CENTRAL BANK OF NIGERIA AS A TOOL FOR STRENGTHENING COMMERCIAL BANKS CORPORATE GOVERNANCE PRACTICES

BY

UMMA MUHAMMAD GARO

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SUPERVISOR

DR. HABIBA MUSA (MRS)

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DEDICATION

This Project is dedicated to my two namesakes and their brother, Umm-Kulthum (Elhaam), Umm-Kulthum (Azeemah) and Yasir (Sajjad).

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First of all, I thank the Almighty Allah for giving me opportunity to complete this study. My special appreciation goes to my humble supervisor Dr. Habiba Musa (Mrs). I Also thanks all the lecturers in the department for the proper mentoring as well as the knowledge they successfully impacted on me. Especially, Dr. Abdul Adamu whom without his assistance my efforts will be futile. I will also recognize the efforts of those that help me directly or indirectly towards the completion of this project particularly Dr. Nasir Liman of Usman Danfodio University Sokoto.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Even though the corporate governance practices is important to all sectors of the economy, however, its more crucial to the banking sector do to it impact and significant role on the entire economy of the nation. The corporate governance is important not only for the banking sector to gain or lost but also for the entire national systems. Fail corporate governance practices could fail the economy as subsystem consequently will make the entry system of the nation unsuccessful as well.

Over the several decades, corporate governance have been view as a way in which corporate organisation Mitigate their business risk. These practices refer to the ways in which an organization is directed, managed, controlled and performed. The investment, direction, management and performance of financial institutions engage the following three groups of people; shareholders (owners or investors), Board of Directors and top management. In addition, corporate governance in financial institutions involves the relationships among these three groups of people. As such, financial institutions need good corporate governance practices to perform successfully.[1, 2]

Commercial banks occupy a distinctive position of trust in the economy of the nation. Effective corporate governance are essential to achieving and maintaining the public trust and confidence in the banking system, therefore critical to the proper functioning of the

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1. Abdul, M., & Makki, M. (2013). Impact of corporate governance on financial performance. *Gian Jyoti E-Journal*, *33*(2), 265–280.
2. Oshode, A. A., Alade, O. S., & Arogundade, K. K. (2014). Performance appraisal in the Nigerian banking sector: The individual and joint variables analyses. *European Journal of Business and Management*, *6*(5), 140–147.

banking sector and economy as a whole. Weak corporate governance system have the capacity to undermining stability of the banking system, leading to a loss of confidence in the ability of the banks to properly manage their assets and liabilities, including deposits and possible runs on banks affecting adversely the economy's enterprise and household sectors. Previous studies have shown that weak and ineffective corporate governance mechanisms in banks have been pointed out as the main factor that contributed to the recent global financial crisis.

Despite the importance of corporate governance practices to organizations such as commercial banks, these practices have not attracted much research and interest. In particular, research on corporate governance practices in commercial banks from the Nigerian perspective has been neglected. The review of the past studies indicates previous research primarily concentrated on examining corporate governance practices as adopted in other types of organizations as well as in other developed and developing countries.[3,4] Therefore, there is need to investigate corporate governance from commercial banks perspective in Nigerian context.

1.2 Statement of Research Problem

Over the years, study in the area of corporate governance appears to have attracted increasing attention from researchers, previous research on these area are still relatively limited in terms of their scope and focus. The literature indicates that despite being an important area of

3. Aliyu, N. S., Jamil, C. Z. M., & Mohamed, R. (2014). The Mediating role of management control system in the relationship between corporate governance and the performance of bailed-out banks in Nigeria. *Procedia - Social and Behavioral Sciences*, *164*(August), 613–620.
4. Augustine, D. (2012). Good practice in corporate governance: transparency, trust, and performance in microfinance industry. *Business & Society*, *51*(659).

study, corporate governance received limited research emphasis. Although the literature shows that the number of research that focused on corporate governances seems to increase, a review of past studies highlights several limitations. The limitations identified in prior research include; too much focus on adoption of case study method, and the emphasis of the corporate governance on manufacturing industries.[5]

The literature emphasizes not only on the need for organizations to adopt good corporate governance but its importance to the success of organizations[6]. Interestingly, despite the relevance and applicability of corporate governance in financial institutions, there are no much studies that investigate the efficiency of instruments of corporate governance. The literature shows that there is not only little information but also limited research that focused on examining instruments that enhance the strength of corporate governance of the commercial banks. Yet in Nigeria, commercial banks play a crucial role in the economic development of country.[7]

The review of past research on corporate governance shows that there are several issues related to the methodology adopted in prior empirical studies. Among the issues identified in previous research include; lack of theoretical framework to conceptualize and investigate instruments that influence the strength of corporate governance; limited formulation and

5. Authors, F. (2014). Corporate Governance : The International Journal of Business in Society.
   Barry, T. A., & Tacneng, R. (2014). The impact of governance and institutional quality on MFI outreach and financial performance in Sub-Saharan Africa. *World Development*, *58*(5), 1–20.
6. Burke, M., & Longsdon, L. (1996). How corporate social responsibility pays off. *Long Range Planning*, *29*(4).
7. Ehikioya, B. I. (2009). Corporate governance structure and firm performance in developing economies: evidence from Nigeria. *Corporate Governance*, *9*(3), 231–243.

testing of research hypothesis; statistical procedures in testing of hypotheses not robust and small sample size.[8,9]

1.3 The Research Questions

This study proposed to investigate effectiveness of corporate governance of commercial banks in the Nigerian financial industry. The research variables of primary interest in this study are based on the contingency theory framework. The following, are the research question that were drawn from the research statement:

1) What are the instruments do CBN adopt for strengthening the corporate governance of commercial banks in Nigeria?
2) What is the strength of the corporate governance of commercial banks in Nigeria?
3) Are there any effects of the instruments on the strength of the corporate governance of commercial banks in Nigeria?

1.4 Aim and Objective of the Study

The aim of this study is to investigate on the instruments for strengthening commercial banks corporate governance by the CBN. More specifically, this study attempted to answer the above research questions through the following research objectives:

1) To identify the instruments adopted by CBN for strengthening the corporate governance of commercial banks in Nigeria.

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8. Gill, A., Biger, N., Mand, H. S., & Shah, C. (2012). Corporate Governance and Capital Structure of Small Business Service Firms in India. *International Journal of Economics and Finance*, *4*(8), 83–92.

9. Kongmanila, X., & Kimbara, T. (2007). Corporate Financing and Performance of SMEs. *Malaysian Management Review*, *42*(2), 119–133.

2) To determine the strength of the corporate governance of commercial banks in Nigeria.
3) To examine the effects of the instruments on the strength of the corporate governance of commercial banks in Nigeria.

1.5 Scope and Limitation of the Study

The wide and complex scope of corporate governance as a field of study are among the factors that may have contributed to the limited numbers of empirical studies as well as the lack of theoretical application of corporate governance to the commercial banks. In view of the limited studies on corporate governance in commercial banks, this study develops on the strengths of past empirical studies on corporate governance in manufacturing, entrepreneurial firms as well as avoid the methodological weaknesses as identified in these studies. Since corporate governance is a wide and complex field of study, this study limits its scope in order to conceptualized instruments that strengthening the corporate governance of commercial banks.

This study attempted to investigate the commercial banks currently operating in the financial industry in Nigeria. The commercial banks involved in this study are confined only to those financial institutions that are registered with the Central Bank of Nigeria (CBN). The listing is obtained from the CBN as the sampling frame of this study. The research model that is developed in this study will be used to assess corporate governance of the commercial banks selected in this study. In addition, the study investigated only those commercial banks that are licensed by the CBN, and that they have been in operations for at least five years.

1.6 Significance of the Study

This study is believed to be useful for commercial banks as well as the Central Bank of Nigeria (CBN). More specifically, the study will be able to generate benefits in terms of practical as well as theoretical contributions:

The Contributions to Practice

The empirical findings of the study are believed to be useful in developing and providing guidelines to government supporting agencies, particularly those responsible for controlling the commercial banks in Nigeria. Additionally, the finding of the study could also be useful in identifying the relevant instruments that are needed by CBN, particularly those related to strengthening the corporate governance of the commercial banks. Furthermore, the study could provide information concerning strength of the corporate governance of the commercial banks in Nigeria. In doing so, it is hoped that this study will provide commercial banks with better understanding of the important of tools what will strength their corporate governance practices. Lastly, it is hoped that this study will provide management of the CBN the insight into the importance of identifying tools that are relevant in the influencing the strength of corporate governance of the commercial banks in Nigeria.

The Contributions to Theory

The results of this study will contribute to the literature on corporate governance. This study will attempt to provide a theoretical understanding of corporate governance. In particular, it is hoped that it contributes to the conceptual and empirical development of the relationships between the corporate governance tools and the strength of the commercial banks corporate governance in Nigeria. In doing this, the study may serve to demonstrate the relative importance of the tools variables and the strength of the commercial banks corporate governance in Nigeria. In addition, the study is also considered useful in providing theoretical propositions to promote and facilitate future research in the areas of corporate governance . Finally, the study will also encompass the Contingency Theory by providing the contingent corporate governance instruments for strengthening commercial banks corporate governance.

1.7 Chapter Analyses

This thesis is organized and presents in five chapters. The five chapters are in the following order:

Chapter One is the introduction. This Chapter focuses on the background of the study, research problem, research questions, aim and objectives, significance of the study, research methodology as well as the chapter analyses. Following is Chapter Two, the literature review. The Chapter presents the reviewed literature and past studies related and relevant to the study. Next is Chapter Three, describes the theoretical framework as well as the research methodology adopted in this study. Following is Chapter Four, were in the results of the study are presented. Finally is Chapter Five, the results are discussed, the conclusion, contributions, implication and limitation of the study are provided as well as suggestions for future research are proposed and presented in the chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

Corporate governance practices refer to the ways in which an organization is directed, managed, controlled and performed. The investment, direction, management and performance of Financial institutions engage the following three groups of people; shareholders (owners or investors), Board of Directors and top management. In addition, corporate governance in Financial institutions involves the relationships among these three groups of people. As such, organisations need good corporate governance practices to perform successfully. [10,11]

Corporate governance in was first emphasized in 1987.[12] Prior research on corporate governance mainly focused on issues related to the relationship between the management and the Boards of Directors. Furthermore, findings of the past studies on the relationship between corporate governance and performance of organisations indicated that good corporate governance practices are associated with the performance of these firms. [13, 14]

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10. Strøm, R. Ø., D'Espallier, B., & Mersland, R. (2014). Female leadership, performance, and governance in microfinance institutions. *Journal of Banking & Finance*, *42*, 60–75.
11. Tadele, H., & Rao, P. M. S. (2014, January 15). Corporate governance and ethical issues in microfinance institutions (MFIs) - A study of microfinance crises in Andhra Pradesh, India. *Journal Of Business Management & Social Sciences Research.*
12. Okpara, J. (2011). Corporate governance in a developing economy: barriers, issues, and implications for firms. *Corporate Governance*, *11*(2)
13. Rwegasira, K. (2000). Corporate Governance in Emerging Capital Markets: whither Africa? *Corporate Governance*, *8*(3), 258–267.
14. Moradi, M., Velashani, M. A. B., & Omidfar, M. (2017). Corporate governance, product market competition and firm performance: evidence from Iran. *Humanomics*, *33*(1), 33–55.

The practices of corporate governance were developed by using multiple financial institutions outcomes for many years and with special reference to the both financial and non-financial success.[15] These practices were also designed with the understanding of the nature of the relationship that exists between corporate governance and institutional success that mainly focus on financial institutions in developing countries. More specifically, the practices identified in the study include; board diversity, board size, independent directors, CEO/chairman duality, ownership type, corporate mission, internal and external auditors, type of donors and regulatory and commercial environment.

Despite the importance of corporate governance practices to organizations such as financial institutions, these practices have not attracted much research and interest. In particular, research on corporate governance practices in Financial institutions from the Nigerian perspective has been neglected. The review of the past studies indicates previous research primarily concentrated on examining corporate governance practices as adopted in other types of organizations as well as in other developed and developing countries.

Corporate governance is the broad term describes the processes, customs, policies, laws and institutions that directs the organizations and corporations in the way they act, administer and control their operations. It works to achieve the goal of the organization and manages the relationship among the stakeholders including the board of directors and the shareholders. It also deals with the accountability of the individuals through a mechanism which reduces the principal-agent problem in the organization. Fine corporate governance

15. Paul, G. D., & Emesuanwu Catherine Ebelechukwu, S. Y. (2015). Impact of corporate governance on financial performance of banks in north central Nigeria. *International Journal of Humanities Social Sciences and Education*, *2*(1).

is an essential standard for establishing the striking investment environment which is needed by competitive companies to gain strong position in efficient financial markets. Good corporate governance is fundamental to the economies with extensive business background and also facilitates the success for entrepreneurship.

During the last two decades the research area in finance is primarily focus on the area of corporate governance. The separation of ownership from control is the core of the agency problems facing by the firms.[16] This leads to many issues related to efficient control for the assets of corporations in the interest of all company's stakeholders. A great research has been done in the area of corporate governance by keeping the agency related problem. Firms who have weaker governance to direct and manage company matter face greater agency problems. The agency problem allows manager to extract more private benefits and the firm ultimately performs worse. Firms therefore, needed for the improved corporate governance in order to survive for long term growth and survival. A good corporate governance can occur in the organization by putting the balance between the ownership and control and also among the interests of stakeholders of the firm. This approach might be helpful in developing the positive attitude among the manager and shareholders and reduces the agency problems.

Commercial bank Performance and Corporate Governance

Organizations are created for specific objectives. For organizations to achieve their objectives, they must be able to perform their operations efficiently and effectively.

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16. Rwegasira, K. (2000). Corporate Governance in Emerging Capital Markets: whither Africa? *Corporate Governance*, *8*(3), 258–267

Organizations need to adopt effective business practices to help them accomplish their objectives as well as sustain their organizational performance. The performance of organizations is measured in terms of their abilities to achieve their specific organizational objectives.

The literature indicates that different organizations use different methods and measurement to determine their level of performance as well as to know the extent to which they are able to achieve the specific organizational objectives. Different organizations in different industry use different methods and measurement of performance because each different organization has different set of organizational objectives to accomplish.

Measuring Organizational Performance

In measuring the performance of an organization, it is necessary to identify as well as know its primary objectives. Organizations establish their primary objectives based on their business mission or the purpose they are created. Once the organizations have determined their specific objectives, they need to work on how best to achieve all of their objectives in a given period of time.[17]

Although the literature reveals that different organizations in different industries and countries tend to emphasize on different performance measurement, findings of past studies indicated that financial profitability and growth to be the most common measures of organizational performance.

17. Porter, M. (1980). *Competitive strategy. New York: The Free Press.*

For instance, the earlier study by Nash (1993) claimed that profitability is the best indicator to measure whether an organization is performing. According to the author, profitability can be used as the primary measure of organizational success. Doyle (1994) further considered profitability not only as the most common measure of performance but also claimed that western companies primarily used profitability measures to determine the extent to which their companies are performing.

The previous studies specifically found that financial indicators such as profit margin, return on assets, return on equity and return on sales are considered to be the common measures of financial performance of organizations. [18] Similarly, in the context of the performance of manufacturing firms in Malaysia, the study found sales, sales growth, net profit and gross profit as the common financial measures. [19]

However, in the case of Financial institutions , practitioners and researchers agree that these firms need to adopt different measures of organizational performance. As social business, Financial institutions have both financial as well as social objectives. Given this, the performance of Financial institutions should be measured by using not only financial but also non-financial or social measures [48].

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18. Robinson, R. B. J. (1982). The importance of "outsiders" in small firm strategic planning. *Academy of Management Journal, 25*(1).

19. Abu Kasim, N. A., Minai, B., & Chun, L. S. (1989). Performance measures in Malaysia- The state of the art. *Malaysia Management Review, 24*(3).

MFIs have different organizational objectives as compared to the commercial banks. Their organizational objectives are not only confined to financial profitability and sustainability but they also include social objectives such as social outreach as well as the impact of their loans on the lives of the poor people that borrowed from them. The need to measure the performance of MFIs by using both financial and social measures has also been supported by organizations such as the Consultative Group to Assist the Poor (CGAP), The Small Enterprise Education and Promotion Network (SEEP) and the impact network organization. The following section explains briefly the financial and social performance relevant and applicable to financial institutions.

Financial Performance

Financial performance involves measuring the progress of the operations and policies of an organization in monetary terms. The financial performance of an organization focuses on the extent to which the organization is able to achieve financial objectives such as amount of revenue and profitability. For instance, financial profitability can be measured by using net profit, return on investment, return on assets, return on equity and return on sales. In Financial institutions , financial performance can be assessed in terms of financial profitability, financial sustainability, return on assets, operational self-sufficiency, revenues portfolio yield, and operational costs.[20]

20. Mersland, R., & Strøm, R. Ø. (2009). Financial Performance and governance in financial institutions. *Journal of Banking & Finance*, *33*(662).

In addition, the institutionalized approach measure the performance of financial institutions based on their financial sustainability. In the approach, the financial sustainability is measured in terms of the revenues generated from the utilization of subsidized funds and grants that the MFIs received as well as the amount of operational costs involved.

The Consultative Group to Assist the Poor (CGAP) is a global partnership of 34 leading organizations measure the performance MFIs by using the Microfinance Poverty Evaluation Tools. The CGPA offers one of the most reasonable, simple and accurate ways of measuring the extent to which financial institutions programs reaches the poor. The guideline provided by CGPA covered both financial and social performance indicators. The financial performance indicators include the following:

(i) Collection performance and the loan disbursed performance

(ii) Financial sustainability in term of subsidy dependent

(iii) Efficiency of administrative cost management

Social Performance

The social performance of MFIs emphasizes social objectives such as their ability to provide loans to larger numbers of very poor family and also the impact of the loans on their lives. The outreach of loans and their impact on the borrowers are measured in terms of breadth, depth, length, scope, cost and number of poor people served, the number of women borrowers, how well the MFIs reaches the poorest and the variety of financial services available.

The Welfarist approach also emphasizes on the need to primarily focus on the social performance of financial institutions. According to this approach, the funds and grants given to financial institutions are equities donated by social investors and other voluntaries bodies for the purpose of social lending. These investors forgo the financial returns of their investments for the pleasure they derive from helping the poor people.

A Proposed two core criterion dimension framework for measuring the performance of FIs. The two core include; outreach and sustainability. The outreach refers to the numbers of loans provided to the poor while the sustainability involves the total cost of providing the microloans. The outreach criteria measure the performance of MFIs in terms of the financial services provided to the poor people and those targeted for the loans. Sustainability measures MFIs dependency on subsidies based on the Subsidy Dependent Index (SDI). This framework has gained much acceptance and has been adopted by researchers.

According to Zelle and Meyer, the three criteria needed to measure the performance of MFIs include; delivery of their services and outreach, financial sustainability and welfare impact. The performance of the microfinance programmes should be measured based on the three criteria. The Zelle and Meyer model involved three circles and triangles. The inner circle of the triangle of microfinance represents the microfinance institution's innovations in technology, policy, organisation and management that can affect how well each objective is met. However, there is a trade-off in meeting the objectives of achieving financial sustainability, reaching the poorest and in ensuring the borrower is impacted positively. Nonetheless, there are people who believe that it is not possible for a microfinance institution to achieve financial sustainability and reach vey high numbers of the poorest borrowers at the same time. [21]

The study by Mayoux evaluated the impact of microloans schemes by adopting the donor-led and the practitioner-led prospects. Donor led involves assessing the impact on poverty at the levels of the enterprise and the family. This approach is useful in improving the microfinance services, encouraging innovation, determining the impact of microcredit services in reduction of poverty and women empowerment. The practitioner-led approach however was introduced for gathering the information needed to improve microfinance programs relatively rather than substantiating the impact at the levels of enterprises, families, individuals and communities.[22]

Corporate Governance and Strategy

Business strategy plays a vital role in determining the long term success of organizations. Over the years, business strategy as an area research has continued to be emphasized in the literature. The focus on business strategy resulted from the realization that every organization needs an effective business strategy to achieve its organizational objectives and also to deal with the changes occurring in the business environment as well as to compete successfully in the market place.

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21. Kamukama, N., Ahiauzu, A., & Ntayi, J. M. (2011). Competitive advantage: mediator of intellectual capital and performance. *Journal of Intellectual Capital, 12*(1), 152–164.

22. Mayoux, L. (2001). Impact assessment of microfinance, Towards a sustainable learning process. *EDIAISApplication Guidance Note.*

Organizations formulate and implement their business strategy through the strategic management process. With regard to the strategic management process, organizations need to develop and implement effective business strategy based on their capabilities and competitive advantage.

Despite the importance of strategic management to organizations and the increase knowledge in this area of management, there is still one segment of the business community that has been neglected. Surprisingly, little research exists that investigate business strategy in Financial institutions . In particular, research on business strategy in Financial institutions from the Nigeria perspective has been ignored. As a whole, the review of the past studies indicates previous research mainly focused on examining business strategy in large firms that operated in selected industries such as manufacturing and retailing.

Although banks are considered important in the financial industry in Nigeria, little is known about the business strategy adopted by these institutions. In particular, the literature indicates not much research has examined the business strategy adopted by Financial institutions . The little research has resulted not in limited information but also knowledge on the type of business strategy developed by Financial institutions . This limitation suggests more empirical investigation is needed in this area.

Of the research conducted on business strategy, many studies have focused on examining the linkage between business strategy and organizational performance. Organizations achieve their objectives by creating and executing effective business strategies. The earlier study found that organizations accomplished superior performance by developing and implementing effective business strategy that aligned with their business environment as well as based on their competitive advantage. [23]

Over the decades, various definitions of business strategy have been proposed and documented in the strategic management literature. However in general, business strategy has been considered as the way in which a firm achieves its organizational objectives through maintaining its competitive advantage as well as competitive position in a particular industry.

Furthermore, the literature reveals that different types of strategies are developed at different levels in organizations. The types of strategy are classified according to the levels they are developed in organizations. In general, three different types of strategy are developed at three different levels. The three strategies include; corporate strategy, business strategy and functional strategy.

With regard to the three types of strategy, the review of past research suggests that previous studies that examined the relationship between strategy and organizational performance

23. DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields Paul J. DiMaggio; Walter W. Powell. *American Sociological Review*, *48*(2), 147–160.

have mainly focused on business strategy. Moreover, findings of previous empirical research on the relationship between business strategy and performance of large firms provided strong evidence that suggest business strategy are associated to the performance of these firms.[24]

Findings of prior research also revealed that previous studies on business strategy have largely concentrated on certain type of large firms. However, more recent evidence from the literature suggests that business strategies are also relevant and applicable to other types of organizations as well. More importantly, more recent studies indicate that different organizations operating in different business environment should adopt different types of business strategy.[25]

In one of Porter earlier works, the scholar emphasized on the need for firms to develop their competitive advantage in order to develop effective business strategy. For instance, in the case of manufacturing firms, they can obtain their competitive advantage by efficiently developing and executing the primary as well as the supporting activities of their value chain. The primary activities include; human resource management, technology development and procurement. The supporting activities involve; inbound logistics, operations, outbound logistics, marketing and sales and services.[26]

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24. Hashim, M. K., & Ahmad, S. (2009). Business strategies in exporting SMEs and their relationship to peformance. *Universiti Utara Malaysia Press.*
25. Hashim, M. K., & Zakaria, M. (2010). Business strategy and performance of small and medium manafacturing firms in Malaysia. *World Review of Enterprenuership, Managment Ans Sustainable Development*, *6*(2), 125–134.
26. Porter, M. (1980). *Competitive strategy. New York: The Free Press.*

In addition, according to Porter firms are able to create three types of generic business strategy from the competitive advantage that they gained from improving their companies' value chain. The three strategies include; low cost, differentiation and focus (niche). Through economics of scales, scope and technology, the low cost strategy reduces costs and increase profit. The differentiation strategy focuses on developing products that are different and unique. The niche strategy specializes on product development and marketing efforts tailored to a particular market segment that has cost or differentiation advantage.

In another study, Hashim attempted to investigate the business strategy adopted by small and medium-sized enterprises (SMEs) operating in different industries in Malaysia. The study adopted six business strategies and collected data from 100 SMEs operating in more than 19 industries. According to the results of the study, 30 SMEs used differential strategy, 26 firms implemented the low cost strategy, and 18 firms employed the focus strategy. Of the remaining 36 small firms, 17 firms utilized the growth strategy, six firms followed the harvest strategy and only three firms executed the vertical integration strategy.

More recently, the studies by Hashim and Ahmad , provided empirical evidence that suggests that different firms in different business environment adopt different types of business strategy but also that business strategy is related to organizational performance. For instance, findings of the study by Hashim and Ahmad indicated that business strategy of exporting firms is positively related to the performance of these firms. In addition, the study by Hashim and Zakaria also found the relationship between business strategy and performance of small and medium manufacturing firms. Furthermore, according to Hashim (takaful firms specifically adopted four types of business strategy that include; product focus differentiation strategy, location differentiation strategy, cost focus strategy and marketing differentiation strategy. As for the relationship between business strategy and performance, the findings of the study also showed positive relationship between business strategy and the performance of the takaful firms.[27]

As presented above, the evidence from the literature and past studies suggest that different firms that operate in different business environment implement specific type of business strategy that align with their business requirements. In addition, findings of previous indicate the existence of the relationship between business strategy and organizational performance.

The Combined Code of Corporate Governance

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads its communities. .Corporate governance in public bodies can be defined as “the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives”. It can be further defined as including “robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public”

27. Hashim, M. K. (2015). *Business strategy in Malaysian companies*. NADI SDN BHD: ASAS

Corporate Governance as an issue came to prominence in early 1990 following several major financial scandals. Subsequent reports that looked at local government identified ten principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership, respect for others, duty to uphold the law and stewardship (using resources prudently)

In 2012 Cipfa & SOLACE produced an updated guidance and framework with the Identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance.

Good governance means: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area Councilors and officers working together to achieve a common purpose with clearly defined functions and roles. Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Developing the capacity and capability of councillors and officers to be effective Engaging with local people and other stakeholders to ensure robust public accountability.

The Framework urges local authorities to test their structures against these principles by: Reviewing their existing governance arrangements against the Framework Developing and maintaining an up to date local code of governance including arrangements for ensuring its ongoing application and effectiveness

Preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.[28]

The preparation and publication of an annual governance statement in accordance with this Framework is necessary to meet the statutory requirement set out in Regulation. Internal control and risk management are increasingly recognized as important elements of good Corporate Governance.

The scope of internal control spans the whole range of the Council 's activities and includes controls designed to ensure that: The Council's policies are implemented in practice; High quality services are delivered efficiently and effectively; The Council's values and ethical standards are met; Laws and Regulations are complied with Required procedures are adhered to; Financial statements and other published performance information is accurate and reliable; Human, financial, environmental and other resources are managed efficiently and effectively.

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28. Kajola, S. O. (2008). Corporate Governance and Firm Performance : The Case of Nigerian Listed Firms. *European Journal of Economics, Finance and Administrative Sciences, 14*(14), 16–27.

The Nigerian Economy

Nigeria has 186 listed firms covering eleven sub-sector of the economy under the umbrella of Nigerian stock exchange commission. The stock exchange is one of the largest stock markets in African sub-Sahara region and has a market capitalization of N9.55 trillion with all share index of 27,810. Listed Nigerian companies are being faced with challenges which lead to continuous delisting and taking over of companies by the regulatory body as well as the issuance of new codes of best practice. The need for better practices made Corporate Affairs Commission (CAC) and Securities and Exchange Commission (SEC) to issue series of improved code of corporate best practices. Despite these efforts, issues of governance and control were still being raised year in year out which become detrimental to the economy as a whole.

2.2 Review of Previous Studies

The report of Nigerian Bureau and Statistics (NBS) in 2015 shows that manufacturing and financial sector contribute about 10% and 3% of the nation's Gross Domestic Product (GDP) respectively in contrast to the developing countries like Malaysia where the manufacturing sector alone contribute about 45% to the country GDP. In addition to the above, industries in Nigeria contribute only 5% to the GDP including oil sector (which is the nerve of the economy) with capacity utilization at 36%. Nigeria listed companies are often poorly managed, which leads to the reduction in their productivity.[29] The problem is more apparent in larger firms (100+ employees), with complex operations that require

29. Johnson, R. A., & Greening, D. W. (1999). The effects of corporate governance and institutional ownership types of corporate social performance. *Academy of Management Journal*, *42*(5), 564–576.

formal management practices. The problem is so pervasive and reflected in almost all the institutional settings of the country.

The poor performance could be attributed to the failure of Nigerian firms to operate a strong management control system (Hereafter referred to as MCS) as such creating room for routines and practices which impede firm performance. [30]Many firms with promising potentials failed to flourish in their businesses as a result of poor controls in terms of planning, cybernetic, administrative, as well as rewarding system . Several studies arrive at a lopsided conclusion as to the actual factors that influence firm performance citing internal control, internal audit, governance, performance evaluation and risk management.

Most MCS research considers single themes of control that are apparently unrelated from each other leading to weak relationship. Therefore, the study will examine the poor performance of Nigerian firms from the perspective of MCS package. The content of the MCS package comprises planning, cybernetic controls, reward and compensation, administrative and cultural controls. Therefore, MCS package could address the problem of Nigerian firm's performance, through a holistic approach to the investigation of firm MCS and performance. These MCS practices could improve performance among Nigerian firms if is strengthened by risk cultured employees as it would lead to institutional pressure on other firms to adopt MCS package from Malmi and Brown (2008) viewpoint. The employees would serve as actors that would disseminate and communicate the new idea

30. Kajola, S. O. (2008). Corporate Governance and Firm Performance : The Case of Nigerian Listed Firms. *European Journal of Economics, Finance and Administrative Sciences*, *14*(14), 16–27. https://doi.org/10.1016/j.jcorpfin.2008.03.006

across Nigerian firms through normative isomorphism as portrayed. It would consequently lead to competitive imitation where firms learn from each other on how to operate more efficiently and effectively to enhance performance .[31]

Previous Study on corporate governance

Corporate governance importance arises in modern corporations due to the separation of management and ownership control in the organizations. The interests of shareholders are conflicting with the interests of managers. The principal agent problem is reflected in the management and direction related problems due to the differential interests of firm's stakeholders. There is not a single definition of corporate governance rather it might be viewed from different angles. Lee defines corporate governance as "allocation of ownership, capital structure, managerial incentive schemes, takeovers, board of directors, pressure from institutional investors, product market competition, labour market competition, organisational structure, etc., can all be thought of as institutions that affect the process through which quasi-rents are dist ributed ". Garvey and Swan (1994) assert that "governance determines how the firm's top decision make rs (executives) actually administer such contracts. Lee define corporate governance as "the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment (p.737)". OECD in 1999 defined corporate governance as "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different

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31. Lee, T. W., & Mowday, R. T. (1987). Voluntarily leaving an organisation. *Academy of Management Journal*, *30*(4), 721–743.

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 provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

Lee defined corporate governance as a term refers to the private and public institutions that include laws, regulations and the business practices which governs the relationship between the corporate managers and the stakeholders. The Ministry of Finance, Singapore (Corporate Governance 2001) defines corporate governance as "the processes and structure by which the business and affairs of the company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of other stakeholders. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance)." Lee view corporate governance as a set of mechanisms through which outside investors (shareholders) protect themselves from inside investors (managers). The Organization for Economic Cooperation and Development provides another perspective by stating that "corporate governance is the system by which business corporations are directedand controlled[32].

The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, managers, shareholders

32. Lee, T. W., & Mowday, R. T. (1987). Voluntarily leaving an organisation. *Academy of Management Journal*, *30*(4), 721–743.

and other stakeholders, and spells out the rules and procedure for making decisions on corporate affairs. By doing this, it also provides the structures through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

Empirical studies on corporate governance

McColgan 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 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. 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. Madarara argued that this delegation authority reduces the value maximizing decisions taking by the manager in the firm. Madarara 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. 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.[33]

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33. Madrara, O. R. (2012). *corporate governance , capital structure and financial performance of commercial banks.*

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the research methodology adopted in this study. More specifically, the chapter describes as well as explains the research model developed in the study, the research hypotheses of the study, the questionnaire, the sampling framework and sample selection, the data collection method, and the methods used to analyse and test the hypotheses developed in the study.

3.2 Research Design

Research design refers to the process that involves the entire research assumption to the method of data collection as well as analysis. It can also be referred to as procedures and arrangement for the collection and analysis of data in a way that is relevance to the research purpose. The process of research design can be categorized into research assumption, theoretical perspective, methodology, and method adopted in solving research problem . [34]

Therefore, understanding the appropriateness of a research design is a key step to the attainment of research objectives. It facilitates smooth conduct of various research operations, which produces an efficient result with minimal expenditure of not only effort but time and money as well. The research design identifies a population of the study and appropriate sampling procedure, as well as method of data analyses.

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34. Sekaran, U. (2003). *Research methods for Business. A skill building approach. 4th edition. NY, John Wiley & Sons.* https://doi.org/10.1017/CBO9781107415324.004

A quantitative approach was employed in this study by investigating the relationship between the variables. The variables involved in this study consist of one independent variable (corporate governance instrument) and dependent variable (corporate governance practices). Here the researchers employ the strategy of inquiry through survey which yields to statistical data. Quantitative research helps in the development of a mathematical model, hypotheses, and theories on a natural phenomenon. The process in turn enables the researcher to generalize from the analyzed sample of data. Hence, the study will adopt a survey method through the use of structured questionnaires which will be administered to the respective respondents.

The study will use a cross-sectional study design. Cross-sectional study entail gathering the data for a specific study. in this study, the data will be collected only once at a time to meet up the research. Cross-sectional survey method will be use for this study to evade the long-time effort burning up that longitudinal research always cost. Any follow-ups will be by telephone calls, and physical contact/visit to ensure questionnaires are filled and collect within time.[35]

3.2.1 Research Instrument

This section discusses how the research instrument will be designed and the measurement scale to be used: as well as testing of the instrument for validity and reliability of the research instrument in this study.

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35 . Sekaran, U. (2003). *Research methods for Business. A skill building approach. 4th edition. NY, John Wiley & Sons.* https://doi.org/10.1017/CBO9781107415324.004

3.2.2 Measurement of Research Variables

As indicated earlier, the research variables involved in this study include corporate governance instruments and corporate governance practices. The section below explains how these focal research variables are measured in the study.

Table 3.1

Measurement of Variables

Variable	Measurement	Source (Adapted)
Corporate Governance Instruments	8 items	Mersland & Oystein Strom (2009)
Corporate Governance Practices	8 items	Mersland & Oystein Strom (2009)

As shown in table 3.1, the measurements of the research variables are adapted from the previous researchers in the area of corporate governance in banking industry. In the study, each of the variables (corporate governance instrument and corporate governance practices) are consisting of 8 items, the measurement is adapted from Mersland & Oystein Strom.[36]

3.2.3 Reliability of Research Instrument

Reliability test is conducted to ascertain how the items in the construct measuring a concept are dangle [87]. Reliability of measure determines the extent to which measure are error free. Therefore, it proves the consistency of measurement across time and the items in the

36. Mersland, R., & ystein Strm, R. (2009). Performance and governance in microfinance institutions. *Journal of Banking and Finance, 33*(4), 662–669.

constructs [88]. Also to reduce the problem of reliability the measures; constructs used in the previous studies would be adopted or adapted with regard to their Cronbach's Alpha. Hair, Hult, Ringle and Sarstedt (2014) posits that the reason for adopting or adapting past instrument is that their internal consistency has been confirmed based on the reliability test measured using Cronbach's Alpha.

Therefore, the required cut off criterion is 0.7 which is accepted as sufficient for empirical studies. This is because the closeness of Cronbach"s Alpha value to 1, signifies higher the internal consistency reliability. Thus, reliability analysis would be conducted for all the variables in the research instrument.

3.3 Population of the Study

Sekaran and Bougie defined population as the complete group of events, people or things of concern that the researcher needs to study[37]. The authors indicated that population is the group of people, events, or things of concern for which the researcher wishes to create a deduction based on derived sample. The population for this study is commercial banks located in Nigeria. The population was derived from the CBN directorate.

3.4 Sample and Sampling Technique

A sample is a set of participants or individuals selected from the population for the intention of carrying the survey. To minimizing the cost of sampling error, the optimal sample should be achieved.

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37. Sekaran, U., & Bougie, R. (2013). Research methods for business. A skill building approach (6th ed.). UK: John Willey.

To be able to minimize the sampling errors Krejcie and Morgan (1970) present an easier way of attaining a good sample size using a given formula and a broad table regarding a specific population figure hence the stress of calculation is relieved of researchers[38]. As a result, the total sample size to be used in the study is based on the total number of the population under study that determined based on Krejcie and Morgan (1970). According to them, the formula for determining a good representative sample is as follows:

$$S = \frac{X^2 NP(1 - P)}{d^2 (N - 1) + X^2 P(1 - P)}$$

Where:

S= Sample size.

X^2 = chi-square table value for 1 degree of freedom at the confidence desired level (3.841).

N= Size of Population.

P= the population proportion (assumed as 0 .50)

d= the accuracy degree expressed as (.05).

Therefore, the size of the sample for this study will be:

S= [3.841(29,204*0.5)(1-0.5)]/[0.05^2(29,204-1)+3.841(0.5)(1-0.5)]

= 7987.84/73.96

= 108

Hence, the sample sizes for the study will be 108 numbers of banks.

38. Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, *38*, 607–610

To this extent, it could be said the sample of this study is relatively homogeneous. Consequently, the homogeneity of the subject making up the population makes it possible to relax the stringent procedure required for generalization.[39]

The common goal of survey based research is to collect data that is representative of the population being studied (Krejcie& Morgan, 1970). As such, several researchers have used information that is gathered from different surveys to generalize the findings that are drawn from a population sample, specifically within the limit of a given random error.

3.4.1 Sampling Techniques

This study used the stratified random sampling method. The method will give every respondent an equal chance or opportunity of being choose as the sample object. The benefits of this sampling method is that, there is will be no bias of the researcher on choice of object of sample. This procedure is also viewed for a great generalizability of the findings.

A unit of analysis is a clear specification of what the researcher intends to examine or conduct empirical research on; which is the main focus of the research. It can be individual, organization, group social interaction . Thus, the study would investigate the influence corporate governance instruments on corporate governance practices of commercial banks in Nigeria. Therefore, the organization would be adopted as the unit of analysis.

39. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014). Partial least squares structural equation modelling. (PLS-SEM). *European Business Review*, *26*(2), 106–121.

3.6 Questionnaire Design

A structured questionnaire containing of 61 multiple choice closed ended questions will be engaged for the collection of the data. The instruments will comprise questions related to five constructs of the study and 11 questions associated to demographical variables. All the questions were set in the language of English. English language is an official medium of communication in Nigeria.

.In addition, the questionnaire was pamphlet book format with a cover page. Research shows that a well designed and carefully made questionnaire usually eases the increasing the response rate, collation, and data analysis. Furthermore, a brief, aesthetic and clear instructional information as well as sound planning of questionnaire items increase the response rate.

3.7 Method of Data Analysis

The study used both statistical Package for Social Science (SPSS) and Partial Least Square (PLS) Structural Equation Modeling (SEM). The SPSS was used for descriptive statistics which involves determination of percentage, means, modes as well as the standard deviation of variables in question.

This exercise involves data preparation, entry and coding of data, which was commence immediately after data collection. SPSS was used for the data screening and preliminary test. In doing that, the response bias, missing value, outliers and normality test, factor and reliability was analysed.

To examine the relationship between influence corporate governance instruments and corporate governance practices of commercial banks in Nigeria Partial Least square (PLS) and Structural Equation Modeling (SEM) was used.

The use of PLS-SEM could be justified by the relative complexity of the research model which comprises both direct and moderating effect. This is in line with the recommendation of Hair, Hult, Ringle and Sarstedt that suggest the use of PLS in a complex-research setting. In addition, PLS-SEM enables the analysis of both direct and moderating effects in a single research model and one running, unlike SPSS that can only perform moderation effect through hierarchical regression using several models. This is because SEM enables the evaluation of the significance path coefficients, assessment of moderating effect as well as assessment predictive relevance.[40]

40. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014). Partial least squares structural equation modelling. (PLS-SEM). *European Business Review*, *26*(2), 106–121.

CHAPTER FOUR

PRESENTATION ANALYSIS AND DISCUSSIONS

4.1 Data Presentation

4.1.1 Profile of the Respondents

The data for the study was collected from 108 commercial banks in Nigeria. Out of the 108 respondents, 82 respondents were Male, and another 26 female. Table 4.1 presents the profile of the 108 respondents that participated in the study.

Table4.1
Gender of the Respondent

	Frequency	Percent
Male	82	75.9
Female	26	24.1
Total	108	100.0

In terms of their age, 30 respondents (27.8 percent) were between the ages of 30 and 34 years old, another 26 respondents (24.1 percent) were between 35 to 39 years old, 41 respondents (38 percent) were between the age of 40 and 49 years old and the remaining 11 respondents (10.2 percent) were between 50 and 60 years old.

Table 4.2
Age of the Respondent

	Frequency	Percent
30-34	30	27.8
35-39	26	24.1
40-49	41	38.0
50-60	11	10.2
Total	108	100.0

Out of the 108 respondents, 14 respondents were General Managers, another 52 were Senior Managers and the remaining 42 respondents were Branch Managers. Table 4.3 presents the profile of the 108 respondents that participated in the study.

Table 4.3
Position of Respondent in the bank

	Frequency	Percent
GM	14	13.0
SM	52	48.1
BM	42	38.9
Total	108	100.0

With regard to their work experience in the financial institutions, 6 respondents (5.6 percent) indicated that they had between four to five years of experience in the industry, the other 53 respondents (49.1 percent) reported having 6-10 years of experience and the remaining 27 respondents (25 percent) stated that they have between 16-20 years

Table 4.4
Duration of the Respondent in the organisation

	Frequency	Percent
4-5	6	5.6
6-10	53	49.1
11-15	22	20.4
16-20	27	25.0
Total	108	100.0

As far as their current work experience is concerned, 56 respondents (42.6 percent) reported that they have been working in their financial institutions between five years. The other 34 respondents (31.5 percent) indicated that they have been working in their organizations between 10 years. The other 14 respondents (13 percent) stated that they have been with commercial bank between 15 years. The remaining 14 respondents (13 percent) had worked for 20 years in the commercial bank.

Table 4.5

Commercial bank experience

	Frequency	Percent
5	46	42.6
10	34	31.5
15	14	13.0
20	14	13.0
Total	108	100.0

With regard to the education of the respondents, 51 respondents reported that had a bachelor degree, another 41 respondents indicated that had a master's degree and the remaining 29 respondents disclosed that had a diploma or the national certificate of education (NCE).

Table 4.6

Education Background of the Respondent

	Frequency	Percent
Masters	34	31.5
Diploma/NCE	45	41.7
SSCE	29	26.9
Total	108	100.0

4.5 Descriptive Statistics of the Research Variables

The descriptive statistics of the research variables investigated in the study included, corporate governance instrument and corporate governance practices. Table 4.7 presents the mean and standard deviation scores of the research variables involved in this study.

Table 4.7

Descriptive Statistics of Research Variables

Variable/ Dimensions	N	Minimum	Maximum	Mean	Std. Deviation
CGI1	108	1	5	4.06	.734
CGI2	108	1	5	3 88	.883
CGI3	108	1	5	4.01	.779
CGI4	108	1	5	4.05	.911
CGI5	108	1	5	3.98	.785
CGI6	108	1	5	3.98	.809
CGI7	108	1	5	3 96	842
CGI8	108	1	5	3.93	.914
CGP1	108	1	5	4.02	1.014
CGP2	108	1	5	3 95	1.403
CGP3	108	1	5	3.85	1.478
CGP4	108	1	5	3.99	1.437
CGP5	108	1	4	3.15	.708
CGP6	108	1	4	3 11	.702
CGP7	108	1	4	3.08	.738
CGP8	108	1	5	3.01	791

4.9 The Data Screening Analysis

For the PLS SEM data analyses to be effective, the following preliminary data screening were performed. The data screening analyses includes the missing value analysis, the assessment of outliers, and the multicollinearity test. The following section briefly describes the data screening performed in the study.

4.9.1 Missing Value Analysis

In the original dataset, about 47 (0.21%) of the 22,143 data points were randomly missed. Specifically, question 1, 2, 3, 4, 5, 6, had missing value of 9, 7, 6, 11, 8 and 6 respectively. The randomly missing values were replaced using mean substitution .

4.10 The summary of the assessment of measurement mode

As stated in the previous chapter, for the PLS data analyses to be carry out it is necessary to ascertain the measurement model. Table 4.10 shows the Average Variance Extracted (AVE) and Composite Reliability (CR) of all the constructs in this study. The AVE values of all constructs are greater than 0.50, ranging from 0.568 to 0.629 and the CR values ranged from 0.912 to 0.994. Taken together, these results statistically fulfilled the measurement model requirement criteria recommended by Hair et al.[41]

Table: 4:10
Reliability and validity of constructs

Latent Variable	No. of indicators	AVE	CR
CGI	8	0.568	0.912
CGP	8	0.629	0.994

4.11 Hypotheses Testing

The hypotheses of the study involved testing the relationships between corporate governance instrument and corporate governance practices of commercial bank in Nigeria. By using the Smart PLS 2, the hypotheses were tested by using the bootstrapping method. The path coefficients derived from the bootstrapping method were used to determine the statistical significance of the relationships between corporate governance instrument and corporate governance practices. The statistical significance of the relationships between these variables was based on the T-values and P-values of the path coefficients. In the study, the two-tailed test was adopted and based on the following T-values and P-values; T-value (±2.57) and P-value (0.01), T-value (±1.96) and P-value (0.05), and T-value (±1.65) and P-value (0.10).

41. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014). Partial least squares structural equation modelling. (PLS-SEM). *European Business Review*, *26*(2), 106–121.

4.12 Relationship Between corporate Governance instrument and corporate governance practices

Table 4.11.1 and figure 4.2 below presents the correlation results between the corporate governance instrument and corporate governance practices of the 108 respondent that participated in the study. The results indicate that there were positive significant relationship between corporate governance instrument and corporate governance practices of commercial bank ($\beta = 0.3412$, $t = 7.544$, $p < 0.000$).

Table 4.11
Correlations between corporate governance instrument and corporate governance practices

Hypothesis	Beta	Standard Error	T-Statistics	P-Value	Decision
H1: CGI -> CGP	0.3412	0.0449	7.544***	0	Supported

Note: ***P<0.01, **P<0.05, *P<0.1

Figure 4.1
Direct Relationship Algorism Model

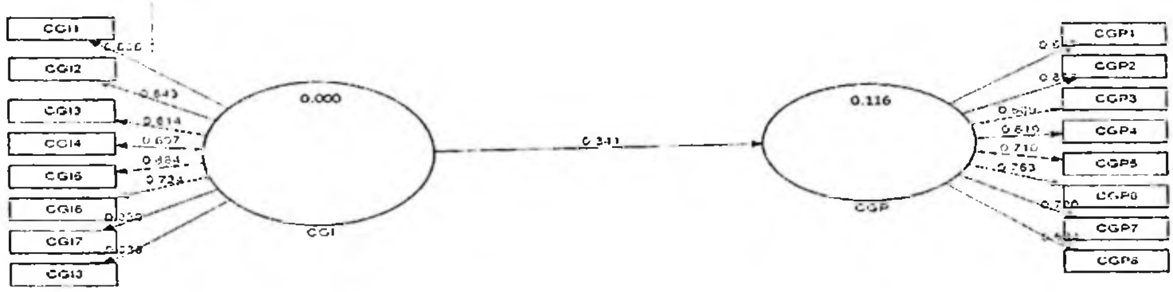
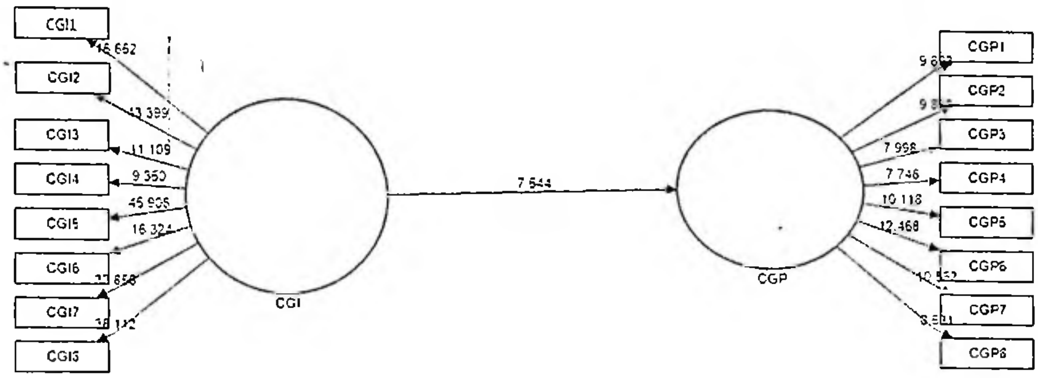


Figure 4.2
Direct Relationship Bootstrapping Model



4.2 Discussion of Findings

In this study, the research variables; corporate governance instrument were measured and analyzed to determine their influence on the corporate governance practices of commercial banks in Nigeria. Accordingly, the following section discusses the results of the study.

Instrument Adopted By CBN for Strengthening Corporate Governance

This study identified and examined eight areas of corporate governance instrument relevant and applicable to the commercial banks. The eight areas of corporate governance instrument included; Regulation on having a strong board of directors, regulation on having strong board of advisors, impose internal auditors to report to the board of directors, regulate board to involve in building the bank vision, mission and providing overall direction, direct board to establish general policies for the bank, impose board to looks after the interests of the bank's shareholders, regulates board to spend its time monitoring the performance of the bank, and insist on our board to contribute directly to the development of the strategy of the bank. . This finding is consistent with findings of previous studies that also revealed that commercial banks are regulate with corporate governance instruments.[42,43]

Straight of Corporate Governance Practices adopted by commercial banks in Nigeria

This study identified and examined straight of corporate governance practices adopted by commercial banks in Nigeria. The study reveals that commercial banks in Nigeria do strongly practices corporate governance. The finding also shows that, the practices are include; Strong board of directors, strong board of advisors, internal auditors report to the board of directors, board involves in building the bank vision, mission and providing overall direction, board establish general policies for the bank, board looks after the interests of the bank's shareholders, board spend its time monitoring the performance of the bank, and board contribute directly to the development of the strategy of the bank. This study are inline with the finding of previous studies[44]

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42. Adeusi, S. O., Akeke, N. I., Aribaba, F. O., & Adebisi, O. S. (2013). Corporate governance and firm financial performance: Do ownership and board size matter? *Academic Journal of Interdisciplinary Studies*, *2*(3), 251–258.
43. Barry, T. A., & Tacneng, R. (2014). The impact of governance and institutional quality on MFI outreach and financial performance in Sub-Saharan Africa. *World Development*, *58*(5), 1–20.

44. Gill, A., Biger, N., Mand, H. S., & Shah, C. (2012). Corporate Governance and Capital Structure of Small Business Service Firms in India. *International Journal of Economics and Finance*, *4*(8), 83–92. https://doi.org/10.5539/ijef.v4n8p83

.Relationships between Instruments and Practices of corporate Governance of commercial banks in Nigeria

The results show significant positive relationships between corporate governance instrument and corporate governance practices of the commercial banks. The results showed that corporate governance instrument is significantly correlated with the corporate governance practices ($\beta = 0.3412$, $t = 7.544$, $p < 0.000$).

The finding of this study appears to concur with previous research that provided evidence that indicate the linkage corporate governance instrument and corporate governance practices.[45,46]

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45. Ehikioya, B. I. (2009). Corporate governance structure and firm performance in developing economies: evidence from Nigeria. *Corporate Governance*, *9*(3), 231–243.
46. Kosgei, N., & Kosgei, S. (2014). Effects of Corporate Governance on Financial Institutions Sustainability in Kenya, *6*(30), 71–82.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The results of the study indicate that, in general most of the commercial banks surveyed adopted the corporate governance practices as identified in the literature. The empirical information generated by this study suggests that CBN in Nigeria regulate the commercial banks with a number of corporate governance tools. With regard to the linkage between corporate governance instrument and the corporate governance practices of commercial banks in Nigeria, the results show statistically significant relationship between the variables of the study

5.2 Conclusion

This study tested one major research hypotheses which were derived from previous theoretical and empirical research. The hypotheses stated that corporate governance instrument are related to the corporate governance practices.

The empirical analyses of the data obtained from the 108 respondents of the commercial banks which participated in this study indicate statistically significant results with regard to the testing of the research hypotheses. Further, these results are consistent with the findings of previous studies as well as they reinforce the importance of contingency theory in strategic management research. At the general level, the results of this study provide the preliminary support for applying the logic of contingency theory of strategic management to the study of commercial banks in the financial industry in Nigeria.

5.3 Recommendations

As a whole, the findings of this study indicated that corporate governance instruments and practices are relevant and applicable to commercial banks. This research indicated that corporate governance variables such as Regulation on having a strong board of directors, regulation on having strong board of advisors, impose internal auditors to report to the board of directors, regulate board to involve in building the bank vision, mission and providing overall direction, direct board to establish general policies for the bank, impose board to looks after the interests of the bank's shareholders, regulates board to spend its time monitoring the performance of the bank, and insist on our board to contribute directly to the development of the strategy of the bank, can influence the practices of corporate governance of commercial bank in Nigeria.

The findings of the study suggest that corporate governance affect the performance of commercial banks in Nigeria. Given the increased competition in developing countries like Nigeria, and the problem of lack of good corporate governance by commercial banks, it becomes critical for these financial institutions to concentrate their efforts on formulating and implementing effective business strategy that are based on the competitive advantage that may be derived from adopting the best corporate governance practices for commercial banks. This research suggests opportunities for researchers interested in further exploring the notion that corporate governance can influence the performances of commercial banks.

The findings and conclusions of present study are based on one study, the findings should be regarded as only suggestive. More empirical research is therefore needed and will be particularly useful in providing more empirical evidence to support the theory that corporate governance tools can help improve the practices of corporate governance of commercial banks in Nigeria.

Investigating several extensions of the present work presents a good starting point for future research in the area of corporate governance. Certainly, the other relevant aspects of the corporate governance as suggested in the literature which this study did not address, would present as research opportunities to be investigated further.

For instance, it is important to note that the corporate governance observed in this study may not necessarily prevail among all the commercial banks in the financial industry in Nigeria. This is because the commercial banks evolve through different stages of development. Therefore, there is a need then to investigate the banks at their different level of development. Like other organizations, banks at different stage of development tend to adopt different corporate governance. By doing so, more comprehensive theory and understanding of commercial banks can be developed. This is particularly important in the Nigerian context, where very few studies have focused on examining the corporate governance of commercial banks at different stages of development.

In addition, actual environmental measures should be adopted instead of perceived measures. This would assist in overcoming the accuracy of responses from the owner/managers which are based on perceptions at different points of time as well as subjected to the respondents' interpretations and selective memory.

Future research on commercial banks might also fruitfully focus on investigating the impact of industrial effects and entrepreneurial orientation on the performance of commercial banks. Hopefully, these efforts would increase the level of sophistication and practical utility of strategic management in commercial banks.

Given that the scope of corporate governance is wide and complex, future research should also attempt to incorporate other relevant components of the strategic management process such as the implementation, evaluation and control of strategy in commercial banks. This will help in the understanding as well as assist in developing the whole prescriptive theory of the corporate governance.

Finally, this research is an attempt to empirically test strategic management variables corporate governance instruments that can influence the corporate governance practices of commercial banks in the context of the contingency theory. The significant findings among these strategic variables provide the insights into some of the factors influencing corporate governance practices of commercial banks. By doing, so it will provide direction for future research in this area of study.

APPENDIX A
RESEARCH QUESTIONNAIRE

Dear GM /SM /BM,

ACADEMIC RESEARCH QUESTIONNAIRE

I am a postgraduate student at the Nasarawa State University, Keffi. Currently working on my thesis title "Central Bank of Nigeria as a tool for strengthening commercial banks corporate governance practices"

Thank you in advance for taking your valuable time to fill in this questionnaire. Please be assured that your responses will only be used for academic purpose. Hence, your identity will never be known throughout any part of the research process.

Thank you very much in anticipation of your responses.

Yours sincerely,

Umma Muhammad Garo

Nasarawa State University, Keffi

SECTION I: Background of Respondent

Please fill in the information relating to your background and tick (√) the most appropriate answers where applicable.

1. **What is your gender?**

☐ Male
☐ Female

How old are you? ____ years old

3. **What is your position in the bank?**

☐ General Manager
☐ Senior Manager
☐ Branch Managers

How long have you work in this bank? _____ years

5. **How many years of work experience do you have in the Commercial bank**

☐ 10 years and above
☐ 5 -9 years
☐ 1-4 years
☐ Less than 1 year

6. **What is your highest education qualification?**

☐ PhD
☐ Master's Degree
☐ First Degree
☐ Diploma/NCE/ its equivalents
☐ Secondary School Certificate

SECTION II: THE RESEARCH VARIABLES

Instructions: Below are statements that describe how you may think about your organisation right now. Please use the following scales to indicate your level of agreement each statement:

Strongly Disagree 1 2 3 4 5 Strongly Agree

	Corporate Governance Instrument	**SD**	**D**	**N**	**A**	**SA**
7	CBN regulates us on having a strong board of directors	1	2	3	4	5
8	CBN regulate us on having strong board of advisors?	1	2	3	4	5
9	CBN impose our internal auditors to report to the board of directors	1	2	3	4	5
		1	2	3	4	5
10	CBN regulates our board to involve in building the bank vision, mission and providing overal direction.	1	2	3	4	5
11	CBN direct our board to establish general policies for the bank	1	2	3	4	5
12	CBN impose our board to looks after the interests of the bank's shareholders	1	2	3	4	5
		1	2	3	4	5
13	CBN regulates our board to spend its time monitoring the performance of the bank	1	2	3	4	5
14	CBN insist on our board to contribute directly to the development of the strategy of the bank	1	2	3	4	5
		1	2	3	4	5

	Corporate Governance Practices	**SD**	**D**	**N**	**A**	**SA**
15	My Bank have a strong board of directors	1	2	3	4	5
16	My Bank has a strong board of advisors?	1	2	3	4	5
17	The internal auditors of my bank report to the board of directors	1	2	3	4	5
		1	2	3	4	5
18	The Board involves in building the bank vision, mission and providing overal direction.	1	2	3	4	5
19	The Board establish general policies for the bank	1	2	3	4	5
20	The Board looks after the interests of the bank's shareholders	1	2	3	4	5
21	The Board spend its time monitoring the performance of the bank	1	2	3	4	5
22	The Board contribute directly to the development of the strategy of the bank	1	2	3	4	5