CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

GILENYA, Joel Andrew
MTFM/ACC/17/0760

DECEMBER, 2019

CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

BY

GILENYA, Joel Andrew
(MTFM/ACC/17/0760)

A THESIS PRESENTED TO THE DEPARTMENT OF ACCOUNTANCY, MODIBBO ADAMA UNIVERSITY OF TECHNOLOGY, YOLA IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS IN TREASURY AND FINANCIAL MANAGEMENT (MTFM), DEPARTMENT OF ACCOUNTANCY, SCHOOL OF MANAGEMENT AND INFORMATION TECHNOLOGY

DECEMBER, 2019

DECLARATION

I hereby declare that this thesis was written by me and it is a record of my own research work. It has not been presented before in any previous higher degree research program. All references cited have been duly acknowledged.

____________________________ ____________________________

GILENYA, Joel Andrew Date

DEDICATION

This thesis is dedicated to my family.

APPROVAL PAGE

This thesis entitled **"Impact of Corporate Governance on Financial Performance of Listed Deposit Money Banks in Nigeria"** meets the regulations governing the award of Masters Degree in Treasury and Financial Management of the Modibbo Adama University of Technology, Yola and it was approved for it contribution to knowledge and literary presentation.

______________________	________________
Dr. B.Y. Hanga (Supervisor)	Date
______________________	________________
Internal Examiner	Date
______________________	________________
External Examiner	Date
______________________	________________
Dr. M. Abba (Head of Department)	Date
______________________	________________
Prof. M. M. Malgwi (Dean School of Postgraduate Studies)	Date

ACKNOWLEDGMENTS

Glory be to God for his goodness and infinite mercy over me.

I wish to also acknowledge the support and guidance of my able supervisor Dr. B. Y. Hanga, he ensured that this work comes to reality. Thank you so much Dr.

My sincere appreciation to my internal examiner, Dr. Maryam Isyaku Muhammad whose patience, guidance, encouragement and constructive criticism had immensely contributed to the successful completion of this project

I acknowledge all my lecturers prominent are Dr. M. Abba (HOD), Dr. I. J. Dabari, Dr. J. G. El-Maude, Mal. Suleiman Usman, among others who took their precious time beyond their tight schedules to see that learning has taken place, Thank you so much, May God reward you all.

I acknowledge the Gilenyas for your words of encouragement and sweet advice. May God grant you eternal rest with the Lord. And also to my family (my wife Flourence Joe; Gilenya and my children; Laakdoron, Nzalaa, Ananko and Laakasen) for their prayers and moral support, May God reward you all.

ABSTRACT

This study examined the impact of corporate governance on the financial performance of listed deposit money banks in Nigeria using data of ten (10) selected firms from 2009-2018. The data is extracted from the annual reports and accounts of the selected deposit money banks. Multiple regression technique is employed to examine the impact of Corporate Governance on the financial performance of listed deposit money banks in Nigeria. The study revealed that Audit committee independence and Board Ownership have negative relationship with financial performance of listed deposit money Banks in Nigeria. However, the relationship between Board independence and financial performance is found to be positive, indicating that the Board independence has influence on the financial performance of listed deposit money banks in Nigeria. Statistically, the coefficients of ACI and BO (-0.49 and -0.32) signified a negative but significant relationship at 10% and 5% level of significance respectively. While, the coefficient (0.60) of BI signified a positive and significant relationship at 1% level of significance. The study therefore, recommended that Audit committee independence and Board Ownership should not be given much priority, instead other corporate governance factors should be consider in improving financial performance of deposit money Banks in Nigeria. While the banks should encourage and strengthen the independence of their Board in order to maximize their performance. Finally, it can be concluded that corporate governance has a significance relationship with financial performance of deposit money banks in Nigeria.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF APPENDICES

Appendix

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

It is quite obvious that corporate governance received the much desired attention due to the collapse of the Adelphia, Enron, WorldCom, and other high profile scandals, serving as the impetus to such regulations as the Sarbanes-Oxley Act of 2002 in the United States of America (USA), which is being considered to be the most sweeping corporate governance regulation in the past 70 years (Pinto, 2006; Yusoff& Alkali, 2012). Hence, if better corporate governance is related to better firm financial performance, better-governed firms should naturally perform better than the worst-governed firms. Alexander (2006) and Morgan (2002) also observed that lack of corporate governance in banks might have played a significant role in USA in the 1980s, saving and loans crisis and later 2000s mortgage loan crisis as well as the Asian financial crisis in the 1990s. On the other hand, Vincent and Kusa (2013) posited that financial performance of banks has critical implications for economic growth of countries. Good financial performance rewards the shareholders for their investment, hence encourages additional investment and brings about economic growth. He further stressed that, poor banking performance can lead to bank failure and crisis which have negative repercussions on the economic growth.

In essence, Corporate Governance are those processes, structures, systems as well as mechanism that organization put in place to enable it carry out its activities in a fair , transparent , accountable and social responsibilities to tackle the problem of separation of ownership from control and the interest of other stakeholders. Similarly, in the work of Boateng (2004), it was established that proper governance of companies would become as crucial to the world economy as the proper governance of countries and will converge in associated issues of competitiveness, corporate citizenship, social and environmental responsibility. The governance of banks becomes even more pronounced considering their role of financial intermediation in developing economies. Commercial banks are the main providers of funds to enterprise and where there is a thin or absent capital market, their failure becomes the failure of the system. Similarly, Joshua (2011), expressed that a strong and virile economy depends to a very large extent on a robust, stable and reliable financial system including the banking sector. This explains the frequency with which the Nigerian banking sector has witnessed repeated reforms aimed at fine-tuning it to meet the challenges for economic stability and developmental goals which are not only limited to domestic savings mobilization and financial intermediation, but also the elimination of inefficiency to enhance financial efficiency. By this, the financial efficiency parameters of the study would be determined and measured by Net interest margin which reflects the profitability on intermediation services of Deposit Money Banks (DMBs).

In Nigeria, the reform process of the banking sector is part and parcel of the government strategic agenda aimed at repositioning and integrating the Nigerian banking sector into the African regional and global financial system. To make the Nigerian banking sector sound, the sector has undergone remarkable changes over the years in terms of the number of institutions, structure of ownership, as well as depth and breadth of operations (Akpan, 2007). These changes have been influenced mostly by the challenges posed by deregulation of the financial sector, operations globalization, technological innovations, and implementation of supervisory and prudential requirements that conform to international regulations and standards, which Corporate Governance is inclusive. It is this change in 2001 that led to the adoption of universal banking system where both commercial and merchant banking functions in Nigeria is jointly performed by a reclassified Deposit Money Banks (DMBs) in Nigeria, while the Corporate Governance Code was re issued and made mandatory on 1st March, 2006 (Suberu & Aremu, 2010).

Although, corporate governance arrangement and institutions vary from place to place, the focus is always to promote corporate fairness, transparency and accountability. Moreover, Sanusi (2012), stressed that the reforms to adopt codes of corporate governance have brought about a new mind-sets to the industry as banks are putting in place best practices in the areas of corporate governance and risk management. But, Mulbert (2010), opines that poor corporate governance of banks has been increasingly acknowledged as the major cause of financial crisis. The absence of good corporate governance in some deposit money banks in Nigeria led to deterioration of their performance, decline in their liquidity position, poor quality of assets and downward trend in their profitability as a result of huge provisioning for non-performing credit and the attendant crash in the market share prices. To perform its intermediation function and satisfy the interest of the various stakeholders optimally, banks must learn to comply appropriately with the dictates of corporate governance codes. Three (3) corporate governance variables or measures: board ownership, board independent, audit committee independence are cardinal for our purpose.

The manner of the banks response is a direct function of their compliance to existing governance code in the banking industry.

Furthermore, to raise the standards of corporate governance in Nigeria, The Nigerian Stock Exchange and the Convention on Business Integrity (CBI) decided to develop a Corporate Governance Rating System ("CGRS") for companies listed on the Stock Exchange as pointed out by (Onyema, 2014). In the recent past decades, there have been some numerous calls for the adoption of Corporate Governance (CG) issues in the Banking Industries worldwide. This has happened when growing corporate interest in terms of corporate existence and sustainability is being threatened towards providing efficient and effective financial service delivery in the global financial market.

Among the dimensions of CG, Auditor's independence is cornerstone for auditors and crucial element in corporate reporting process and key prerequisite which adds value to audited financial statements (Ping, Elizabeth & Roger, 2011). According Helen and Arnold (2011) emphasised on audit committee strength which can have big impact on audit process and internal control. In Nigeria, audit committee was a child of the Companies and Allied Matters Act (CAMA, 1990). In addition to providing an audit report to the members, the auditor shall in the case of public company also make a report to an audit committee which shall be established by the public company (section 359 (3), CAMA, 1990). The audit committee shall consist of an equal number of directors and representatives of the shareholders of the company (subject to a maximum number of six members) and shall examine the auditor's report and make recommendations thereon to the annual general meeting as it may think fit. Provided, however, that such member of the audit committee shall not be entitled to remuneration and shall be subject to re-election annually. Any member may nominate a shareholder as a member of the audit committee by giving notice in writing of such nomination to the secretary of the company at least twenty-one days before the annual general meeting (SEC 359 (4-5), CAMA, 1990).

On the other hand, Vincent and Kusa (2013) stated that financial performance of banks has critical implications for economic growth of countries. Good financial performance rewards the shareholders for their investment. Hence, encourages additional investment and brings about economic growth. The study further stressed that, poor banking performance can lead to banking failure and crisis which have negative re percussions on the economic growth. However, financial performance analysis of commercial banks has been of great interest to academic research since the Great Depression in the 1940's. In the last two decades studies have shown that commercial banks in West African countries are more profitable than the rest of the world with an average Return on Assets (ROA) of 2% (Flamini, Valentina, McDonald & Liliana, 2009). Thus, to measure the profitability of deposit money banks there are variety of ratios used of which Return on Asset, Return on Equity and Net Interest Margin are the major ones (Murthy & Sree, 2003; Alexandru, Genu & Romanescu, 2008 ;Vincent & Kusa, 2013). By this, it is expected that well governed banks based on the application and adoption of CG principle and CG mechanism might not only lead to the reduction on the level of distress in the financial service sector, but a vibrant and sound financial performance of banks which may in turn affect the general level of economic activities. Hence, increase on the level of economic growth and development.

Researched literatures have shown that the impact of CG on firm performance and value has been analyzed in some studies in both developed and developing economies by Baghat and Black (2001), Gompers, Ishii and Metrick (2003), Brown and Caylor (2004), Adams and Mehran (2005), Millstein (1992) and Attiya and Robina (2007). For the simple fact that various CG studies have been carried out, more need to be known on the level of good corporate governance compliance aimed towards promoting accountability and transparency so as to improve Bank's financial performance as well as corporate governance in facilitating the banks to achieve their social responsibility to its environment; especially in developing economy like Nigeria.

It is therefore, based on the background that this study examined the impact of Corporate Governance on the financial performance of listed Deposit Money Banks in Nigeria with a view to assess the recent developments within the banking system, and revealing the need for the banks to be in full compliance with the code of conduct of the good corporate governance for a greater corporate performance.

1.2 Statement of the Problem

In Nigeria, the banking industry has been undergoing series of corporate failures due to imbalances in applying the principles and mechanism of corporate governance. By this, the frequent occurrence of those banking crises in the financial service sector calls for a corporate measurement; i.e. performance of division, performance of product or service, performance of equipment and persons, hence based on Accounting Information that is used to measure performance of public and private organizations. In a study by Ilaboya (2005) these performances can be measured in terms of profitability**,** liquidity and efficiency. The study further stressed that profitability is the relative tendencies of profit making in an alternative courses of action or decision. Also, Profit measures the net effectiveness and soundness of business efforts and an ultimate test of business performance (Okoli, 2006). Similarly, Akinsulire (2011) andBrealey and Myer (2003)highlighted that performance of firm and operating efficiency of company can be measured using ratio analysis and computation on return on investment as well as dividend payments. Thus, for the purpose of this research work, net interest margin (NIM) was used to assess the financial performance of Deposit Money Banks in Nigeria.

Given the importance of corporate governance, several studies have been conducted in developed and underdeveloped countries on the relationship between corporate governance attributes and firms' financial performance and found mixed results. Therefore, it is difficult to generalize the same result from the findings of those studies. Thus, the inconsistencies in findings stand as a strong motivation to this study.

While other studies like Joshua, Joshua and Tauhid (2013), Ranti (2011) and Kajola (2008) covers a period between two (2) to six (6) years, this study has an extensive coverage period of ten (10) years from 2009 – 2018. Furthermore, most of the research finding on CG variable and financial performance variable reveals more negative impact and inconsistency especially in Nigeria.

Most of prior studies on corporate governance and financial performance employed Return On Assets, Return On Equity, Net Profit Margin, Earning Per Share, but this study employed Net Interest Margin (NIM) as it reflects the cost of intermediation services of the banks so as to investigate the relationship if any that exists between corporate governance proxies (Audit Committee Independence, Board Independence and Board Ownership) and financial performance of deposit money banks in Nigeria. There is, therefore, the need to indicate the impacts of good corporate governance on bank's financial performance so as to maintain the safety and soundness of emerging bigger banks in the post consolidation era with a view to enhancing public confidence in the nation's banking system. Hence, this study examined the impact of corporate governance on the financial performance of listed Deposit Money Banks in Nigeria.

1.3 Objectives of Study

The aim of this study is to examine the impact of corporate governance on financial performance of listed Deposit Money Banks (DMB's) in Nigeria. Other specific objectives of the study are to:

i. Assess the impact of Audit Committee Independence on financial performance of listed DMBs in Nigeria.
ii. Evaluate the impact of Board Independence on financial performance of listed DMBs in Nigeria.
iii. Determine the impact of Board Ownership on financial performance of listed DMBs in Nigeria.

1.4 Research Questions

This study seeks to address the following questions in line with the objectives:

i. What is the impact of Audit Committee Independence on financial performance of listed DMBs in Nigeria?
ii. What is the impact of Board Independence on financial performance of listed DMBs in Nigeria?
iii. What is the impact of Board Ownership on financial performance of listed DMBs in Nigeria ?

1.5 Hypotheses of the Study

To achieve the objectives of the study, the following hypotheses were formulated in null form to guide the study.

i. Audit Committee independence has no significant impact on financial performance of listed DMBs in Nigeria.
ii. Board Independence has no significant impact on financial performance of listed DMBs in Nigeria.
iii. Board Ownership has no significant impact on financial performance of listed DMBs in Nigeria.

1.6 Significance of the Study

This study will be of great benefit to the shareholders of the DMBs in Nigeria, to the top management and directors of these banks as well as to the corporate analysts. Other group of beneficiaries of this study will also include the government and the future academic researchers.

For one, the study will permit the shareholders to understand the significance of adopting the code of good corporate governance practices, as that will enhance their return on investment and also stimulates greater financial performance.

To the top management and directors of the banks, the study will enhance their operational efficiency, as the application of the good corporate governance will improve their skills and work knowledge to strategies and perform their routine managerial responsibilities according to the principle of CG.

To the corporate analysts, the study will equally afford them the opportunity to properly document, compare and contrast the bank's compliance with the principle, and assess the performance of the banks with poor or lack of compliance statues in respect to the practice of good corporate governance.

Another body to benefit from this study is the constituted authority. The government on the other hand will find the study interesting, as a monitoring mechanism, whether there is high rate of compliance by the banks or not and thus, permitting them to sanction the banks that fail to absolutely comply with the code of good corporate government practices. And finally, the study will serve as bases for further development in this field for future academic researchers, who may find the work interesting.

1.7 Scope of the Study

The study covered mainly the impact of corporate governance on the performance of the Nigerian DMBs. It critically examined the benefit a bank will derive by adopting the code of good corporate governance in all its operational activities, and the consequences of not doing that. Therefore, the Deposit Money banks in Nigeria remain the central area of focus, to see how the adoption of the CG impacted on the bank's performance. Therefore, bank's performance net interest margin (NIM) was examined in relation to good corporate governance. To this end, the study covered a period of Ten (10) years (2009 – 2018), where most banks were compelled to adopt the principle of C G, based on the ugly scenario and experience being witnessed in the banking industry, as many banks fail prey to poor or lack of the adoption of the C G concept in their respective operations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of some related literature on the premises of the principles and practice of good corporate governance, corporate performance and the DMBs in Nigeria. It covers the relationship between the Corporate Governance(C G) and the Return on Assets (ROA), CG and Return on Equity (ROE) and also CG and the Net Interest Margin (NIM). The review is equally done in relation to the objectives as well as the problem of the study, starting with the conceptual framework, the review of some empirical studies and the theoretical framework. In achieving that, prior studies consulted were those of Alo (2007), Chienjien (2010), Alexandra, Reed andLajoux (2005), Greene, Jones and Powers (2004), (Hassan, 2010),Brealey and Myer, 2003, Okoi , Stephen andSani (2014), Gul, Faiza and Khalid (2011), Khrawish (2011).

2.2 Conceptual Review

The concept of corporate governance is defined in several ways, because it covers a whole range of activities. As a result, different people have come up with different definitions which reflect their special interest in the field. Meanwhile, a framework of effective and sound accountability to the stakeholders is the essence of corporate governance.

2.2.1 Corporate governance

Conceptually, there is no general and acceptable definition of Corporate Governance (CG), as the concept is always defined and understood differently in different parts of the world, depending on the relative power of owners, managers and providers of capital. However, Scholars viewed these concept from two different perspectives i.e. the narrowest and widest sense. CG in its narrowest sense (i.e. shareholder model) is used to describe the formal system of stewardship of the board to the shareholders. In contrast, in its widest sense (i.e. stakeholder model) CG is used to describe the network of relationships between an organization and its various stakeholders.

From the narrowest point of views: Alo (2007), consider the concept of Corporate Governance as governing the relationship between shareholders and directors. The concept of Corporate Governance is primarily concerned with the process of customs, policies, system, laws and regulations as being applied in organizations. By this, it is defined as the structure of relationships within the entity for making decisions and implementation. In Chienjien (2010) Corporate Governance also refers to how organization is run, that is, how the resources of an organization are employed in pursuance of the set goals of the organization).In a similarly work by Alexandra, Reed andLajoux (2005) defines CG as the system by which companies are directed and controlled for better corporate performance.

The nature of CG, therefore, going by this definition consists of two dimensions: direction and control. The direction side of CG emphasizes the responsibility of the board to attend to strategic positioning and planning in order to enhance the performance and sustainability of the company. The control side of the definition on the other hand emphasizes the responsibility of the board to oversee the executive management of the company in the execution of the plans and strategies of the company. Even though it is felt that the definition has appropriately captured the functions of CG, it fails to consider the structures, the systems and relationships through which the direction and control functions take place. Thus in addition, Corporate Governance includes corporate discipline, transparency, independence, accountability, fairness, social responsibility, timely and accurate disclosure of all material matters relating to a company including the situation of financial performance, ownership and governance arrangements (Hassan, 2010).

Moreover, the widest views expressed in similar studies were by the Organization for Economic Co-operation and Development (OECD, 2005), that Corporate Governance structure specifies the distribution of rights and responsibilities among different participants such as the shareholders, boards, managers and other stakeholders in the corporation and spells out the rules and procedure for making decisions on corporate affairs. Also, Panchasara(2012) define corporate governance as a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy its shareholders, creditors, employees, customers and suppliers. It aims to comply with the legal and regulatory requirements, besides meeting the environmental and local community needs. It includes the policies and procedures adopted by a company to achieve its objectives in relation to its shareholders, employees, customers, suppliers, regulatory authorities and the community at large. It prescribes a Code of Corporate Conduct in relation to all the stakeholders.

Oladejo (2008), further stressed that Corporate Governance would include the relationship between stakeholders, creditors and corporations; between financial markets, institutions and corporations; and between employees and corporations. Corporate Governance would also encompass the issue of social responsibility, including such aspects as the dealings of firms with respect to culture and the environment. In the same vain, Greene, Jones and Powers (2004), defined Corporate Governance as the framework by which a company's board of directors and senior management established and pursues objectives while providing effective separation of ownership and control. It includes the establishment and maintenance of independent validation mechanisms within the organization that ensures the reliability of the system of controls used by the board of directors to monitor compliance with the adopted strategies to risk tolerance. Corporate Governance is concerned with various systems adopted in which all parties interested in the continued survival of firm attempt to ensure that managers and other insiders take and adopt strategies that safeguard the interest of the stakeholders with regards to accountability and transparency. Such measures are necessitated by the separation of ownership from management which forms a vital feature of the modern firm. Corporate Governance generally refers to the process or mechanism by which the affairs of businesses and institutions are directed and managed, with a view to improve long term value of shareholders while taking into account the interests of other stakeholders interested in the well-being of an entity as stated in Sanda et al (2005); Central Bank of Nigeria, (2006); Chuku, (2009).

Base on the above conceptual framework, the content and boundaries of CG is differentiated by different views. Others state that, the essence is the exercise of power by shareholders or stakeholders, while for some; it is the formal structure of relationships that involves the control and direction of companies. By this, what is clear from the above definitions is that in directing and controlling the affairs of a company, the board has to ensure that it takes due care of the interests of the various stakeholders of the company. The typical arrangements and processes that constitute a CG system such as board composition and functioning, risk management and auditing are all merely the means to ensure that the corporation act in a manner that is fair, accountable, responsible and transparent to all stakeholders.

2.2.2 Financial performance

Conceptually, financial performance measures a firm's ability to generate profits through the use of its assets. Thus, it's a subjective 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, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Investopedia, 2015). As in Khrawish (2011), these studies has adopted and modify the NIM as the more pragmatic variable for use as proxy for the banks performance in Nigeria and their stock value. This is especially as the samples of DMBs that will be used for the study are quoted companies in Nigerian Stock Exchange (NSE). Khrawish (2011), further stressed that, the ROA, the ROE and the NIM remain preferred measures which should provide reliable result for analysis, but only NIM was adopted since it reflects the cost of intermediation service of the DMBs in Nigeria.

2.2.2.1 Return on asset (ROA)

Brealey and Myer (2003) stated that managers often measure the performance of the firm by the ratio of income to total assets (income is usually defined as earnings before interest but after taxes). This is known as firm's return on assets (ROA) or return on investment (ROI), where the formula will be later employed. By this, Return on asset is an indicator of how profitable a company is relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings, that is, it measures efficiency of the business in using its assets to generate net income. It is a profitability ratio. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment". Return on assets is the ratio of annual net income to average total assets of a business during a financial year. Net income is the after tax income. It can be found on income statement. Average total assets are calculated by dividing the sum of total assets at the beginning and at the end of the financial year by 2. Total assets at the beginning and at the end of the year can be obtained from year ending balance sheets of two consecutive financial years.

2.2.2.2 Return on equity (ROE)

ROE is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the shareholders look in return for their investment. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE the better the company is in terms of profit generation (Brealey& Myer, 2003). It is further explained by Khrawish (2011), that ROE is the ratio of Net Income after Taxes divided by Total Equity Capital. It represents the rate of return earned on the funds invested in the bank by its stockholders. ROE reflects how effectively a bank management is using shareholders' fund. Thus, it can be deduced from the above statement that the better the ROE the more effective the management in utilizing the shareholders capital. Brealey and Myer (2003) further stressed that another measure focused on the return on the firm's equity.

2.2.2.3Net interest margin (NIM)

Gul, Faiza and Khalid (2011) highlighted that NIM is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest earning) assets. Hence, expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period (the average earning assets). The NIM variable is defined as the net interest income divided by total earnings assets. In a study by Khrawish (2011), net interest margin measures the gap between the interest income the bank receives on loans and securities and interest cost of its borrowed funds. Thus, reflects the cost of bank intermediation services and the efficiency of the bank. The higher the net interest margin, the higher the bank's profit and the more stable the bank is. Thus, it is one of the key measures of bank profitability. However, a higher net interest margin could reflect riskier lending practices associated with substantial loan loss provisions.

Some important factors influencing changes in NIMis the effect of credit risk or risk of loan losses on NIM and on interest-rate change effects on NIM as pointed out by Zarruk and Madura (1992), Angbazo (1997), and Wong (1997), cited in Hanweck andRyu (2005). Angbazo(1992) and Wong (1997) hypothesized that NIMshould be positively related to loan losses, arguing that greater credit risk would mean that banks would charge higher premiums. An implication of this hypothesis is that expected increases in credit risk would prompt banks to raise interest-rate markups on the basis of these perceived future loan losses. Although it may be the case in the long run that greater credit risk will lead to higher NIMthrough the pricing of risk, quarterly or short-run changes in the NIMare more likely to respond inversely to increases in credit risk.

In a nutshell, it is expected that financial performance can be determine using the above three (3) ratio analysis approach such that the performance status of each DMBs can be ascertained and measured against corporate governance indices. Thus, the next section attempt to explain the basic principles of CG in the Nigerian banking industry with a view to highlighting the efforts made by the regulatory authorities to ensure that best practice prevails in the industry.

2.2.3Corporate governance and net interest margin (NIM)

Hanweck and Ryu (2005) stressed that to maximize profitability and enhance bank value, bankers attempt to choose a product mix that best fits their perceived markets and managerial expertise, thus gaining a competitive advantage for lending, investing, and raising funds through deposits. For most banks, the choice of market means some degree of specialization in particular product lines and geographic locations. The bank portfolios associated with these various product lines are likely to exhibit different degrees of sensitivity to interest-rate and credit-risk changes. The extent to which bankers can offset adverse interest-rate changes and hedge adverse credit-risk changes will depend on the principal product line of the bank, the flexibility of the portfolio in responding to change, and the cost and availability of hedges for a particular portfolio.

Like Zarruk and Madura (1992), Hanweck andRyu (2005) argue that when faced with higher uncertainty of loan losses—that is, an increase in credit risk of their portfolios—risk-averse bank managers will shift funds to less default-risky, lower-yielding assets over the short-term horizon. In addition, bank examiners will put pressure on banks to reduce their exposure to risky credits when loan quality starts to deteriorate. These supervisory actions imply that a deterioration in loan quality, indicated by rising loan losses or nonperforming loans relative to earning assets, causes banks to lose interest income from these loans and move funds to less default-risky, lower-yielding assets. Both effects tend to decrease *NIM* in the short run, so that decreases in credit quality tend to decrease *NIM*.
Furthermore, Oladejo (2008), opined that some banks' examination reports revealed that many banks were yet to imbibe the ethics of good corporate governance. One of such issues bordering on weak corporate governance had been the prevalence of poor quality of risk assets. Apart from those of other debtors, large non-performing insider-related loans

and advances in some banks had persisted due to the inability of the respective Boards and Management to take appropriate action against such insider debtors. From the various reports reviewed, internal audit functions were, in some banks not given appropriate backing of the Board and Senior Management. As a result, there had been the prevalence of frauds and forgeries in some banks in the system.

Lack of transparency in financial reporting had equally been noted in some banks' examination reports. The Boards of some banks were also noted to be ineffective in their oversight functions as they readily ratified management actions even when such actions could be seen to violate the culture of good corporate governance. Many Board Committees were equally noted to have failed to hold regular meetings to perform their duties. From the forgoing, it is obvious that corporate governance in the system faces enormous challenges which if not addressed could have serious implications for the overall success of the bank consolidation exercise (Craig, 2005). If operators in the banking sector will keep to the rules, as specified by the regulatory agencies and in individual banks‟ policies and transaction procedures all things being equal, financial sector stability could be guaranteed. However, when there is the possibility of flagrant abuse of the ethical and professional demands on operators as evidenced in some failed banks' closing reports and on-site examination reports of some of the banks in operation, the prospect of restoring public confidence in the Nigerian banking system may be difficult to guarantee.

2.2.3.1 Corporate governance and return on equity (ROE)

One accounting based measure of performance in corporate governance research is return generated from the money invested by the shareholders (Epps &Cereola 2008)

2.2.3.2 Corporate governance and return on assets (ROA)

One of the widely on equity (ROE). (Baysinger& Butler, 1985; Dehaene, De Vuyst&Ooghe, 2001;George &Bagshaw, 2014).The primary aim of an organization's operation is to generate profits for the benefit of the investors. Therefore, return on equity is a measure that shows investors the profit

used accounting based measures of corporate governance in literature is the Return on Asset (ROA) (Finkelstein &D'Aveni 1994; Weir, Laing &Mcknight, 2002). It assesses the effectiveness of capital employed and provides a basis in which investors can measure the earnings generated by the firm from its investment in capital assets (Epps and Cereola 2008). The return on assets (ROA) is a measure which shows the amount of earnings that have been generated from invested capital. It is an indication of the number of kobo earned on each naira worth of assets. It allows users, stakeholders and monitoring agencies to assess how well a firm's corporate governance mechanism is in securing and motivating efficient management of the firm (Chagbadari 2011).

2.2.4 Basic principles of corporate governance

Okoi, Stephen and Sani (2014) stressed that for a good and successful practice of corporate governance the world over, its basic and commonly accepted principles must be adhered to. These principles include:

i. Rights and Equitable Treatment of Shareholders

This implies that there are certain fundamental rights of the shareholders which organizations must respect and strictly uphold. Shareholders should equally be allowed to exercise their rights without fear or favour. Organizations are duty bound to give clear interpretation of these rights for better understanding by the shareholders as well as ensuring shareholders' participation in the affairs of the corporation through general meetings.

ii. Interest of Stakeholders:

Corporations are obliged to recognize, in their policies and other aspect of operations, their legitimate stakeholders as having legal and other obligations which should be fulfilled at all time.In general, it has been documented that good corporate governance increases confidence of stakeholders and promote goodwill of the organization (Gompers et al., 2003; Klapper and Love, 2004) as cited in Aminu, Aish and Tanko (2015).

iii. Role and Responsibility of the Board of Directors:

As a matter of fact, board members should be constituted by people and expertise with the required knowledge. Put differently, technocrats of excellent skills and comprehensive understanding should form the board to be able to deal with various business issues in order to review and challenge management performance. The size of the board should be sufficient enough with appropriate level of commitment to fulfill its responsibilities and duties.

iv. Integrity and Ethical Behavior:

This is quite central to the practice of good governance. It involves ethical and responsible decisions making which is necessary in managing risk and avoiding lawsuits. Corporate organizations should evolve a clear cut code of conduct to guide the conduct of their directors and executives. This enhances their sense of duty and consciousness of the interest of all stakeholders.

v. Disclosure and Transparency:

Corporate governance requires high level of accountability; hence organizations should make concerted efforts to publicize the roles and responsibilities of board and management in order to make them accountable to the shareholders. Also, there should be set of procedures to ensure independent verification of the company's financial reporting to safeguard the integrity of the organization. All investors should equally have access to timely and balanced disclosure of materials and factual information concerning the organization.

Thus on a final note, the board has a role in ensuring the strategic guidance of the company, the effective monitoring of management, and be accountable to the corporation and shareholders. By so doing, members of the board should through the followings: maintain the independency of the board; Act properly in the best interest of all stakeholders; Fair treatment of all shareholders, especially in regards to decisions that affect different shareholder groups; and ensure strict compliance with applicable laws.

2.2.4.1 Structure of corporate governance in Nigerian DMBs

Okoi, Stephen and Sani (2014), posited that there are adequate corporate governance laws and regulations in place to promote good corporate governance in Nigerian banking industries. Some of the most important ones include: The Nigeria Deposit Insurance Corporation (NDIC) Act of 1988, the Company and Allied Matters Act (CAMA) of 2014 as amended, the Prudential Guidelines, the Banks and Other Financial Institutions (BOFI) Act of 1991, the Central Bank of Nigeria (CBN) Act of 1991, the CBN Circular and Guidelines and International Financial Reporting Standard (IFRS). The study further stressed that there are some government agencies and non-governmental associations that are in the vanguard of promoting good corporate governance practices in the Nigerian banking sector. These organizations, apart from the CBN and NDIC, include the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE), Corporate Affairs Commission (CAC), Institute of Chartered Accountants of Nigeria (ICAN), Financial Institution Training Centre (FITC), Institute of Directors (IOD) and Chartered Institute of Bankers of Nigeria (CIBN).

With regard to the banking sector, listed banks must comply with the provisions of the Companies and Allied Matters Act (CAMA) 2014 as amended, the Banks and Other Financial Institutions Act (BOFIA) 1991, the Investment and Securities Act (ISA) of 1999, the Nigerian Deposit Insurance Corporation (NDIC) Act of 1988, the CBN Act of 1991, the various prudential guidelines issued by the CBN, the listing requirements of the Nigerian Stock Exchange (NSE) and the Securities and Exchange Commission (SEC) Rules. In 2006, the Central of Bank of Nigeria (CBN) produced the Code of CG (CCG) for banks in Nigeria's post-consolidation era which banks must also abide by (Wilson, 2007). Similarly, accounts are to be prepared in accordance with International Financial Reporting Standard (IFRS) and are to comply with the requirements of the relevant company laws. Each of these statutes imposes strict requirements on a bank to establish or identify, document, test, and monitor the internal control processes.

The main regulators for listed banks are the CBN, the Nigerian Deposit Insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), the Corporate Affairs Commission (CAC) and the National Insurance Commission (NIC) of Nigeria. These bodies often issue some mandatory policy guideline to the companies, as to how and when they should comply with the code of good corporate governance, and failure to adhere to the guidelines will attract a severe sanction, such as the risk of been delisting, the seizure of their operating licenses, as well as court prosecution.

2.2.4.2 Codes of corporate governance (CCG)

In addressing the issue of corporate governance in the financial sector, the Bankers' Committee set up the Sub-Committee on Corporate Governance to make recommendations and propose a draft Code for adoption by financial institutions. This was in realization of the need to amplify the Report of the Peterside Committee on Corporate Governance to address the peculiarities of the financial sector (CBN, 2003).

Following the conclusion of the consolidation programme in 2005, a Code of Corporate Governance for Banks in Nigeria was issued to the banking industry. The Code which became effective in April 2006 was designed to enhance corporate governance practices within the banking industry in view of the fact that governance mechanisms in banks was notably weak and Board members of financial institutions were unaware of their statutory and fiduciary responsibilities, and merely endorsed all proposals of executive management regardless of their implications to the financial condition and going concern status of such institutions. CBN (2006)

In continuation of its efforts at building a robust banking industry, the Central Bank of Nigeria (CBN) issued an Exposure Draft Code for Banks in Nigeria (the Code) in July 2012. There have been mixed reactions from public analysts, commentators, investors and operators. The general consensus is that the review of the existing code is long overdue in view of the significant developments that have taken place in the financial services sector in the recent past. Furthermore, the existing Code appears to have outlived its immediate objective which was the provision of guidance to banks that emerged after the consolidation exercise of 2005, CBN (2012).

However, in introducing the draft code, the Central Bank of Nigeria stated that the essence was to "strengthen governance practices, eliminate perceived ambiguities in, and align the Code with current realities and global best practices". It is in the light of the foregoing that the draft Code proposes to introduce provisions aimed at strengthening the financial services sector. We note that some of the provisions replicate those of the SEC Code of Corporate Governance for Public Companies, an apparent indication of the need to have a unified Code of Corporate Governance, CBN (2014).

However, during the implementation of the code, it was observed that certain provisions could not be implemented by banks in view of their ambiguity and/ or conflict with the provisions of the Companies and Allied Matters Act (CAMA) 1990. Furthermore, in 2009, a joint CBN/NDIC examination that led to the removal of 5 CEOs of banks in the country revealed, amongst others, poor corporate governance practices in the institutions. There was also the need to up-date the code in order to align it with contemporary developments and international best practices, hence the need for the current review CBN (2014).

The Section Two and its Sub-sections of Corporate Governance Codes 2014 spelt out the Responsibilities of the Board and Management of banks and discount houses in Nigeria as follows:

The Board is accountable and responsible for the performance and affairs of the bank. Specifically, and in line with the provisions in the Companies and Allied Matters Act (CAMA) 1990, Directors owe the bank the duty of care and loyalty and to act in the interest of the bank's employees and other stakeholders.

The Board shall define the bank's strategic goals, approve its long and short-term business strategies and monitor their implementation by management.
The Board shall determine the skills, knowledge and experience that members require and work effectively as a team to achieve the bank's objectives.
The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the bank.
The Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the bank, which must comply with the provisions of the CBN's Circular on Harmonization of Job Roles in the Banking Industry.
The Board shall ensure that a succession plan is in place for the CEO, other executive Directors and top management staff.
The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place. There shall be no exception for such large transactions.
Members of the Board are severally and jointly liable for the activities of the bank.The Board shall ensure strict adherence to the Code of Conduct for bank Directors.

The aspect of Size and Composition of Board based on Corporate Governance Codes (2014):
The size of the Board of any bank or discount house shall be limited to a minimum of five (5) and a maximum of twenty
Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in business and financial matters, in accordance with the extant CBN Guidelines on Fit and Proper Persons Regime.
The Board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than that of Executive Directors.
The Board of banks shall have at least two (2) Non-Executive Directors as Independent Directors while that of discount houses shall have at least one (1) as defined in the CBN guidelines on the Appointment of Independent Directors

The aspect of Separation of Powers of Board based on Corporate Governance Codes (2014):

The positions of the Board Chairman and the Managing Director/Chief Executive Officer (MD/CEO) shall be separate. No one person shall combine the two positions in any bank at the same time. For the avoidance of doubt, no executive Vice Chairman shall be recognized in the Board structure.

Where the bank is a member of a holding company, not more than two extended family members shall be allowed to serve on the Boards of the bank and the holding company.

No two members of the same extended family shall occupy the positions of Chairman and MD/CEO or Executive Director of the bank and Chairman or MD/CEO of a bank's subsidiary at the same time.

The aspect of Appointment and Tenure Board member based on Corporate Governance Codes (2014):

Procedure for appointment to the Board shall be formal, transparent and documented.Existing CBN guidelines on appointment to the Board of financial institutions shall continue to be applied.

To ensure continuity and injection of fresh ideas, Non-Executive Directors of banks shall serve for a maximum of three (3) terms of four (4) years each.

Track record of appointees shall be an additional eligibility requirement. Such records shall cover both integrity and past performance, in accordance with the extant CBN Guidelines on Fit and Proper Persons Regime.

The tenure of the CEO of a bank shall be in accordance with the terms of engagement with the bank but subject to a maximum period of ten (10) years. Such tenure may be broken down into periods not exceeding five (5) years at a time. Such a CEO shall not be eligible for appointment in that capacity in the bank or its subsidiaries.

No Director, either Executive or Non-Executive, shall be allowed to serve on the Boards of a bank and a holding company within a Group at the same time.

To enhance the effectiveness of Directors, the bank shall allow Directors access to corporate information under conditions of confidentiality; provide training and continuing education arrangements and facilitate access to independent professional advice.

The aspect of Board Committees based on Corporate Governance Codes (2014):

The Board shall establish at a minimum the following Committees:i) A Committee responsible for the oversight of Risk Management and Audit functions. These functions may be carried out by one committee, particularly in small institutions. This is without prejudice to the requirements of CAMA on the Statutory Audit Committee which is not a board committee.The Chief Risk Officer and Chief Internal Auditor must report directly to Risk Management and Board Audit Committees respectively.ii) Board Governance and Nominations Committee. All Board Committees must have a charter which must be submitted to the CBN for approval.The Chairman of the Board shall not be a member/chairman of any Board Committee.Board Committees shall be headed by Non-Executive Directors.

The Board Audit Committee (BAC) shall have unlimited access to the financial records of the bank including external auditors' reports.

The aspect of Board Meetings based on Corporate Governance Codes (2014):

To effectively perform its oversight function and monitor management's performance, the Board shall meet at least once a quarter.

Every Director is required to attend all meetings of the Board and Board Committees. In order to qualify for re-election, a Director must have attended at least two-thirds of all Board and Board Committee meetings.

The Board shall disclose, in the Corporate Governance Section of the Annual Report, the total number of Board meetings held in the financial year and attendance by each Director.

The aspect of Remuneration Board based on Corporate Governance Codes (2014):

Banks shall align executive and Board remuneration with the long term interests of the bank and its shareholders.

Levels of remuneration shall be sufficient to attract, retain and motivate executive officers of the bank and this shall be balanced against the bank's interest in not paying excessive remuneration.

Where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

Every bank shall have a remuneration policy put in place by the Board of Directors, which shall be disclosed to the shareholders in the annual report.

A Committee of Non-Executive Directors shall determine the remuneration of executive Directors. Executive Directors shall not receive sitting allowances and Directors' fees.

Non-Executive Directors' (Non-EDs) remuneration shall be limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses. Non-EDs shall not receive benefits, salaries, etc, whether in cash or in kind, other than those mentioned above.

Where stock options are adopted as part of executive remuneration or compensation, the Board shall ensure that they are not priced at a discount except with the authorization of the relevant regulatory agencies.

Share options shall be tied to performance and subject to the approval of the shareholders at AGMs.

Share options shall not be exercisable until one year after the expiration of the tenure of the Director.

Banks shall disclose in their annual reports, details of the shares held by Directors and their related parties.

Where there is a Remuneration Committee in addition to the three Committees prescribed in Section 2.5.1, the membership shall comprise Non- EDs only while the Board Governance and Nomination Committee shall have a combination of Executive

The section three as well as its subsections of the Corporate Governance Codes explained the aspect of Rights and Functions of Shareholders:

Shareholders shall have the right to obtain relevant and material information from the bank on a timely and regular basis. Shareholders shall have the right to participate actively and vote in general meetings.

In addition to the traditional means of communication, banks shall have a website and are encouraged to communicate with shareholders via the website. Such information shall include major developments in the bank, risk management practices, executive compensation, local and offshore branch expansion, establishment of investment in subsidiaries and associates, Board and top management appointments, sustainability initiatives and practices, etc.

Equity Ownership:An equity holding of 5% and above by any investor shall be subject to CBN's prior approval. Where such shares are acquired through the capital market, the bank shall apply for a no objection letter from the CBN immediately after the acquisition.

In order to discourage government(s) from having majority shareholding in banks, government(s) direct and indirect equity holding in any bank shall be limited to 10%.

Protection of Shareholders' Rights:Every shareholder shall be treated fairly.The Board shall ensure that minority shareholders are adequately protected from overbearing influence of controlling shareholders.The Board shall ensure that the bank promptly provides to shareholders documentary evidence of ownership interest in the bank such as share certificates, dividend warrants and related instruments. Where these are rendered electronically, the Board shall ensure that they are sent in a secure manner.

Meetings: Notice of general meetings shall be as prescribed by the Companies and Allied Matters Act (CAMA) 1990. The Board shall ensure that the venue of a general meeting shall be convenient and easily accessible to the majority of shareholders. The Board shall ensure that unrelated issues for consideration are not lumped together at general meetings. Statutory business shall be clearly and separately set out. Separate resolutions shall be proposed and voted on each substantial issue. The Board shall ensure that decisions reached at general meetings are properly and fully implemented.

Shareholders' Associations: The Board shall ensure that dealings of the bank with shareholders' associations are in strict adherence with the Code for Shareholders' Associations published by the Securities and Exchange Commission. Where a bank is not listed, its dealings with the Association shall be transparent and in line with the relevant governance codes.

The Rights of other Stakeholders based on Corporate Governance Codes (2014):

Stakeholders shall be able to freely communicate their concerns about illegal or unethical practices to the Board. Where such concerns border on the activities of the Board, such individuals shall have recourse to CBN in accordance with Section 3.4 of the provisions of the Whistle Blowing Guidelines.

Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

Banks shall demonstrate good sense of corporate social responsibility to their stakeholders such as customers, employees, host communities, and the general public.

The Rights of other Stakeholders:

Stakeholders shall be able to freely communicate their concerns about illegal or unethical practices to the Board.

Where such concerns border on the activities of the Board, such individuals shall have recourse to CBN in accordance with Section 3.4 of the provisions of the Whistle Blowing Guidelines.

Where stakeholder interests are protected by law, stakeholders shall have the opportunity to obtain effective redress for violation of their rights.

Banks shall demonstrate good sense of corporate social responsibility to their stakeholders such as customers, employees, host communities, and the general public.

The aspect of Disclosure and Transparency based on Corporate Governance Codes (2014):

In order to foster good corporate governance, banks are encouraged to make robust disclosures beyond the statutory requirements in BOFIA 1991 as amended, CAMA 1990 and other applicable laws. Disclosure in the annual report shall include, but not limited to, material information on:

(a) Major items that have been estimated in accordance with applicable accounting and auditing standards. (b) Rationale for all material estimates; (c) Details on Directors.

Therefore, from the preceding discussions, it can be deduced that the codes of CG was institutes in 2003 and subsequently reviewed in 2006, 2012 and 2014 respectively; all in an effort to provides a clear guidelines on all aspects of governance. This is to enhance Corporate Governance practices for banks in Nigeria as well as to meet up with the global best practices.

2.2.4.3 Challenges in financial performance of DMBs in Nigeria.

As observed in CBN Publication (2006), it is quite unfortunate; there have been various challenges in the process of implementing these codes. This is evident worldwide and the Nigerian experience was aptly summarized by the Central Bank in its Codes of Corporate Governance for Banks in Nigeria Post Consolidation. The challenges identified are not, as observed limited to the banking sector alone. They cut across other financial institutions and business corporations in general. Some of these challenges are: technical incompetence of board and management, boardroom squabbles and relationship among directors, squabbles arising from knowledge gaps and relationship between management and staff, increased level of risks, ineffective integration of entities, poor integration and development of Information Technology Systems, accounting systems and records.

Similarly, other challenges are: inadequate management capacity, insider-related lending/ abuse, rendition of false returns, continued concealments, ineffective board/statutory audit committee, inadequate operational and financial controls, absence of a robust risk management system, discriminatory disposal of surplus assets, and non-transparency as well as inadequate disclosure of information (CBN, 2006).

Aside the structural challenges that confront the Nigerian business environment like epileptic power supply, expensive and ineffective communication system, bad road network, general insecurity, unstable polity and ineffective / ill-informed policies, ethnic bigotry and so on; the challenges summarized above as contained in the CBN code of corporate governance are more internal and directly related to the business corporations in general and can best be tackled within the ambit of the key players of corporate governance.

The contribution of the government at the macro level cannot be ruled out as most of the usual challenges of Nigerian business environment have overbearing effects on Business Corporation and the role of the government at all levels to improve the situation is inextricably essential.

2.2.4.4 Corporate governance and its regulatory framework

The regulatory framework of corporate governance is a global phenomenon. Researches show that while there are universal codes for regulating the practice of corporate governance, there exist other national codes based on local needs and the unique characteristics of each country. Importantly, regardless whether it is global or national, the regulatory framework of corporate governance can be viewed from two broad perspectives viz: voluntary and mandatory. Stressing this point, Wilson (2006) observes:

In Nigeria, as in most developed countries, observance of the principles of corporate governance has been secured through a combination of voluntary and mandatory mechanisms.

In 2003, the Atedo Peterside Committee set up by the Security and Exchange Commission (SEC), developed a Code of Best Practice of Public Companies in Nigeria. The code is voluntary and is designed to entrench good business practices and standards for board of directors, auditors, and CEOs of listed companies including banks.

He goes further that Mandatory corporate governance provisions relating to banks are contained in the Companies and Allied Matters Acts (CAMA) 1990, the Banks and other Institutions Acts (BOFIA) 1991, the Investment and Securities Acts (ISA) 1999, the Security and Exchange Acts (SECA) 1988.And only recently the Central Bank of Nigeria issued a code of conduct for Directors of licensed Banks and Financial Institutions. However, with special preference to Nigeria, all the existing codes and laws which entrust the Corporate Affairs Commission (CAC), Security and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) with the responsibility of regulating corporate governance reflect some of the key elements OECD and other global codes. These are stated below: Separating the roles of the CEO from those of the board chairman, prescription of non-executive and executive directors on the board, improving the quality and performance of board membership, introducing merit on criteria to hold top management positions, introducing transparency, due process and disclosure requirements, transparency on financial and non-financial reporting, protection of shareholders rights and privileges and, defining the composition, role and duties of the audit committee (Wilson 2006).

2.2.4.5 Corporate governance mechanism and organizational performance

According to the Asian Development Bank (1997), Dallas (2004), Nam & Nam (2004) and Kashif (2008) as cited in Ranti (2011), various instruments are used in financial markets to improve corporate governance and the value of a firm. Economic and financial theory suggests that the instruments mentioned below affect the value of a firm in developing and developed financial markets. These instruments and their role are as follows:

2.2.4.5.1 Role of auditor

The role of auditor is important in implementing corporate governance principles and improving the value of a firm, by enforcing compliance through periodic review of all operations. The principles of corporate governance suggest that auditors should work independently and perform their duties with professional care. In case of any financial manipulation, the auditors are held accountable for their actions as the availability of transparent financial information reduces the information asymmetry and improves the value of a firm (Bhagat & Jefferis, 2002). However, in developing markets auditors do not improve the value of a firm. They manipulate the financial reports of the firms and serve the interests of the majority shareholders further disadvantaging the minority shareholders. The weak corporate law and different accounting standards also deteriorate the performance of the auditors and create financial instability in the developing market (Weir et al 2002). However, a study by Sunday (2008) studied the relationship between Audit Committee composition and firm performance by using a sample of 20 non-financial listed companies in Nigeria, and he could not provide a significant association between them. These researches intend to look at same scenario in the DMBs in Nigeria.

2.2.4.5.2Audit committee and corporate governance

Auditor's independence is cornerstone for auditors and crucial element in corporate reporting process and key prerequisite which adds value to audited financial statements (Ping, Elizabeth & Roger, 2011). Helen and Arnold (2011) emphasised on audit committee strength which can have big impact on audit process and internal control. However, Jeffrey, Lisa, Genesh and Arnold (2011) stressed that audit committee independence is significant in ensuring the integrity of the financial reporting process. This is because management may tend to manipulate the accounts for their self-interest, whereas an independent audit committee is the one which can ensure the fairness of the financial reporting. Companies are required to prepare financial statements, and have these financial statements audited and obtain an auditor's report (Sec. 357 (1) CAMA, 1990).

Specifically, the function of an auditor is to conduct an audit on the financial affairs of the company and ascertain if the financial statement provided by the company complies with relevant legal requirements and accounting principles and gives a true and accurate account of the company's financial affairs. Auditors do not prepare company's financial statement. Their role is one of checking or verifying. The promotion of audit committees by the Cadbury Committee (1992) is premised on the assumption that audit committees are effective at remedying some of the deficiencies in corporate governance systems. "Auditors play a significant role in corporate governance. This is not surprising given the emphasis placed on integrity and on the need for financial reporting that is honest and that presents a balanced picture of the state of the company affairs. The ultimate objective of audit committee and corporate governance is to ensure that financial statements reflect the true financial position of companies. This will enable potential investors to make sound investment decisions based on the financial statements reflecting the true financial position of companies. However, this will not ensure that companies do not collapse in future but, it should, it is hoped, ensure that the signs of a collapse are detected as early as possible.

2.2.4.5.3 Audit committee in Nigeria

In recommending that all listed companies should establish an audit committee, the Cadbury Committee (1992) followed the US National Commission on Fraudulent

Financial Reporting (Treadway Commission, 1987) and the Canadian Macdonald Commission (1988). In Nigeria, audit committee was a child of the Companies and Allied Matters Act (CAMA, 1990). In addition to providing an audit report to the members, the auditor shall in the case of public company also make a report to an audit committee which shall be established by the public company (section 359 (3), CAMA, 1990)

2.2.4.5.4 Composition of audit committee

According to Klein (2006) the AC may consist of independent and dependent directors, but she considers the AC as an independent committee if the majority of the members (more than 51%) are independent. It could be costly for the firms to obtain an AC consisting of only independent members. Thus, using the Klein's proposal that is the majority of the AC should be independent may be desirable alternative to many companies in order to reduce the cost.

Also, the audit committee shall consist of an equal number of directors and representatives of the shareholders of the company (subject to a maximum number of six members) and shall examine the auditor's report and make recommendations thereon to the annual general meeting as it may think fit. Provided, however, that such member of the audit committee shall not be entitled to remuneration and shall be subject to re-election annually. Any member may nominate a shareholder as a member of the audit committee by giving notice in writing of such nomination to the secretary of the company at least twenty-one days before the annual general meeting (SEC 359 (4-5), CAMA, 1990).

2.2.4.5.5 Criteria for audit committee composition

The dimension of audit committee effectiveness is the frequency of its meetings. Abbott, Park, &Parter (2002) reported that companies whose audit committees meet at least twice per year are less likely to be sanctioned for fraudulent or misleading reporting. Moreover, McMullen &Raghunandan (1996) and Song &Windram (2004) found that companies with less frequent audit committee meetings had more reporting problems. In addition, Beasley, Carcello, Hermanson&Lapides (2000) examined the link between the number of audit committee meetings and the probability of having fraud financial reports in the technology and health-care industries. Their results indicated that while fraud companies generally held one meeting per year, non-fraud companies met two or three times a year. For a committee with normal activities, in addition to an annual meeting with the board of directors there should be at least four meetings each year (Saudi Arabian Monetary Agency 1994). Best practices of audit committee performing corporate governance proposed by Blue Ribbon Committee (1999), KPMG (1999), and Cadbury Committee (1992) suggested three or four meetings per year. However, without providing any justification for its selection, the Blue Ribbon Committee used two audit committee meetings as the criterion in determining the active audit committee.

In addition, rotation of audit committee members can provide a practical way to refresh and introduce new perspectives to audit committee processes (KPMG 2013). Further, another aspect in relation to the composition of audit committee is that the members are chosen by shareholders. As such, there are two main channels of communication between the audit committee and shareholders; the written report which forms part of the published financial statements, and the annual general meeting, at which the audit committee chairperson is generally available to answer questions (KPMG 2013).

Okoi, Stephen and Sani (2014) however criticized that the current situation in Nigeria is that the composition of the audit committee is skewed in favour of management. The committee should therefore be expanded with shareholders having more representation. The power of the board to nominate 50 percent of the membership of audit committee should be reviewed. He further opined that the Board should appoint only 30 percent while the shareholders will appoint 70 percent inclusive of the chairman.

2.2.4.5.6 Board independence

Arpinder, Baldava, Aggarwal and Vaidya (2012) stressed that the concept of the institution of independent directors (ID) is simple. They are expected to be independent from the management and act as the trustees of shareholders. This implies that they are obligated to be fully aware of and question the conduct of organizations on relevant issues. The appointment and functioning of IDs is the part of a larger scheme to bring about more accountability into the working of organizations. The fundamental purpose for the appointment of IDs is to ensure impartiality. However, in many organizations, the criteria for selecting IDs continues to be adhoc and individuals typically known to the promoters are often appointed as IDs on board to ensure minimum interference by them. A new trend is the practice of having celebrities on boards to add the glamour quotient to organizations. However, such directors may not know much about the business (Arpinder et al., 2012).

According to Ogbulu and Emini (2012), an effective corporate governance decentralizes powers and creates room for checks and balances which most times ensures that managers invest in positive net present value projects thus helping the relationship between management and shareholders to be characterized by transparency and fairness… The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly state the division of responsibilities among different supervisory, regulatory and enforcement authorities.

Non-executive directors (NEDs) are not employees of the company and are not involved in its day-to-day running. They usually have full-time jobs elsewhere, or may sometimes be prominent individuals from public life. The non-executive directors usually receive a flat fee for their services, and are engaged under a contract for service (civil contract, similar to that used to hire a consultant). NEDs should provide a balancing influence and help to minimise conflicts of interest.

The Higgs Report, published in 2003, summarised their role as: to contribute to the strategic plan, to scrutinise the performance of the executive directors, to provide an external perspective on risk management and to deal with people issues, such as the future shape of the board and resolution of conflicts.

Westphal (1998) states that majority of non-executive directors should be independent. Factors to be considered in assessing their independence include their business, financial and other commitments, other shareholdings and directorships and involvement in businesses connected to the company. However, holding shares in the company does not necessarily compromise independence. Non-executive directors should have high ethical standards and act with integrity and probity. They should support the executive team and monitor its conduct, demonstrating a willingness to listen, question, debate and challenge.
It is now recognized as best practice that a public company should have more non-executive directors than executive directors. Thus, board of directors of any corporation should predominantly comprise outside directors, with a presumed independence from management. Longstanding calls for board reform have emphasized specific changes in board structure thought to increase the board's ability to exercise control. Such changes include in- creasing the presence of outside or non-employee directors on the board, allocating board leadership to someone other than the chief executive officer (CEO),

increasing demo- graphic diversity on the board, and selecting directors who lack social or other ties to the CEO (Westphal, 1998). In recent years, several of these changes, including increases in the number of outsiders and changes in board leadership structure, appear to have spread somewhat among large companies.

Most companies identify their directors in terms of “executive” and “non-executive” directors. Subsequently, studies examining the independence of directors have found it very difficult to compare one company’s definition of director independence to other companies. For example, previous studies have avoided the word “independence” by using “outside directors” to describe directors who are presumed to be independent from management (Ajinkya, Bhojraj & Sengupta, 2005), or simply consider potential differences between “non-executive” and “executive” directors
Director’s independence when he/she is independent from CEO of the corporation. Notwithstanding the lack of consensus on the definition of outside or independent directors, it is still perhaps the most “recommended” practice of good corporate governance that corporations should, in an effort to enhance the effectiveness of the board, constitute a BOD with a majority of outside directors. This is with a presumption that they can make a positive contribution to the board’s monitoring responsibilities (Brennan & McDermott, 2004; Park & Shin, 2003).

The CCG 2006, inter alia, emphasize on the need for board independence to ensure transparency and accountability of management. Hence, the CCG2006 recommends that independent non-executive directors make up at least one-third of the board memberships. The effective independence board remains important in corporate governance.

Apadore and Zainol (2014), has documented that a majority of independent non-executive directors among the board of directors constitute to board independence. Furthermore, independent non-executive director play a major role in overseeing the financial performance of the company as well as assisting the company in terms of long-run strategy development, risk management and remuneration planning. However, he documented that agency theory argues that a larger proportion of independent non-executive directors in the board will eventually promote a better firm performance. Hence a study conducted by Mashayekhi and Bazaz (2008), which looked into the relationship between corporate governance and firm performance among companies listed under Tehran Stock Exchange (TSE) in Iran, found there is a positive relationship.

Furthermore, Shukeri, Shin andShaari, (2012) has investigated the relationship between board independence and corporate performance and found there are negative associations. In summation, a survey conducted by Abdullah, 2004; Ponnu,2008 ; Ponnu and arthigeyan (2010) on the relationship between board independence and corporate governance among public listed companies in Malaysia found there is no significant relationship.

2.2.4.5.7 Board's ownership

Available literature regarding the effect of board ownership on Financial Performance presents two competing arguments namely the interest alignment and the entrenchment effects.

The first argument (interest alignment) suggests that increasing board ownership creates a convergence of owner and manager interests, thus resulting in a positive impact on Financial Performance. Jensen and Meckling (1976) stressed that the greater the percentage of stocks owned by top managers, the more likely they will make decisions consistent with maximizing stockholders' wealth since that will maximize their own wealth. Therefore, board ownership serves as an important means of controlling agency problems.

Studies in Japan (Morck, Nakamura & Shivdasani, 2000; Hiraki, Inoue, Ito, Kuroki & Masuda., 2003; Chen, Cheung, Stouraitis& Wong 2005) as cited in Abdelmohsen and Mousa (2012) reported a positive relationship between board ownership and Financial Performance supporting the argument that as ownership increases, there is greater alignment of managerial interests with stockholders of Japanese firms. For instance, Morck et al. (1988) examined the relation between board ownership and Financial Performance (as measured by Tobin's Q) for large 371 US firms (Fortune 500 firms) in a 1980. They reported a significant non-linear relationship (the form of U shape). For instance, a positive and significant relationship of board ownership between 0% and 5%; a negative and significant relationship between 5% and 25%; and a positive and significant relationship between 25% and 100%. Similarly, Hiraki et al. (2003) provided evidence that board ownership is positively related to the value of Japanese manufacturing companies.

Furthermore, McConnell and Servaes (1990) used Tobin's Q and reported a significant positive influence of board ownership, at least at the lower levels of ownership, which supported a curvilinear relationship between board ownership and Financial Performance. They considered the impact of both board ownership and ownership concentration on Financial Performance in two different cross-sectional samples, one for 1976 and the other for 1986. The authors examined piece-wise regressions using the same breakpoints as Morck et al. (1988) 5 and 25%.

The results showed a strong positive significant coefficient in the range of 0–5% and a less strong positive significant coefficient within the 5–25% range of board ownership. However, the coefficient beyond 25% board ownership was negative but not significant.
Chung and Pruitt (1996) recognized that Financial Performance (measured by the firm's Tobin's Q), executive stock ownership and executive compensation are jointly determined, because stock ownership and compensation are both mechanisms by which executives are bonded in order to act in the best interests of the shareholders. The authors found a strong positive correlation between CEO ownership and Financial Performance. Cole and Mehran (1998) investigated the relationship between ownership structure and FP, using a sample of 94 thrift institutions that converted from mutual to stock ownership between 1983 and 1987. The authors found a significant increase in the percentage of the firm owned by the largest inside stockholder, and a significant improvement in Financial Performance after the increase in board ownership.

On the other hand, the second argument (the entrenchment effect) suggests that high proportions of board ownership have an adverse influence on Financial Performance. This argument suggests that no significant positive association exists between board ownership and Financial Performance. Accordingly, there is a negative or non-existent relationship between board ownership and FP (e.g., Demsetz and Lehn, 1985; Cho, 1998; Ng, 2005). For instance, Demsetz (1983) argued that the increase in the level of board ownership can reduce FP. Managers who control a substantial fraction of shares can have enough voting power to guarantee their own stable employment in the firm. Thus, these managers can indulge in their own benefits rather than shareholder value via the large proportion of board ownership. This argument suggests that a high range of board ownership has a negative, non-linear effect on Financial Performance (see for example, Fama and Jensen; 1983; Demsetz, 1983; Villalonga and Amit, 2006). Explanation of this argument is provided by Fama and Jensen (1983) who pointed out that significant board ownership can create additional costs. Despite a lack of personal incentives, market discipline can force managers to pursue shareholder value maximization. In contrast, when managers own a substantial fraction of firm shares, which gives them substantial voting power, they may satisfy their position without endangering their employment or salary. Thus, excessive board ownership may have a negative impact on Financial Performance. Chen et al. (2005) provided evidence of poor alignment between managerial incentives and shareholder interests at low levels of family ownership, and evidence of managerial entrenchment at higher levels of family ownership using a sample of 412 publicly listed firms in Hong Kong during 1995–1998.

Also, Hermalin and Weisbach (1988) investigated the effect of board ownership and board composition on firm performance. They reported a significant non-monotonic relation between different levels of board ownership and firm performance, for instance, a positive relation between 0% and 1%; a decreasing relation between 1% and 5%; an increasing relation between 5% and 20%; and decreasing beyond 20%. Demsetz and Villalonga (2001) examined the relation between the ownership structure and the performance of corporations in 223 US firms by examining two dimensions of this structure likely to represent conflicting interests, the fraction of shares owned by management and the fraction of shares owned by the five largest shareholding interests. They found no statistically significant relation between board ownership and Financial Performance.

On the other hand, the literature on examining the relationship between ownership structure and firm performance presents a critical question regarding ownership structures causing changes in Financial Performance or Financial Performance leading to changes in ownership structure? Potential endogeneity suggests the possibility that performance is as likely to affect ownership structure as ownership structure is to affect Financial performance. A number of studies (Demsetz, 1983; Fama and Jensen, 1983) argued that endogeneity is an important issue to consider and supported the possibility of an endogeneity issue in relation to ownership structure and FP (Demsetz and Lehn, 1985 and Drakos and Bekiris, 2010). For instance, Demsetz and Lehn (1985) argued that ownership structure should be regarded as an endogenous outcome of shareholder's decisions and market trading. This endogeneity, among other factors, by Financial performance itself, must be taken into account when seeking to ascertain the relation between ownership and performance (Demsetz and Villalonga, 2001). Drakos and Bekiris (2010) investigated the relationship between board ownership and Financial Performance using a sample of 146 firms listed in the Athens Stock Exchange between 2000 and 2004. The main findings indicated that when board ownership is treated as endogenous, managerial ownership has a positive impact on Financial Performance. In contrast, in Korea, Cho (1998) examined whether ownership structure affects investment which, in turn, affects firm'sfinancial performance using a sample of 326 Fortune 500 manufacturing firms in 1991. The results reported that there is a significant relationship between board ownership and investment but has a non–linear relation. The relation between board ownership and investment is positive for ownership levels below 7%, negative for the levels between 7% and 38%, and positive for levels above 38%.

2.2.4.5.8 Role of board of directors' composition

The board of directors can play an important role in improving corporate governance and the value of a firm (Hanrahan, Ramsay & Stapledon, 2001). The value of a firm is also improved when the board performs its fiduciary duties such as monitoring the activities of management and selecting the staff for a firm. The board can also appoint and monitor the performance of an independent auditor to improve the value of a firm. The board of directors can resolve internal conflicts and decrease the agency cost in a firm. The members of a board should also be accountable to the shareholders for their decisions as argued by Vance (1983); Anderson and Anthony (1986); Nikomborirak (2001) ; Tomasic, Pentony andBottomley (2003). The board consists of two types of directors; outsider (independent) and insider directors. The majority of directors in a board should be independent to make rational decisions and create value for the shareholders. The role of independent directors is important to improve the value of a firm as they can monitor the firm and can force the managers to take unbiased decisions. The independent directors can also play a role of a referee and implement the principles of corporate governance that protect the rights of shareholders (Bhagat & Jefferis, 2002; Tomasic, et al 2003).

Similarly, internal directors are also important in safeguarding the interests of shareholders. They provide the shareholders with important financial information, which will decrease the information asymmetry between managers and shareholders as argued by Bhagat& Black (1999) and Bhagat&Jefferis(2002). The board size should be chosen with the optimal combination of inside and outside directors for the value creation of the investors. The boards of directors in the developing market are unlikely to improve the value of a firm, as the weak judiciary and regulatory authority in this market enables the directors to be involved in biased decision-making that serves the interests of the majority shareholders and the politicians providing a disadvantage to the firm (Asian Development Bank, 1997).

2.3 Review of Empirical Studies

This section of literature review concentrates on previous studies that have been conducted in relation to this study. There were mixed results concluded by previous studies pertaining to the relationship between corporate governance mechanisms and firms' financial performance. The important empirical studies are summarized below in this section.

Kajola (2008), in his research on corporate governance and firm performance: the case study of Nigerian listed firms examined the relationship between four corporate governance mechanisms which included BS, BC, CEO status and Audit Committee (AC) to firm performances. Measure ROE and Profit Margin (PM) were used to assess performance of the firm. A sample of 20 Nigerian listed firms from 2000 to 2006 was selected, while panel methodology and Ordinary Least Square method of estimation were used. The results provided evidence of positive significant relationship between ROE and BS as well as Chief Executive Staff. However, the study could not provide a significant relationship between the two performance measures with BC and AC. The data used for the study were derived from audited financial statements of firms listed on the Nigerian stock exchange (NSE). A total of 20 nonfinancial firms were selected using the combination of non-probability sampling and stratified random sampling techniques.

Also, Chienjien (2010), in his researched works; identified four Board Characteristics (BC), such as Board Composition (BC), Board Size (BS), Board Ownership (BO), Chief Executive Officer (CEO) duality as possibly having an impact on corporate financial performance and these characteristic are said to be independent variables. The Ordinary Least Square test (OLS) regression was used to estimate the relationship between corporate performance measures and the independent variables. Findings from the study showed a strong positive association between director's stock holding and firms' performance in Corporate Governance principles application. However, a negative association was observed between Return On Equity (ROE) and CEO duality. The study suggest that large board size should be encouraged and the composition of outside directors as members of the board should be sustained and improved upon to enhance corporate financial performance. The study used a survey research design; population of the study is made up of companies listed on the floor of the Nigerian stock exchange. A sample of 30 quoted companies for the period of 2007 year end was used. The information relating to firm performance based on ROE, Return on Capital Employed (ROCE) and BC was collected from the company's annual reports.

Oghojafor, Olayemi, Okonji and Okolie (2010), examine poor corporate governance and its consequences on the Nigerian Banking Sector. The study used structured questionnaires to elicit responses from one hundred and twenty (120) respondents consisting of investment analysts, financial experts, banks' employees, shareholders and customers among others. Using chi-square, the study confirmed that poor governance culture and supervisory laxities were majorly responsible for the current banking crisis. The study concludes that Central Bank of Nigeria (CBN) supervisory officials are judged to lack integrity and boldness in carrying out their oversight functions; the officials are known to have compromised in issuing clean bills of health in their bank examination report.

Moreover, Tanko andKolawole (2010), in their study "Corporate Governance and firms performance in Nigeria, used secondary data based on financial statements of companies from chosen samples, which were randomly selected from companies registered in the stock exchange list. ROE, Net Profit Margin (NPM), Sales Growth (SG), Dividend Yield (DY) and Stock Prices as key variables were used to define the performance of the firm. On the other hand, Corporate Governance was measured based on board independence, board size, and audit independence, ownership of the company and progressive practices of the company. The study found that averages of 30 percent of board members are outsiders which suggest that these boards are relatively not independent. They therefore show weak relationship in that direction. The study concludes that the more the outsiders there are on a company's board, the better the performance in terms of Return on equity. The study also recommends the composition of directors to be more of outsiders as there is a relationship between the compositions of directors to the performance of firm. To avoid duality issues, the study suggested that the positions of CEO and the Board Chairman be separated. These are methods employed by a firm to solve Corporate Governance problems based on political power, economic might and legal institutions operational in a country.

Aldamen, Duncan, Kelly, McNamara, and Nagel (2011) conducted a study on the effect of audit committee characteristics and firm performance during the global financial crisis. The researchers used logit model analysis with a sample of 120 firms listed on the S&P300 during the period of 2008 and 2009. The study revealed that smaller audit committees with more experience and financial expertise are more likely to be associated with positive firm performance in the market. It also found that longer serving chairs of audit committees negatively impacts accounting performance. However, accounting performance is positively impacted where audit committees include block holder representation, the chair of the board, whose members have more external directorships and whose chair has more years of managerial experience.

Adusei (2011) investigated the relationship between board structure and bank performance with panel data from the banking industry in Ghana by implementing estimation method of regression is pooled OLS. A total sample of 17 out of 26 universal banks was used in the study in this study. The researcher used return on asset and cost income ratio as dependent variable of the study and board size and board independence as independent variable of the study. In addition to this the researcher incorporated bank age, bank size, funds, and ownership structure and listing status as a control variable of this study. The study found that as the size of a bank's board of directors decreases its profitability increases. In addition to this board independence has a negative, but statistically insignificant correlation with bank profitability. No significant relationship between the size of a bank and its financial performance has been found. He recommended that banks seeking some improvement in their performance should constitute small sized boards of directors composed of few independent directors.

Similarly, Ranti (2011), examined the relationships that exist between governance mechanisms and financial performance in the Nigerian consolidated banks. And also to find out if there is any significant relationship between the level of corporate governance disclosure index among Nigerian banks and their performance. The study covers these banks‟ activities during the post consolidation period i.e. 2006-2008. The Pearson

Correlation and the regression analysis were used to find out whether there is a relationship between the corporate governance variables and firm's performance. The study therefore observed that a negative but significant relationship exists between board size, board composition and the financial performance of these banks, while a positive and significant relationship was also noticed between director's equity interest, level of governance disclosure and performance. Furthermore, the t- test result indicated that while a significant difference was observed in the profitability of the healthy banks and the rescued banks, no difference was seen in the profitability of banks with foreign directors and that of banks without foreign directors. The study therefore concludes that there is no uniformity in the disclosure of corporate governance practices by the banks.

Similarly, Nwinee and Torbira (2012), investigates the effect of corporate governance indicators on the financial performance of public listed deposit money banks in Nigeria. The study sampled twenty one (21) consolidated deposit money banks listed on the Nigerian stock exchange over a five-year period covering 2005—2009. Two (2) corporate governance-bank performance models patterned after multivariate regression and partial adjustment models of linear formations were constructed while they tested two hypotheses using the ordinary least square method and co-integration test. The short run OLS test result revealed that corporate governance index has a positive relationship with earnings per share and a negative relationship with net profit margin. The result of the co-integration test reveals that there exist a long run relationship between corporate governance and bank financial performance. Hence, the study concludes that the financial performance behaviour of deposit money banks in response to corporate governance code is mixed and follows the precepts of economic rationality.

Ferede (2012) investigates the impact of corporate governance mechanisms on firms' financial performance using five years data from the year 2007 to 2011 with a sample of eight Ethiopian commercial banks. Three financial performance indicators such as return on asset, return on equity and net interest margin were used. Corporate governance mechanisms considered in this study include board size, board gender diversity, board members educational qualification, board members business management and industry specific experience, and audit committee size. The study controls the effect of size, leverage and growth of banks. The regression results show that large size board and audit committee negatively influences financial performance; whereas board members educational qualification positively associated with financial performance. While industry specific experience of director positively related with return on asset but it has a negative effect on net interest margin. Finally, the percentage of female directors and board members business management experience does not have a significant effect. In general, the findings suggest that banks with effective corporate governance mechanisms improve financial performance depending on the measure used although not all corporate governance mechanisms are significant

In a related study, Joshua et al (2013), assesses the impact of Corporate Governance application on the financial performance of some Deposit Money Banks in Nigeria. A hypothesis was formulated and tested in line with the main objective of the study. The study used both descriptive and historical research methods, while the sample size was determined using judgmental sampling technique. Method used in data collection was secondary source. The t-test analysis technique was adopted to estimate the relationship between the application of Corporate Governance principles and financial performance. Findings proved that there is no significant relationship between board structure and banks' financial performance. The research suggests that other Corporate Governance indices must also be considered in measuring the financial performance of Deposit Money Banks in Nigeria for value improvement and accountability.

Moreover, Zaman, Arslan and Siddiqui (2014), examine the relationship between transparency and disclosure and firm performance. Highlighting the importance of corporate governance in banking sector, the study focused in depth over its role, level and its impact on performance in banking industry of Pakistan. Methodologically, the study access this purpose by constructing transparency and disclosure index for the past five year 2007-2011, using proxies for three sub-categories which are board and management structure disclosure, ownership structure disclosure and financial transparency disclosure. The research also investigated structural changes of T&D Index and its effect on bank financial performance over the sample of 30 banks operating in Pakistan. Findings using ordinary least square regression model reveals that, financial performance is positively related to the transparency and disclosure and their sub levels except ownership structure disclosure which has negative relation with both ROA and ROE. Furthermore the average T&D level in Pakistani banking sector is above average. A finding also shows the important of policy implementation is to reduce information asymmetry and improve corporate governance and firm performance in banking sector of Pakistan.

Aminu, Aisha and Tanko (2015), analysed the effects of board size and board composition on the performance of Nigerian banks. The financial statements of five banks were used as a sample for the period of nine years and the data collected were analysed using the multivariate regression analysis. The studies found that board size has significant negative impact on the performance of banks in Nigeria. This signifies that an increase in Board size would lead to a decrease in ROE and ROA. On the other hand, board composition has a significant positive effect on the performance of banks in Nigeria. This signifies that an increase in Board composition would lead to a decrease in ROE and ROA. It is recommended that banks should have adequate board size to the scale and complexity of the organisation's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings. The board size should not be too large and must be made up of qualified professions who are conversant with oversight function. The Board should comprise of a mix of executive and non-executive directors, headed by a Chairman.

Few studies might have been conducted in Nigeria to ascertain the implications of corporate governance on the performance of Deposit Money Banks as specified above and this is the gap this study intends to bridge. It is patently absurd to know that most of the corporate governance indices are constructed for advanced economics. The index developed by Black, Jang and Kim (2003), the Gompers, Ishi andMetrick (2003) index, the corporate governance index developed by Khanna, Kogan and Palepu (2001), by Klapper and love (2002) and by Ananchotikul (2008). Indeed, all these indices except the index of Ananchotikul (2008) were formulated for advanced world. It is this negligence or vacuum that propels us to construct a corporate governance index for DMBs using the previous empirical works as a guide or lime light.

Black et al (2003) constructed a corporate governance index based on a survey carried out by the Korea stock Exchange (KSE). They observed six sub-indices: shareholders rights, board directors, outside directors, audit committee, internal auditors' disclosure to investors' ownership parity. They allowed each sub index to carry a maximum value of 20 with the overall corporate governance having a maximum value of 120. If a firm does not report on a particular question it is not considered as a part of the value, in this manner this index differs from others particular from Ananchotokul (2008) who uses the zero value to indicate that there is a lack of a corporate governance measure that should have been included by the firm. The authors excluded subjective questions from the construction of the index (these were taken to be questions where the managers were asked to offer an opinion). The authors had 38 survey elements which were usable for constructing the corporate governance index after they eliminated certain aspects of the survey which would not have contributed to the index such as subjective questions, questions not directly related to corporate governance, questions with ambiguous answers, with high overlap, minimal variation between firms few responses.

Khanna, et. al (2001), constructed a corporate Governance index for Asian firms; the index was formulated using a 57 question survey of which 70% was based on facts while 30% required the analyst's opinion. The questions were all answered in the yes/no form and where corporate governance information was not available the answer "no" was used since a lack of information about governance indicates poor governance and should be treated as such. The questionnaire used to formulate the index was broken up into seven parts: fiscal discipline, accounting transparency/disclosure, board independence, board accountability, responsibility, equitable treatment of shareholders, social awareness. One of the limitations of this questionnaire is that it over reliant on the analyst's opinion.

Klapper and Love (2002) developed an index using the credit Lyonnais Securities Asia (CLSA) questionnaire data as well as world scope data. The index has six components: management discipline transparency, independence, accountability, responsibility, fairness. The components are not studied as such indices have overlapping parts. This index has a maximum value of 100 and a minimum value of zero.

Ananchotikul (2008), stresses that the major aspects of corporate governance are: board structure, board responsibility, conflict of interest, shareholders rights disclosure and transparency. Ananchotikul (2008)'s index was constructed to assess the performance of the firms in Thailand. Information available from the public sources such as company websites, stock exchange of Thailand database was used in drafting the questionnaire in which the index was rooted. The value of this index ranges from 0 to 100. Those firms that have values close 100 were considered as having perfect corporate governance index and those with zero or close to zero have poor corporate governance index. The empirical evidence derived from these indices is that they all have some common theory: all the indices capture the board of directors of the firms under consideration or evaluation. This is shown in two ways, the emphasis on the responsibilities of the board of directors (Ananchotikul 2008; Black et al 2003; Khanna et al 2001; Klapper and love 2002) and the emphasis on the structure of the board (Ananchotikul, 2008; Black et al, 2003; Khanna et al 2001).

However, Blair (1995) asserts that directors are the key characteristic of good corporate governance mechanism and Coleman (2008) stated that they are regarded as the officers of the company by the company law. Based on the literature board structure (board size, board composition, board committees, and board diversity) could be used as a proxy for measuring corporate governance practices in firms (Enobakhane, 2010) since directors are the once who control the company. On the other hand, this study will use board ownership (BO),board independent (BI) and audit committee (AC) as a proxy for measuring corporate governance in the Nigerian financial industries.

While the performance index was be measured by Net Interest Margin which is a build-up on the above research especially carried out by Mulbert (2010), Nwinee&Torbira (2012); Ferede (2012) and Joshua et al (2013), that look at only NPM and EPS; and the direct gross profits, profit after tax and net assets as bank performance indicators respectively. This study will therefore cover the current and update of financial performance of those banks on consolidation after issuance of code of corporate Governance in 2006. Hence, the study intend to determine also the extent at which corporate governance can enhance accountability that will enable the DMBs improve in their operations so that both the organizational objectives and goals can be attained effectively. See Appendix I on Page (85) for tabulated prior studies.

2.4 Theoretical Framework

The conduct of this study is based on some certain theories which best explain Corporate Governance CG studies and its relationship with corporate performance of Deposit Money Banks (DMBs) in Nigeria. These theories are; The Agency theory, the Stakeholder's theory and the Stewardship theory. The theories are reviewed with a view to selecting the one that can most appropriately explain the study.

2.4.1 The agency theory

The Agency theory sees the directors as the agents of the shareholders and therefore the need for them to act in their best interest. Under this relationship, the agent may not always act in the best interest of the principal. An agency problem therefore arises from the separation of ownership (principal) and control (agent) in the organization. Agency theorists believe that managers (agents) may pursue opportunistic behavior which may be in conflict with the goals of the owners (principal) and hence destroy shareholders' wealth. Advocates of the agency approach see the board of directors as "an economic institution that helps to solve the agency problems inherent in managing any organization" (Hermalin & Weisbach 2000). In other words, the board of directors is one of the internal control mechanisms designed to address the conflicts of interest between managers and shareholders, and to bring their interests into congruence (Walsh & Seward, 1990). Within this context, a board of directors is the guardian of shareholders' fund and fulfills the critical tasks of hiring, firing and compensating the CEO (top management) and to ratify and monitor important decisions (Fama & Jensen, 1983).

2.4.2 Stakeholders theory

One of the original advocates of stakeholder theory, Freeman (1984), identified the emergence of stakeholder groups as important elements to the organization requiring consideration. Freeman further suggests a re-engineering of theoretical perspectives that extends beyond the owner-manager-employee position and recognizes the numerous stakeholder groups. Freeman (1984) defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives. Freeman (1993) as cited in Freeman (1999), suggests that, if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purpose. That is, stakeholder management is fundamentally a pragmatic concept. Regardless of the content of the purpose of the firm, the effective firm will manage the relationships that are important. Sundaram and Inkpen (2004a) also suggest that stakeholder theory attempts to address the question of which groups of stakeholder deserve and require management's attention. They explained that all person or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another.

Stakeholder theory offers a framework for determining the structure and operation of the firm that is cognizant of the myriad participants who seek multiple and sometimes diverging goals. Nevertheless, Sundaram and Inkpen (2004) posit that wide- ranging definitions of the stakeholder are problematic. In addition, the authors argue that empirical evidence supporting a link between stakeholder theory and firm performance is lacking. Finally, identifying a myriad of stakeholders and their core values is an unrealistic task for managers (Sundaram&Inkpen, 2004).

2.4.3 Stewardship theory

According to stewardship theory, managers are good stewards of the company assets. Managers do not misappropriate corporate resources because they have a range of non-financial motives, such as the intrinsic satisfaction of successful performance and the need for achievement and recognition. This in essence will make them appreciate their fiduciary duty towards the owners of the companies (Roth & O'Donnell, 1996; Tricker, 1996; Sanders & Carpenter, 1998; Chang, 1999; Hamilton &Kashlak, 1999; & O'Donnell, 2000). This theory therefore requires the directors of a company to be accountable to owners for their stewardship over the company's resources, subject to the report from an independent auditor to the members that the accounts show a true and fair view.

The stewardship theory represents a consensus perspective which rejects the notion that the board is a disciplining mechanism to align conflicts of interest between shareholders and managers. The proponents of the stewardship school of thought see the board of directors as an important strategic device, thus suggesting that the board of directors can serve the CEO and management with its expertise through it active involvement in the strategic decision-making process, particularly by advising top management on the initiation, formulation and implementation of strategies (Carpenter &Westphal, 2001).

In conclusion, of all the reviewed theories, it is felt that the theory which best explain the study is the stakeholder theory, which sees the board of directors as a vehicle for co-opting important external organizations with which the company is interdependent, for instance, its various stakeholders, such as the owners, the managers, the shareholders, the general public and the government. This substantially conforms to the aim of this study, which examined the impact of CG on DMBs performance.

2.5 Summary of the Chapter

This chapter starts with the introduction and discusses the Conceptual framework of Corporate Governance as well as Financial Performance of bank. The section further explains the Basic Principles of Corporate Governance; Rights and Equitable Treatment of Shareholders, Interest of Stakeholders, Role and Responsibility of the Board of Directors, Integrity and Ethical Behaviour, Disclosure and Transparency,Structure of corporate governance in Nigerian DMBs,2014 Codes of Corporate Governance in Nigeria, Corporate Governance and Its Regulatory Framework, Corporate Governance Mechanism and Organisational Performance, Criteria for Audit Committee Composition, Board Independence, Board's ownership, and reviews relevant and related empirical literature. The Agency Theory, Stakeholders theory, Stewardship Theory are invoked and expatiated in the section.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology of the study. The chapter specifically explained the research design, population of the study, sample size and sampling technique, sources and methods of data collection and methods of data analyses. It also explained the variables of the study and their measurement.

3.2 Research Design

Ex-post facto and correlation research design was used for the study. The justification for using ex-post factor research design (after the fact) design is the source of data is historic in nature. That is, the study intends to adopt an existing data rather than new data specifically gathered for the study. The correlational design was employed to explain relationships between the independent and dependent variables. The financial data of the banks was generated from annual report account of listed deposit money banks (DMB's) and the fact book from the Nigerian Stock Exchange.

3.3 Population of the Study

This study is limited to only deposit money banks in Nigeria. The population of the study therefore consists of all the Sixteen (16) deposit money banks that are quoted on the first-tier security market of the Nigeria Stock Exchange (NSE) as at 31st December 2014. The population of this study is shown in Table 1 below:

Table 1: Population of the Study

S/No.	Name of Banks	Year of incorporation	Year of Listing
1	Access Bank - Acquired Intercontinental Bank	1989	1990
2	Diamond Bank	1990	1990
3	Eco-bank Nigeria - Acquired Oceanic Bank	1986	1989
4	Fidelity Bank Nigeria	1988	2006
5	First Bank of Nigeria	1894	1971
6	First City Monument Bank - Acquired FinBank	1982	1983
7	Guaranty Trust Bank	1990	1990
8	Heritage Bank Plc.	1989	2012
9	Keystone Bank - Formerly Bank PHB	2001	2011
10	Skye Bank	1990	2006
11	Stanbic IBTC Bank	1989	2006
12	United Bank for Africa	1961	2006
13	Union Bank of Nigeria - Owned By Union Global Partners Limited	1969	2006
14	Unity Bank Plc.	2006	2006
15	Zenith Bank	1990	2004
16	Jaiz Bank	2003	2011

Source: Generated from NSE Daily official Listing, 2018
(**www.stockmarketnigeria.com**)

3.4 Sample Size and Sampling Technique

For the purpose of selecting the sample size of this study, random sampling technique was used to select more than fifty percent (50%) of the total population. Thus, the selected banks were picked randomly. This is because the technique allowed each bank to have equal opportunity of being selected and has the ability to give accurate representation of the entire population for the purpose of this study; hence a convenience Sampling Technique. The application of this sampling technique led to the emergence of ten (10) deposit money banks which represents more than 50% of the population as shown in Table 2 below:

Table 2: Sample Size of the Study

S/No.	Name of banks	Year of incorporation	Year of listing
1	Fidelity Bank Nigeria	1988	2006
2	Access Bank - Acquired Intercontinental Bank	1989	1990
3	United Bank for Africa	1961	2006
4	Union Bank of Nigeria - Owned By Union Global Partners Limited	1969	2006
5	Zenith Bank	1990	2004
6	Diamond Bank	1990	1990
7	First City Monument Bank - Acquired FinBank	1982	1983
8	Guaranty Trust Bank	1990	1990
9	First Bank of Nigeria	1894	1971
10	Unity Bank Plc.	2006	2006

Source: Field Survey, 2016

3.5 Sources and Methods of Data Collection

This study was based on secondary source of data. The audited annual reports and accounts was used to collect the data for both dependent and explanatory variables of the study as used by previous studies such as (Hassan 2010, Barry *et al* 2011, Zakaria 2012, Alipour 2014 and Al-Tamini2014).

The data obtained from this source covered the proportion of shares held by all the directors to total number of proxy board ownership (BO), proportion of non- executive directors on board to proxy board independence (BI) and a proportion of independent directors on the audit committee for audit committee independence (AC), and Firm Size (FS) and Leverage (LEV) as the explanatory variables. While for the dependent variables, data for Net Interest Margin (NIM) was be obtained.

3.6 Variables of the Study and their Measurement

This study used two set of variables: dependent and explanatory variables

3.6.1 The dependent variable

The dependent variable of this study is the Corporate Financial Performance proxied by Net Interest Margin (NIM) to be measured as the proportion of interest income to total earnings.

3.6.2 The explanatory variables

The explanatory variables include the independent and control variables

a) Independent Variables

The independent variable of this study is the corporate governance (CG) to be proxy by: 1) board ownership (BO) to be measured as the proportion of shares held by all the directors. 2) board independence (BI) to be measured as the proportion of non executive directors on board and 3) audit committee independence (AI) to be measured as proportion of independent directors on the audit committee.

b) Control variables

Some variables are found to be highly correlated with either corporate governance or financial performance or both in some situations. In order to account for the effect of corporate governance on financial performance without external forces from other variable that may have influence on the variables under study, there is the need to control for such variables. The study included some control variables in line with previous literature on corporate governance and financial performance relationship. The control variables to be included in the model are size and leverage as follows:

1) Firm size: Previous literature on corporate governance and financial performance indicates a strong correlation between size of an organization and its profitability (Ullman 1985, and Waddock& Graves 1997). The larger the firm, the more capital it may have and the more economic activities they may venture in and the better will be their financial performance. The reverse will be the case for small firms. Some of the studies that use size as a control variable in their study include,Fauzi andIdris (2010); Hamid, (2008);Boesso andMichelon (2010); Crifo et al. (2013) andSamaila (2014). The present study proxied firm size as the log of total assets.

2) Leverage: It was documented that capital structure i.e whether firm is having debt in its capital or the proportion of debt in the capital structure affect the corporate governance relationship (Allayannis& Weston 2001, Hillman &Kiem 2001; Waddock& Graves 1997; Ullman 1985). Thus leverage has measured as the long term debt to total capital.

3.7 Techniques for Data Analysis

Three techniques of data analysis were used to analyze the data for the study. These are Descriptive statistics, Pearson correlation model and Multiple regressions.

3.7.1 Descriptive Statistics

Descriptive statistics was used in this study to compute the summary statistics that describe the central tendency, as well as, how the data spread out around this value. This tool was used to describe the dependent and explanatory variables of the study by computing the Mean, Median, Maximum, Minimum and Standard Deviation of the variables

3.7.2 Correlation

Pearson correlation technique was used to establish the nature of the relationship between CG and financial performance. It shows the strength of the relationship amongst the explanatory variables and between the dependent and explanatory variables.

3.7.3 Multiple regression analysis

Multiple regression was used to determine the variability of dependent variable (net interest margin) as a result of changes in any of explanatory variables (Audit committee independence, board ownership & board independence, firm size and leverage). Panel data methodology was used in analyzing the data for the study, due to longitudinal nature of the data. The multiple regressions was also used to test the entire hypothesis developed in section one of this study.

3.7.4 Model specification

NIM = f(AC, BO, BI, FS, LEV)………………………………………………… (1)

NIM = β_0+ β_{1it}AC +β_{3it}BI+β_{2it}BO+ β_{4it}FS + β_{5it}LEV +€$_{it}$………………………...(2)

Where:

AC	Audit committee independence
BO	Board ownership
BI	Board independence
FS	Firm size
LEV	Leverage
$\beta_{0\ldots}, \beta_k$	is the regression model coefficients of the independent variables
$\gamma_{0\ldots}, \gamma_k$	is the parameters of the control variables

$\beta_1, \beta_2,$ = Parameters to be Estimated; € $_{it}$is the random error.

The 'a priori' expectations are;

β_1> 0; implying that CG in form of Audit committee independence willimpact significantly on financial performance.

β_2> 0; implying that CG in form of Board ownership will impact significantly on financial performance.

β_3> 0; implying that CG in form of Board independence will impact significantly on financial performance.

β_4> 0; implying that firm size will impact significantly on financial performance.

B_5> 0; implying that leverage will impact significantly on financial performance.

The summary of the dependent, independent and control variables of the research, their proxies, code and expected signs are presented in Table 3 as shown below:

Table 3: Variable Definitions and Measurement

Variables	Measurement	Apriori expectation
Net interest margin	Proportion of interest income dividend to total earnings.	Dependent Variable
Audit committee independence	The proportion of independent directors on the audit committee.	+
Board ownership	Proportion of shares held by directors to total number of shares issued	+
Board independence	Proportion of non-executive directors on board to total number of directors	+
Firm size	Log of total assets.	+
Leverage	Long term debt to total capital	+

Source: Author's computation (2016).

3.8 Chapter Summary

This section presents and discussed the methodology that was used in conducting this study. The non-survey research design (ex-post factor) was adopted.

Data for the study therefore was collected from the annual reports and accounts of the sampled Deposit Money Banks in Nigeria. A random sampling technique was adopted in selecting the working population. The techniques used for data analysis are descriptive statistics, correlation and multiple regression analysis. The stata software version 12.0 was used for the data analysis.

Finally, the methodology adapted has ensured the achievement of the study objectives and produced relevant and reliable results that will bring about policy formulation to enhance the practice of good corporate governance particularly in the Nigerian listed deposit money banks (DMB's) and in general, the entire companies operating in Nigeria.

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with the preliminary discussion of the variables using descriptive statistics. This is followed by the presentation of result of model estimations and the inferences drawn from the hypothesis tested. Pearson correlation coefficients and multiple regression technique were used to analyze the relationship between the dependent and independent variables of the study

4.2 Robustness Test

The robustness test is conducted in order to ensure the validity of all statistical inference for the study so as to examine the impact of distribution problems in addition to the problems of outliers before deciding on the appropriate statistical method use. These statistical diagnostic tests are tests for multicollinearity, heteroscedasticity and hausman specification test.

(a) Multicollinearity: Appendix II in Page (90) present the outcome of Multicollinearity test. Multicollinearity is one of the important problem that should be checked before applying the OLS. This problem is encountered when two or more variables are difficult to be separated. The result of the variance inflation factor (VIF) in appendix C showed no evidence of multicollinearity among the variables.

(b) Heteroscedasticity: Appendix II Page (91) also present the outcome from cook-weisberg test for heteroskedascisity. The test indicates that there is no evidence of heteroscedasticity in the model of the study as indicated by the high value of it chi-square at 83.42 level.

(c) Hausman Specification: The result of the test revealed that the model for (fixed and random effect) are not correlated with chi-square probabilities of (0.9965) for NIM and hence reject the fixed effect model in favour of the random effect model as shown in the Appendices II Page (94) respectively.

4.3 Descriptive Statistics

The descriptive statistics for each of the variables is presented in Table 4, where Minimum, Maximum, Mean and Standard deviation of the data for the variables used in the study are described. Descriptive statistics helps readers to understand the measures of central tendency, measures of variances associated with the variables of the study and the normality of the data used in the study.

The table 4 below presents the detail account of descriptive statistics for the dependent and independent variables:

Table 4: Descriptive Statistics

Variables	N	Mean	Std.dev.	Min	Max
NIM	100	0.6705	0.2483374	0.24	1.88
ACI	100	0.4792	0.0961447	0	0.83
BI	100	0.6518	0.0914571	0.29	0.88
BO	100	0.14158	0.1605053	0.002	0.93
LFS	100	6.544118	1.401188	2.965672	8.412986
LEV	100	0.7129	0.1405206	0.01	0.88

Source: Stata Output

From Table 4 above, Net interest margin has minimum and maximum values of 0.24 and 1.88 respectively and the mean and standard deviation of 0.670 5and 0.2483374 respectively. This means on average, for every 1% increase incorporate governance, the financial performance of listed of deposit money bank will increase by 67% approximately. The standard deviation of 0.2483374indicates that the data deviate from the mean value from both sides by 25% which implies that there is no wide dispersion of the data from the mean because the standard deviation is less than the mean value.

The table also shows that the minimum and maximum values for Audit committee independence (ACI) are 0 and 0.83respectively whereas the mean and standard deviation are 0.4792and 0.0961447respectively.

The minimum and maximum values of Board Independence are 0.29 and 0.88respectively and the mean is 0.6518and 0.0914571 as the standard deviation. The mean value of Board Independence indicated that, the bank Board independence of 65%.

Furthermore, the minimum and maximum values for firm size are 0.002 and 0.93respectively has 0.14158as the mean while 0.1605053 as the standard deviation. The standard deviation indicates the dispersion of data from the mean by 0.1605053.

The minimum and maximum values of Firm size are 2.965672 and 8.412986respectively and the mean is 6.544118and 1.401188 as the standard deviation.

Also the table also shows that the minimum and maximum values for Leverage are 0.01 and 0.88 respectively whereas the mean and standard deviation are 0.7129 and 0.1405206 respectively. From the mean values as displayed above, Firm Size has the highest mean values then followed by Leverage and the Net Interest Margin.

4.4 Correlation between the Variables of the Study

The correlation matrix is used to determine the relationship between the dependent and independent variables and to determine whether multicollinearity exists among the variables of the study. The Pearson correlation analysis is used in the study to assess the relationship between the variables of corporate governance and that of financial performance.

Table 5 below presents the correlation matrix for the sample observations. The table therefore represents the correlation matrix for the sample observations.

As shown below also, Table 5 indicates the relationship between Corporate Governance (Audit Committee Independence, Board Independence, Board Ownership, Firm size and Leverage) and financial performance (NIM) of listed deposit money banks in Nigeria.

Table 5: Correlation Matrix of the Dependent and Independent Variables

Variables	NIM	ACI	BI	BO	IFSL	LEVL
NIM	1.0000					
ACI	0.0065*	1.0000				
BI	-0.0870***	-0.0930***	1.0000			
BO	-0.2222***	0.0239**	-0.0226**	1.0000		
FS	0.1742***	-0.0700***	0.0967***	0.1353***	1.0000	
LEV	0.0973***	-0.1037 ***	-0.0274**	0.0762***	0.0494**	1.0000

Source: Regression Result Using SPSS Version 20

*= significant at 1% (0.01), **= significant at 5% (0.05), ***= significant at 10% (0.10)

From Table 5 above, it shows a positive and significant relationship between Net interest Margin (NIM) and Audit Committee Independence to the tune of 6%. This implies that as the Audit Committee Independence increase, financial performance of listed deposit money banks in Nigeria will also increase in the same direction.

The Table 5 also indicates significant negative association between financial performance and Board Independence from the correlation coefficient of -8%. This signifies that as the Board Independence of listed deposit money banks in Nigeria keeps on rising, financial performance will decrease in the opposite direction.

From Table 5 show a negative relationship between Net interest Margin (NIM) and Board Ownership to the tune of -22%. This implies that as the Board Ownership increase, financial performance of listed deposit money banks in Nigeria will decrease.

Firm size (LFS) has significant positive relationship with the financial performance as shown by the coefficient of 17%. This implies as the firm size of the firm increase, financial performance will increase also in the same direction.

In addition, Table 5 also indicates significant positive association between financial performance and Leverage (LEV) from the correlation coefficient of 9%. This signifies that as the leverage of listed deposit money banks in Nigeria keeps on rising, financial performance will also increase in the same direction.

4.5Regression Result and Discussion

This section presents the regression results of the dependent variables (financial performance) and the independent variables of the study. The study used three (3)Corporate Governance proxies Audit Committee Independence, Board Independence and Board Ownership, Two (2) control variables :Firm size and Leverage and Net Interest Margin as proxy of financial performance. This is followed by the analysis and interpretation of the association between the variables.

The summary of the regression result obtained from the model of the study ($NIM_{it} = \beta_0 + \beta_1 ACI_{it} + \beta_2 BI_{it} + \beta_3 BO_{it} + \beta_4 LFS_{it} + \beta_5 LEV_{it} + U_{it}$) is presented on the Table 6 below.

Also, Table 6 was extracted from Appendix II Page (87-92) shows the cumulative R^2 (0.3521) which is the multiple coefficient of determination gives the proportion of the total variation in the dependent variable explained by the independent variables jointly. Therefore, the combined relationship of the regressors and the regress and at 35 percent indicate a strong relationship. An adjusted R^2 of 0.2009 indicates that 20% of the variation in financial performance can be explained by variability in Audit Committee Independence,

Table 6: Summary of Regression Result

NIM	Co-efficient	t-value	P-value	Tolerance/VIF
Constant		1.144	0.259	
ACI	-0.4909266	-1.88	0.061	0.986439/1.01
BI	0.6004044	2.76	0.006	0.941485/1.06
BO	-0.3189688	-2.18	0.029	0.962720/1.04
FSL	0.0159772	0.69	0.493	0.954230/1.05
LEV	0.2561897	1.69	0.091	0.961200/1.04
R^2				0.3521
Adj.R^2				0.2009
Wald Chi2				17.43
Prob>Chi2				0.0038

Source: Stata output

From the above table, Board Independence, Board Ownership,Firm size and Leverage of Listed Deposit Money Banks in Nigeria and other factors account for the remaining 80.0 percent.

This indicates that the model is fit and the regressors are properly selected, combined and used. This further implies that for any changes in the Corporate Governance of Listed Deposit Money Banks in Nigeria, their financial performance will be directly affected. It can be deduced that Corporate Governance to a great magnitude influences the financial performance of Listed Deposit Money Banks in Nigeria.

Also, the Fishers statistics of 17.43 which is significant at 1% indicates that the Corporate Governance and financial performance of the model is fitted. Hence, the outcome of the study can be greatly relied upon. The calculated F-value of 0.0038 is at 1% level of significance which reveals that all explanatory variables play a significant role cumulatively in increasing the Net interest margin of Nigerian banks. Therefore, Audit Committee Independence, Board Independence, Board Ownership, Firm size and Leverage have significance impact in financial performance of Nigerian Money Deposit Banks. The F-value which is statistically significant at a level of 0.0038 means that there is 99.62 percent probability that the association among the variables is not due to mere chance.

The tolerance values and the variance inflation factor (VIF) are two good measures generally concurred by various research scholars as being good measures for determining multicollinearity between the explanatory variables of a study. If the VIF of all the explanatory variables are less than ten (10), multicollinearity does not exist and the model is said to be fit otherwise multicolinearity is assumed to exist. Another measure for determining the presence or absence of multicollinearity is the tolerance values. A tolerance value of 1 or above signifies the presence of multicollinearity, while tolerance values of less than 1.00 in all the observed variables signifies the absence of multicollinearity.

The variance inflation factor of all the independent variables of the study are consistently less than 10 which is the bench mark for multicollinearity; (1.01<10, 1.06<10, 1.04<10,1.05<10and1.04<10). In addition, the tolerance values are less than 1.00 which is another yardstick for determining multicollinearity (0.986439<1.00, 0.941485<1.00, 0.962720<1.00, 0.954230<1.00 and0.961200<1.00). This shows the appropriateness of fitting the model of this study with three independent variables of the study. It also shows the complete absence of multicollinearity between the independent variables of the study. Thus, the results of this study can be applied with guaranteed.

The value of the regression co-efficient for the intercept describes a particular financial performance denominator for Listed Deposit Money Banks in Nigeria, while the remaining co-efficient describe the impact of each explanatory variable on Financial performance of listed Deposit Money Banks in Nigeria.

From Table 6, it is observed that Audit Committee Independence (ACI) has coefficient value of -0.4909266and a t-value of -1.88 while P-value of 0.061 which is significant. The negative value of the coefficient (-0.4909266) signifies that ACI and Financial performance of listed Deposit Money Banks in Nigeria are negatively related which implies that for every one percent increase in Audit Committee Independence, the financial performance of listed Deposit Money Banks in Nigeria will decrease by 49%. This provide an evidence of failing to reject Null Hypothesis I of the study which states that Audit Committee Independence has no significant impact on the financial performance of listed deposit money banks in Nigeria . This findings corroborate with the findings in Okoi, Stephen, and Sani (2014); Ranti (2011), Kajola (2008) and Sunday (2008

). And also is inconsistent with the findings in Zaman, Arslan and Siddiqui (2014) and Aldamen, Duncan, Kelly, McNamara, and Nagel (2011).

The Table 6 also revealed that Board Independence (BI) has a coefficient value of 0.6004044, t-value of 2.76 and p-sig of 0.006 which is significant at 1% level of significance. From the coefficient value (0.6004044), it can be deduced that Board Independence and financial performance of listed deposit money banks in Nigeria are positively related which implies that for every 1% increase in the board independence of listed Deposit Money Banks, the financial performance will increase by 60%. This implies that the larger Board Independence of listed deposit money banks the higher their performance will be. This provide enough statistical evidence of rejecting null hypothesis II of the study which states that Board Independence has no significant impact on the financial performance of listed deposit money banks in Nigeria.This findings also corroborate with the findings in Mashayekhi and Bazaz (2008). And also is inconsistent with the findings in Shukeri, Shin and Shaari (2012);Ponnu andKarthigeyan (2010); Tanko and Kolawole (2010).

Also, from the Table 6, it further revealed that Board Ownership (BO) has a coefficient value of -0.3189688, t-value of -2.18 and p-sig of 0.029which is insignificant at 5% level of significance. From the coefficient value (-.3189688), it can be deduced that Board Ownership and financial performance of listed deposit money banks in Nigeria are negatively related which implies that for every 1% increase in Board Ownership of listed Deposit Money Banks, the financial performance will decrease by 31%. This provide enough statistical evidence of failing to reject null hypothesis III of the study which states that Board Ownership has no significant impact on the financial performance of listed deposit money banks in Nigeria. This findings corroborate with the findings in Drakos and Bekiris (2010). And also is inconsistent with the findings in Chienjien (2010); Chen, Cheung, Stouraitis and Wong (2005); Hiraki, Inoue, Ito, Kuroki Masuda (2003); Morck, Nakamura and Shivdasani (2000) as cited in Abdelmohsen and Mousa (2012).

The Table 6 also revealed that firm size (FS) has a coefficient value of 0.0159772, t-value of 0.69 and P-sig of 0.493which is insignificant. From the coefficient value (0.0159772) it can be deduced that firm size and financial performance of listed deposit money banks in Nigeria are positively related which implies that for every 1% increase in firm size of listed Deposit Money Banks, the financial performance will increase by 16%. This implies that the higher the firm size of listed deposit money banks the higher their performance will be. This provide enough statistical evidence of rejecting null hypothesis of the study which states that firm size has no significant impact on the financial performance of listed deposit money banks in Nigeria.

Finally, Table 6 Leverage (LEV) shows a coefficient have value of 0.2561897, t-value of -1.69 and a t-sig value of 0.091 which is significant at 5% level of significance. The coefficient of 0.2561897 signifies that Firm size and financial performance of listed deposit money banks are related meaning that whenever the firm size of banks increase by 1%, financial performance of the listed deposit money banks will also increase by 26%. This provide an evidence of rejecting the null hypothesis five of the study which states that firm size has no significant impact on the financial performance of listed deposit money banks in Nigeria.

4.5 Summary of Findings

The study reveals that Corporate Governance has impact in the financial performance of banks. With the growing emphasis on Corporate Governance both in social development and more so in banking sector, there has never been a period in the Nigerian history than the current period when quantitative evidence is being demanded by management to justify the impact of Corporate Governance on the performance of deposit money banks in Nigeria. Possible implications exist regarding the use of the model employed in this study. The model has been structured to investigate the Nigerian banks performance as caused by proxies of Corporate Governance (ACI,BI,BO , FSIZE,LEV).

The first hypothesis of the study which states that Audit Committee Independence has no significant impact on financial performance of listed deposit money banks in Nigeria was tested and the result from analysis reveals that Audit Committee Independence has no significant impact on the financial performance of listed deposit money banks in Nigeria. This further implies that when Audit Committee Independence increase financial performance will decrease as well. In view of this result, the null hypothesis one is not rejected. Hence, conformed with the study by Aldamen, Duncan, Kelly, McNamara, and Nagel (2011), Ferede (2012) that reported a negative relationship between Audit committee Independent and financial performance.

The hypothesis of the study which states that Board Independence has no significant impact on financial performance of listed deposit money banks in Nigeria was tested and the result from analysis reveals that Board Independence has significant impact on the financial performance of listed deposit money banks in Nigeria. This further implies that when Board Independence increase financial performance will increase as well. In view of this result, the null hypothesis two is rejected. Thus, contradict the finding of Adusei (2011) which revealed a negative and insignificant relationship between Board Independent and financial performance.

The hypothesis of the study which states that Board Ownership has no significant impact on financial performance of listed deposit money banks in Nigeria was tested and the result from analysis reveals that Board Ownership has no significant impact on the financial performance of listed deposit money banks in Nigeria. This further implies that when Board Ownership increase financial performance will decrease as well. In view of this result, the null hypothesis three is not rejected. However, this research finding contradict the finding of Chienjien (2010) which reported and showed a strong positive association between director's stock holding and firms' performance in Corporate Governance principles application.

The study also found that Firm size has significant positive relationship with financial performance of listed deposit money banks in Nigeria. This means that when firm size of listed deposit money banks in Nigeria increase their financial performance also increase. This result therefore provide an evidence of rejecting null hypothesis four which states that firm size has no significant impact on the financial performance of listed deposit money banks in Nigeria.

The result revealed that the relationship between Leverage and financial performance of listed deposit money banks in Nigeria is positive and statistically significant. This finding signifies that as leverage increase financial performance of listed deposit money banks in Nigeria also increase in the same direction. The result suggest that the null hypothesis five which states that leverage has no significant impact on financial performance should be rejected.

Finally, the study revealed that there are other extraneous variables which account for the financial performance of listed Deposit Money banks to the tune of 80.0 percent as the selected variable can only explain the dependent variable for about 20%. The researcher therefore suggests that these other variables may include; equity Liquidity age, firm growth, profitability.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Chapter one starts with the background of the study. In essence, Corporate Governance are those processes, structures systems as well as mechanisms that organization put in place to enable it carry out its activities in a fair , transparent , accountable and social responsibilities to tackle the problem of separation of ownership from control and the interest of other stakeholders. The consequence of the recent business scandals and fraud cases and the current globalization phenomenon which lead to the increasingly relevance of Corporate Governance worldwide are foreshadow under the section. The section also captures the weaknesses witnessed in the Nigerian reporting environment as a result of the weak enforcement mechanisms.

Chapter two start with the introduction, the Concept of Corporate Governance; Concept of Financial Performance, Net Interest Margin (NIM)are also discussed in this section. The section further explains the Basic Principles of Corporate Governance, Rights and Equitable Treatment of Shareholders, Interest of Stakeholders, Role and Responsibility of the Board of Directors, Integrity and Ethical Behavior, Disclosure and Transparency, Essentials of Corporate Governance, Structure of corporate governance in Nigerian DMBs, Corporate Governance and Net Interest Margin (NIM), Financial Performance of DMBs in Nigeria, Corporate Governance and Its Regulatory Framework, Corporate Governance Mechanism and Organisational Performance, Criteria for Audit Committee Composition, Board Independence, Board's ownership, and reviews relevant and related empirical literature. The Agency Theory, Stakeholders theory, Stewardship Theory are invoked and expatiated in the section.

Chapter three contains the methodological aspect of the research. It shows that Ex-post facto and correlational research design method are adopted in collecting the necessary data used for the analysis. The section further shows that the population of the study is the twenty listed Nigerian DMBs. The section also shows that the technique applied in the selection of the ten tested DMBs is random sampling technique. Descriptive statistics and Ordinary Least Square method adopted to test the three hypotheses were captured in the section. The OLS regression analysis was used to find out whether there is a relationship and impact between the variables measured and also to find out if the relationship is significant or not.

Chapter four starts with introduction. It also highlights the result of descriptive statistics, the correlation matrix result and also the chapter captures the Summary of Regression Result. Summary of the findings was also considered in this section. The findings of the result reveal that Board Independence has a significant positive impact on the financial performance of listed Deposit Money Banks in Nigeria. While Audit committee Independence and Board Ownership have negative impact on the financial performance of listed Deposit Money Banks in Nigeria, implying that one of the selected Corporate Governance in the study has impacted positively to the financial performance of listed Deposit Money Banks in Nigeria while the remaining two have no influence on the financial performance of Deposit money Banks in Nigeria.

5.2 Conclusions

The presence of independent directors on the audit committee do not spur performance. This may be as a result of the dominance of major shareholders in the activities of the committee thereby. As the audit committee are saddled with the responsibility of companies' internal controls cooperational and financial through minority. There may be instances of negligence from the audit committee in terms of crucial issues like controlling management errors, irregularities and fraud problem from the internal control processes. All these with hinder performance of the sampled banks in Nigeria.

This study showed that having board independence guarantees improvement in firms performance due to high monitoring roles. Effective monitoring mechanisms of independent directors in listed DMBs in Nigeria improves performance as it minimises agency problems.

Board ownership does not improve performance in listed deposit money banks in Nigeria. The ownership by the board members may be an avenue for information asymmetry and expropriation of other shareholders. These increase agency costs, thereby reducing performance.

5.3 Recommendations

On the basis of the findings, the following recommendations are made:

1. The management of banks should look at other corporate Governance attributes in improving their performance as Audit Committee Independence did not plays significant role in maximizing the performance of banks as the result shows negative relationship with performance.

2. The listed Deposit Money Banks in Nigeria should strive to continually make a higher and effective Board Independence in order to have high financial performance which can be greatly relied upon by the banks investors and potential investors.

3. The management of banks should not pay more attention on Board Ownership in their quest to improve their performance as Board Ownership revealed negative relationship with performance of banks, instead they should find for other factors of corporate Governance that may maximize profit.

5.4 Suggestion for further study

More companies cutting across all sectors of the Nigerian economy need to be considered. Replication of this study with a large number of companies in Nigeria and Africa as well will ease comparison. More studies should be targeted towards discovering the quality of disclosure by the Nigerian DMBs in particular and Nigerian companies in general. More researches need to be undertaken to examine Corporate Governance through other media.
The study is panel data in nature, thus the conclusions drawn relate to the disclosure level of the sampled banks for the 2009-2018 financial years. As regulatory environments keep changing as a result of local and international pressure, a longitudinal study will provide a more complete picture of the Corporate Governance as it has been assessed in terms of information disclosed in the financial annual reports and accounts. Finally, the resulting model explains about 20% of the variability in Corporate Governance. There is therefore, a possibility of omitted variables from the regression model. Due to data unavailability, some factors that have been found to explain the variability in Corporate Governancetransparency such as firm growth, firm age, profitability and Board size have not been examined in this study.

The fact that the study may as bases for further development in field for future academic researchers, this study fulfilled a consistent level of significance relationship between corporate governance and financial performance variables. Hence, intending future researcher should explore more on other variable.

5.5 Limitations of the Study

There is hardly any study conducted without encountering some limitations. This study is therefore not without its limitations. Many banks listed on the Nigeria stock exchange do not have their financial Statements readily available as this has limit our access to some banks in the required data needed to carry out the research work, therefore leaving us with only the option of using some selected Deposit Money Banks in Nigeria as Sample to represent the entire population.

The result of the entire population surely may have been different and more robust than that of the sample which may also make the findings different. The findings of the study will be limited to only listed Deposit Money Banks in Nigeria as it does not include Nigerian Bank listed in foreign country.

REFERENCES

Abbott, L., S. Parker, & G. Peters (2004).Audit committee characteristics and restatements. Auditing.*A Journal of Practice and Theory 23 (1): 69-87.*

Abdelmohsen, M. D. & G. A. Mousa (2012).Do Board Ownership and Characteristics effect on Firm Performance?" Evidence from Egypt. *Global Advanced Research Journal of Economics, Accounting and Finance.1 (2) 015-032*. Available online http://garj.org/garjb/index.htm

Abdullah, S. N. (2004). Board Composition, CEO Duality and Performance among Malaysian Listed Companies, *Corporate Governance*, 4, (4), 47-61.

Adams, R. B., & Mehran H. (2008).Corporate performance, Board structure and its determinants in the Banking industry. *Working Paper Presented at the EFA Moscow Meetings*.

Adusei, M. (2011). Board structure and bank performance in Ghana. *Journal of Money, Investment &Banking, 19,* 72-84.

Ajinkya, B., Bhojraj, S. & Sengupta, P. (2005). The Association Between Outside Directors, Institutional Investors and the Properties of Management Earnings Forecasts*, Journal of Accounting Research, 43, 343–376.*

Akinsulire, O., (2011). *Financial Management*. 7th edition, Ceemol Nigeria Limited, Lagos, Nigeria.

Akintoye, I.R. (2010). Corporate governance and reporting. *Being paper presented at ICAN Interactive Session for Accountants in Education*. Lagos, 8th March, 2010.

Akpan, N. (2007). Internal Control and Bank Fraud in Nigeria. *Economic Journal*, 95, 118–132

Aldamen, H., Duncan, k., Kelly, S., McNamara, R. & Nagel, S. (2011). Audit committee characteristics and firm performance during the global financial crisis. *Accounting and Finance*. doi: 10.1111/j.1467-629X.2011.00447.x.

Alexandra, C., Reed K. & Lajoux, O. (2005). Linkages between the Quality of Corporate Governance and Firm's Performance. *Workshop Paper* Organized by the Asian Development Bank Institute.

Alexander, J, Fennell, M & Halpern, M (1993): Leadership Instability in Hospitals: the Influence of Board- CEO Relations and Organization Growth and Decline. *Administrative Science Quarterly,* 38, 74-99.

Alexander, K. (2006). Corporate governance and banks: The role of regulation in reducing the principal-agent problem. *Journal of Banking Regulation*, *7*, 17–40. http://dx.doi.org

Alexandru, C., Genu, G. & Romanescu, M.L. (2008). The assessment of banking performances-indicators of performance in bank area. *MPRA Paper. 11600*.

Alhaji, I.A, Yusoff, W.F.B.W. & Alkali, M. (2012). *Corporate Governance and Firm Performance: A Comparative Analysis of two Sector of Malaysia Listed Company*. Proceeding on 2nd International Conference on Management, Malaysia. (www.internationalconference.com.mv)

Alipour, M. (2014). An investigation of the association between ownership Structure and Corporate Performance: Empirical evidence from Tehran Stock Exchange (TSE), *Management Research Review, 36 (11), 1137-1160*

Allayannis, M. A. & Weston, K.M. (2001). An empirical examination of the relationship between corporate social responsibility and profitability.*Academy of Management Journal, 28(2), 446–463.*

Al-Tamini, B. (2014). Corporate governance and institutional ownership: Evidence from Jordan. *Corporate governance Journal, 10(2), 176-190.*

Alo O. (2007). Corporate Governance in Nigeria : An Overview. Publication Of The Central Bank Of Nigeria, 31(2)

Aminu, Aisha M. & M. Tanko (2015).The effect of board size and composition on the financial performance of banks in Nigeria. *African Journal of Business Management*. *9(16), 590-598, DOI: 10.5897/AJBM2015.7797*

Anderson, C & Anthony, R (1986). *The New Corporate Directors.* John Wiley and Sons, New York.

Ang, J. S., Rebel, A.C. & Lin, J.W. (2000). Agency cost and ownership structure. *Journal of Finance*. 55(2): 202-210.

Angbazo, L(1997). Commercial Bank Net Interest Margins, Default Risk, Interest-Rate Risk, and Off-Balance Sheet Banking. *Journal of Banking and Finance* 21,(1) 55–87.

Ananchotikul, N., (2008). Does Foreign Direct Investment Really Improve Corporate Governance? *Evidence from Thailand. Bank of Thailand Discussion Paper.*

Apadore K. & S. S. B. Zainol (2014). Determinants of Corporate Governance and Corporate Performance among Consumer Product Industry in Malaysia: A Theoretical Model *International Journal of Academic Research in Accounting, Finance and Management Science. 4, (2), 159–165*www.hrmars.com

Ayininuola, S. (2009). Leadership in Corporate Governance. *The Nigerian Accountant. 42,(2), 34-53*

Arpinder S., S Baldava,V. Aggarwal & Vaidya, Y. (2012). *Corporate governance: Changing regulatory scenario and the role of the independent director* . Ernst & Young Pvt. Ltd. Published in India.www.ey.com

Asian Development Bank (1997). *Evolution and Restructuring of the Malaysian Banking Sector*. Retrieved from http://www.adbi.org/publications on 25th of April 2008

Attiya Y. and Robina, Iqbal (2007). Relationship between Corporate Governance Indicators and Firm Value: *A Case Study of Karachi Stock Exchange. MPRA Paper. 2225*

Barry, T. A., Lepetit, L. &Tarazi, A. (2011). Bank ownership structure, market discipline and risk: Evidence from a sample of privately and publicly held European banks. *Journal of banking and finance* 35(5), 1237-1259

Black, B S., Jang, H & Kim, W (2003).Does corporate governance affect firm value? Evidence from Korea. *Social Science Research Network Working paper. 311275.* http://papers.ssrn.com

Basel Committee on Banking Supervision (2006). *Enhancing corporate governance for banking organizations*. Bank for International Settlements, Switzerland. www.bis.org./publ/bcbs117

Baysinger, B & Butler, H (1985). Corporate governance and board of directors: performance effects of changes in board composition. *Journal of Law Economics and Orgainisation*, 1(1), 101-24.

Beasley, M., Carcello, J., Hermanson, D. &Lapides, P: (2000). Fraudulent Financial Reporting: Consideration of Industry Traits and Corporate Governance Mechanisms. *Accounting Horizons, 14, 441–454*

Bhagat, S & Black, B (2001) . The Non-Correlation between board Independence and long-term firm performance. *Journal of corporate law: 27.*

Bhagat, S &Jefferis, R (2002).*The Econometrics of Corporate Governance Studies*, Cambridge, MIT Press,

Blair, M. (1995). *Ownership and Control: Rethinking Corporate Governance for the Twenty First Century*. Brookings: Washington.

Blue Ribbon Committee (BRC), (1999). *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*. Stamford, CT: BRC.

Boateng, P. (2004). *Keynote Address: Bank governance and public interest*" Global corporate governance forum, World Bank, London

Boesso, G. &Michelon, G. (2010).The effects of stakeholder prioritization on corporate financial performance: An empirical investigation. *International Journal of Management, 27(3), 470–497. doi:10.2308/accr.00000005*

Boyatis, R.E, (1998).*Transforming Qualitative Information: Thematic Analysis and Code of Development*. London, Sage Publications.

Brealey, R.A. & Myer, S.C (2003). *Principles of Corporate Finance*. McGraw-Hill, New York, NY, 10020. www.mhhe.com

Brennan, N. & McDermott, M. (2004). Alternative Perspectives on Independence of Directors, *Corporate Governance: An International Review*, 12,325–336

Brian, C (1997). *Company Law Theory, Structure and Operation*. Clarendon Press, Oxford.

Brickley, J.A., Coles, J.L. & Jarrell, G. (1997). Leadership structure: Separating the CEO and Chairman of the board. *Journal of Corporate Finance, 3, 189-220. http://dx.doi.org*

Brown, L.D &Caylor, M.I (2004). Corporate Governance and Firm Performance. *Georgia State University working Paper.*

Carpenter, M.A. & Westphal, J.D. (2001). The Strategic Context of External Network Ties: Examining The Impact of Director Appointments on Board Involvement in Strategic Decision Making. *Academy of Management Review*, 4(4), 639-660.

Carse D. (2000). The importance of corporate governance in Banks. Retrieve May, 2015.website:http//www.infor.gov.hk/hkma/eng/speeches.

Central bank of Nigeria (2003). Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria.www.cenbank.org

Central Bank of Nigeria (2006). *CBN Code of Corporate Governance for Banks in Nigeria Post Consolidation*. Nigeria: Abuja.

Central Bank of Nigeria-CBN (2006). *Code of Corporate Governance for Banks Central Bank of Nigeria*.Vol.31, No.3, www.cenbank.org. (Viewed on 31/05/2015).

Central Bank of Nigeria (2012). Exposure Draft Code for Banks in Nigeria.www.cenbank.org

Central Bank of Nigeria (2014).Code Of Corporate Governance For Banks And Discount Houses In Nigeria.www.cenbank.org

Chagbadari M. F. (2011). Corporate governance and firm performance. *International Conference on Sociality and Economic Development.* 10 (1), 484-489.

Chang, E. (1999). Control in Multinational Corporations: The Case of Korean Manufacturing Subsidiaries. *Journal of Management, 25: 541-565.*

Chen Z, Cheung TY, Stouraitis A, & A. Wong (2005). Ownership concentration, financial performance, and dividend policy in Hong Kong. *Pacific-Basin Finance J.* 13, 431–449

Cheng, E. C .M. & Courtenay, S. M. (2006). Board composition, regulatory regime and voluntary disclosure. *The International Journal of Accounting*, 41, (3): 262-289.

Choi, S., &Iftekhar, H. (2005). Ownership, governance, and bank performance: Korean experience.Financial Markets, Institutions & Instruments.*14(4): 215-242. http://dx.doi.org/10.1111/j.0963-8008.2005.00104.x*

Chienjien, F. (2010). Corporate Governance in the Nigerian Financial Sector: An Ethical Analysis of the 2009 Intervention and Operators Behaviour. *Retrieved from www.iiste.org*

Cho M (1998). Ownership structure, investment and the corporate value: an empirical analysis, *Journal of Financial Economics*. 47, 103-121.

Chuku, C. (2009). Corporate Governance of Banks in Nigeria: The Determination of Board of Directors Effectiveness. *A Paper Presented at Department of Economics, University of Uyo*. *Available at* http://ssrn.com/abstract=1350735

Chung, K.H. & Pruit, S. W. (1996). Executive ownership, corporate value, and executive compensation: a unifying framework, *J. Bank and Finance*, 20.1135– 1159.

Cole R. A. & H Mehran (1998). The effect of changes in ownership structure on performance: Evidence from the thrift industry, *J. Financial Econ.,* 50, 291-317.

Coleman, K. (2008). Corporate governance and firm performance in Africa: A dynamic panel data analysis. *Studies in Economics and Econometrics*, 19(2), 350-367.

Crifo, P., Diaye, M. & Pekovic, S. (2013). *Corporate social responsibility related management practices and firm performance. Empirical analyses of the quantity-quality trade-off on French data*. Paris.

Dallas, G (2004). *Governance and Risk: An Analytical Handbook for Investors, Managers, Directors and Stakeholders.* McGraw-Hill, New York.

Defond, M & Hung, M. (2004). Investor Protection and Corporate Governance: Evidence from Worldwide CEO Turnover. *Journal of Accounting Research*. 42(2), 86- 94.

Dehaene, A, De Vuyst, V &Ooghe, H (2001). Corporate performance and board structure in Belgian companies. *Long Range Planning*, 34 (3), 383-98.

Demsetz H (1983). The structure of ownership and the theory of the firm, *J. Law and Econ.* 26, 375–390.

Demsetz H & Villalonga, B. (2001). Ownership structure and FP *J. Corporate Finance*, 7, 209–233.

Demsetz H. & K Lehn (1985). The structure of corporate ownership: causes and consequences, *J. Political Econ*. 93, 1155–1177.

Drakos A.A. & F.V. Bekiris (2010). FP, managerial ownership and endogeneity: A simultaneous equations analysis for the Athens stock exchange, *Res. in Inter. Bus. and Finance*. 24, 24–38.

Elyasiani, E., &Jia, J.J. (2008). Institutional ownership stability and BHC performance. *Journal of Banking and Finance*. 32, 1767–1781. http://dx.doi.org

Enobakhare, A. (2010). Corporate governance and bank performance in Nigeria. MBA Research Report, University of Stellenbosch. *Retrieved from* http://hdl.handle.net

Epps, R. W &Cereola, S. J (2008). Do Institutional Shareholder Services (ISS) corporate governance ratings reflect a company's operating performance? *Critical Perspectives on Accounting, 19 (1), 1138-1148.*

Fama, E. F. & Jensen, M. C. (1983). Separation of Ownership and Control. *Journal of Law and Economics*, 26: 301-325.

Fauzi, H. &Idris, K. M. (2010). The effect of contextual variables in the relationship between CSR and CFP: Evidence from Indonesian companies. *Issues in Social and Environmental Accounting, 4(1), 276-294*

Ferede, Y (2012). Being a published Thesis on The Impact of Corporate Governance Mechanisms on Firm's Financial Performance: Evidence from Commercial Banks in Ethiopia.Submitted to the Department of Accounting and Finance, Addis Ababa University, Addis Ababa, Ethiopia

Finkelstein, S. &D'Aveni, R. (1994). CEO duality as a double-edge sward: how board of directors balance entrenchment avoidance and unity of command.*Academy of Management Journal, 37(5). 1079-108.*

Flamini, C., Valentina C., McDonald, G. & Liliana, S. (2009). The determinants of commercial bank profitability in Sub-Saharan Africa. *IMF Working Paper.*

Freeman, E. (1984). *Strategic Management: A Stakeholder Approach*. Englewood Cliffs, NJ: Prentice-Hall

Freeman R. E (1999). Response: Divergent Stakeholder Theory. The Academy of Management Review. 24, (2). 233-236 http://www.jstor.org/stable/259078

George, T. P, & K. B. Bagshaw (2014). Corporate Governance Mechanisms and Financial Performance of Listed Firms in Nigeria: A Content Analysis. *Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics (GJCRA), 1 (2).* www.globalbizresearch.org

Gompers, P.A; Ishii, J.C & Metrick, A (2003). Corporate Governance and Equity Prices. *Quartly Journal of Economics*.

Greene, R.A, jones C.B., & Powers D.W.(2004), An Assessment of the Corporate Governance Practices of Fifth Federal Reserve District Banking Institution. *(https://www.richmondfed.org)*

Gul, S., Faiza, I., & Z. Khalid, (2011), Factors Affecting Bank Profitability in Pakistan. *The Romanian Economic Journal, 2(3): 6-9.*

Hamid, K.T. (2008), Assessment of the Relationship between Corporate Governance and Internal Control System in the Nigerian Banking Industry. A PhD Thesis, Bayero University, Kano- Nigeria (Unpublished).

Hamilton, D. H. & Kashlak, R. J. (1999), National Influences on Multinational Corporation Control System Selection. *Management International Review*, 39: 167-189.

Hanrahan, P, Ramsay, I & Stapledon, G (2001), *Commercial Applications of Company Law*. 2nd ed., Sydney, CCH Australia.

Hanweck G. & L. Ryu (2005). The Sensitivity of Bank Net Interest Margins and Profitability to Credit, Interest-Rate, and Term-Structure Shocks Across Bank Product Specializations School of Management: *Working Paper. George Mason University Fairfax, VA 22030* www.fdic.gov

Hassan, S.U. (2010). Determinants of Financial Reporting Quality: An indepth Study of Firms Structure. *Journal of Modern Accounting and Auditing (USA), 2(4), 54-76 1548-6583.*

Hassan,Y.A. (2010). Corporate Governance and Performance of Deposit Money Banks in Nigeria. *Nigerian Journal of Accounting and Finance*

Heinrich, R. (2002). *Complementarities in corporate governance*. Berlin: Springer.

Helen, L. B., & Arnold, M. W., (2011). The effect of past client relationship and strength of the audit committee on auditor negotiations. *Auditing: A Journal of Practice & Theory*. *30(4), 51-69.*

Hermalin, E. B., (2005). Trends in corporate governance. *The Journal of Finance 60 (5).*

HermalinB. & Weisbach M (1988): The determinants of board composition, *RAND J. Econ.,* 19, 589–606.

Hermalin, B .E., & Michael, W. S. (2003). Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature. *Federal Reserve Bank of New York Economic Policy Review*, 9(1), 7–26.

Hill, R. A.(2008). *Strategic Financial Management*. Author Finance &Ventus Publishing ApS. Download Free Textbooks at *www.bookboon.com*.

Hillman, A. J. &Keim, G. D. (2001). Shareholder value, stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal*, 22(2) 125–139.

Hiraki T, Inoue H, Ito A, Kuroki F, & Masuda H (2003). Corporate governance and firm value in Japan: Evidence from 1985 to 1998, *Pacific-Basin Finance J.*239–265.

Holly j. G.& Marsha e. S.(1999). *Corporate governance: what it is and why it Matters*. 9th international anti-corruption conference, 10-15 October 1999, Durban, South Africa

Holmstrom, B &Milgrom, P. (1994). The Firm as an Incentive System, *American Economic Review*. 84(4) : 972-991.

Holsti, O. R., (1969), Content Analysis for Social Sciences and Humanities, London, Addison Wesley.

ICAN Publication (2008). *Audit Planning and Control.* icanig.org/document/aaa,pdf

Ilaboya O.J. (2005). *Modern practice of banking.* Lagos: Rehiz printers and publishers.

Investopedia (2015). Financial Performance. Viewed from http://www.investopedia.com/

Jayashree, S. (2006). *Some Views on Corporate Governance*. Indira Management Review, IndiraSchool of Management Studies. Pune: Tathawade.

Jeffrey, D. (2004). Corporate Governance Mosaic and Financial Reporting. Quality. *Journal of Accounting Literature.*

Jeffrey R. C., Lisa M. G., Genesh K., & Arnold M. W., (2011). The impact on auditor judgments of ceo influence on audit committee independence. *Auditing: A Journal of Practice & Theory,* 30(4), 129-147.

Jensen, M.C (2001). Value Maximization, Stakeholder Theory and Corporate Objectives. *Journal of Applied Corporate Finance. 14(3).*

Jenson, M.C. &Meckling, W.H. (1976). Theory of the Firm: Managerial Behaviour, Agency Cost and Ownership Structure. *Journal of Financial Economics. 48, 35- 54.*

Joshua O. (2011). Comparative analysis of the impact of mergers and acquisitions on financial efficiency of banks in Nigeria. *Journal of Accounting and Taxation. 3(1): 1-7, http://www.academicjournals.org*

Joshua,O. Joshua, S. G. &Tauhid, S. (2013). Corporate Governance Principles Application and the Financial Performance of Deposit Money Banks in Nigeria: An Impact Assessment*. Research Journal of Finance and Accounting. 4(2): 2222-2847 www.iiste.org*

Kajola, S.O. (2008). Corporate Governance and Firms' Performance: The Case of Nigerian Listed Firms. *European Journal of Economic and Administrative Sciences, issue 14*.

Kama, T. (2006). Event studies in economics and finance*. Journal of Economic Literature 35 (3):75-86.*

Kashif, R. (2008). *A Comparison of Corporate Governance and Firm Performance in Developing (Malaysia) and Developed (Australia) Financial Market*. A PhD Thesis submitted to the Centre for Strategic Economic Studies, Faculty of Business and Law, Victoria University, Melbourne

Kennedy P (1998). *A guide to econometrics*, 4th edn. MIT Press, Massachusetts.

Khanna, T, Jeo, K &palepu K. (2001). *Globalization and Corporate Governance Convergence?. A Cross-Country Analysis*. NYU Stern, *http://w4.stern.nyu.edu*

Khrawish, H.A. (2011). Determinants of Commercial Banks Performance: Evidence from Jordan. *International Research Journal of Finance and Economics. ZarqaUniversity, 5(5): 19-45.*

Klapper, L.F. & Love, I. (2002). Corporate Governance, Investor Protection and Performance in Emerging Markets. *Social Science Research Network Working paper No.303979. http://papers.ssrn.com*

Klein, A. (2002). Audit Committee, Board of Director Characteristics and Earnings Management. *Journal of Accounting and Economics, 33,375 - 400.*

Klein, A. (2006). Audit committee, board of director characteristics, and earnings management. *Law & Economics Research Paper Series Working Paper. No. 06-42.*

Levine, R. (1997). Financial development and economic growth: Views and agenda. *Journal of Economic Literature, 35*(2), 688-726.

Mashayekhi, B., & Bazaz, M. S. (2008). Corporate governance and firm performance in Iran. *Journal of Contemporary Accounting & Economics, 4(2),* 156-172. doi:10.1016/S1815-5669(10)70033-3

McConnell JJ, &Servaes H (1990). Additional evidence on equity ownership and corporate value.*J. Financial Econ.*, 27,595–612.

McMullen D. A. (1996). Audit Committee Performance: An Investigation of the Consequences Associated with Audit Committees. *Article in Auditing A Journal of Practice & Theory 15(2), 223–250. Doi: 10.1108/09513570210418905*.

Mehran, H. (1995). Executive Compensation Structure, Ownership, and Firm Performance. *Journal of Financial Economics,* 38, 163-84.

Millstein, I. M. (1992). *The Limits of Corporate Power: Existing Constraints on the Exercise of Corporate Discretion.* Beard Books, New York.

Mirfazli, E., (2008). Evaluate Corporate Social Responsibility Disclosure at Annual Report Companies in Multifarious Group of Industry Members of Jakarta Stock Exchange (JSX) Indonesia, *Social Responsibility Journal*. 4, issue 3, 388-406.

Monks, R &Minow, N (2001). *Corporate Governance*. 2nd ed., Blackwell Publishers, Oxford.

Morck R, Nakamura M, & Shivdasani A (2000). Banks, ownership structure, and firm value in Japan. *J. Bus., 73, 539–567.*

Morck, R., Shleifer A., & Vishny R. W. (1998). Management Ownership and Market Valuation: An Empirical analyses. *Journal of Economics Financial*, 20(1-2):293-316.

Morgan, D. (2002), Rating banks: Risk and uncertainty in an opaque industry. American Economic Review 92, 874-88.

Morin, R & Jarrell, S. (2001). *Driving Shareholders Value: Value-Building Techniques for Creating Shareholder Wealth*. Sydney, McGraw-Hill Publishers.

Mülbert, Peter O., (2010). Corporate Governance of Banks after the Financial Crisis - Theory, Evidence, Reforms. *ECGI - Law Working Paper No. 130/2009 Nigeria stock exchange, Fact Book, Various Issues.*

Murthy, Y. &Sree, R. (2003). A Study on Financial Ratios of major Commercial Banks" Research Studies, College of Banking & Financial Studies, Sultanate of Oman. (Unpublished)

Nam, Sang-Woo & Chong Nam. (2004). Corporate Governance in Asia: Recent Evidence from Indonesia, Republic of Korea, Malaysia, and Thailand. *ADB Institute,* 2, 561-582.

Ng CM (2005). An empirical study on the relationship between ownership and performance in a family-based corporate environment, *J. Acc., Auditing and Finance*, 20, 121–146.

Nikomborirak, D (2001). *An Assessment of The Role of Board of Directors in Building Good Corporate Governance: The Case of Thailand.* The Third Asian Round Table on Corporate Governance, Thailand Development Research Institute, Bangkok.

Notbrook, N. & Lawal, L. (2009). Nigerian banks: signs of life. *The African Report Magazine* 17: 64-66.

Nwinee, B. F. & Torbira, L. L. (2012). Corporate governance and financial performance of publicly listed Deposit Money Banks in Nigeria. *Reiko Journal of Social and Economic Research. RIJSER 4(4)*www.reikojournals.org

O'Donnell, S. W. (2000). Managing foreign subsidiaries: Agents of headquarters, or an interdependent network? *Strategic Management Journal, 21(5), 525-548.*

Ogbeche, G. (2006). Environmental dynamism, capital structure and performance: A theoretical integration and empirical test. *Strategic Management Journal, 12:1-15.*

Ogbulu O. M & Emini F. K (2012). Corporate governance and bank performance: A conditional analysis, *Economic and Finance Review*, 2(4), 14-23.

Oghojafor, B. E. A., Olayemi O. O., Okonji, P. S., & Okolie, J. U. (2010). Poor Corporate Governance and its Consequences on Nigerian Banking Sector. *Serbian Journal of Management*, 5(2), 243-250.

Okoi, I. O., Stephen, O. &Sani J. (2014). The Effects of Corporate Governance on the Performance of Commercial Banks in Nigeria. *International Journal of Public Administration and Management Research (IJPAMR),2(2)*. http://www.rcmss.com.

Okoli, A. O (2006). Corporate profitability and earnings quality management. *Institute of Chartered Accountants of Nigeria Students Journal, 10*:12-17.

Olayinka, M.U. (2010). Impact of Board Structure on Corporate Financial Performance in Nigeria. *International Journal of Business and Management.3*

Oladejo, M.O. (2008). *Recapitalization of the Insurance Sector and the Nigerian Economy: Issues & Problem*. Ogun, Nigeria.

Oluyemi, S.A (2006). Banking Sector Reforms and the Imperatives of Good Corporate Governance in the Nigerian Banking System. *NDIC Quarterly* 15(1): 22-29

Onyema, O. (2014).Corporate Governance Rating System (CGRS). *Welcome Address by the CEO of the Nigerian Stock Exchange, at the Briefing session on Wednesday, January 29, at the NSE event centre.*

Organization for Economic Co-operation and Development (OECD: 2005). *Definition of Corporate Governance.* https://stats.oecd.org

Panchasara B. M.(2012). Being a Published Ph.DThesis on an empirical study on Corporate Governance in Indian Banking Sector.*Submitted to the Department of Accounting, School of Postgraduate StudiesSaurashtra University,*India

Pandey, I.M. (2006): *Financial Management*.Pitman Publishing.

Park, Y. W. and Shin, H. H. (2003).Board Composition and Earnings Management in Canada.*Journal of Corporate Finance, 185, 1–27*

Pfeffer, J (1972). Size, Composition, and Function of Hospital Boards of Directors. *Administrative Science Quarterly,*18, 349-364.

Ping Y., Elizabeth C. & Roger S., (2011). Threats to auditor independence: The impact of relationship and economic bonds. *Auditing: A Journal of Practice &Theory,* 30(1), 1211-148.

Pinto, M.(2006). The Role of institutional Investors in the Corporate Governance. *German Working Papers in Law and Economics. 1(1).* www.bepress.com

Ponnu, C. H. (2008): Corporate Governance Structures and The Performance of Malaysian Public Listed Companies, *International Review of Business Research Papers,* 4(2). 217-230.

Ponnu, C. H. & Karthigeyan, R. M. (2010): Board Independence and Corporate Performance: Evidence from Malaysia, *African Journal of Business Management*, *46, 858-868.*

Ranti U.U. (2011). Being a Published Ph. D Thesis on Corporate Governance and financial performance OF Banks: A Study of listed banks in nigeria. *Submitted to the Department of Accounting, School of Postgraduate Studies Covenant University, Ota, Ogun State .*

Rashid, Z., Muhammad, A., & Siddiqui, M. A. (2014). Corporate Governance and Firm Performance: The Role of Transparency & Disclosure in Banking Sector of Pakistan. *International Letters of Social and Humanistic Sciences 43,152-166 doi:10.18052/www.scipress.com/ILSHS.43.152*

Roth, K. & O'Donnell, S. (1996), Foreign Subsidiary Compensation Strategy: An Agency Theory Perspective**.** *Academy of Management Journal*, 39: 678-703.

Samaila, I. A. (2014). Corporate Governance and Financial Reporting Quality in the Nigerian Oil Marketing Industry. PhD Thesis, Bayero University, Kano- Nigeria (Unpublished).

Sanda M. (2008). Board Independence, and Firm Financial Performance: Evidence from Nigeria.*Journal of Management Studies, University of Sokoto, Nigeria, III.*

Sanda, A. U., Mikailu, A. S. & Garba, T. (2005). Corporate Governance and Firm Financial Performances in Nigeria. *AERC Research Paper (149), 1-16.*

Sanusi, J.O. (2003). Embracing Good Corporate Governance Practices in Nigeria. *A keynote address at the 19th Annual Bank Directors seminar organized by the Financial Institute Training Centre, June 19, Abuja.*

Sanusi, L. S. (2010). The Nigerian Banking Industry: What Went Wrong and the Way Forward. (*A Convocation Lecture Delivered at the Convocation Square, BayeroUniversity, Kano, on Friday 26 February, 2010 to mark the Annual Convocation Ceremony of the University).*

Sanusi, L. S., (2012). Banking Reform and Its Impact on the Nigerian Economy. *Paper presented at a Retreat for Members of the Revenue Mobilization Allocation and Fiscal Commission on Thursday 17thFebruary, 2011 at Le Meridien Hotel,* Uyo, Akwa Ibom State.

Shehzad, C.T, De Haan J., & Scholtens B. (2010). The impact of bank ownership concentration on impaired loans and capital adequacy. *Journal of Banking and Finance,* 34 (2), 399–408. http://dx.doi.org

Shleifer, A., &Vishny, R.W. (1986). Large shareholders and corporate control. *Journal of Political Economy,* 94, 461–488. http://dx.doi.org/10.1086/261385.

Shukeri, S. N., Shin, O. W., &Shaari, M. S. (2012). Does board of director's characteristics affect firm performance? *Evidence from Malaysian public listed companies. International Business Research, 5(9), 120-127.* doi:10.5539/ibr.v5n9p120

Song J &Windram B (2004) : Benchmarking audit committee effectiveness in financial reporting. Int. J.Audit.8:195-205.

Suberu O.J. & Aremu, O. S. (2010). Corporate Governance and Merger Activity in the Nigerian Banking Industry. *J Economics,1 (2), 91-97.* www.krepublishers.com

Sundaram, A. K. & Inkpen, A. C. (2004): The Corporate Objective Revisited" *Organization Science,* 5, (3), 350-363.

Sunday, K. (2008). Corporate governance and firm performance: the case of Nigerian listed firms. *European Journal of Economics, Finance and Administrative Sciences,* (1450-2275), 1-13.

Tanko, M. &K,olawoleO. (2010). Corporate Governance and Firm Performance in Nigeria. *International Journal of Business Administration.*

Theodorou, E. (1998). The relationship between board structure and firm performance in the UK. *British Accounting Review*, 30, 383-407.

Tomasic, R, Pentony, B. & Bottomley, S. (2003). *Fiduciary Duties of Directors:* Interview Schedule, Personal Communication.

Trickler, R.I. (1996). The Essentials of Corporate Governance from A-Z. *The Economist Newspaper*, London.

Ullmann, A. A. (1985): Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of US firms. *Academy of Management Review, 10(3): 540-557.*

Melbourne, & Weisbach, S.T. (1998). Preventing Banking Sector Distress and Crises in Latin America.*WorldBank Discussion Paper, Series No. 360,* Washington D.C.

Vance, S. C. (1983). *Corporate leadership: boards, directors, strategy*. McGraw Hill, New York

Villalonga B. & Amit, R. (2006). How do family ownership, control, and management affect firm value? *J. Financial Econ.*, 80 (2), 385–417.

Vincent O. O. & Kusa, G. B. (2013). Determinants of financial performance of commercial banks in Kenya*. International Journal of Economics and Financial Issues, 3, 237-252.* www.econjournals.com

Waddock, S.A. & Graves, S.B. (1997). The Corporate Social Performance – Financial Performance Link. Strategic Management Journal, 13(6), 181-199

Weber, R. P., (1980): Basic Content Analysis, Sage University Paper Series No. 07- 049. 29

Weir, C., Laing, D., & McKnight, P. J. (2002). Internal and external governance mechanisms: Their impact on the performance of large UK public companies. *Journal of Business Finance & Accounting*, 29, 579–611.

Westphal, J. D. (1998). Board Games: How CEOs Adapt to Increases in Structural Board Independence from Management, *Administrative Science Quarterly,* 43, 3, 511-537.

White, J &Ingrassia, P (1992). Board Ousts Managers at GM: Takes Control of Crucial Committee. *The Wall Street Journal*, April 7, A1- A8.

Wilson, I. (2006): Regulatory and institutional challenges of corporate governance in Nigeria post banking consolidation. *Nigerian Economic Summit Group Economic Indicators*, 12(2), 1-10.

Wikipedia (2015). Definition of Corporate Governance. www.wikipedia.com

Wong, K Pong. 1997. On the Determinants of Bank Interest Margins under Credit and Interest Rate Risks. *Journal of Banking and Finance* 21,(2) 251–71.

Yermack, D. (1996). Higher Market Valuation of Companies with a Small Board of Directors, *Journal of Financial Economics,* 40,185–211.

Yusuf,A (2010). Audit Report that Exposed the Rot in the Banking Sector. *Retrieved From http://economicconfidential.et/ on May 16, 2015.*

Yusoff, Alhaji, I. A., & W. F. W. Alkali, (2012): Corporate Governance and Firm Performance: A Comparative Analysis of Two Sectors of Malaysian Listed Companies. *2nd International Conference on Management, 11th - 12th June 2012. Holiday Villa Beach Resort & Spa, Langkawi*

Zahra, S & Pearce, J (1989). Boards of Directors and Corporate Financial Performance: a Review and Integrative Model. *Journal of Management, 15(2) 291-324*

Zakaria, B.N. (2012). Corporate Governance and the relationship between Default Risk and the Earning Response Coefficient. Being aP.hdthesis submitted to the Victoria University of Wellington in fulfillment of the requirements for the degree of doctor of philosophy in Accounting.

Zaman, R., Arslan, M. & Siddiqui, M. A. (2015). Corporate governance and firm performance: the role of transparency & disclosure in banking sector of Pakistan. *International letters of social and humanistic science43 152-166* www.scipress.com.

Zarruk, E. & Madura, J. (1992). Optimal Bank Interest Margin under Capital Regulation and Deposit Insurance. *Journal of Financial and Quantitative Analysis* 27, (1)143–49.

APPENDICES

Appendix I: Summary of Prior Studies on Corporate Governance

S/N	Authors	Objectives	Methodology	Findings
1.	Kajola S.O (2008)	Corporate governance and firm performance.	20 Financial & 20 non-financial firms listed on the Nigerian stock exchange (NSE). 2000-2006. O L S method of estimation.	Evidence of positive significant relationship between ROE and BS as well as Chief Executive Staff. Also,the study could not provide a significant relationship between the two performance measures and BC and AC.
2.	Chienjien F. (2010)	Corporate Governance in the Nigerian Financial Sector	30 quoted companies. 2007	The study showed a strong positive association between director's stock holding and firms' performance in Corporate Governance principles application. A negative association was observed between Return On Equity (ROE) and CEO duality.
3.	Oghojafor B.E.A, Olayemi O.O, Okonji P.S &Okolie J.U (2010)	To examinepoor corporate governance and its consequences on nigerian banking sector	120 respondents consisting of Investment analysts, Financial experts, Banks' employees, Shareholders and Customers	that poor governance culture and supervisory laxities were majorly responsible for the current banking crisis. The study concludes CBN supervisory officials are judged to lack integrity and boldness in carrying out

			.Using chi-square	their oversight functions; the officials are known to have compromised in issuing clean bills of health in their bank examination report.
4.	Ranti U.U (2011)	Examined the relationships that exist between governance mechanisms and financial performance in the Nigerian consolidated banks.	2006-2008 The Pearson Correlation, regression and t- test analysis were used	negative but significant relationship exists between board size, board composition and the financial performance of these banks, while a positive and significant relationship was also noticed between director's equity interest, level of governance disclosure and performance
5.	Nwinee B.F and TorbiraL.L.L (2012)	Investigates the effect of corporate governance indicators on the financial performance of public listed deposit money banks in Nigeria	21 consolidated DMBs listed on the Nigerian stock exchange. 2005—2009 Multivariate regression	short run OLS test result shows that corporate governance index has a positive relationship with earnings per share and a negative relationship with net profit margin. co-integration test reveals that there exist a long run relationship between corporate governance and bank financial performance

Appendix I Cont'd

6.	Zaman R., Arslan M &Siddiqui M.A (2014),	examine the relationship between transparency and disclosure (T&D)and firm performance	2007-2011 OLS regression model	Financial performance is positively related to the transparency and disclosure and their sub levels except ownership structure disclosure which has negative relation with both ROA and ROE. Also, the average T&D level in Pakistani banking sector is above average.
7	Bhagat and Black (2002)	Examined whether there is anyrelationship between board composition, board size, board independence and firm performance	934 firms using data from 1985-1995 Regression analysis	Low-profitability firms increase the independence of their boards. Firms with more independent boards do not perform better than other firms.
8	Ferede, Y (2012)	investigates the impact of corporate governance mechanisms on firms' financial performance	8 Ethiopia Commercial banks usingdata from the year 2007 to 2011. Regression	large size board and audit committee negatively influences financial performance; whereas board members educational qualification positively associated with

			analysis	financial performance. While industry specific experience of director positively related with return on asset but it has a negative effect on net interest margin. Finally, the percentage of female directors and board members business management experience does not have a significant effect
9	Aldamen, Duncan, Kelly, McNamara, & Nagel (2011)	Examine the effect of audit committee characteristics and firm performance during the global financial crisis	120 firms listed on S & P300during the period of 2008 and 2009.Logit Model analysis was used	thestudy revealed that smaller audit committees with more experience and financial expertise are more likely to be associated with positive firm performance in the market. It also found that longer serving chairs of audit committees negatively impacts accounting performance.
10	Adusei (2011)	Examined the relationship between board structure and bank performance in Ghana banking industry	17 out of 26 universal banks in Ghana. Estimation method of regression is pooled OLS.	Board independence has a negative, but statistically insignificant correlation with bank profitability. And no significant relationship between the relationship between the size of a bank and its financial performance has been found

Appendix II: Data Analysis Results Generated by STATA V.10.0

```
StataCorp

                                      4905 Lakeway Drive

     Special Edition                  College Station, Texas 77845 USA

800-STATA-PC        http://www.stata.com

979-696-4600        stata@stata.com

                                      979-696-4601 (fax)

Single-user Stata network perpetual license:

       Serial number:  93611859953

         Licensed to:  LIMAN

                       BAYERO UNIVERSITY, KANO

Notes:

      1.  (/v# option or -set maxvar-) 5000 maximum variables


Checking for updates...

(contacting http://www.stata.com)

host not found

http://www.stata.com did not respond or is not a valid update site

unable to check for update; verify Internet settings are correct.


. edit


. *(12 variables, 100 observations pasted into data editor)
```

Appendix II Cont'd

```
. regress nim aci2 bi2 bo lfs1  lev1

Source |       SS       df       MS              Number of obs =     100

-------------+------------------------------           F(  5,    94) =    4.83

      Model |  1.24709726     5  .249419452           Prob> F      =  0.0006

   Residual |   4.8583778    94   .05168487           R-squared     =  0.2043

-------------+------------------------------           Adj R-squared =  0.1619

      Total |  6.10547506    99  .061671465           Root MSE      =  .22734

------------------------------------------------------------------------------

nim |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]

-------------+----------------------------------------------------------------

       aci2 |  -.5070524   .3076169    -1.65   0.103    -1.117833    .1037281

        bi2 |   .7392887   .2469247     2.99   0.004     .2490139    1.229564

bo |  -.4493182   .1450858    -3.10   0.003    -.7373894    -.161247

       lfs1 |   .0269666   .0166933     1.62   0.110    -.0061782    .0601115

       lev1 |   .2851226   .1658506     1.72   0.089    -.0441777    .6144228

      _cons |     .17662   .2744908     0.64   0.522     -.368388     .721628

------------------------------------------------------------------------------

. vif

    Variable |       VIF       1/VIF

-------------+----------------------

        bi2 |      1.06    0.941485

       lfs1 |      1.05    0.954230

       lev1 |      1.04    0.961200

bo |      1.04    0.962720

       aci2 |      1.01    0.986439

-------------+----------------------

    Mean VIF |      1.04
```

Appendix II Cont'd

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

         Ho: Constant variance

         Variables: fitted values of nim


         chi2(1)      =    83.42

Prob> chi2  =   0.0000

xtset id year, yearly

       panel variable:  id (strongly balanced)

        time variable:  year, 2005 to 2014

                delta:  1 year


. xtregnim aci2 bi2 bo lfs1  lev1, fe


Fixed-effects (within) regression               Number of obs      =       100

Group variable: id                              Number of groups   =        10


R-sq:  within  = 0.1508                         Obs per group: min =        10

       between = 0.3513                                        avg =      10.0

       overall = 0.1981                                        max =        10


                                                F(5,85)            =      3.02

corr(u_i, Xb)  = 0.1875                         Prob> F           =    0.0148
```

Appendix II Cont'd

```
------------------------------------------------------------------------------

nim |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]

-------------+----------------------------------------------------------------

        aci2 |  -.4879865    .268978    -1.81   0.073    -1.022787    .0468138

         bi2 |   .5850413   .2244483     2.61   0.011      .138778    1.031305

bo |  -.3014286   .1542741    -1.95   0.054    -.6081668    .0053096

        lfs1 |   .0123133   .0266752     0.46   0.646    -.0407241    .0653507

        lev1 |   .2547611   .1574143     1.62   0.109    -.0582207    .5677429

       _cons |   .3545819   .2761188     1.28   0.203    -.1944162      .90358

-------------+----------------------------------------------------------------

sigma_u|  .14658507

sigma_e|  .18879951

rho |  .37609429   (fraction of variance due to u_i)

------------------------------------------------------------------------------

F test that all u_i=0:     F(9, 85) =     5.70               Prob> F = 0.0000

. est store fixed

. xtregnim aci2 bi2 bo lfs1  lev1, re

Random-effects GLS regression                   Number of obs      =       100

Group variable: id                              Number of groups   =        10

R-sq:  within  = 0.1506                         Obs per group: min =        10

       between = 0.3521                                        avg =      10.0

       overall = 0.2009                                        max =        10
```

Appendix II Cont'd

```
                                                     Wald chi2(5)       =     17.43
corr(u_i, X)   = 0 (assumed)                          Prob> chi2        =    0.0038

------------------------------------------------------------------------------
nim |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        aci2 |  -.4909266   .2616029    -1.88   0.061    -1.003659    .0218057
         bi2 |   .6004044   .2174491     2.76   0.006     .1742121    1.026597
bo |  -.3189688   .1463596    -2.18   0.029    -.6058282   -.0321093
        lfs1 |   .0159772    .023294     0.69   0.493    -.0296781    .0616326
        lev1 |   .2561897   .1516556     1.69   0.091    -.0410498    .5534292
       _cons |   .3244969   .2662883     1.22   0.223    -.1974184    .8464123
-------------+----------------------------------------------------------------
sigma_u |  .19040434
sigma_e |  .18879951
         rho |  .50423204   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. est store random
```

Appendix II Cont'd

```
. hausman fixed random

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
        aci2 |   -.4879865    -.4909266        .0029401        .0625547
         bi2 |    .5850413     .6004044       -.0153632        .0556141
bo |   -.3014286    -.3189688        .0175402        .0487788
        lfs1 |    .0123133     .0159772        -.003664        .0129983
        lev1 |    .2547611     .2561897       -.0014286        .0421882
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        0.36
Prob>chi2 =      0.9965

.
```