EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF BANKS IN NIGERIA

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CERTIFICATION

This is to certify that this research project work was carried out by ALLOH RACHAEL .O, with matric no 15020101024 in partial fulfillment of the requirements, for the award of Bachelor of Science BSc degree in Accounting.

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ABSTRACT

This study sought to examine the effect of corporate governance on the financial performance of banks in Nigeria. This study examined the board size, board committee and audit committee size on Return on equity (ROE) of a sample of five selected banks among the total population of 21 banks in Nigeria. Secondary data were source from the annual reports and audited financial statement of the selected banks issued for ten (10) years from the year 2009 – 2018. Linear Regression technique aided by SPSS 20 was employed in evaluating the relationship between the selected variables. The study found that all measures of corporate governance are not significant predictors of financial performance of money deposit banks in Nigeria. The overall R value of the board size, board committee, and audit committee size was 0.232 which show a low positive relationship of (23.2%) between the return on equity and the independent variables jointly. While the R squared value of 0.054 (5.4%) depict the value of variation in return on equity that can be attributed to the three independent variables jointly. The F- statistics of 0.868 and the corresponding overall p-value of the three independent variable of 0.404 were found to be insignificant in explaining the profitability of money deposit banks in Nigeria. Based on the findings, another study should be conducted to determine the other corporate governance variables that affect the financial performance of money deposit banks. Financial institutions are the key engines of growth in many developing economies. The study recommend that there should also be in existence, a proper internal control structure and self-government regulation so as to detect early rule violations and also monitor systemic problems for early remediation and solutions. Money deposit banks also must conduct their activities in such a manner so as not to compromise the financial well-being of all its stakeholders.
KEYWORDS: Corporate Governance, Finance Performance, Return on Assets, Board Size, Audit Committee, Board Committee.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The concept of corporate governance is based on the Greek word ' kyberman' meaning steering, guiding and governing; it then turned to Latin, where it was known as' gubernare' and to French as' governor.' To be accurate, corporate governance is the decision-making method and the process through which decisions can be enforced, hence it has a significantly distinct meaning to different organizations' (Abu-Tapanjeh, 2008).

Standards and principles of corporate governance are derived from local and international laws, regulations and rules, as well as from the rules, codes of conduct and resolutions of the organization. Corporate governance focuses on the control systems and structures that hold executives responsible to the legitimate stakeholders of the bank (A. Al-Baidhani, 2015).

In Nigeria, all industries of the economy have provided the front burner status to the problem of corporate governance. This recognizes the failure of corporate governance's critical role in corporate achievement or failure (Emeka E. Ene, Alem, I. E. Bello, 2016). Corporate governance is about building credibility, ensuring transparency and accountability, and keeping an efficient channel of disclosure of information that will promote high corporate efficiency. Therefore, corporate governance can be said to refer to the processes and structures by which institutional business and affairs are managed and directed to improve long-term shareholder's value by improving corporate performance and accountability while taking other stakeholders ' interests into account (Tricker, 2009).

The significance of corporate governance in the banking framework was also stressed (Bebeji, Mohammed, and Tanko, 2015). They noted that corporate governance has a major impact on bank performance in Nigeria. They realized that while some characteristics of corporate governance such as board composition had a positive impact on bank performance in Nigeria, other characteristics such as board size had a negative impact on bank performance in Nigeria. Consequently, several occurrences are accountable for the increased interest in corporate governance particularly in advanced and developing nations. For over a century, this notion of banks ' corporate governance and every big company has been a priority on the policy agenda in developed market economics.

Abdulazeez D.A., Ndibe L, and Mercy A.M., 2016, further discuss that the crisis in the banking sector remained a problem due to its role in enabling and stimulating economic growth. However, this made the apex bank (CBN) take a courageous move to revitalize the banking sector by stipulating N25 billion Naira capital bases for all Nigerian banks. As of 31 December 2005, 25 business banks emerged in Nigeria. In 2006, Nigeria's central bank released a corporate governance code to complement the current one, and it was said that the provisions of the new code are indispensable for attaining feasible and successful banking practice. Since the CBN efforts have made the issuance of the corporate governance code to assess its impact on bank performance.

The recent crisis in Nigerian banking industry in which more than 10 out of 25 banks recapitalized in 2004 failed the banking distress test underlines the need to re-examine the nexus between corporate governance and performance nexus in the banking environment in Nigeria. Therefore, corporate governance may have played a part in Nigerian banking industry's economic crisis experience in 2008 and 2010. Moreover, the literature evidence was not so emphatic about the role that corporate governance played in banking results (Adewale Atanda Oyerinde, 2014).

1.2 Statement of the Research Problem

In Nigeria, the issue of corporate governance has been given the front burner status by all sectors of the economy. This is in recognition of the failure of the critical role of corporate governance in the success or failure of financial institution, Emeka Ene, Alem, I. E. Bello,(2016) cited (Ogbechie, 2006).

The crises emanated from the poor governance practices from the financial sector (the mortgage market). Since mortgage market was the mother of the crisis, this has triggered the world leaders to enact some laws, which increase banks governance. The World Bank is currently helping many economies in undertaking banking sector reformation and restructuring. This exercise will ease, reduce or eliminate some fatal global macroeconomic troubles which have emanated from poor governance of large financial and non-financial institutions (Zaharia, Tudorescu&Aharia, 2010).

Before the crisis, the industry felt that the banking sector was sound and that development should be promoted. The IMF has endorsed the banking system's strength to support this growth. However, this sentiment proved misplaced (Sanusi, 2010), believed eight (8) main interdependent factors led to the creation of an extremely fragile financial system that was tipped into crisis by the global financial crisis and recession. These eight (8) factors are: macroeconomic instability triggered by large and sudden inflows of capital, significant failures in bank corporate governance, absence of investor and consumer sophistication, inadequate disclosure and transparency of bank’s financial situation, critical gaps in regulatory framework, uneven oversight and implementation, unstructured governance and management process, Together they brought to the brink of collapse the entire Nigerian financial system (Sanusi, 2010).

The latest collapse of the stock market and the discovery of flagrant abuse of loans and perquisites in the banking sector and the elevated incidence of corruption in the Nigerian economy are usually enough to raise the question of the lack of corporate governance in this nation. Annual General Meetings, citing Oyebode(2009) in (Adeoye Afolabi, 2015), indicate the collapse of corporate governance in Nigeria, not to mention insider dealings and compromised boards in many businesses as well as spineless shareholders ' associations audit committees and rubber stamp.

Adeoye Afolabi, 2015, further discussed that the financial system is more than just facilitating payments and extending credit institutions. It includes all the features that direct their ultimate user to actual resources. It is a market economy's central nervous system and includes a number of distinct, yet co-dependent, components that are all vital for its effective and efficient functioning. These components include financial intermediaries such as banks and insurance companies that operate as major agents to assume liabilities and acquire claims. The second element is the markets where economic assets are exchanged, while the third element is the infrastructural component needed for intermediaries and markets to interact effectively. The three component are inextricably intertwined, (Adeoye Afolabi, 2015).

Adeusi, Akeke, Aribaba&Adebisi. (2013) in their work Corporate Governance and Firm Financial Performance used a sample of 10 selected banks' annual reports covering 2005-2010 to examine the relationship between corporate governance and performance in Nigeria banking sector. The main objective of the study was to determine if ownership and board size matter in financial performance. They used return on asset, board size, board composition that is, number of executive director and number of non-executive director. The result indicates that improved performance of the banking sector is not dependent on increasing the number of executive directors and board composition. It showed further that when there are more external board members; performance of banks tends to be worse. The study concluded that there is a need for increase in board size and decrease in board composition as measured by the ratio of outside directors to the total number of directors in order to increase the bank performance.

1.3 Research Objective

The main objective of the study is to evaluate the effect of corporate governance on the financial performance of banks in Nigeria. The specific objectives are:

1. To examine the relationship between board size and financial performance in banking sector in Nigeria.

2. To determine the relationship between the board committee and the financial performance in the banking sector Nigeria.

3. To examine the relationship between the audit committee meeting and the financial performance in banking sector in Nigeria.

1.4 Research Question

1. What is the relationship between the board size and the financial performance of banking sector in Nigeria?

2. What is the relationship between the board committee and the financial performance in banking sector in Nigeria?

3. What is the relationship between the audit committee meetings and the financial performance in the banking sector in Nigeria?

1.5 Research Hypothesis

H_0: The board size does not have significant relationship with the financial performance of banks.

H_{01}: Board committee is not significantly related to the financial performance of banks.

$H_{02:}$ Audit committee meetings does not have significant impact with financial performance of banks.

1.6 Significance of the Study

For bank regulators, investors and various appropriate stakeholders in Nigeria, this research is of vast importance. This research will illustrate wherever banks are relevant to corporate governance codes and values to seek remedial actions to improve current corporate governance procedures. Board of directors will realize that this data is worth assessing their banks ' performance against their competitors ' performance. (Raissa Kayitesi, 2013).

This study would help increase knowledge of corporate governance procedures in Nigeria's banking system and how banks will enforce sound corporate governance

This study would help increase knowledge of corporate governance procedures in Nigeria's banking system and how banks will enforce reasonable corporate governance that aligns with bank performance by eradicating bad corporate governance. This research will be found by several deposit money banks in African countries to be of excellent significance to their activities and will serve as a guide in the executive's choices to improve corporate governance within the sector

(Otieno Miseda Fred, 2012).
This research can assist bank managers and policy makers in evaluating the issues of corporate governance among the banking sectors with the objective of increasing the image of banks in African countries and will serve as a basis for formulating measures that can be efficiently implemented for greater and easier regulation of the banking sector, thereby integrating discipline into the management of the banking sector. Corporate governance can be an extremely important issue in the commercial banking industry, and this remains a major issue for banks in each bank's short and long survival and will check what they interact in, whether profitable or not.

Improving bank growth and developing transparency among employees.

(Opanga Benard Opanga, 2013).

CHAPTER TWO:

LITRATURE REVIEW

2.0 Introduction

In this chapter the theoretical review, conceptual review and empirical review will be looked into. Empirical review and the conceptual review on effects of corporate governance on bank financial performance and theories are related to the objectives of the study. This chapter consist various answers that have been discovered by previous researchers during their research in this field. This subsection will review the theories and the empirical evidence on the relationship of corporate governance and financial performance of banks in Nigeria.

2.1 Conceptual Review

2.1.1 Corporate Governance

Corporate governance is a complicated topic with multiple facets. Its paradigm, diagnosis and solutions are without a unified or systematic concept in multidisciplinary areas including: economics, accounting, finance, among others (Cadbury, 2002 was cited by Emeka E. Ene, Alem, I. E. Bello, 2016). Therefore, it is vital to codify an extensive framework in any organization's accounting structure. Corporate governance is one of the several main variables in any organization that determine the system's health and capacity to survive financial shocks. The organization's health relies to a large extent on the fundamental health of its person.

Emeka E. Ene, Alem, I. E. Bello, 2016 quoted Levine (1997) emphasizing the significance of ba nks ' corporate governance in developing economies and noted that: first, banks have an overwhe lmingly dominant role in a developing economy's financial structure and are highly significant dr ivers of economic development; second, as financial markets are usually underdeveloped, banks are in the process of improving the country.

Corporate governance has been seen in latest years as a scheme of checks and balances between the board, management and shareholders in order to create an effectively functioning corporation, ideally geared towards producing long-term value (Emeka E. Ene, Alem, I. E. Bello 2016). Jayashree (2006) describes it as follows:' Corporate governance when used in the context of corporate organization is a system of making managers responsible to shareholders for the efficient leadership of corporations in the best interests of the corporation and shareholders, as well as for ethics and values. Company management through the board of directors depends on full transparency, integrity and accountability. It can be deduced from these definitions that corporate governance is a mechanism that manages and controls organizations. It aims at transparency and accountability in the procedures of an organization in order to fulfill obligations towards shareholders, staff, customers and the community it resides in.

In principle, corporate governance in the banking sector needs judicious and prudent managemen t of the corporate company's resources and conservation of the company's assets ; maintaining et hical and professional norms and pursuing corporate goals aims at ensuring customer satisfaction strong staff morale, and maintaining market discipline that strengthens and stabilizes the compan y's corporate goals (Okoi, Stephen and Sani, 2014).

Corporate governance is intended to foster a diverse powerful and reliable banking sector that will guarantee the security of the cash of depositors as well as play active development roles in the economy of Nigeria. Corporate governance is used to monitor whether results are in line with plans and to motivate the organization to be fully informed to keep organizational activity. It is also seen as a mechanism that motivates people to reconcile their real behaviors with the organization's general goals. It guarantees that all stakeholders ' values are protected and minimizes asymmetric information among bank executives, owners, and clients as well (Adeoye Afolabi, 2015).

2.1.2 Existence of Good Corporate Governance

A main driver of corporate accountability and company prosperity is the existence of good corporate governance. A number of sector regulators have created corporate governance codes for businesses operating in their industries in reaction to difficulties in their respective industries.

Therefore, good corporate governance embodies both performance and responsibility (Alaribe, 2014).

The Nigerian Financial Reporting Council Act gives the Council the power to guarantee excellent corporate governance practices in the Nigerian economy's government and private industries and to issue the Corporate Governance Code and rules. Pursuant to this power, the Nigerian Corporate Governance Code 2018 was endorsed by the Council and praised to the Minister for issuance pursuant to Section 73 of the Act. The 2018 Nigerian Corporate Governance Code seeks to institutionalize best practices in Nigerian businesses in corporate governance. The Code is also intended to encourage public awareness of vital corporate principles and ethical procedures to improve the company environment's integrity. The Code will rebuild public trust and trust in the Nigerian economy by institutionalizing elevated corporate governance norms, thus facilitating enhanced trade and investment.

2.1.3 Board Size

According to Yasser (2011) is described corporate governance as the mechanism that directs and controls businesses. Additionally, boards with a greater amount of board sizes may not create sufficient earnings as some of the revenues could have been used in settling managers in the form of charges for managers. Adequate care must be taken to guarantee that the size of the board is optimal in order to guarantee its effectiveness towards creating increased value within the organization. However, some have argued for a greater amount of board sizes by concluding that a greater board size is capable of attracting a greater amount of skilled staff to enhance their experience in the company.

The Board should be of adequate size to conduct and perform its company efficiently; to handle, supervise, direct and handle the activities of the Company and relate to the size and complexity of its operations. The Board should assume accountability for its structure by setting the direction and approving the procedures for it to obtain the appropriate equilibrium of data, abilities, knowledge, diversity and autonomy to carry out its governance function and duties objectively and efficiently. The Board should consider the subsequent considerations in choosing the necessary variety of its employees, taking into account the following suitable combination of knowledge, abilities and experience, as well as the business, industrial and commercial expertise needed to regulate the Company, a suitable mix of executive, non-executive and autonomous non-executive members, so that the majority of the Board's responsibilities It is intriguing that nearly all NonExecutive Directors are autonomous, that they need an adequate number of employees who are qualified to serve on board committees, that they need to be obliged to secure quorum at conferences, cited in (Nigeria code of corporate governance 2018).

2.1.4 Board Committee

According to the 2018 Nigerian Corporate Governance Code, the structure or composition of the board of directors should be in line with the Corporate Governance Code, the board should deter mine the amount and composition of its committees and guarantee that each is composed of direc tors with appropriate abilities and competences, only directors can be members of board committ ees, while members of senior directors can be members of board committees. While senior management members may be needed to attend committee meetings, the terms of reference and structure of such committees should be laid down in the committee charter approved by the Board, which should be reviewed regularly. Board membership should be reviewed and periodically refreshed, each committee should consist of at least three members. In order to promote appropriate supervision, the board should set up committees accountable for appointment and governance, remuneration, audit and risk management, the board should guarantee that members of board committees are appointed, In terms of membership, there is a balanced distribution of authority across committees so that no person has the capacity to dominate decision-making and there is no undue dependence on any person.

2.1.5 Audit Committee

In order to provide reasonable certainty that the bank fulfills its goals in terms of accurate financial reporting, operating efficiency and compliance with legislation and regulations, the bank should introduce a secure internal control system supervised by the Board of Directors, the Top

Management and the Audit Committee of the Bank (Arouri et al., 2011). Testing the design and execution of the internal control system of the bank and the fairness and reliability of its financial statements is the primary job of this audit committee and internal auditors.

Without prejudice to the accessibility of existing legislation on the Statutory Audit Committee, it is desirable for each bank to have an audit board. All committee members should be financially literate and will be able to read the financial statements and comprehend them. At least one committee member should be a financially skilled person, have present accounting and financial management information and be able to interpret financial statement, (Nigeria code of corporate governance 2018).

2.1.6 Reliability of Financial Reporting

The precision and reliability of management's financial reports impacts the company's perception by all other stakeholders and potential investors. Despite NSE experience, financial reporting by publicly cited financial firms is generally considered to be more transparent and credible, as they are usually subject to more strict or thorough scrutiny than what private financial firms obtain. Therefore, this makes it even harder to secure the financial reporting element of corporate governance in privately owned companies. Audit committees and external auditors are the key tools available to ensure that corporate governance is viable.

2.1.7 Financial Performance

Financial efficiency is a subjective measure of how well a company can use and produce revenue from assets from its main company mode. This word is also used as a general measure of the overall economic health of a company over a specified period of time and can be used to compare comparable companies across the same sector or to compare in aggregation industries or sectors.

There are many distinct methods of measuring economic performance, but in aggregation all steps should be taken. It is possible to use line products such as operating revenue, operating revenue or operating cash flow, as well as complete unit sales.

To understand how well a bank is doing, we must begin by looking at the statement of income of a bank, the description of the sources of income and expenses that affect the profitability of the bank. The profitability of the bank can also be viewed as a measure of its asset return (ROA) and equity return (ROE), (Emeka E. Ene, Alem, I. E. Bello, 2016).

2.1.7.1 Financial Performance Indicators

Financial performance indicator is also known as the Key Performance Indicator (KPI) is a set of metrics used to assess main variables in determining important objectives and attaining objectives. In addition, KPI helps enhance project approach, compare the finances of a company with distinct organisations.

2.1.7.1.1 Gross Earnings

Gross earnings are also referred to as gross profits before taxes or adjustments. Gross profits in the accounting globe are generally the same as gross profit, which is income minus the price of sold products. Gross profits do not exclude the costs of sold products, general and administrative expenditures, or other costs typically included in the calculation of operating income.

2.1.7.1.2 Interest Income

Interest income is the quantity of interest earned over a particular period of time. This sum can be contrasted with the equilibrium of assets to assess the return on investment generated by a company. The sum of interest may have been paid in money, or as gained but not yet paid it may have been accrued. Investments paying interest, such as a savings account or deposit certificate, earn interest income. It is not the same as a dividend paid to the owners of the common stock or preferred stock of a company and representing a distribution of the retained earnings of the issuing company. In addition, penalties paid by customers on overdue accounts receivable may be considered interest income, as these payments are based on the use by a third party (customer) of the company's funds (e.g. accounts receivable), some companies prefer to designate this type of income as penalty income.

2.1.7.1.3 Interest Expense

Interest expense is also known as interest expenditure it is the debt cost that happened over a defined time span. Since interest on debt is not paid daily, an adjusting entry must be recorded by a business to accumulate interest expense and report interest payable.

2.1.7.1.4 Net Assets

Net assets are described as total assets minus total liability. The quantity of net assets is recorded as the equity of the owner in a sole proprietorship. The sum of net assets is recorded as equity of the stockholders in a company. In a non-profit (NFP) organization, its financial statement effectively reports the net quantity of its total assets minus total liabilities as net assets. The NFP organization's net assets segment is split into two main categories: donor-free net assets, donorfree net assets.

2.1.7.1.5 Gross Profit Margin

In determining your price, knowing your general income helps. It enables you exactly determine how much cash you have left and what prevents you from correctly pricing your services. The gross margin should be enough to cover costs and leave you with at least a minimum economic advantage. There are various profit margins apart from the gross profit margin that are used to measure a business's profitability at various levels. These are the significant ones: Operating margin, Net profit margin, Current Ratio

2.1.7.1.6 Net Profit

Your net profit is the amount of cash a business received after spending on work. They are not included in the gross profit calculation. Briefly, after taxes, net profit is what remains. If you're a sole company owner, it's very essential that this sum is enough to cover expenses, plus enough to collect additional money and build up your money reserves to assist your company over slow periods.

2.1.7.1.7 Current Ratio

This is one of the most significant ratios the present ratio shows the ability to pay bills in the short term. It is also a straightforward measure of economic KPI, calculated as present assets separated by present liabilities. Comparing the company ratios within the same sector is a good technique, as it helps to evaluate whether the company's cash flow complies with the standards criteria.

2.1.7.1.8 Operating Margin

The operating margin measures how much profit a business makes from selling products after paying for variable manufacturing expenses, such as salaries and raw materials, but before paying interest or tax. It is calculated by splitting the operating profit of a company through its net sales. The operating margin of a company, also known as sales return, is a useful measure of how well it is managed and how dangerous it is. It demonstrates how much revenue is accessible to cover non-operating expenses, such as interest payments, which is why investors and lenders pay close attention to it. Highly variable working margins are a key company risk measure. By the same token, looking at the previous working margins of a company is a useful way to ass ess whether there is likely to be a major improvement in income.

2.1.7.2 Non-Financial Key Financial Performance Indicator

Not all KPI metrics are associated with cash flow. Non-financial performance indices, in other words, refer to a company's intangible value. It therefore involves expertise, abilities, corporate reputation, human capital, information, patents, procedures, or innovations. Some overall indicators of non-financial performance include traffic measurements. Generally speaking, current goals handle the metrics that can differ as the business fulfills ancient goals and evaluates fresh ones.

2.1.7.3 Determinant of financial performance

Bank performance determinants can be categorized as inner and external variables. The yield is determined by stochastic factors. Internal factors are characteristics of individual banks that affect the performance of the bank. These factors are fundamentally affected by management's and board of directors. The internal variables are: stability of macroeconomic policy, GDP, inflation, interest rate and political instability (Athanasoglou et al., 2005).

2.1.7.3.1 Gross Domestic Product

Gross Domestic Product (GDP) is the complete financial or market value of all finished goods and services generated in a particular time period within the boarder a country. It acts as a wide measure of national general manufacturing as a detailed scorecard of the financial health of the country. Generally, GDP is calculated on an annual basis and can also be calculated on a quarterly basis. For example, in the United States, the government is releasing an annualized estimate of GDP for each quarter and a whole year. Most of the individual information sets will also be provided in real terms, which means that the information will be adapted for price modifications and thus net of inflation.

2.1.7.3.2 Inflation

Inflation is a quantitative measure of the pace at which an economy raises over a period of time the average price level of a series of chosen products and services. It is the steady increase in the overall price level where a currency unit purchases less than it did in previous periods. Inflation, often expressed as a proportion, suggests a decline in a nation's currency's buying power.

2.1.7.3.3 Interest rate

An interest rate is the lender's proportion of assets charged for using his cash. The principal is the lent money quantity. As a consequence, banks are paying you a deposit interest rate. They borrow from you that cash. Any person can borrow money and charge interest, but generally these are banks. They use savings or checking accounts deposits to finance loans. To encourage individuals to create deposits, they pay interest rates. Banks charge a little greater interest rate to borrowers than they pay to depositors in order to profit. At the same moment, both depositors and borrowers compete with each other. The resulting rivalry keeps interest rates in a tight range from all banks. Despite very competitive interest rates, they aren't the same. A bank will charge greater interest rates if it believes the debt will be repaid in a reduced opportunity. For this reason, banks will always assign to revolving loans a greater interest rate. These kinds of loans are costlier to handle.

Banks also charge individuals they find risky with greater prices. Knowing what your loan rating is and how to enhance it is crucial. The greater you're rating, the lower you'll have to pay the interest rate.

2.1.7.4 Measurement of financial performance

There are several metrics for measuring the financial market performance of businesses, firms, and business or industries. The most frequently used performance measurements by many writers are asset return (ROA), equity return (ROE) and investment return (ROI). However, Abdel Shahid 2003, Tian and Zeitun (2007) are commonly considered as the most helpful measure to test firm efficiency.

2.1.7.4.1. Return on Equity

Return on equity measures how much a company earns in terms of the quantity of equity invested in the company. Return on equity is a ratio calculated with net income as the numerator and complete equity as the denominator. ROE is also calculated using du Point analysis, which helps to determine whether ROE has risen owing to net profit margin or leverage, or whether it is due to an increase in return on assets, only equity investors are regarded for ROE calculations, it is not for ROE calculations. The denominator ratio is equity alone and not the mixture of debt and equity.

Since debt does not involve interest, the numerator does not need to be added back.

2.1.7.4.2 Return on asset (ROA)

Return on investments is a metric of how much profit the company generates with the total amount of resources invested in the company. This ratio is evaluated as a numerator with net income and as a denominator with complete assets. No measures of this kind apply to ROA calculation. ROA measures how much profit the company generates from the resources invested by the shareholders, preferred shareholders, as well as complete debt investment. As all these set of investors provide the resources needed for the complete assets.

Return on equity and return on investments are referred to as profitability ratios, as they show a business ' amount of profit. While deciding and concluding on the economic health and performance of a company, considering both ROA and ROE is very crucial, since both ratios are very crucial.

2.2 THEORETICAL REVIEW

2.2.1 Agency Theory

Alchian and Demsetz (1972) exposed and further developed the theory of agencies based on economic theory by Jensen and Meckling (1976). The theory of the agency is defined as "the relationship between directors such as shareholders and agents such as managers and managers of the company." In this theory, shareholders who are the company's owners or directors hire the people to do the job. The directors or executives, who are shareholder agents Clarke, 2004, cited in (Haslinda Abdullah 2009), delegate the management of the company. Various agency researchers discussed the mechanism of governance to protect the interests of shareholders and align the principal and agent liason. Although the main emphasis is placed on the governance tracking dimension (Filatotchev and Wright, 2011). In fact, Daily et al (2003) argued that two factors could influence the agency theory's prominence. First, conceptual and easy theory is the theory that decreases the corporation of two executives and shareholders participants. Second, the theory of agencies indicates that organizational staff or executives may be self-interested. Shareholders in the theory of the organization expect officials to behave and make choices in the interests of the principal. On the contrary, in the best interests of the principal, the officer may not necessarily create choices (Padilla, 2000)

Similarly, Dhaliwal, Naiker and Navissi (2010) argue that efficient inner corporate governance processes are the capacity to properly oversee the operations and restrict opportunistically managed income. Internal governance mechanisms include, among other things, the establishment of an autonomous audit committee to oversee managers ' operations and guarantee rigorous compliance with economic regulations. However, the committee's efficacy relies on its members ' composition and knowledge. The effect of expertise with the high-level sector (Kibiya, CheAhmad & Amran, 2016).

The drawback of the framework is that agent may not work for principal's paramount interest. Agent misuse for monitoring and non-monitoring benefits of his / her power. Agency problem arises because, by considering costs, contracts are written and enforced. Agency costs are incurred to demoralize officers from profiting at the cost of directors (Alexander 2010). The expenses of the agency include the expenses of structuring, tracking and bonding a set of agreements between officials with divergent interests (Fama and Jensen, 1983).

2.2.2 Resource Dependency Theory

There is another theory used in studies on corporate governance, namely the theory of resource dependence. In line with this hypothesis, organisations arrange for leadership to be exercised over their environment by co-opting the resources needed to survive. Cooptation thought has the required consequences for the board's role and structure. Boards are border spanners that are essential. Boards will be used as a mechanism for connecting with the outside environment. Interstructural connections, such as appointing external directors and interlocking boards, could be used to handle environmental contingencies. Managers who are famous in their professions and societies will provide managers with prompt data (information) (Pfeffer and Salancik, 1978). According to Pfeffer and Salancik (1978), once a corporation appoints an person to the board, it expects the person to be like the organization's support scheme, to be concerned with its problems, to present it positively to others, and to be able to attempt and help it. This assistance is supposed to boost the efficiency of the organisation and increase shareholders ' yields. Pfeffer (1972) made the case that the board's function of co-optation, which involves creating connections and raising resources, is best explained by the structure of the board. His proof shows that the size of the board and the type of external director are linked to the desire for capital of the organization and also the degree of regulation in its environment.

Resource provision has been argued to improve the functioning of the organization, the performance of the firm and its survival (Daily et al, 2003). According to Hillman, Canella and Paetzold (2000), directors are providing the company with resources such as information, skills, access to key constituents such as suppliers, buyers, policy makers, social groups, and legitimacy.

Directors can be categorized into four classifications of insiders, company experts, community influential and support specialists. First, the insiders are the company's present and former directors and provide the company's own knowledge in particular fields such as finance and law, as well as overall policy and direction. Second, the company specialists are current, former senior managers and managers of other big for-profit companies, providing business strategy, decision-making and problem-solving knowledge

2.2.3 Stakeholder Theory

This theory focuses on issues related to an institution's stakeholders. It stipulates that a corporate entity always seeks to strike a balance between the interests of its various stakeholders to guarantee that some degree of fulfillment is received by each constituency of interest (Abrams, 1951). There is, however, an argument that the theory is narrow (Coleman, 2008: 4) as it identifies shareholders as a corporate entity's only interest group. The stakeholder theory, however, is better at explaining the function of corporate governance than the theory of agencies by highlighting a company's various constituents (Coleman, 2008: 4) with the firm's initial perspective, the shareholder is the only one in most nations acknowledged by business law because they are the company's owners. In perspective of this, the company has a fiduciary duty to maximize its yields and prioritize its requirements. The organization transforms the inputs of investors, staff, and vendors into forms that can be sold to clients in latest business models, thus returning to its shareholders. This model addresses investor, employer, supplier and customer needs. The stakeholder theory claims that the parties concerned should include government bodies, political organizations, trade associations, trade unions, Communities, affiliates, potential staff and the general public. Competitors and potential customers can be considered as stakeholders in some situations to assist enhance marketplace business efficiency. Stakeholder theory has become more prominent as many scientists have acknowledged that a corporate entity's operations have an effect on the internal setting that requires the organization's accountability to a wider crowd than its shareholders alone. For example, McDonald and Puxty (1979) suggested that businesses are no longer the shareholders ' tool alone, but exist within culture and therefore have obligations to that culture. However, one must point out that there has been a recent phenomenon rather than a large recognition of this fact.

Indeed, financial value has been realized by individuals who willingly come together and collaborate to enhance the situation of all (Freeman et. al., 2004). Jensen (2001) criticizes the Stakeholder Theory for assuming a single-valued goal (profits accruing to the constituency of a firm). Jensen's (2001) argument indicates that a company's performance is not and should not only be measured by its stakeholders ' profits. Other main problems are the flow of data from senior leadership to lower ranks, interpersonal relationships, work climate, etc. That should be taken into account. Some of these other problems gave other arguments a platform. An expansion of the theory was suggested called an enlightened theory of stakeholders. However, its significance has been restricted by issues related to empirical extension testing (Sanda et. al., 2005). Rodriguez et al. (2002) was introduced to distinguish between kinds of stakeholders: classification; substantial, contractual and contextual stakeholders. Consistent stakeholders are the stakeholders vital to the life of the business (shareholders and investors, strategic partners, employees) Contract stakeholders have some form of official contract, as their name suggests. Contextual stakeholders are representatives of the social and natural structures in which company works and play a basic role in gaining company credibility and eventually accepting their operations (government administration, local communities, nations and societies, information and opinion makers) Rodriguez et al. (2002). Rajan and Zingales (1998) and Zingales (1998) claim that the firm must protect the interests of all those who contribute to the development of public value, i.e. make particular investments in a specified business. These company-specific investments can be varied, including physical, human, and social capital.

2.2.4 Stewardship Theory

The theory of stewardship is rooted in psychology and sociology and emphasizes the function of top leadership as stewards, integrating their objectives as part of the organisation as opposed to the view of agency theory (Argyis & Schon, 1974). When organisational success is achieved, stewards should be evaluated and encouraged when organisational success is achieved, the stewardship theory means. It is based on a man's model where a steward perceives higher usefulness in collaborative, pro-organizational conduct than in self-serving behaviour; the theory assumes a powerful connection between organisational achievement and satisfaction of a principal. A steward therefore overcomes the trade-off by thinking that working towards organisational, collective ends also satisfies private requirements (Penman, 2007). The theory acknowledges the significance of buildings empowering the steward and providing maximum trust-built independence (Donaldson & Davis, 1991). To safeguard their reputation as decision-makers in organisations, managers and managers are inclined to run the company to maximize economic efficiency as well as the income of shareholders. In this context, the performance of the company is thought to have a direct effect on perceptions of their individual performance. Abdullah and Valentine (2009) argue that in order to be seen as efficient stewards of their organisation, managers and managers also manage their careers. The theory also argues that executives have comparable interests to the corporation in that each career is related to the achievement of organisational goals and their reputations are interwoven with the performance of the company and the returns of shareholders (Mattor & Cheng, 2015). In stewardship theory, Tricker (1984) defined accountability as the means by which those who handle and supervise the company's affairs are held to account for their corporate asset stewardship. The International Accounting Standard Board (IASB) and the Financial Accounting Standards Board (FASB) are creating a prevalent conceptual framework reflecting financial statements as a sign of agents ' stewardship of the values. The then IASB Framework published in 1989 referred to stewardship as follows: financial statements demonstrate the outcomes of management stewardship or management's responsibility for the resources entrusted to it, in relation to offering data that is helpful in making financial choices. In stewardship theory, Tricker (1984) defined responsibility as the means by which those who handle and supervise the company's affairs are held accountable.

2.2.5 Political Theory

Political theory brings the approach of developing shareholder voting support, rather by buying voting power. Consequently, having a political influence in corporate governance can direct corporate governance within the organization. Public interest is highly reserved as government is involved in corporate decision-making, taking cultural difficulties into account (Pound, 1983). The political model shows how corporate authority is allocated, profits and privileges are determined through the favor of the governments. Corporate governance's political model can have a tremendous impact on innovations in governance. A country's government has been seen as having a powerful political impact on companies over the past decades. As a consequence, policy enters the governance framework or the mechanism of companies (Hawley and Williams, 1996).

2.2.6 Transaction Cost Economics

Economic transaction costs are strongly linked to the theory of agencies borrowed from Coarse's 1937 job. His main point of view is that by performing duties within the organization, corporations could save expenses rather than concentrating completely on externals. Theory suggests that transaction costs and hardships sometimes sustain in-house manufacturing and sometimes market as a framework of economic governance or a mechanism of interference (known as hybrid or relational) In the governance framework between the two extremes (Williamson, 1975). The Three Stakeholder Group Capital Market Stakeholders Shareholders, significant suppliers of capital

Product Market Stakeholders Primary clients, distributors, unions Organizational Stakeholders Employees, directors, non-managers, It is primarily the theory of corporate governance that emphasizes entirely transaction costs that are opposed to cost of manufacturing. Theory says that executives work within limited rationality and are in search of self-interest. In other words, we can say that the top management and the director behave for the purpose of enhancing their own wealth rather than the wealth of the shareholder. Williamson (1975; 1979; 1985) proposed that the concept of governance (i.e. market versus hybrid versus hierarchy) was aimed at reducing transaction costs. The theory therefore emphasizes structures and processes of governance.

The theory has three hypotheses, i.e. risk neutrality, opportunism and limiting rationality. In addition, it also has transaction sizes; the first hypothesis is asset specificity, which assigns the quantity of one-time investment in favor of transaction, followed by the second hypothesis, which is transaction frequency, and finally, while the third hypothesis is uncertainty. Three major types of uncertainty exist. Volume uncertainty in future demand which is not predictable, technology uncertainty and behavior uncertainty

TCEs emphasize on the implementation of cost or check and balance process in the form of inner and external audit checks, disclosure of data, autonomous external managers, separation of chairmanship from CEO, risk assessment, appointment and remuneration committee, (Tricker, 2012).

2.3 Empirical Review

In Nigeria, Ujunwa (2012) used the generalized random effects and fixed effects of the lesser squares (GLS) regression to verify the six hypotheses created for the research, whereas they were dominant by firm size and firm age. Using panel data from 122 firms cited in Nigeria between 1991 and 2008, he discovered that board size, Chief Executive Officer duality and sex diversity were negatively related to firm performance, while board status, board ethnicity and also the number of

Phd-qualified board members were found to have a positive effect on firm performance. The findings of the strength test for a hundred and sixty firms using an equal board features showed that board duality was favorably related to firm performance, whereas in Nigeria a Phd qualification was negatively related to firm performance.

In their 1st hypothesis, Majid et al (2012) research on the effect of corporate governance found that there was no significant connection between board size and duality of CEO while the 2nd showed a favorable connection between board independence and duality of CEO. It implies that the board of directors and all choices are extremely acceptable and all members are likely to work for the common interest of the company they are leading. Sajid et al (2012) researched the effect of corporate governance on capital structure and found that corporate governance is positively associated with tangibility, risk and size except profitability which proved negative. Zhang et al (2007) conducted a survey on corporate governance procedures and corporate performance during the institutional transitions of China covering 403 publicly listed companies. They discovered powerful support for stewardship theory and comparatively little support for the theory of agencies, but also call for a contingency view to define the nature of circumstances such as resource scarcity and economic dynamism under which CEO duality could be particularly useful. Study by Waseem et al (2011) on the impact of corporate governance on Jordian industrial companies ' performance discovered that there is a important connection between DPS, ROA leverage and corporate performance.

Empirical findings indicate that the structure of ownership usually impacts corporate efficiency considerably (Njoka, 2010). More specifically, concentration of ownership has no effect on the results of the company, apart from autonomous ownership, which has a adverse effect on profitability and efficiency as a consequence. In addition, weak corporate governance is reported to lead to bad corporate results (Muriithi, 2011).

In general, corporate governance literature includes characteristics such as economic transparency, disclosure, and trust among others, and it is revealed that economic transparency and disclosure improve confidence between stakeholders and organisations, such as cash deposit banks (Jacob, 2011). The main dimensions of evaluating economic performance in money deposit banks are capital adequacy, earnings and liquidity. In short, this literature provides a basis for the connection between corporate governance and economic results to be established.

Beltratti and Stulz (2012) examine the relationship between corporate governance and bank performance during the credit crisis (July 2007–December 2008) in an international sample of 164 large banks (i.e. more than $50 billion in assets). Data are used on board characteristics gathered by Institutional Shareholder Services (ISS), such as size, autonomy, committee structure and accountability; Building an index for shareholder boards in 2006 and transparency. Beltratti and Stulzfound that, during the crisis, banks with better governance (in terms of more shareholderfriendly board structures) performed much worse than other banks and had greater general stability risk than before the crisis escalated. In particular, banks with greater controlling shareholder ownership are found to be more risky. This proof is compatible with the perspectivethat banks that grew more in industries that turned out to be poorly performing during the crisis pursued pre-crisis shareholder strategies as their boards were more shareholder-friendly But the crisis endured more when these dangers resulted in unexpectedly big losses.

Uwuigbe (2011) reviewed Nigerian banks ' corporate governance and financial performance. The factors used for corporate governance are the size of the board, the proportion of non-executive directors, the equity value of managers and the disclosure index for corporate governance. His research aimed at examining the relationships that exist in Nigerian consolidated banks between governance mechanisms and financial performance. Variables used for banks ' economic results include performance measurement; equity return (ROE) and asset return (ROA). The methodology of evaluation of panel data regression was embraced while the method of content analysis, regression analysis and t-test statistics were carried out in the assessment. It was noted from the research that there is a negative but substantial connection between the size of the board, the structure of the board and the economic results of these companies, while there was also a favorable and substantial connection between the equity interest of managers, the level of disclosure of governance and the results. Their primary goal was to assess the effect of corporate governance and the results of the bank in Nigeria They used income, equity returns, and asset returns as factors. They used the normal regression technique of the least squares to evaluate their information. Their outcome indicates that bank deposits mobilized and credits generated over that era increased over the years, but during the consolidation era were more favorably linked to bank results, though not significant. In addition, when favorably adopted, the organizational characteristics of executives working in the bank seemed to be the main determinants of bank results. They found that banks must accept fiduciary duties that include transparency, honesty and fairness in order to minimize financial and economic crime in the scheme.

Ajala, Amuda and Arulogun (2012) examined the impacts of corporate governance on Nigerian banking sector performance in order to evaluate the effect of corporate governance on corporate performance. The secondary data source was requested from the cited banks ' published annual reports. A disclosure index was created and guided by the Central Bank of Nigeria governance code in examining the amount of corporate governance disclosure of the sampled banks. The Pearson Correlation and the regression analysis were used to determine whether a connection exists between the factors of corporate governance and the performance of companies The study revealed that there is a negative but significant relationship between the board size and the financial performance of these banks, while there was also a positive and significant relationship between the equity interest of directors, the level of the disclosure of corporate governance index and the performance of the sampled banks. Their research suggested that attempts to enhance corporate governance should concentrate on the importance of board members ' inventory ownership and take measures to comply with the corporate governance code.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study adopt an ex-post *f*acto of time series data obtained from the annual reports and financial statements of money deposit banks. As part of the design, the study will also uses descriptive statistic techniques of mean variance and standard deviation to describe the effect of corporate governance on financial performance of banks in Nigeria.

3.2 Population

The population structure is the total number of banks in Nigeria is 21 as at 31th December 2018 CBN bulletin or circular. A population refers to an entire group of individuals, events or objects having common observable characteristics. The target for this study is banks that are regulated by the Central Bank of Nigeria.

3.3 Sampling Technique

In this study simple random sampling technique is use to select five (5) banks among the 21 banks. This bank is used because it is considered viable and seen to have the required financial wherewithal to carry on banking business in Nigeria. Also, the CBN code of corporate governance which regulates the operating activities of the consolidated banks was issued shortly after consolidation in 2006. As at December, 2005 (year of consolidation), only twenty five (25) banks emerged as most healthy banks in Nigeria.

3.4 Data Collection

The source of data is secondary data provided information and data from the published annual reports and financial statement and company sources spanning ten years. The source of data are annual reports of Nigeria code of corporate governance 2018 and code of corporate governance for banking 2006 and annual reports and financial statements.

3.5 Data Analysis

Prior to this research study Statistical Package for Social Science (SPSS 22) will be used to analyze the quantitative data. A time series model of financial performance versus corporate governance will be applied to examine the relationship between the variables. The model treated financial performance of money deposit banks as dependent variable while independent variables are board size, board committee, and audit committee. The significance of each independent variable will be examined.

3.6 Model Specification

Model Specification Using the regression analysis, the model adopted to carry out the analysis is as follows:

$$Y = f(BS, BC, AC)$$

Where;

Y= financial performance = Return on equity (ROE)

BS = Board Size
BC = Board Committee

AC= Audit Committee

Specifying it in econometric form:

$$Y = \alpha + \beta 1\ BS + \beta 2\ BC + \beta 3\ AC + \varepsilon t$$

Where; α = Intercept

BS = Impact of Board Size

BC= Impact of Board Committee

AC= Impact of Audit Committee

B1, β2, β3 = parameters or coefficient to be determined εt=

Error term.

Also, the following formula will be used:

ROE = <u>profit after tax</u> x 100

Equity

Where;

ROE = Return on Equity

CHAPTER FOUR

Data Analysis and Interpretation

4.0 Introduction

This chapter provides analysis of data collected, interpretation and discussion of findings. The raw data and data analysis are presented in this chapter. This study was quantitative in nature and used the analysis of secondary data gathered exclusively from the annual reports to arrive at various conclusions in order to address the research objectives.

4.1 Data presentation

The data that was collected was for ten (10) years for the period 2009 to 2018, of five different banks and they have been analyzed in line with the hypothesis and objective of this study.

4.1.1 Descriptive Statistics

The summary of the descriptive statistics of the variables for this project are presented in table 4.1

Table 4.1 Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ROE	50	1.15	88.73	19.3190	18.07733
Board Size	50	9	20	15.18	2.301
Board Committee	50	4	7	5.08	.877
Audit Committe Size	50	4	9	6.22	.790
Valid N (listwise)	50				

Source: Author's computer

Output of data analysis using Spss

Table 4.1 presents the descriptive statistics for the dependent and explanatory variables. From the table, return on equity has minimum and maximum values of 1.15 and 88.73 respectively and the mean value of 19.3190 as well as the standard deviation value of 18.07733. The standard deviation of 18.07733 signifies that the data deviate from the mean value from both sides by 18.07733 implying that the risk value is high since the mean is higher than the standard deviation.

The table also shows that the mean of the board size of the sampled organization is 15.18 with standard deviation of 2.301, and minimum and maximum values of 9 and 20 respectively. This implies that the performance of the firms in terms of total debt to total assets is on average 15.18, and the standard deviation value indicates that the board size of the sampled firms deviates from the mean value from both sides by 2.301, implying that there is no significant dispersion of the data from the mean because the standard deviation is lower.

The table also shows that the mean of the board committee size is 5.08 and the standard deviation of 0.877 of the sampled banks. The minimum and maximum values are 4 and 7 respectively. This implies that the board committee size of the sampled banks is on average 5.08, and the standard deviation value indicates that the value deviates from the mean from both sides by 0.877, implying that there is no significant dispersion of the data from the mean because the standard deviation is lower.

Lastly, the table shows that the mean of the audit committee and the standard deviation of the sampled banks respectively 6.22 and 0.790. The minimum and maximum values are of 4 and 9 respectively. This implies that the audit committee size is on average of 6.22. The standard deviation indicates that the value of the bank's audit committee size deviates from the mean value from both sides by 0.790. This implies that there is no significant dispersion of the data from the mean because the standard deviation is lower.

4.2 Test of Hypotheses

Hypothesis One

Objective 1: To examine the relationship between board size and financial performance in banking sector in Nigeria.

H_0: The board size does not have significant relationship with the financial performance of banks H_1: The board size has significant relationship with the financial performance of banks.

Table 4.1.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.182[a]	.033	.013	17.96077

a. Predictors: (Constant), Board Size

Source: Author's computation, 2019

The model summary shows the predictive power of the model. R is the correlation coefficient between the dependent variable (observed) and the independent variable(s) (the predictor(s). The sig of R indicates the direction of the relationship (positive or negative). The value of R range from

-1 to 1. The absolute value of R indicates the strength, with larger absolute value indicating strong relationship.

In Table 4.1.1, R= O.182 .This mean there is a (18.2%) positive relationship between return on equity and board size, while its value show low scale relationship.

The R squared (coefficient of determination) show the degree of linear- correlation of variables (goodness of fit) in regression analysis. This is the proportion of variation in the dependent variable explained by the regression model. In other words, it shows the extent to which the independent variable(s) can explain the variance in the dependent variable. The sample R squared tends to be optimistically estimate how well the model fit the population.

Table 4.1.1, show R square of 0.033, which means that board size can only explain 3.3% variation in the value of return 0n equity while holding other independent variables constant.

Adjusted R square only adjust for the number of variables in the regression model. Standard error of the estimate is the standard deviation of the residuals. It attempts to correct R squared to a more closely reflect the goodness of fit of the model. It is also R squared value adjusted for the number of variables in the regression model. The value of Adjusted R in this table is 0.013.

The standard error of estimates is the standard deviation of the residuals. As R squared increases, the standard error of the estimate decreases. In other words, a better fit leads to less estimate error. It is an important indicator of how precise an estimate of the population parameter the statistic sample is.

Table 4.1.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	528.428	1	528.428	1.638	.207[b]
	Residual	15484.277	48	322.589		
	Total	16012.704	49			

a. Dependent Variable: ROE
b. Predictors: (Constant), Board Size

Source: Author's computation,2019

The ANOVA table tells us the overall significance of the model. The F-statistics is the regression mean square (MSR) divided by the residual mean square. F- Statistics determine whether the model is a good fit for the data based on its significance level. A significant value of F- statistics shows that the model is better at predicting the outcome value of the dependent variable than its average. If the significance value of the F-statistics is smaller than 0.05 then the independent variable(s) is significant to explaining the variation in the dependent variable and the null hypothesis is accepted. Table 4.1.2 show an F-statistics value of 1.638 and a p-value of 0.207 which is more than 0.05. It suggests that there is no significant relationship between return on equity and board size. H_0 is therefore accepted and H_1 rejected.

Table 4.1.3: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	40.986	17.118		2.394	.021
Board Size	-1.427	1.115	-.182	-1.280	.207

a. Dependent Variable: ROE

Source: Author's computation, 2019.

The standardized coefficients or beta is an attempt to make the regression coefficient more comparable. It provides a useful way of seeing what impact of changing the explanatory variable by one standard deviation it will have on the dependent variable. It is usually equal to the correlation coefficient between the variables.

Hypothesis Two

Objective: To determine the relationship between the board committee and the financial performance in the banking sector Nigeria

$H_{0:}$ Board committee is not significantly related to the financial performance of banks

H_1: Board committee significantly relate to the financial performance of banks

Table 4.2.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.104[a]	.011	-.010	18.16589

a. Predictors: (Constant), Board Committee

Source: Author's computation,2019

Table 4.2.1 R value is 0.104 (10.4%). This revealed a positive relationship between the return on equity (a measure of performance) and board committee size. The relationship is not a strong positive relationship as its R value depict. The R square value is 0.011 (1.1%) meaning that a variation in return on equity can only be explained to the tune of 1.1% by the board committee.

Table 4.2.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	172.734	1	172.734	.523	.473[b]
	Residual	15839.970	48	329.999		
	Total	16012.704	49			

a. Dependent Variable: ROE

b. Predictors: (Constant), Board Committee

Source: Author's computation, 2019

In table 4.2.2, the f-statistics value is 0.523 with a corresponding p-value of 0.473. The p-value is more than the significance value of 0.05 (5%). This suggest no statistically significant relationship between return on equity and the board committee size. This signify the acceptance of H_0 and the rejection of $H_{1.}$

Table 4.2.3: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	30.196	15.252		1.980	.053
Board Committee	-2.141	2.959	-.104	-.723	.473

a. Dependent Variable: ROE

Source: Author's computation, 2019

Hypothesis Three

Objective: To examine the relationship between the audit committee meeting and the financial performance in banking sector in Nigeria.

H_0: Audit committee meetings does not have significant impact with financial performance of banks.

H_1: Audit committee meetings has significant impact with financial performance of banks.

Table 4.3.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.164[a]	.027	.007	18.01647

a. Predictors: (Constant), Audit Committee Size

Source: Author's computation, 2019

Table 4.3.1 shows the result of the relationship between the return on equity and audit committee size. The R value of 0.164 show a low (16.4%) positive relationship between return on equity and audit committee size. The R squared value shows the variation in the value of return on equity that is attributed to auditors committee. The value is 0.027 which is 2.7% quantum.

Table 4.3.2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	432.239	1	432.239	1.332	.254[b]
	Residual	15580.465	48	324.593		
	Total	16012.704	49			

a. Dependent Variable: ROE

b. Predictors: (Constant), Audit Committee Size

Source: Author's computation, 2019

The F-statistics value of 1.332 with a corresponding p-value of 0.254 is shown in Table 4.3.1. The p=value is more than 0.05 (5%) critical value. This suggests no statistically significant relationship between return on equity and auditors committee size. This imply the adoption of H_0 (Null) hypothesis and the rejection of H_1 (Alternate) hypothesis.

Table 4.3.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant) Audit Committee	42.704	20.424		2.091	.042
	Size	-3.760	3.258	-.164	-1.154	.254

a. Dependent Variable: ROE

Table 4.4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.232[a]	.054	-.008	18.15061

a. Predictors: (Constant), Board Size, Audit Committee Size, Board Committee

Source: Author's computation, 2019.

Table 4.4.1 show the overall R value for the model. The R value of 0. 232 show a low (23.2%) positive relationship between the return on equity and the independent variables jointly. The R squared value of 0.054 (5.4%) depict the value of variation in return on equity than can be attributed to the three independent variables jointly.

Table 4.4.2: ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	858.244	3	286.081	.868	.464[b]
Residual	15154.461	46	329.445		
Total	16012.704	49			

a. Dependent Variable: ROE

b. Predictors: (Constant), Board Size, Audit Committee Size, Board Committee

Source: Author's computation, 2019

Table 4.4.2 revealed an F-statistics of 0.868 and a corresponding p-value of 0.464. This depict that jointly, there is no statistically significant relationship between return on equity and independent variables jointly.

Table 4.4.3:Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	60.391	26.152		2.309	.025
Audit Committe Size	-3.016	3.424	-.132	-.881	.383
Board Committee	-.756	3.117	-.037	-.243	.809
Board Size	-1.217	1.157	-.155	-1.052	.298

a. Dependent Variable: ROE

Source: Author's computation 2019

Table 4.4.3 reveal the overall contribution of the independent variables to the model. The result show that all the variables do not contribute significantly to the model as their p-values showed values more than 0.05 (5%).

Therefore the regression equation extracted from the analysis is thus given as: ROE= 60.391 -0.3016 (ACS) – 0.756 (BCOM) -1.217 (BS) + e_t

4.3 Interpretation and Summary of Results

Hypothesis I

The correlation coefficient (R) stood at 0.182% indicating that there is a (18.2%) positive relationship between return on equity and board size. This relationship is weak.

R-square of 0.033, which means that board size can only explain 3.3% variation in the value of return on equity while holding other independent variables constant. Also, the R-square value adjusted for the number of variables in the regression stands at 0.028.

The F-statistics value of 1.638 was greater than the p-value of 0.207 suggesting that there is no significant relationship between return on equity and board size and that H_0 is therefore accepted and H_1 rejected.

Hypothesis II

The R value stood at 0.104 (10.4%). This revealed a positive relationship between the return on equity (a measure of performance) and board committee. The R square value is 0.011 (1.1%) meaning that a variation in return on equity can only be explained to the tune of 1.9% by the board committee.

The f-statistics value is 0.523 with a corresponding p-value of 0. 473. The p-value is more than the significance value of 0.05 (5%). This suggests no statistically significant relationship between return on equity and the board committee. This signifies the acceptance of H_0 and the rejection of $H_{1.}$

Hypothesis III

The R value of 0.164% shows a low (16.4%) positive relationship between return on equity and Audit committee size. The R squared value shows the variation in the value of return on equity that is attributed to audit committee size. The value is 0.027% signify 2.7% variation. This suggests no statistically significant relationship between return on equity and audit committee size. The Fstatistics value stood at 1.332 and p-value of 0.254 respectively. The p-value is more than 0.05

(5%) critical value. This imply the adoption of H_0 (Null) hypothesis and the rejection of H_1 (Alternate) hypothesis.

4.4 Summary

The overall R value of 0. 232 show a low (23.2%) positive relationship between the return on equity and the independent variables jointly. The R squared value of 0.054 (5.4%) depict the value of variation in return on equity than can be attributed to the three independent variables jointly.

The F-statistics of 0.868 and the corresponding p-value of 0.404 depict that jointly, there is no statistically significant relationship between return on equity and independent variables jointly.

Therefore, the overall contribution of the independent variables to the model show that all the variables do not contribute significantly to the model as their p-values were more than 0.05 (5%).

Therefore the regression equation extracted from the analysis is thus given as: ROE= 60.391- 0.3016 (ACS) – 0.756 (BCOM) -1.217 (BS) + e_t

4.5 Discussion of Findings

In this study the correlation coefficients between the variables revealed that Returns on Equity has a positive relationship but it is not significantly related with board size. It has been revealed again that Return on equity has a positive relationship with the board composition but there is no significant relationship between them. The Return on equity and the audit committee size revealed positive and negative significant relationship.

The model summary revealed that the independent variables: board size, board composition, audit committee size have a correlation of an F-statistics of 0.868 and a corresponding p-value of 0.464, This depict that jointly, there is no statistically significant relationship between return on equity and independent variables jointly. This act as an hindrance and hence negatively affects the banks' performance. This finding suggests that a smaller board size can enhance banks' performance as the smaller size can take quick and adequate decision for the performance of the banks due to the fact that the board size used in this study are large they are ranging from 13 above, as large boardrooms tend to be slow in making decisions, and hence can be an obstacle to change. The negative but positive relationship found between bigger board size and ROE is consistent with the conclusions drawn by Uwuigbe (2011), in conjunction with Ajala, Amuda and Arulogun (2012). Their study revealed that a negative but significant relationship exists between board size and the financial performance of banks. They argued that a large board size leads to the free rider problem where most of the board members play a passive role in monitoring the firm. This result however, it is in contradiction with that of Kyereboah-Coleman and Biekpe (2006) who concluded with a positive relationship between a firm's performance and board size. They argued that a large board size brings in more management skills and professionalism therefore making it very difficult for the CEO to manipulate the board. Yasser (2011) also argued that boards with a greater amount of board sizes may not create sufficient earnings as some of the revenues could have been used in settling managers in the form of charges for managers. Adequate care must be taken to guarantee that the size of the board is optimal in order to guarantee its effectiveness towards creating increased value within the organization.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The research examines the effect of Corporate Governance on financial performance of Nigerian deposit money banks. The study's specific objective were to evaluate the effect of board size, board committee, and audit committee on financial performances of Nigeria deposit money banks. The analysis reveals that the Board Size has a positive relationship but insignificant impact on the banking performance. This finding indicates that a small board size can improve the efficiency of banks as the small size can make swift and appropriate choices about banks ' performance as large board size tend to be slow in decision making and can therefore be an barrier to effective change.

5.2 Conclusion

This research focused on figuring out the triggers of financial performance of the banking sector that Corporate Governance has proven to be a significant problem for many deposit money banks. It has been demonstrated in chosen literature that corporate governance affect stakeholders and banks as a whole, corporate governance affects a bank's potential or capacity to achieve its market share domestically and worldwide, and corporate governance also determines the capacity of banks to meet their social goals with their clientele and society as a whole. This research also found that the methods of corporate governance have measurable impacts on the operational performance of banks.Therefore, the research concludes that Nigeria's poor corporate governance framework con tributed enormously to the financial crisis in the banking sector in Nigeria.

5.3 Recommendations

Based on the above discussion and conclusion, my suggestion is as follows:

1. Banks should participate in strategic training for board members and senior bank executives to develop and implement. Special emphasis should be placed on corporate governance, disclosure of corporate governance, and banking ethics. They should control the size of the board that should not be too broad and should consist of extremely qualified and competent professional who is experienced with the function of supervision.

2. There should also be in existence, a proper internal control structure and self-government regulation so as to detect early rule violations and also monitor systemic problems for early remediation and solutions.

3. An effective legal framework should be developed by the legislature to regulate and specify the rights and obligations of a bank, its directors, and shareholders. Also such laws and regulations should specify disclosure requirements and enhance transparency and accountability. Also, Extra care and precautions should be employed by regulatory and supervisory institutions in the process of scrutinizing the books of account of banks. Furthermore, provisions should be produced to examine the activities of the bank more frequently.

4. Conclusively, Nigerian banks should accurately adopt the international corporate governance c odes in order to satisfy the needs of the Nigerian governance framework.

5.4 Limitation of the Study

This study assumes homogeneous roles among all banks regardless of ownership, or size of the bank hence the results of the study will be assumed to equally apply to those banks not covered in the study and it is unavoidable that in this study certain degree of subjectivity can be found. The study population is 21 deposit money banks in Nigeria. Only 5 banks were selected randomly out of the entire population and might not represent majority of the financial institution.

5.5 RECOMMENDATIONS FOR FURTHER STUDY

This study reviewed empirically the effect of corporate governance on Return on equity of banks in Nigeria. The limitations of the study have prompted the researcher to recommend the following areas for further studies:

Further study on banks ' non-financial aspect is also needed. A research comparing financial and non-financial aspects of companies or banks can most eventually result in variations in the relationship between corporate governance and a bank's value.

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Appndix

SN	BANK	YEAR	BOARD SIZE	BOARD COMMITTEE	AUDIT COMMITTEE	EQUITY ₦'million	PAT (₦'m)
1	ACCESS BANK	2009	14	4	6	184,831	22,886
		2010	14	4	6	182,505	121,931
		2011	14	4	6	187,038	5,249
		2012	15	4	4	237,624	36,354
		2013	17	4	6	245,182	26,212
		2014	16	5	6	274,156	39,941
		2015	16	5	6	360,429	58,925
		2016	15	5	6	421,679	64,026
		2017	14	6	6	469,491	53,239
		2018	15	7	6	441,995	73,596
2	UNITED BANK OF AFRICA	2009	20	6	6	187,719	12,889
		2010	20	6	6	187,730	2,167
		2011	19	5	6	170,058	-16,385
		2012	18	6	6	220,317	47,375
		2013	16	6	6	259,538	46,483
		2014	14	6	6	281,933	40,083
		2015	16	5	6	338,231	47,642
		2016	19	5	6	390,900	47,541
		2017	19	5	6	400,860	41,396
		2018	19	4	6	364,598	41,407
3	UNION BANK	2009	14	5	6	-286,168	-253,910
		2010	14	4	5	-135,894	118,016
		2011	13	4	5	178,902	-76,711
		2012	9	4	6	171,671	3,170
		2013	11	5	6	187,784	5,121
		2014	12	5	6	205,974	20,486
		2015	19	6	6	230,668	17,721

		2016	17	6	6	251,339	15,885
		2017	15	6	6	321,388	12,839
		2018	15	6	6	200,087	18,438
4	GUARANTY TRUST BANK	2009	14	5	7	188,476	23,848
		2010	18	4	6	220,254	39,320
		2011	15	5	6	234,180	51,653
		2012	14	5	6	286,539	85,284
		2013	15	5	7	329,647	85,546
		2014	15	6	6	369,530	93,432
		2015	14	6	6	405,608	94,308
		2016	16	6	7	467,918	126,837
		2017	15	6	7	584,344	161,285
		2018	16	6	6	511,842	166,920