in French Stock Exchange. The study finds that large board size has a negative effect on market performance.

Kiamehr, Moghaddam, Alipour and Hajeb (2015) examined the relationship that existed between institutional ownership and monitoring cost using quoted firms in the Tehran Stock Exchange, between 2006 and 2012. Audit fees and executive compensation were proxies for monitoring cost. The data collected from 84 sampled of firms were analyzed using regression analysis, the study finds that there is a significant positive relationship between institutional ownership and the two proxies for monitoring cost.

To determine the relationship between audit fees and the firms value, Martinez and Moraes (2014), carried out a study in companies quoted on the Brazilian Stock market between 2009 and 2011. The study measured firm value using Tobin's Q. Multiple regression was used to analyze the data. The results show a significant positive relationship between Tobin's Q and audit fees, which indicates that increases in audit fees results in increase in the value of Brazilian firms.

Hossein, Zohreh and Labeshka (2013) examined the impact of agency costs on performance of listed firms in Tehran Stock Exchange. Data for the study were collected from 73 sampled firms listed in the stock exchange, between 2006 and 2010. Operating expenses to sales ratio, asset turnover to sales ratio were proxies for agency cost and performance was measured using return on assets and return on capital. The result showed that there is a significant relationship between agency costs and firm performance.

Manuel (2012) examines the relationship between agency costs, firm value, and corporate investment, using a sample of 90 listed companies in Tehran Stock Exchange, for the period

2006 to 2010. Pearson correlation and multiple regressions were used for data analysis. The study provided evidence that corporate board governance mechanisms are effective in reducing the impact of agency problem on firm value.

Lishenga (2011) conducted a study on the sensitivity of corporate governance structures and practices to financial performance declines amongst companies quoted on the NSE for the period of eight years from the beginning of 1998 through 2005. The measures for Corporate governance were chief executive officer salaries and bonuses, board composition, insider equity holdings, and frequency of board meetings while Tobin's Q was used to proxy financial performance. Insider ownership was found to be negatively related with firm performance and chief executive officer remuneration had insignificant relationship with firm performance.

In China Xiao (2009). examined the effect of agency cost on firm value between 2000 and 2003. He measured agency cost using the divergence between control rights and cash flow rights. The study finds that agency cost has negative and significant effect on Tobin's Q a proxy for firm value. It was also discovered that agency costs effects are connected with related party transactions, notably loan guarantees and direct fund transfers.

Chrisostomos and Ozkan (2004) examined the nexus between agency costs and corporate governance mechanisms using firm quoted in United Kingdom stock exchange. The study proxies for agency costs using the ratio of total sales to total assets and the ratio of selling, general and administrative expenses to total sales. The data collected were analysed using the ordinary least square regression analysis. The study finds that debt and debt maturity, constitute two most important corporate governance tools among firms in for United Kingdom. Also, managerial compensation has positive effect on agency costs. The findings also show that governance mechanisms significantly affect agency costs.

Hall (1998), used a primary data collected from firms listed on the Johannesburg Stock Exchange, to examine the relationship between agency problem, agency cost and firm performance. The proxy for firm performance was economic value added. Result from the study shows that management goals differ from those of the shareholder, which gave rise to agency problem and owners incurred agency cost like share and bonus schemes share and bonus schemes to overcome this problem.

These studies reviewed used deferent proxies for agency cost and the findings may not be too relevant to Nigeria due to some differences in investors perception and capital market efficiency. In addition, none of the studies considered the different costs involved in mitigating agency conflicts as stated by Jensen and Mackling (1976), This aspect of agency cost on firm value is the contribution of the study to knowledge.

Methodology

Research Design

The study used panel data and adopted ex-post- facto research design. The panel data were collected from the published annual financial report of 8 quoted companies in the health care sector of the Nigeria Exchange group, between 2010 and 2019 financial years. Data were analysed using multiple regression. Preliminary analysis such as descriptive statistics,

correlation analysis, and variance inflator analysis were conducted to ascertain the normality and check for the presence of multi-colinearity among the variables used.

Model Specification

The model for this study was adopted from the work of Sheng, (2009). His functional model is as follows; MB = (CGC, ADF), where MB is market to book value of the firm, while CGC = corporate governance cost, and ADF = auditor fee. This study's model was modified to suit the variables used, and it is stated as below;

$TOBIN_{it} = \beta_0 + \beta_1 CBCOS_{it} + \beta_2 AUDFE_{it} + \beta_3 REPCOS_{it} + \beta_4 EMBON_{it} + \mu_{it}$ 2

Equation 1 is the linear regression model used in testing the null hypotheses.

Where: TOBIN = Tobin q; CBCOS = Corporate governance board cost; AUDFE = Auditor's fee; REPCOS = Corporate report production cost; EMBON = Employee bonus /incentive;

β_0,= Constant; β_1, to β_4, = are the coefficient of the regression equation. μ = Error term; *i*= is the cross section of firms used; t = is year (time series).

Data Presentation and Analysis.

Table 1: Descriptive statistics

	TOBIN	AUDFE	REPCOS	EMBON	CBCOS
Mean	0.974467	0.114569	0.044811	0.123778	0.122222
Median	0.675750	0.041220	0.050000	0.119000	0.106040
Maximum	2.070000	0.175000	0.070000	0.230000	0.177864
Minimum	0.030000	0.053260	0.030000	0.070000	0.113495
Std. Dev.	3.234979	0.139199	0.068165	0.144494	0.621175
Jarque-Bera	3.824412	25.52136	9.043721	11.23125	9.573322
Probability	0.145338	0.000249	0.008711	0.006755	0.002769
Observations	80	80	80	80	80

Source: Researcher's (2021)

Table 1, shows that Tobin q, a proxy for firm value has a mean value of 0.97, maximum and minimum values of 2.07 and 0.03 respectively. The difference between the maximum and minimum value indicates that the value of firms selected for the study differs greatly within the period under review, some have high market value while others have low market value. The result reveals the heterogeneous nature of the market value of the firms used in the study this was confirm by the Jarque Bera probability result which shows that the market value of the firms in not normally distributed (this justifies the study use of hausman effect analysis).

The independent variables descriptive statistics results revealed that, Auditors' fee has a mean value of 0.11, maximum value of 0.18(0.175) and minimum value of 0.05. This indicates that on the average, health care firms in Nigeria spend about 11 percent of their operating cost on accounting professional services (audit, and assurance services). The minimum amount spent on the Accounting professional services is 5% while maximum is 18%. On Corporate Report Production Cost, the result shows a mean value of 0.04, maximum value of 0.07, and minimum value of 0.03. This shows that on the average, the health care firms spend about 4% of their operating cost on corporate reporting. The difference between the mean value, maximum value,

and minimum value, shows that the cost of corporate reporting is homogenous among the Health care firms used in the study. Result on Employee incentives cost shows a mean value of 0.12, maximum value of 0.23, and minimum value of 0.03. This shows that on the average, the health care firms spend about 12% of their operating cost on employee share bonus. The difference between the mean value, maximum value, and minimum value, shows that few firms spent above the mean value on their employee share bonus. Finally, Corporate Governance Cost has a mean value of 0.12, maximum values of 0.18(0.1779) and minimum values of 0.11 respectively. The difference between the mean, maximum and minimum values shows that some firms incurred more cost than others in maintaining their board.

Table 2: Correlation analysis

	TOBINQ	CBCOS	AUDFE	REPCOS	EMBON
TOBINQ	1.000000				
CBCOS	0.121906	1.000000			
AUDFE	0.203808	0.005490	1.000000		
REPCOS	0.021132	0.242134	-0.047053	1.000000	
EMBON	0.163810	0.162505	0.211155	0.215082	1.000000

Source: Researchers summary (2021)

The findings from the correlation analysis table shows that firm value (tobin q) have positive association with Board cost (0.12), corporate reporting cost (0.02), employee bonuses (0.16) and audit fee (0.20). The positive association reveals that audit fee, corporate Board cost, corporate reporting cost and employee bonus incentives positively associate with firm value. The analysis also revealed absence of multi-colinearity problem in the model and justifies the use of the ordinary least square analysis. This was confirmed by the result of the variance inflation factor (VIF) below.

Table 3: Variance inflation factor test:

Variable	VIF	1/VIF
TOBIN	1.01	0.99009
CBCOS	1.10	0.91009
AUDFE	1.00	0.90990
REPCOS	1.01	0.88007
EMBON	1.30	0.76923
Mean VIF	1.082	

Source: Researchers summary (2021)

The Variance inflation factor test result table above shows the mean value of 1.082. The mean value is less than 10 rejection benchmark, which indicates the absence of multi-colinearity in

the model. This result (Variance inflation factor test result) confirms the finding from the correlation analysis which shows the absence of multi-co linearity using 75 percent acceptance region in determining the level of association among the variables used.

Test of Hypotheses

The study used multiple regression analysis in the test of hypotheses.

Table 4: Regression analysis.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.71579	2.546013	5.387164	0.0000
REPCOS	-1.361401	2.188265	-0.622137	0.5347
AUDFE	4.565215	0.929530	4.911317	0.0000
EMBON	0.095388	0.041948	2.273958	0.0163
CBCOS	2.573406	0.799674	3.218069	0.0015

R-squared	0.439350	Mean dependent var	0.890335
Adjusted R-squared	0.412112	S.D. dependent var	3.489996
S.E. of regression	24.30988	Akaike info criterion	4.843317
Sum squared resid	1603.389	Schwarz criterion	5.288589
Log likelihood	337.2551	Hannan-Quinn criter.	5.023512
F-statistic	13.22928	Durbin-Watson stat	2.133000
Prob(F-statistic)	0.004693		

Source: Researchers summary of OLS regression Analysis

From the regression table above, R-squared value is 0.44(0.439350) and R-squared adjusted showed 0.41. The R-sq adjusted value indicates that the selected Agency internal cost variables jointly have about 41.2 percent impact on the firm value. The F-statistics value of 13.23 and its probability value of 0.000 shows that the regression model is well specified and the specification is statistically significant at 1% level. The Durbin Watson value of 2.133 reveals the absence of autocorrelation in our model. Hence the variables used can be relied upon as Agency internal cost variables in driving firm value (tobin q).

Hypothesis 1: Corporate Governance board cost has no significant effect on Firm value

The analysis result showed a coefficient value of 2.57 and a P-value of 0.0015. This reveals that board cost has positive and significant effect on the value of health care companies in Nigeria. In other words, the more funds are made available for sustenance of the Corporate Governance board, the more their contributions affect the growth and value of the firm. This finding support the works of Chrisostomos and Ozkan (2004), Bhat, Yan, Khalil and Bhutto (2018) and Ammari, Sarra, Zemzem and Ellouze (2016) on Corporate governance, cost and firm value.

Hypothesis 2: Audit fees has no significant effect on firm value

The analysis result showed a coefficient value of 4.57 and a P-value of 0.000. This indicates that Auditors' fee has a positive and significant effect on the value of Healthcare companies quoted on the Nigerian Stock Exchange. This is in agreement with most extant literatures that a positive relationship exist between audit quality and audit fees. A highly paid auditor seems to be more thorough compared to an auditor who accepts any offer as a means to meet needs. This therefore implies that, allocating high amount for audit assignment can spur an auditor into a detailed job which reduces information asymmetry, and possibly increases the firm value. This result is in line with the findings from similar study of Martinez and Moraes (2014), Yousef (2016) study finding.

Hypotheses 3: Corporate reporting production cost has no significant effect on Firm value

The regression analysis result showed a coefficient value of -1.361 and a P-value of 0.534. The negative coefficient value shows that corporate reporting cost has an inverse relationship with the value of health care companies in Nigeria. This shows that increasing the cost of producing of annual report can cause a reduction in the value of Health Care firms quoted on the Nigerian Stock Exchange.

Hypotheses 4: Employee bonus incentive has no significant effect on Firm value

The analysis result showed a coefficient value of 0.095 and a probability value of 0.016. The result signifies that employee bonus incentives have a positive and significant effect on the value of the sampled companies.

Conclusion and Recommendations

The company law separates corporate ownership from management. The shareholders as owners, have divergent interest with company's executives. To align these interests, policy makers establish reporting and monitoring mechanisms, as a way of ensuring adequate disclosure of operating activities to the owners and persuading the executives, to manage the company in the interest of the owners. Achieving this objective, involves some operational cost known as agency cost. The agency cost in this study was measured with, corporate governance board cost, auditor's fee, share bonus/ incentive and corporate report publishing cost. The study adopted ex-post- facto research design. Panel data were collected from the production of annual financial report of 8 quoted companies in the health care sector of the Nigeria Exchange group, between 2010 and 2019 financial years. Preliminary analysis such as descriptive statistics, correlation analysis, and variance inflator analysis were done to ascertain the normality and check for the presence of multi-colinearity among the variables used. Hypotheses were tested using multiple regression technique. The findings of this study suggest that agency cost as applied in the health care sector is among the drivers of the value of the sector The study recommends that more fund should be allocated to bonding and other monitoring mechanisms, except corporate report production cost, which can better be sent through email.

Reference

Agubata, N. S. & Ekwueme, C. (2019), Effect of right issues and large ownership concentration on firm performance: Evidence from Nigeria. *Brazilian journal of Arts and Science (Physical and Social),* 12(4), 47- 60.

Akway, I.D & Ramadan, M.M(2019), The Role of Audit Quality in Reducing Agency Costs and Cost of Equity Capital an Empirical Study on Companies listed in the Egyptian Stock Exchange. *Alexandria Journal of Accounting Research, 3(2),* https://aljalexu.journals.ekb.eg/article_56844_7e170f0f8dbb0a777818c72ad869b9f9.pdf

Amess, R. & Drake, E (2003). The effects of corporate board Activity and Independence on corporate fraud. *Managerial finance:* 26 (11), 55-68.

Ammari A., Amdouni S., Zemzem A & Ellouze A (2016). The effect of monitoring committees on the relationship between board structure and firm performance**.** *Journal of Risk and Financial Management 4(1), 44-60*

Anand A, Milne F, & Purda, L (2010). Monitoring to reduce agency costs: examining the behavior of independent and non-independent boards. *Queen's Economics Department Working Paper No. 1243.*

Ashbaugh, H., Collins, D. W., & LaFond, R. (2004). Corporate governance and the cost of equity capital. Emory, University of Iowa. *https://scholar.google.com.eg/scholar?hl=en&as_sdt=0%2C5&q=Corporate+Governance+and+the+Cost+of+Equity+Capital&btnG=*

Belghitar, Y. & Clark, E.(2015), Managerial risk incentives and investment related agency costs, International review of financial analysis, 38(2015), 191-197.

Bhat, K, Chen, Y, Jebran, K & Bhutto, N (2018). Corporate governance and firm value: a comparative analysis of state and non-state owned companies in the context of Pakistan. *The International Journal of Business in Society* 3 (1), 31-48

Burkart, M., Gromb D, & Panunzi, F (1997). Large shareholders, monitoring, and the value of the firm. *The Accounting Review* 84:531-558.

Chen, C (2019). Corporate board and their responsibilities in china. *International journal of economics 3 (2) 71-83*

Chrisostomos F. & Ozkan, A. (2004). Agency costs and corporate governance mechanisms: Evidence for UK firms. Department of Economics and Related Studies, University of York, Heslington, York, YO10 5DD, UK.

Ghanbari, M; Rashidi, A & Abbasi, N. (2018) A study of the effects of agency costs and information asymmetry on audit quality. Journal of Advanced Pharmacy Education & Research | Published by SPER Publication 8(52), 137-142

Hall, J. (1998). The agency problem, agency cost and proposed solutions thereto: A South African perspective. *Journal of Applied Accounting Research, 10*(1), 56-86.

Hayashi, N. (1982). Impact of agency costs on firm performance: evidence from Vietnam. *Organizations and Markets in Emerging Economies* 10 (2) 294–309

Hoang L. D., Tuan T. M., Nha P. V. T., Nha P. V. T. and Phuong T. T. (2019) Impact of Agency Costs on Firm Performance: Evidence from Vietnam, *Organizations and Markets in Emerging Economies*, 10(2), 294-309.

Hossein J, Zohreh H, & Roghaieh L. (2013). Investigation of the effect of agency costs on firm performance of listed firms in Tehran Stock Exchange. *European online journal of natural and social sciences* 2(3), 771-776.

ICAN (2014), Corporate reporting study text, The Institute of Chartered Accountants of Nigeria, Emily Woolf International, Bracknell Enterprise and Innovation, United Kingdom.

Investopedia Team (2021), What Is the Role of Agency Theory in Corporate Governance? *https://www.investopedia.com/ask/answers/031815/what-role-agency-theory-corporate-governance.asp*

Jenkins, M., Ambrosini, V., & Collier, N. (2016). Advanced Strategic Management. New York: Palgrave.

Jensen, M., & Mackling, W. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. Journal of Financial Economics, 3,305–360.

Karo, I. (2017). Corporate governance and firm value: a comparative analysis of state and non-state owned companies in the context of Pakistan. *The International Journal of Business in Society* 3, (5), 30-44

Khuyen, N. T. V (2021), Impact of Agency Costs on Business Performance of Vietnam Listed Food and Beverage Companies Sc Advances in Economics, Business and Management Research, 196, 89-94.

Mallin, C.A. (2004) Corporate Governance. Oxford University Press, Oxford. https://www.scirp.org/(S(351jmbntvnsjt1aadkposzje))/reference/ReferencesPapers.aspx?ReferenceID=1388414

Martinez A. & Moraes, A (2014). Association between independent auditor fees and firm value: a study of Brazilian public companies. *Journal of Modern Accounting and Auditing, 10(4), 442-450*

Mehdi M., Farshid, B., Mohammed, A & Zakiya, N (2020). Agency costs, firm value, and corporate investment agency. *A thesis to obtain the degree of Doctor from the Erasmus University Rotterdam. Retrieved on July 202 from httpp://www.bizreseachpaper.com.*

Salawu, E. O. Asaolu, T. O &Tinusa, D.O. (2012), Financial Policy and Corporate Performance: An Empirical Analysis of Nigerian Listed Companies, International Journal of Economics and Finance 4(4), 175-181

Scott J. (2000). Executive compensation and firm performance: Big carrot, small stick. *Stanford Institute for Economic Policy Research. Stanford, CA* 94305 *International Business Research* 13(1), 13- 24

Sheng, S (2009). Foreign monitoring and audit quality: evidence from Korea. *European online journal of natural and social sciences* 2(3), 771-776

Suharli, M. & Nurlaelah. (2008). The concentration of the auditor and the audit fee determination: Investigation on SOEs. Journal Akuntansi dan Auditing Indonesia.12. (2). 133-148.

Xiao, S (2009). How do agency costs affect firm value? evidence from China. *European Online Journal of Natural and Social Sciences* 2(3), 771-776.

Yuniarti, R. (2011) Audit Firm Size, Audit Fee and Audit Quality. Journal of Global Management, 2, 84-97.