CORPORATE GOVERNANCE AND THE PERFORMANCE OF QUOTED BANKS IN NIGERIA

BY

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OCTOBER, 2017

DECLARATION

I hereby declare that the research work contained in this project was undertaken by me, as it is an original work. All material used are fully referenced.

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ABIODUN PAUL OSAYEMI **DATE**

NSU/ADM/BUS/MBA/401/2015/2016

CERTIFICATION

This is to certify that this research work titled “Corporate Governance and the performance of quoted banks in Nigeria meet the regulation governing the award of Master in Business Administration (MBA), from the department of Business Administration, Nasarawa State University.

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DEDICATION

This project is dedicated to Almighty God for his kindness upon me. And for given me the wisdom and determination to go through this important phase in my educational career. This work is also dedicated to my parent for their support. To God be the glory.

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This project is dedicated to Almighty God who gave me good health, strength, knowledge, wisdom and understanding to go through the programme successfully.

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ABSTRACT

The financial sector is the heartbeat of every economy and that informs the need for countries to have sound resilient banking systems, which will strengthen and upgrade the institution to survive in the face of globalization. In Nigeria, the Central Bank (CBN) unveiled new banking guidelines designed to consolidate and restructure the industry through mergers and acquisition. This was to make Nigeria banks more competitive and be able to operate in the global market. Despite all its attempts, CBN disclosed that after the consolidation in 2006, 741 cases of attempted fraud and forgery involving N5.4 billion were reported. In the light of the above, this research examined the relationships that exist between governance and the financial performance of quoted banks in Nigeria from the 2006 consolidated period 2013 and also to find out if there is any significant relationship between the level of corporate governance disclosure index among Nigeria banks and their performance. The regression analysis and Pearson Correlation were used to find out whether there is a relationship between the corporate governance variables and firms performance in Nigeria. The study concludes that it is not really the quantum of governance disclosure, total assets or total equity that determines bank performance in Nigeria. The study therefore concludes that there is no uniformity in the disclosure of corporate governance practices by the banks. Likewise, the banks do not disclose in general about their performing loans and non performing loans, by providing a statement that expresses outstanding debts in terms of their period and due dates. The study suggests that steps should be taken for mandatory compliance with the code of corporate governance.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

It has become a worldwide dictum that the quality of corporate governance makes an important difference to the soundness and unsoundness of banks. Broadly speaking, corporate governance refers to the extent to which companies are run in an open and honest manner. (Sanusi, 2003). Thus, effective corporate governance practice incorporates transparency, openness, accurate reporting and compliance with statutory regulations among others. Historically, antecedents indicate that financial crisis is a direct consequence of lack of good corporate governance in banks; invariably one of the sources of instability in the banking sector is lack or inadequate practice of corporate governance.

Corporate governance has in recent times assumed heightened importance requiring that boards and management of companies' exhibit greater transparency and accountability in their business conduct. The just concluded consolidation of the Nigeria banking industry makes the institution of corporate governance a sine qua non in the industry. With twenty- five, now twenty- four as at today banks that emerged from the ashes of the erstwhile eighty- nine banks being publicly quoted, corporate governance should in fact take the centre stage in the management of these banks. Hence, effective corporate governance requires a clear understanding of the respective role of the board and of senior management and their relationships with others in the corporate structure. The relationships of the board of management with stockholder should be characterized by candour; their relationships with employees should be characterized by fairness; their relationships with the communities in which they operate should be characterized by good citizenship, and their relationships with government should be characterized by commitment to compliance and good corporate citizenship. (Anya, 2003).

The banking distress of the last decades has posed many challenges to corporate governance in banking industry. Bank distress can be associated to lack or avoidance of code of ethics and professionalism. Odozi (2007) expound this posting that, “Ethics, like, corporate governance, transparency and accountability, etc, Is a cliché that has been abused and misused”. The failure of banks in Nigeria, as elsewhere, has been largely due, not merely to inadequate corporate governance or leadership, but to a failure of professional ethics as manifested in numerous instances of creative accounting practices, professionals insensitive internal control and risk management position being seriously compromised or even colluding with fraudster. The Nigeria financial sector has become more open to new products and seeking better ways of doing business in other to achieve primary aim of profit maximization. However, the fact remains that there is the need for countries including Nigeria to have sound resilient banking system with good Corporate Governance which will bring about best practices (Kashif, 2008). According to Heidi and Marleen (2003), banking supervision cannot function well if sound Corporate Governance is not in place. Consequently, banking supervision’s i.e. Central bank of Nigeria and Nigeria deposit Insurance Corporation has strong interest in ensuring that there is effective Corporate Governance at every banking organization.

It is imperative to point out that the concept of Corporate Governance of banks and very large firms have been a priority on the policy agenda in developed economic for over a decade. Universally, there is a grounds well of interest in corporate governance. Particularly, the need to implement good corporate governance in the banking sector becomes more apparent after the Asian financial crisis. This has been largely event- driven in the sense that it is in response to scandals and unexpected crisis, which in some cases abruptly terminated the existence of large corporate entities. Indeed, it is believed that the Asian crisis and the relative poor performance of the corporate sector in Africa have made the issue of Corporate Governance more pronounced in the development debate (Berglof and Von- Thadden, 1999). The failure of Johnson Matheys Bank, Bank of Credit and Commerce International, Polly Peck and Enron Incorporation are cases in point. The failure of these institutions has been traced to several lapses associated with poor corporate governance including conflicts of interest of corporate governors. Further to that, the concept is gradually warming itself as a priority in the African continent (Adedipe, 2013).

According to Akpan (2007), developing economies banking sector has witnessed several cases of collapses, some of which include the Alpha bank Ltd, savannah bank Plc (all in Nigeria). The continental bank of Kenya Ltd, capital finance Ltd and Trust bank of Kenya etc.

In Nigeria, the issue of Corporate Governance has been given the front burner status by all sectors of the economy. For instance, the Securities and Exchange Commission (SEC) set up the Peterside Committee on Corporate Governance in public companies. The Bankers Committee also set up a sub-committee on Corporate Governance for banks and other financial institutions in Nigeria. This is in recognition of the critical role of Corporate Governance in the success or failure of companies (Ogbechie, 2006). Developments in Nigeria financial sector have reinforced the need for greater concern for corporate governance in financial institutions in the country. The role of governance on banking performance relating to economic growth cannot be over-emphasized. Banks are the pivot of modern economy, the repository of people’s wealth, and supplier of credit which lubricates the engine of growth of the entries economy (Ebhodaghe, 1997).

Corporate Governance therefore refers to the processes and structures by which the business and affairs of institutions are directed and managed, in other to improve long term shareholder value by enhancing corporate performance and accountability, while taking into account the interest of other shareholders (Jenkinson and Mayer, 1992). Corporate Governance is therefore, about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that will foster good corporate performance.

1.2 Statement of Problem

There is no gain saying that the present economy deserves a sound, stable and better banking performance following the causative factors, such as unethical and unprofessional practices, poor management quality among others which contributed to low level of bank performance and sometimes lead to failure of banks.

The bitter experiences of Asian financial crisis of the 1990s underscore the importance of effective corporate governance procedures to the survival of the macro economy. This crisis demonstrated in no unmistakable terms that "even strong economies, lacking transparent control, responsible corporate boards and shareholder right can collapse quite quickly as investor's confidence collapse". (Sullivan, 2000). The adoption of various economic reform programmes in Africa in the 1980s in which privatization of government – owned enterprises form a major plank, has heightened the corporate governance debate in the continent. The bitter experience of massive governance in some countries of Eastern Europe like Czech Republic and Russia that rushed into large – scale privatization without the necessary corporate governance "infrastructure", suggests that Africa needs to take stock of its corporate governance capacity.(Adekunle, 2013).

According to Das and Gosh (2004), performance of a firm depends on the effectiveness of governance mechanisms which are board size, board composition and directors' equity interest. Although researcher have tried to find out the effects of board size and other variables on the performance of firms, which are mostly in context of developed markets. To the best of the researcher' knowledge based on the literature reviewed, only few studies were found in the context of Nigeria banks. Due to neglect of banking sector by other studies and with radical changes in Nigeria banking sector in the last few years, present study aims to fill the existing gap in Corporate Governance literatures. This scarcity of research effort demands urgent intervention, which therefore justifies the importance of this study, which intends to research on corporate governance and the performance of quoted banks in Nigeria from 2006 consolidated period to 31st December 2013.

In a nutshell, the present study is designed to investigate the Bank's management ability, capability and performance. It also reviews the interventionist role played by corporate governance to bank performance.

1.3 Research Questions

The research will attempt to find answers to the following questions:

i. To what extent if any, does board size affect the performance of quoted banks in Nigeria?
ii. Is there a significant relationship between directors' equity holdings and the financial performance of banks in Nigeria?

iii. To what extent does the level of Corporate Governance disclosure affect the performance of banks in Nigeria?

1.4 Objectives of the study

The main objectives of this research, is to critically examine the relationship between internal Corporate Governance structures and the performance of quoted banks in Nigeria. However , it is set to achieve the following objectives:

i. To examine the relationship between board size and performance of quoted banks in Nigeria.

ii. To investigate if any, the significant relationship between directors equity interest and the performance of quoted banks in Nigeria.

iii. To empirically determine if any, the significant relationship between the level of Corporate Governance disclosure and the performance of quoted banks in Nigeria.

1.5 Significance of the study

This study will be of immense value to bank regulators, investors, academics and other relevant stakeholders. This study provides a picture on the performance of the banking sector in Nigeria and the position of banks in relation to the code and principles of Corporate Governance introduced by the central bank of Nigeria.

It further provides an insight in understanding the degree to which banks reporting on their Corporate Governance have been compliant with different sections of the codes of best practice and where they are experiencing the difficulties. Boards of directors will find the information of great value in benchmarking the performance of their banks, against that of their peers. The result of this study will also serve as a data base for further researchers in this field of research.

1.6 Scope of the study

Considering the year 2006 as the year of introducing post consolidation governance codes for the Nigeria banking sector by the CBN, this study investigate the relationship between Corporate Governance and performance of quoted banks in Nigeria as at 31st December 2013.The choice of this sector is based on the fact that the banking sector is the heartbeat of every economy and its stability has a great multiplier effect on the economy at large. The study covers 10 quoted banks out of 24 universal banks as at 31st December 2013.The study covers a period of 8 years and activities of banks during the post consolidating period between 2006-2013. The choice of this period is to give room for a significant period for banks to review and implement the recommendation by the CBN post consolidation code.

Furthermore, the research focused only on banking industry because Corporate Governance problems and transparency issues are important in the banking sector due to the crucial role in providing financial stability in the economy at large. The study therefore covers four key governance variables which are board composition, directors' equity interest, and board size and governance disclosure level.

1.7 Limitation of the Study

This research is subject to some constraints (both monetary and material resources) and is therefore limited to information with the aid of journals and annual reports of the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Banks annual reports, Chartered Institute of Bankers of Nigeria (CIBN), newspapers, magazines and the internet will be utilized. Though, the effect of this limitation will be reduced to the barest minimum.

1.8 Definition of Terms

Agency theory: Agency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs the work.

Acquisition: An acquisition is when one larger company purchases a smaller company.

Bankruptcy: A proceeding in a federal court in which an insolvent debtor's assets are liquidated and the debtor is relieved of further liability.

Board composition: This is defined as the proportion of representation of non-executive directors on the board.

Board size: This is defined as the number of directors both executive and non-executive directors on the board of the bank.

Code of Ethics: Defines acceptable behaviors, promote high standards of practice, and provides a benchmark for members to use for self-evaluation and establish a framework for professional behaviors and responsibilities.

Consolidation: The combining of separate companies, functional areas, or product lines, into a single one. It differs from a merger in that a new entity is created in the consolidation.

Corporate Governance: The methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they earn a return on their investment.

Earnings per Share: Total earnings divided by the number of shares outstanding companies often use a weighted average of shares outstanding over the reporting term

Executive directors: Directors that are currently employed by the firm, retired employees of the Firm, related company officers or immediate family members of firm employees.

Financial Performance: This is a measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of

time.

Governance Structure: Governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.

Independent Director: A person whose directorship constitutes his or her only connection to the corporation.

Merger: The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.

Non-executive directors: They are members of the Board who are not top executives, retired executives, former executives, relatives of the CEO or the chairperson of the Board, or outside corporate lawyers employed by the firm.

OECD: The Organization for Economic Cooperation and Development

Poison pills: A strategy used by corporations to discourage a hostile takeover by another company. The target company attempts to make its stock less attractive to the acquirer.

Return on Assets: A measure of a company's profitability, equal to a fiscal year's earnings divided by its total assets, expressed as a percentage.

Return on Equity: A measure of how well a company used reinvested earnings to generate additional earnings, equal to a fiscal year's after-tax income (after preferred stock dividends but before common stock dividends) divided by book value, expressed as a percentage.

Stakeholders: People who are affected by any action taken by the corporation. an individual or group with an interest in the success of a company in delivering intended results and maintaining the viability of the company's product and/or service.

Stewardship theory: A steward protects and maximizes shareholders' wealth through firm performance, because, by so doing, the steward's utility functions are maximized.

Shareholders: Shareholders are people who have bought shares in a limited liability company. They own a part of the company in exact proportion to the proportion of the shares they own.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The Nigeria banking and economic growth issues are very complex one. Over the years the objective and vision of the banking system has metamorphosed in such a way that the focus at a point in time was the allocation of credit for long term infrastructure development and product based rather than security based lending. The system was characterized by low productivity, bureaucracy, lack of loan supervision especially for small loans, lack of flexibility and choice for customer, decreased profitability and poor manpower holding. A new path was therefore inevitable and leveraged was found in the Basle Accord i & ii framework considering capital requirement relative to asset through a risk management principles that relies heavily on the parties with access to the best information. Notwithstanding, the Basle Accord, Charkan (2004), confirms that banking is littered with failure cause by ignorance, fraud, mismanagement. Political and societal pressures, that he is unsure if better governance would save them.

Asides the global economics crisis, the incidence of creative accounting, insider trading and other corrupt practices has prospered the relevance of good corporate governance globally. These activities as in the Enron, Adelphia and Cadbury Nigeria scenarios has a down turn effect on performance. This suggests that there is a possible relationship between corporate governance and firm performance as it were. A plethora of studies have therefore been embarked on in various environments to determine the state of the relationship.

This chapter therefore discusses among other issues principle of corporate governance, models of corporate governance, measures and important of corporate governance and also corporate governance and corporate performance.

2.2 Concept of Corporate Governance

Corporate governance is a uniquely complex and multi-faceted subject. Devoid of a unified or systematic theory, its paradigm, diagnosis and solution lie in multidisplinary fields i.e. economies, accountancy, finance among others (Cadbury, 2002). As such it is essential that a comprehensive framework be codified in the accounting framework of any organization. In any organization, corporate governance is one of the key factors that determine the health of the system and its ability to survive economic shocks. The health of the organization depends on the underlying soundness of its individual components and the connections between them.

According to Morch, shleifer and Vishny (1989), among the main factors that support the stability of any country's financial system include: good corporate governance; effective marketing discipline; strong prudential regulation and supervision; accurate and reliable accounting financial reporting system; a sound disclosure regimes and an appropriate saving deposit protection system.

Corporate governance has been looked at and defined variedly by different scholars and practitioners. However they all have pointed to the same end, hence giving more of a consensus in the definition. Coleman and Nicholas-Biekpe (2006) defined corporate governance as the relationship of enterprise to shareholders or in the wider sense as the relationship of the enterprise to society as a whole. However, Mayer (1999) offers a definition with a wider outlook and contends that it means the sum of the processes, structures and information used for directing and overseeing the management of an organization. The Organization for Economic Corporation and Development (1999) has also defined corporate governance as a system on the basis of which companies are directed and managed. It is upon this system that specifications are given for the division of competencies and responsibilities between the parties included (board of directors, the supervisory board, the management and shareholders) and formulate rules and procedures for adopting decisions on corporate matters.

In another perspective, Arun and Turner (2002) contend that there exist narrow approaches to corporate governance, which views the subject as the mechanism through which shareholders are assured that managers will act in their interests. However, Vives (2000) and Oman (2001) observed that there is a broader approach which views the subject as the methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they can earn a return on their investment. There is a consensus, however that the broad view of corporate governance should be adopted in the case of banking institutions because of the peculiar contractual form of banking which demands that corporate governance mechanisms for banks should encapsulate depositors as well as shareholders (Macey and O' Hara, 2001).

Arun and Turner (2002), supported the consensus by arguing that the special nature of banking requires not only a broader view of corporate governance, but also government intervention in order to restrain the behavior of bank management.

They further argued that, the unique nature of the banking firm, whether in the developed or developing world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks.

This study therefore adopts the broader view and defines corporate governance in the context of banking as the manner in which systems, procedures, processes and practices of a bank are managed so as to allow positive relationships and the exercise of power in the management of assets and resources with the aim of advancing shareholders" value and shareholders" satisfaction together with improved accountability, resource use and transparent administration.

2.2.1 Attributes and Principle of Corporate Governance

These are some of the principle of Corporate Governance:

i. **Lay solid foundations for management and oversight:** A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

ii. **Structure the board to add value**: A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

iii. **Safeguard integrity in corporate reporting:** A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

iv. **Make timely and balanced disclosure:** A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

v. **Remunerate fairly and responsibly**: A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

vi. **Respect the rights of security holders**: A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

2.2.2 Models of Corporate Governance

The purpose of this is to introduce each model, describe the constituent elements of each and demonstrate how each developed in response to country-specific factors and conditions. Readers should understand that it is not possible to simply select a model and apply it to a given country. Instead, the process is dynamic: the corporate governance structure in each country develops in response to country-specific factors and conditions. The mainstream economics regards corporate governance as being concerned with structures and processes for decision-making, accountability, control and behavior at the top of organizations that is, the exercise of power over and responsibilities for corporate entities. Hawley and Williams (1996) of the US identified four models of corporate control.

These are the stewardship model, the stakeholders' model, the simple finance or agency model And political model.

i. **Agency model -** The Agency Theory was borne with Jensen and Meckling in 1976. This theory defines the relationships in which one party delegates the responsibility of running the firm to another party. McColgan (2001) gave a very broader view of agency theory and corporate governance. The major interest of his research was to cover the area that where the interests of managers diverge from those of the interests of shareholders. He kept in view the agency relationship and the agency cost which arises from these relationships. He extended the work of Jensen and Meckling (1976) who defined the agency relationship as a type of contract in which the principal keep the agent to carry out the services of the firm on his behalf. This theory further discusses the relationship that exists between the shareholders and board of directors. This explains the separation of ownership and control between the governing bodies. Here, the shareholders who are supposedly the owners of the firm/ business are deemed to be the principal while the boards of directors are deemed the work agents to the owners. Therefore, they have to perform their duties in order to report the owners who have employed them. With reference to (Clarke, 2004), it highlights relationship between the principals (e.g. shareholders), the agents (e.g. company executives) and the managers. The theory advocates that shareholders (who are the owners or principals of the company) hire agents to perform work; but, the principals delegate the running of the business to directors or managers (who are the shareholder's agents). The agency problem arises due to the different interest and the conflict between the ownership and control as principal delegate some decision making authority to the agent. Jensen and Meckling (1976) argued that this delegation authority reduces the value maximizing decisions taking by the manager in the firm. Himmelberg, Hubbard and Palia. (1999), argued Jenson and Meckling (1976) by saying that principal agent problem are not similar in all firms rather they are different in different firms, different industries and also in different cultures. Himmelberg et al. (1999) said that Jenson original theory "nexus of contract" suggest the same. McColgan (2001) agreeing with the authors said that agency problem can be reduces by the help of effective corporate governance mechanism which can be important in reducing the agency cost and the ownership problems in the firms. The governance should be design according to the firm environment as one general mechanism can be more important for some firms and less important for other firms. Thus, agency problems can arise when one parts (the „principals") contracts with another part (the „agents") to make decisions on behalf of the principals. Agency problems may occur as agents can hide information and manage firms" in their own interest; for example, as in the cases of Adelphia, Enron, WorldCom and Parmalat.

ii. **Stewardship Theory -** Stewardship theory states that managers are motivated by a desire to achieve and gain intrinsic satisfaction by performing challenging tasks; hence, their motivation transcends mere monetary considerations. Stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholders returns. Here, the managers are more concerned with the interest of the shareholders than their own personal interest, hence, eradicating the problem of sub-optimization, because this relationship is based on trust. Consequently, managers require authority and desire recognition from fellow colleagues and superiors to effectively perform their tasks. Hence, shareholders must authorize the appropriate empowering governance structure, tools, authority and information to facilitate managers" dependency, built on trust, to take decisions that would minimize their liability while achieving firm's objectives (Donaldson and Dave, 1991). Unlike agency theory, stewardship theory emphasizes the role of top management as stewards because they are expected to integrate their goals as part of the organization.

iii. **Stakeholders Theory -** This theory postulates that managers in organizations have a network of relationships to serve; this include employees, shareholders, suppliers, business partners and contractors. The theory was developed by Freeman (1984). This theory is set to protect the interest of stakeholders. Stakeholder theory proposes the representation of various interest groups on the organization's board to ensure consensus building, avoid conflicts, and harmonize efforts

> to achieve organizational objectives (Donaldson and Preston, 1995). The shareholder model of corporate governance relies on the assumption that shareholders are morally and legally entitled to direct the corporation since their ownership investment is an extension of their natural right to own private property. Berle and Means (1932) point out that the notion the shareholders govern the corporation is largely a fiction: "Typically, executives have the greatest power." Etzioni (1998) questions whether "executives can and should be made more accountable and responsive to some groups other than themselves, and which groups this should include." Etzioni (682) supports the stakeholder view. He accepts the moral legitimacy of the claim that shareholders have certain rights and entitlements because of their investment, but he maintains that "the same basic claim should be extended to all those who invest in the corporation." This includes: employees (especially those who worked for a corporation for many years and loyally); the community (to the extent special investments are made that specifically benefit that corporation); creditors (especially large, long-term ones); and, under some conditions, clients.

A prominent critic of stakeholder theory is Goodpaster (1991) who argues that a multi-fiduciary stakeholder approach fails to recognize that the "relationship between management and stockholders is ethically different in kind from the relationship between management and other parties (like employees, suppliers, customers, etc.)" Goodpaster contends that managers have many non-fiduciary duties to various stakeholders but their fiduciary duties are only to shareholders.

Boatright (1994) suggests that the shareholder-management relation is not "ethically different" and there is no reason in principle to adopt the distinction between fiduciary and non-fiduciary duties and the distinction between shareholders and other constituencies. He states that: "Many of the fiduciary duties of officers and directors are owed not to shareholders but to the corporation as an entity with interests of its own, which can, on occasion, conflict with those of shareholders.

iv. **Political Model -** The political model recognizes that the allocation of corporate power, privileges and profits between owners, managers and stakeholder is determined by how governments favour their various constituencies. The ability of corporate stakeholders to influence allocation between themselves at the micro level is subject to the macro framework, which is interacting subjected to the influence of the corporate sectors. (Akingunola, 2013)

2.3 Concept of Corporate Performance

Performance is considered to be a construction (Quinn and Rohrbaugh, 1983; Venkatraman and Ramanujam, 1986; Henri, 2004) and the purpose of defining this concept is to determine its properties and dimensions. The notion of performance has an abstract character and its definition is made by reference to other concepts, on which we believe that performance is built. A concept is itself an abstraction of observable or measurable facts; certain concepts are at a high level of abstraction, and their explanation is achieved through other concepts, so they are called constructions (Quinn and Rohrbaugh, 1983).

Since 1950, studies in organizational theory are based on the concept of effectiveness, and the terms of efficiency and performance are considered interchangeable (Venkatraman and Ramanujam, 1986), because issues related to defining, measuring and explaining them are identical (Dalton et al., 1980, Thomson and Abernethy, 2000; Henri, 2004). In addition, early studies on firms did not analyzing performance, but organizational behavior (Dalton et al., 1980), which demonstrates, on the one hand, the dynamic nature of the concept, and on the other hand, all the variables related to organizational behavior. Moreover, performance is difficult to define, but it can have at least three meanings or connotations: (1) a successful outcome of an action or the action itself; (2) performance shows the ability to move, thanks to the constant efforts; (3)The word performance is the carrier of an ideology of progress, effort, always make better (Bourguignon, 1997). This definition of Bourguignon (1997) assimilates performance with an "action", with a certain "behavior" (in terms of a dynamic view, meaning "to perform") and not just as a "result" (in terms of a static view). A result is nothing if considered alone, because it cannot be separated from means of its activities and objectives: performance is based on logical action stages, starting with the intention and going till the actual result. Furthermore, we can make a distinction between "performance" and "being efficient" (Vilain, 2003), due to the fact that performance can be described more as a result of the past, while being efficient means to achieve the objectives in the future.

Performance involves also the economic concept of creation of wealth or value to the organization. Thus, performance is a relation between cost (operation cost the organization) and the value of benefits obtained (Lorino, 2001).

2.3.1 Measures of Corporate Performance

All organizations continually evolve, so it comes as no surprise that their performance measurement systems go through various stages of evolution too. A European research report (Gates and Kulik, 1999) found that approximately three-quarters of companies investigated had changed their performance measurement systems during the previous three years and expected to keep changing them in the future. Performance measurement is the process of collecting, analyzing and reporting information regarding the performance of an individual, group, organization, system or component. One of the most important aspects to be considered in relation to performance measurement process is that the performance measures work qualitatively to provide the useful information about products, processes and services that are produced in a business. Hence, implementing performance measures is a great way to understand and manage and improve what a business organization does.

The measurement of performance is a continuous process which involves checking the performance against the standards that have been fixed to be followed. It leads to compare the actual performance with the established standards. A manager needs to supervise, observe and control the activities of his subordinates while he is involved in studying various summaries or reports, so that he may manage the work in an effective manner getting the things accomplished in a desirable manner. It requires the manager to constantly check the performance in order to take corrective actions in case of deviations ensuring that such deviations do not occur again. Thus the Performance measurement is an ongoing, continuous improvement operation. Performance measurement is one of the cornerstones of business excellence. Business excellence models encourage the use of performance measures, but in addition and more importantly, they consider the design of performance measurement systems to ensure that measures are aligned to strategy, and that the system is working effectively in monitoring, communicating, and driving performance. The focus in performance measurement is now on achieving a balanced framework that addresses the issues described above. Examples of these new frameworks are Kaplan and Norton’s balanced Scorecard, Skandia’s navigator model and the Performance Prism. Others recommend that the results sections of business excellence models should be used to generate a balanced set of performance measures.

There are a number of challenges that are faced when designing an effective Performance Measurement System, these include the following:

- **i.** How to measure non-financial performance
- **ii.** What measures to choose and why
- **iii.** How to use them - what to do with the results
- **iv.** Who should be responsible for using the results
- **v.** How and to whom, to communicate the results
- **vi.** The resources needed to consider the above and design and deploy the measurement system

There are other major requirements that an organization needs to consider before an effective performance measurement system can be designed or installed. Apart from lower level measures that may be vital for the operation of processes, all measures need to be chosen to support the attainment of specific performance or behavior identified by the organization's leaders as important or necessary to work towards the organizational goals. This being the case, there must be clearly defined goals/objectives and strategies chosen to reach them before measures can be chosen to support their attainment. Similarly the key processes, drivers of performance, and the core competencies required by employees need to be identified before effective performance measurement can be achieved.

2.3.2 Importance of Measuring Corporate Performance.

According to Frigo (2000), The important of measuring corporate performance are;

i. Effective performance measurement is of key importance in ensuring the successful implementation of an organization’s strategy. It is about monitoring an organization’s effectiveness in fulfilling its own predetermined goals or the requirements of stakeholders. In order to be successful, today’s company must perform better not simply in terms of cost but also in other dimensions such as quality, flexibility, value and so on. A performance measurement system that enables it to meet these demands successfully is essential as it helps ensure that decision-making at strategic and operational level is better informed and more effective. Comparison of outcomes against objectives enables the identification of problems so that timely corrective action can be taken.

ii. Above all, measuring performance is an important tool of strategic analysis. Stakeholders will get a better indication of an organization’s strategy from observing what it measures and does than from its declared goals or what it says it does.

iii. The proactive improvement of business and the optimization of resources is an important aspect of the management accountant’s role is the provision of management information for performance measurement. By developing effective systems and making sure that the measures implemented are consistent with management techniques chosen, such as ABM, BPR or TQM, management accountants can make a significant contribution to the success of organizations.

iv. It provides necessary feedback that the activities may be guided accordingly by allowing managers to implement best practices.

v. It may thus be said that performance measurement process is a great way to understand, manage and improve the overall functioning state of a business organization. If done effectively and efficiently, it drives success in business definitely

2.4 Corporate Governance and Corporate Performance

Better corporate governance is supposed to lead to better corporate performance by preventing the expropriation of controlling shareholders and ensuring better decision-making. In expectation of such an improvement, the firm's value may respond instantaneously to news indicating better corporate governance. However, quantitative evidence supporting the existence of a link between the quality of corporate governance and firm performance is relatively scanty (Imam, 2006).

Corporate-governance mechanisms assure investors in corporations that they will receive adequate returns on their investments (Shleifer and Vishny, 1997). If these mechanisms did not exist or did not function properly, outside investors would not lend to firms or buy their equity securities. Businesses would be forced to rely entirely on their own internally generated cash flows and accumulated financial resources to finance ongoing operations as well as profitable investment opportunities. Overall economic performance likely would suffer because many good business opportunities would be missed and temporary financial problems at individual firms would spread quickly to other firms, employees, and consumers.

Good governance means little expropriation of corporate resources by managers or controlling shareholders, which contributes to better allocation of resources and better performance. As investors and lenders will be more willing to put their money in firms with good governance, they will face lower costs of capital, which is another source of better firm performance. Other stakeholders, including employees and suppliers, will also want to be associated with and enter into business relationships with such firms, as the relationships are likely to be more prosperous, fairer, and long lasting than those with firms with less effective governance.

Implications for the economy as a whole are also obvious. Economic growth will be more sustainable, because the economy is less vulnerable to a systemic risk. With better protection of investors at the firm level, the capital market will also be boosted and become more developed, which is essential for sustained economic growth. At the same time, good corporate governance is critical for building a just and corruption-free society. Poor corporate governance in big businesses is fertile soil for corruption and corruptive symbiosis between business and political circles. Less expropriation of minority shareholders and fewer corruptive links between big businesses and political power may result in a more favorable business environment for smaller enterprises and more equitable income distribution (Iskander and Chamlou, 2000).

According to a survey by McKinsey and Company (2002) cited in Adams and Mehran (2003), 78% of professional investors in Malaysia expressed that they were willing to pay a premium for a well-governed company. The average premium these investors were willing to pay generally ranged from 20% to 25%. Many scholars have attempted to investigate the relationship between good governance and firm performance in a more rigorous way

2.5 Theoretical Framework

It is incontrovertible that corporate governance is one of the most critical issues in the business world today. There was a time when this topic would not have elicited much attention. But, with episodic failures of Johnson Matheys Bank (JMB), Bank of Credit and Commerce

International (BCCI), Baring Brothers Nomura Securities, Brex and Long-ter Capital Management (LTCM) of the 80's and 90's and the more recent Enron and World Com debacles, corporate governance has taken a central stage in business discuss and any intellectual gathering on business management.

The rise in interest in the subject of corporate governance could be traced to the fact that there is now an increasingly clear separation of ownership from management, which has come to define modern corporations. This disconnection of ownership from management and the insulation of the owners from the day-to-day operations or the business have raised the need to install an appropriate framework for ensuring transparency and accountability in the management of the business venture.

Secondly the current wave of globalization, which is blowing across the universe and the recent advances in information and telecommunication technologies have greatly facilitated business transactions across national boundaries. These developments, which have widened the geographical frontier of the market, have necessitated the development of international standards on best practices in the management of business for the benefit of all stakeholders. The existence of such standards would give comfort and regulatory agencies on the conduct of corporations, their country of origin notwithstanding.

The recent business failures cited above, demonstrate what happens when corporate governance fails. These failures also raise some fundamental questions, such as, the dependability of financial information, audit independence, the role of regulators, company management, the role of the board of directors, conflict of

Interest and, of course, the whole question of ethics and professionalism.

According to Kwakwa and Nzekwu (2003), governance is a ‘vital ingredient in the balance between the need for order and equality in society; promoting the efficient production and delivery of goods and services; ensuring accountability in the house of power and the protection of human right and freedoms’. Governance is, therefore, concerned with the processes, systems, practices and procedures that govern institutions, the manner in which these rules and regulations are applied and followed, the relationships created by these rules and nature of the relationships.

Corporate governance, on the other hand, refers to the manner in which the power of a corporate is exercised in accounting for corporation’s total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and the satisfaction of other stakeholders while attaining the corporate mission (Kwakwa and Nzekwu, 2003).

In other words, corporate governance refers to the establishment of an appropriate legal, economic and institutional environment that allows companies to thrive as institutions for advancing long-term shareholder’s value and maximum human centered development. The corporation has to achieve this while remaining conscious of its responsibilities to other stakeholders, the environment and the society at large. Thus, corporate governance is also concerned with the creation of a balance between economic and social goals and between individual and communal goals. To achieve this, there is the need to encourage efficient use of resources, accountability in the use of power, and, the alignment of the interest of the various stakeholders, such as, individual’s corporations and the society. (Akingunola, 2013)

Corporate governance is now widely accepted as being concerned with improved stakeholder performance. Viewed from this perspective, corporate governance is all about accountability, boards, disclosure, investor involvement and related issues. Research has shown that “firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditure and fewer corporate acquisition" (McRitchie, 2001).

From the foregoing, it is apparent that no matter the angle from which corporate governance is viewed, there is always a common consensus that corporate governance is concerned with improving stakeholder value, and that governance and management should be mutually reinforcing in working towards the realization of that objective. Sheifer and Vishny (1997), corporate governance deals with ways in which suppliers of finance, to corporations, assure themselves of getting a return on their investment. J. Wolfensohn (1999) asserts that corporate governance is about promoting corporate fairness, transparency and accountability. OECD (1999) opines that corporate governance is the system by which business corporations are directed and controlled. That the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, ,managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provide the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

Mathiesen (2002) describes corporate governance as a field in economics that investigate how to secure or motivate efficient management of corporations by the use of incentive mechanism, such as contracts, organizational design and legislation. This is often limited to the question of improving financial performance i.e profitability, for example, how the corporate owners can secure or motivate so that corporate manager will deliver a competitive rate of return.

Pandey (2006) asserts that corporate governance implies that the company would manage its affairs with diligence, transparency, responsibility and accountability and would maximize shareholders wealth. Hence, it is required to design systems, process, procedures, and structures and take decisions to augment its finance performance and shareholders' value in the long run. Akinsulire (2006) sees corporate governance as a term covers all the general mechanism by which management are led to act in the best interest of the company owners. A perfect system of corporate governance would give management all the right incentives to make value maximizing investment and financing decision and would assure that cash is paid out to investors when the company runs out of viable projects i.e. investment with positive NPV.

Corporate governance attracts a good deal of public interest, because of its importance to the economic health of corporations, groups, countries, and society at large. But because it covers a large number of economic phenomena, it has become a subject with many definitions, with each definition reflecting an understanding of, and in the domain of an economic phenomenon being considered. In general terms, however, corporate governance deals with the way corporate bodies utilize their funds to generate financial wealth for shareholders, and social wealth for the community in which they are located. This latter consideration is what has now become known as the Corporate Social Responsibility (CSR) of organizations.

So, essentially, corporate governance deals with issues of accountability and fiduciary duty, in the main advocating the implementation of policies and mechanisms to ensure good behavior and protect shareholders. There is also the perspective of economic efficiency, through which corporate governance should aim to optimize economic results with strong emphasis on shareholders welfare. Yet a third consideration accommodates the interest of all stakeholders, which call for more attention and accountability to players other than the shareholders s; like the employees and the environment/community, for examples. So, in short, corporate governance is about how an entity is managed or run. These theories include: Agency theory, stewardship theory, Stakeholders theory, shareholders theory, political theory, organization theory and market theory.

2.6 Summary

Chapter two shows the literature reviews of Authors under this chapter has is shown above. The topics been looked into in these chapter are Corporate Governance Concept, principles that guild corporate governance and models of corporate governance. The other is Performance concept of corporate governance, Measure and important of corporate governance and the link between corporate governance and corporate performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will show how the research design, method of data collection and the procedures for data analysis and model specification of the study population.

3.2 Research Design

This study employs the technique of panel data analysis. It involves am empirical analysis of the annual financial reports and accounts of selected banks. It requires the use of descriptive and inferential statistics for data analysis as a result of the need to test hypothesis. The study also constructed a checklist for evaluating the content of corporate annual reports of the listed banks to determine the level of Corporate Governance disclosure. This therefore consider 2006 as the year of post – consolidation, and made use of the Corporate annual reports of Ten quoted banks in Nigeria to find out the relationship that exist between Corporate Governance variables and performance. The research adopted regression analysis in analyzing the impact of Corporate Governance on the performance of quoted banks. The Pearson correlation was used to measure the degree of association between variables under consideration. The governance disclosure level will be arrived by using the content analysis method to compute the disclosure index for ten selected banks. Tables are used to display data gathered. The hypothesis is tested using inferential statistics which include the regression tests and the test of correlation. A multiple regression analysis which is estimated with Ordinary Least Square (OLS) is done to explain the impact of corporate governance on firm performance while the test of correlation measures the degree of association of corporate governance mechanism with the performance measures. The instrument for the data analysis is the scientific package for social sciences (SPSS).

3.3 Method of Data Collection

The data used for this study is secondary data derived from the audited financial statement of the banks listed on Nigeria Stock Exchange (NSE) between the Eight (8) years period of 2006 and 2013. The study also made use of books and other related materials especially the Central Bank of Nigeria bullions, Nigeria Deposit Insurance Examination Reports and Nigeria Stock Exchange Book (2013). Some of the annual reports that were not available in NSE were either collected from the corporate offices of concerned banks or downloaded from the banks corporate websites.

3.4 Procedures for Data Analysis and Model Specification

Model

$ROE_{it} = f(BOS_t, BCOMP_t, DEI_t, CGDI_t)$……………………………(1)

$ROE_{it} = \beta_O + \beta_1 BOS_t + \beta_2 BCOMP_t + \beta_3 DEI_t + \beta_4 CGDI_t + e_t$……….(2)

Model 2

$ROA_{it} = f(BOS_t, BCOMP_t, DEI_t, CGDI_t)$…………………………….(1)

$ROA_{it} = \beta_o + \beta_1 BOS_t + \beta_2 BCOMP_t + \beta_3 DEI_t + \beta_4 CGDI_t + e_t$………..(2)

Where:

ROE and ROA represents firm performance variables which are: Return on Assets and Return on Equity for banking firms at time t.

BOS represents the Board Size;

BCOMP represents Board composition which is defined as the ratio of outside directors to total number of directors, DEI represents Directors Equity Interest

CGDI represent Corporate Governance Disclosure Index respectively.

et, the error term which account for other possible factors that could influence ROE_{it} and ROA_{it} that are not captured in the model.

The priori is such that: $\beta_1 BOS_t$; $\beta_2 BCOMP_t$; $\beta_3 DEI_t$ and $\beta_4 CGDI_t > 0$

The implication of this is that a positive relationship is expected between explanatory variables ($\beta_1 BOS_t$; $\beta_2 BCOMP_t$; $\beta_3 DEI_t$ and $\beta_4 CGDI_t$) and the dependent variable. The size of the coefficient of correlation will help us explain various levels of relationship between the explanatory variables.

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter highlights the analysis of the secondary data collected from banks annual reports. Hypotheses formulated in chapter one are covered and provided alongside are two types of data analysis; namely descriptive analysis and inferential analysis. The descriptive analysis describes relevant aspects of the variable and detailed information. For the inferential analysis, the Pearson correlation and the panel data regression were adopted. While the Pearson correlation measures the degree of association between variables under consideration, the regression estimates the impact of the corporate governance variables on profitability proxied by return on equity and return on asset.

4.2 Presentation and Analysis of the level of Corporate Governance Disclosure of the Quoted Banks.

In examining the level of corporate governance disclosures of sampled banks, the corporate annual reports of the banks were examined and a dichotomous procedure was followed to score each of the disclosure issue of ‘1’ if it appeared to have disclosure the concerned issue and ‘0’ otherwise. The score of each bank was totaled to find out the net score of the bank. This study adopted a disclosure index developed by the Central Bank of Nigeria post consolidated code of corporate governance, the OECD code and ISAR (2001; 2002). A total of 45 governance indices classified into 5 broad categories; financial disclosures, non-financial disclosures, annual general meetings, timing and means of disclosure and best practices for compliance with corporate disclosure (as shown in the Appendix II) were considered.

A corporate governance disclosure index (CEDI) was then computed by using the following formula:

$$CGDI = \frac{\text{Total score of the Individual company}}{\text{Maximum possible score obtainable by company}} \times 100$$

The result of the level of corporate governance of sampled banks as well as their disclosure index as at 2013 is shown in the table 4.1 below:

Table 4.1 the Level of Corporate Governance of sampled Banks As their Disclosure indexes

	Access	Diamond	Eco	Fidelity	First	GTB	Sterling	UBA	Unity	Zenith
2006	28	27	32	27	36	28	29	27	28	29
2007	28	31	32	27	38	28	29	25	33	32
2008	29	35	32	27	41	28	30	29	34	31
2009	33	38	35	27	40	28	30	38	34	37
2010	38	38	38	30	42	33	32	40	38	39
2011	41	38	39	29	42	39	35	42	39	40
2012	41	39	40	31	43	39	39	43	40	42
2013	41	39	42	31	43	39	39	43	40	42
Total	279	285	290	229	325	262	263	287	285	290
AVE	34.875	35.625	36.25	28.625	40.625	32.75	32.875	35.875	35.625	36.25
CGDI	0.775	0.792	0.806	0.636	0.903	0.728	0.731	0.797	0.792	0.806

Source: Author’s computation using SPSS based on the annual reports of sampled banks

The result on the table 4.1 above shows that first bank has the highest number of corporate governance disclosure with an average of 40.625 disclosure items (i.e. 90%) during the period under review. First bank was followed by Eco bank and Zenith bank with an average of 36.25 disclosure items (80) each.

On the other hand. Fidelity bank disclosed the least number of governance item with an average of 28.625 (64%).

This analysis implies that there is no uniformity in the disclosure of corporate governance practices made by banks in Nigeria. Though they all disclose their corporate governance practices. But what is disclosed does not conform to any particular standard. For instance, the banks do not disclose in general how their debts are performing.

4.3 Descriptive Statistics Data of the Models

Table 4.2: Descriptive Statistics for Model 1

	ROE	CGDI	BSIZE	BCOMP	DEI
Mean	0.156181	0.77638	13.35000	0.380991	0.354000
Median	0.069101	0.78888	13.00000	0.384615	0.300000
Maximum	2.333300	0.95555	16.00000	0.555556	0.750000
Minimum	0.000300	0.55555	0.919999	0.200000	0.120000
Std Deviation	0.329115	0.11961	1.910000	0.048779	0.206879
Observation	80	80	80	80	80

Source: Author’s computation using SPSS based on the annual reports of sampled banks.

Table 4.3 Descriptive Statistics for Model 2

	R0A	CGDI	BSIZE	BCOMP	DEI
Mean	0.043475	0.77638	13.35000	0.380991	0.354000
Median	0.026300	0.78888	13.00000	0.384615	0.300000
Maximum	0.370700	0.95555	16.00000	0.555556	0.750000
Minimum	0.000100	0.55555	9.000000	0.200000	0.120000
Std Deviation	0.058826	0.11961	1.910000	0.048779	0.206879
Observation	80	80	80	80	80

Source: Author’s computation using SPSS based on the annual reports of sampled banks.

The descriptive statistics of the models of the study shows in table 4.2 and 4.3 shows that on average the banks included in our sample generates Return on Equity (ROE) of about 15.6% and a standard deviation of 32.9%. This means that the value of the ROE can deviate from mean to both sides by 32.9%. The maximum and minimum values of ROE are 233.3% and 0.03% respectively. However, a Return on Asset (ROA) OF 4.3% was generated on the average, with a minimum and maximum percentage of 0.01% and 37.1% respectively.

Generally for both models;

CGDI has a minimum figure of 56% recorded by UBA in one of the 8 years under review. This implies that the bank with least disclosure has a disclosure index of 56% while the maximum disclosure of 96% was disclosed by first bank in one of the 8 years reviewed. This further compliments the result of average disclosure for the 10 banks in table 4.1. The mean disclosure is about 66% with standard deviation of approximately 0.12%. This means that the disclosure can deviate from mean to both sides by 0.12%.

The sampled banks have an average board size of 13.4 and a deviation of 1.19 with a maximum and minimum board size of 16 and 9 recorded by access bank and unity bank respectively in one of the years reviewed. In addition, the average proportion of the non-executive directors sitting on the board (bank composition) is 38.1%. Also on the average, about 35.4% of the directors are equity holders.

4.4 Presentation and Analysis of Pearson's Correlation Results

The degree of relationship/association between corporation governance variables (CGDI, board size, board composition, director's equity interest) and the performance of the banks proxies by return on equity (ROE) and return on asset (ROA) were measured.

The Pearson's correlation technique (coefficient) was used to measure the degree of relationship/association between variables under consideration.

Theoretically, (a priori expectation as stated in the chapter three), a positive relationship is expected between the measures of corporate governance and performance of banks (ROE and ROA).

Table 4.4 and 4.5 presents the correlation coefficients for all the variables considered in this study.

Table 4.4: Pearson's Correlation Matrix for Model 1

		ROE	CGDI	BSIZE	BCOMP	DEI
ROE	Pearson Correlation	1	0.165	0.004	0.052	0.125
	Sig.(2-tailed)		0.145	0.975	0.647	0.268
	N	80	80	80	80	80
CGDI	Pearson correlation	0.165	1	0.400**	-0.409**	0.016
	Sig. (2-tailed)	0.145		0.000	0.000	0.888
	N	80	80	80	80	80
BSIZE	Pearson Correlation	0.004	0.400**	1	-0.937	-0.417**
	Sig.(2-tailed)	0.975	0.000		0.000	0.000
	N	80	80	80	80	80
BCOMP	Pearson Correlation	0.052	-0.409**	-0.437**	1	0.498**
	Sig.(2-tailed)	0.647	0.000	0.000		0.000
	N	80	80	80	80	80

DEI	Pearson Correlation	0.125	0.016	-0.417**	0.498**	1
	Sig.(2-tailed)	0.268	0.888	0.000	0.000	
	N	80	80	80	80	80

** Correlation is significant at the 0.01 level (2-tailed)

Source: Author's computation using SPSS based on the annual reports of sampled banks.

The correlation result for model 1 in table 4.4 above shows that the board size has a weak positive correlation of 0.004 with return on equity which is not significant at 1% and 5%. This suggests that even though board size has a positive effect on the performance of banks in Nigeria (proxies by return on equity), such effects is significant. This further implies that an increase in board size will lead to an insignificant increase in the performance of banks in Nigeria.

The result further shows that at 1% and 5% level of significance, corporate governance disclosure index also has an insignificant weak positive correlation of 0.165 with the performance (return on equity) of banks in Nigeria. This implies that the more banks disclose their corporate governance issues, the more they perform better insignificantly.

Also, at 1% level and 5% level of significance, the result shows that the bank composition (the proportion of non-executive directors) and director's equity interest also have a weak positive but insignificant correlation of 0.052 and 0.125 respectively with return on equity.

Table 4.5 Pearson's Correlation Matrix for Model 2

		ROA	CGDI	BSIZE	BCOMP	DEI
ROA	Pearson correlation	1	0.337**	0.068	-0.094	0.183
	Sig.(2-tailed)		0.002	0.548	0.407	0.104
	N	80	80	80	80	80
CGDI	Pearson correlation	0.337**	1	0.400**	-0.09**	0.016
	Sig.(2-tailed)	0.002		0.000	0.000	0.888
	N	80	80	80	80	80
BSIZE	Pearson correlation	0,068	0.400**	1	-0.937**	-0.417**
	Sig.(2-tailed)	0.548	0.000		0.000	0.000
	N	80	80	80	80	80
BCOMP	Pearson Correlation	-0.094	-0.409**	-0.937**	1	0.498**
	Sig.(2-tailed)	0.407	0.000	0.000		0.000
	N	80	80	80	80	80

DEI	Pearson Correlation	0.183	0.016	-0.417**	0.498**	1
	Sig.(2-tailed)	0.104	0.888	0.000	0.000	
	N	80	80	80	80	80

** Correlation is significant at the 0.01 level (2-tailed)

Source: Author's computation using SPSS based on the annual reports of sampled banks

Just as observed in model 1 the correlation result for model 2 in table 4.5 above shows that board size has a weak positive correlation of 0.068 with return on asset which is not significant at 1% and 5%.

However, at 1% level of significance corporate disclosure index was found to have a significant positive correlation of 0.333 with return on asset. This further indicate that banks that discloses more on corporate governance issues are likely to perform significantly better than those that disclose less.

On the other hand, contrary to a priori expectations, bank composition (proportion of non-executive director) was found to have a weak negative correlation of -0.094 with return on asset. This implies that the higher the number of non-executive directors on the board, the lower the performance of banks.

4.5 Presentation and Analysis of Panel Data for Models

The panel data regression analysis was used to investigate the impact of corporate governance on banks financial performance proxies by return on equity and return on asset. In doing this, we used two sample definitional models as developed in our chapter three to guide our analysis. The results of the models are shown in table 4.6 and 4.7 below:

Table 4.6: Panel Data Result of Model 1

DEPENDENT VARIABLE: ROE

VARIABLE	COEFFICIENT	STD.ERROR	T – STATISTIC	SIG
CONSTANT	-2.390	1.630	-1.467	0.147
CGDI	0.012	0.008	1.591	0.116
BSIZE	0.066	0.056	1.178	0.243
BCOMP	3.167	2.342	1.352	0.180
DEI	0.076	0.216	0.354	0.724

R-Square 0.65 Adjusted R-Squared 0.60 F-Statistic 13.05 Number of observation 80

Source: Author's computation using SPSS based on the annual reports of sampled banks.

The result of model 1 above shows that the F-value is 13.05 and the level of significant at 1% level indicate that the model does not suffer from specification bias. However the coefficient of determination (R2) IS 0.62 which implies that about 65% of change in return on equity is accounted for by the explanatory variables while the adjusted R-Square of 60% further justifies this effect. The regression result shows that expectedly, all the corporate governance variable (CGDI, BSIZE, BCOMP and DEI) conform to a priori expectations, as they all have appositive impact on the performance of banks (ROE). But sadly, their impacts are not significant as all the variables were discovered to have insignificant impact on return on equity at both 1% and 5% significance level.

Table 4.7: Panel Data Result of Model 2

DEPENDENT VARIABLE: ROA

VARIABLE	COEFFICIENT	STD. ERROR	T- STATISTIC	SIG
CONSTANT	0.200	0.276	0.724	0.471
CGDI	0.003	0.001	2.501	0.015
BSIZE	-0.009	0.009	-0.983	0.329
BCOMP	-0.449	0.397	-1.132	0.261
DEI	0.068	0.037	1.847	0.069

R-Square 0.70 Adjusted R-Square 0.65 F-Statistics 35.63 number of observation 80

Source: Author's computation using SPSS based on the annual reports of sampled banks

The result of model 2 above shows that the F-value is 35.63 and is significant at both 1% and 5% level of significance indicating that models do not suffer from specification bias. However the coefficient of determination (R2) is 0.70 which implies that about 70% of change in return on asset is accounted for by the explanatory variables while the adjusted R-squared of 65% further justifies this effect.

The regression result further revealed that the relationship between the board size and the performance proxy (ROA) on one hand board composition and the performance proxy (ROA) on the other hand are not in line with a priori expectations (BSIZE; BCOMP< 0). This invariably means that the return on asset goes down as board size increases and also decreases when more non-executive directors are introduced to the board. However both CGDI and DEI conform to expectations as their increase lead to insignificant increase in return on asset.

4.6 Discussion of Findings

The research work is structured and brings to the fore the relationship between corporate governance and bank performance in Nigeria. At this stage, the empirical study has been conducted and guided by certain hypothesis as evaluated:

Hypothesis1:

H_O: There is no significant relationship between board size and performance of quoted banks in Nigeria.

H_1: There is a significant relationship between board size and the performance of quoted banks in Nigeria.

The Pearson correlation analysis between board size and banks performance proxies- return on equity (ROE) and return on asset (ROA) at both 1% and 5% level of significance has an insignificant weak positive correlation coefficient of 0.004 between bank size and ROE and 0.068 between bank size and ROA. This indicates an insignificant positive effect of board size on the financial performance of the quoted banks. The regression result for both models also reveal and confirm that an insignificant relationship exist between board size and performance of quoted banks at both 1% and 5% level of significance. On the premise the null hypothesis and conclude that there is no significant relationship between board size and the performance of quoted banks in Nigeria.

Hypothesis2:

H_O: There is no significant relationship between directors' equity holding and the performance of quoted banks in Nigeria.

$H_{1:}$ There is a significant relationship between directors' equity holding and the performance of quoted banks in Nigeria.

The Pearson correlation result shows that a weak-positive insignificant relationship exists between directors equity holdings and the performance of quoted banks proxy by return on equity (ROE) and return on asset (ROA) as the result shows that directors equity interest has an insignificant correlation coefficient of 0.125 and 0.183 (at both 1% and 5% significance level) with ROE and ROA respectively.

Based on this, we accept the second null hypothesis and conclude that there is no significant relationship between directors' equity holding and the performance of quoted banks in Nigeria.

Hypothesis 3:

H_O: There is no significant relationship between the governance disclosures of banks in Nigeria and their performance.

$H_{1:}$ There is significant relationship between the governance disclosures of banks in Nigeria and their performance.

From the Pearson's correlation analysis for model 1, is in significant correlation of 0.165 is observed between the level of governance items disclosed by the banks and ROE which is the proxy for performance. But however, contrary to this the Pearson correlation result for model 2 indicates a positive significant correlation of 0.333 at 1% level of significance between the level of governance items disclosed by the banks and ROA which is also a proxy for performance. The regression results for model 1 and model 2 however contradict this and confine Pearson correlation result for model 1 by showing that at both 1% and 5% level of significance a positive insignificant relationship exists between the level of governance items disclosed by the banks and both ROE and ROA (performance of banks).

Based on this, we accept the third null hypothesis and conclude that there is no significant relationship between the governance disclosures of banks in Nigeria and their perform

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECMMENDATIONS

5.1 Summary

Corporate governance discourse has spurred research interests with respect to performance relationship expropriation in recent times especially with the existence of publicly quoted companies. This study made use of secondary data in analyzing the relationship between corporate governance and financial performance of 10 banks listed in the Nigeria stock Exchange. The secondary data was obtained basically from published annual reports of the selected banks.

Pearson Correlation and regression analysis were used to find out whether there is a relationship between the variables to be measured (i.e. corporate governance and banks financial performance) and also to find out if the relationship is significant or not. The proxies that were used for corporate governance are; board size, proportion of non-executive directors on board and directors' equity holdings. Accounting measure of performance (return on equity and return on asset) were used as the dependent variable. Decision was taken based on return on equity. In examining the level of corporate governance disclosures of the sampled banks, a disclosure index was developed using the CBN post consolidation code of best practices and guided by the papers prepared by the UN secretariat for the nineteenth session of ISAR (international Standard of Accounting and Reporting,2001), entitled " Transparency and disclosure requirement for corporate governance" and the twentieth session of ISAR (2002), entitled "Guidance on Good Practices in Corporate Governance Disclosure" for banks under study. Using this post consolidation code of best practices, issues in corporate governance disclosure are classified into

5 broad categories: Financial disclosures, non-financial disclosures, annual general meetings, timing and means of disclosure, and best practices for compliance with disclosure. Under all these broad and sub-categories, a total of 45 issues were considered.

The help of list of disclosure issues, the annual reports of the banks were examined and a dichotomous procedure of content analysis was followed to score each of the disclosure issue. Each bank was awarded a score of '1' if it appears to have disclosed the concerned issue and '0' otherwise. The score of each bank was totaled to find out the net score of the bank. A corporate governance disclosure index (CGDI) was then computed.

From the descriptive analysis, it was revealed that on the average the board size of listed banks in Nigeria is 13.4. This result implies that on the average, a relatively moderate board size of 13.4 is noticed among the listed consolidated banks in Nigeria. This is in line with the suggestion of Kyereboath-Coleman and Biekpe (2006) that a board size of between 12 and 16 is appropriate. Although, the mean disclosure level of 66% indicates that all the banks present a statement of banks.

From the findings in this study, an insignificant weak-positive relationship exists between board size and the banks performance proxies-return on equity (ROE) and return on asset (ROA). Also, Pearson correlation result shows that a weak-positive insignificant relationship exist between directors equity holdings and the performance of banks proxies by return on equity (ROE) and return on asset (ROA). One explanation for this phenomenon is that the equity ownership did not create better management monitoring on the part of the board and hence weak results. A positive insignificant correlation is observed between the level of governance items disclosed by banks and ROE which is the proxy for performance. Contrary to this, the Pearson correlation result for model 2 shows a positive significant correlation between the level of governance items disclosed by the banks and ROA. Model 1 and model 2 however contradict this and confirm the Pearson correlation result for model 1 by showing that a positive insignificant relationship exists between the level of governance items disclosed by the banks and both ROE and ROA(performance of banks).

5.2 Conclusion

Corporate governance is a pertinent contemporary issue because of the prominence of corporate scandals mostly arising from creative accounting and other financial misappropriations. Based on the premise of these findings, the study therefore concludes that there is no uniformity in the disclosure of corporate governance practices made by banks in Nigeria. Though they all disclose their corporate governance practices, but what is disclosed is not in conformity with any particular standard. The banks do not disclose for instance, how their debts are performing, by providing a statement that expresses outstanding debts in terms of their ages and due dates. Furthermore, the study concludes that it is not really the quantum of governance disclosure, total assets or total equity that determines bank performance in Nigeria.

5.3 Recommendations

Based on the findings from this study, the following are therefore recommended:

i. Efforts should be geared towards arriving at a perfect compliance with code of corporate governance. There must be improved efforts on corporate governance to focus on the value of the stock ownership of board members. Also an effective legal framework should be developed that specifies the right and obligations of a bank, its directors, and shareholders, specifies disclosure requirements and provide for effective enforcement of the law.

ii. All disclosure items in this study were given the same weight which helps to reduce subjectivity; nevertheless, authority may place higher emphasis on certain aspects of governance. Some aspect of governance may be considered to be a basic component or prerequisite to implementing others and thus should be given more weight.

iii. Since to the best of the researcher's knowledge, no study in Nigeria has extensively covered corporate governance of banks as it relates to performance, this study will serve as a data base for future research.

iv. Conclusively, there is a urgent call for a unified corporate body in Nigeria saddled with the responsibility of collecting and collating corporate governance related data and other financial reports to facilitate corporate research in Nigeria.

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