EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE. A STUDY OF SELECTED BANKING FINANCIAL INSTITUTIONS IN NIGERIA.

BY

MACAULAY OLUWATOYIN RUTH[1]

oluwatoyinmacaulay@gmail.com

DISTANCE LEARNING INSTITUTE, (DLI), UNILAG

ADEKOYA ADENIYI A[2] (PhD)

Adekoya_aadeniyi@yahoo.com

CHARLES ONYEIWU[3] (PhD)

conyeiwu@unilag.edu.ng

UNIVERSITY OF LAGOS BUSINESS SCHOOL

ABSTRACT

The study assessed effect of corporate governance on financial performance. Specifically, the study used First Bank of Nigeria PLC, GT Bank Plc, Zenith Bank Plc, UBA Plc, and ACCESS bank Plc as case study. In line with the broad objective, the study investigated the effect of Audit Committee, Board Size, and board composition on Return on Asset (ROA) of selected banks. The ex-post facto research design was adopted in this study. Data was collected using secondary source of data, while the pooled regression model was used in this study to ascertain the relationship between the variables in the study. Findings of the study revealed that: Audit Committee have a positive and significant effect on Return on Asset (ROA), Board size has a negative and significant effect on effect on Return on Asset (ROA), while board composition does not significantly affect Return on Asset (ROA) of selected banks. It was recommended that: the audit committee members should be permitted to operate independently, and the audit committee's membership should be reviewed on a regular basis to increase transparency in the audit committee's performance of its duties. Additionally, banking financial institutions and other organizations should have a reasonable board size that includes more non-executive directors (representatives of the shareholders) than executive directors. It was recommended that a balanced board composition be implemented in response to the observed association between board composition and the financial performance of deposit money institutions as measured by ROA (with emphasis on women inclusion in board).

Keywords: Corporate governance, Banks, Financial Statements, Performance, Board size, Board Composition.

1. INTRODUCTION

Nigeria is one of several developing nations whose banks have at one point or another failed or become bankrupt. Examples include Bank of the North, Society Generale Bank Ltd, Savannah Bank Plc, Oceanic Bank, AfriBank, and Mainstream Bank. Concerns have been raised regarding improving the corporate governance of banks in light of the bank failures in Nigeria and the actions of some bankers (Panan & Livinus, 2021). Similar to this, Benson, Amalachukwu, and Ijeoma (2020) note that the requirement for strong corporate governance has grown to be a global issue as a result of the rise in corporate crime connected to overvalued accounts. Concerns concerning the 2001 bankruptcy of the energy corporation Enron were brought up in one of these incidents in the United States. Thus, Oki and Maimako (2015) discovered well-known US corporations including WorldCom, Global Crossing, and Rank Xerox, among others, struggling with inadequate corporate governance. Large corporations in Europe, such Tyco International Limited, Hollinger Incorporation, Adephia Communications Company, and Parmalat, have revealed significant and constituted company governance issues that have resulted in financial scandals (Oki & Maimako, 2015). Corporate governance concerns are regarded as the most important ones across all economic sectors. This acknowledges that corporate governance has been a key factor in the success or failure of corporation. Corporate governance includes creating trust, guaranteeing responsibility and transparency, and sustaining effective systems that promote sane company performance. Establishing a knowledge-based, transparent, and accountable corporate governance is crucial. (Erasmus, Germain, & Richard, 2021). Therefore, it is possible to define corporate governance as the procedures and frameworks for managing an institution's operations and affairs in order to increase long-term corporate value through increased responsibility and performance (Jenkinson & Mayer, 1992, & Tricker, 2009).

Recent global failures of profitable corporations were caused by weak corporate governance mechanisms. The Nigerian banking industry, in particular, is now vulnerable to insider abuse since credit lines worth billions of Naira were carelessly extended without enough collateral. This is against recognized procedure, and it has been claimed that major misbehavior on the part of directors with the approval of auditors is to blame. Olatunde and Lauwo (2010) discovered a connection between auditor assistance in the director's eye service and the occurrence of corporate governance issues. Similar to the previous issue, the auditor's lack of independence contributes to the problem of auditor carelessness and wrongdoing when auditing an organization's annual accounts. One wonders what went wrong when a bank that had unexpectedly declared enormous profits and payouts to shareholders went insolvent (Olabisi and Omoyele, 2011). In light of this, this paper examines how corporate governance affects the performance of banks.

The broad objective is to investigate how corporate governance impacts financial performance of selected deposit money banks.

The specific objectives of the study are to:

i. Investigate the impact of the Audit Committee on Return on Asset (ROA) of selected banks.
ii. Examine the effect of Board Size on Return on Asset (ROA) of selected banks.
iii. Evaluate the effect of board composition on Return on Asset (ROA) of selected banks.

The research focuses on corporate governance and how it affects financial performance in Nigerian commercial banks. This study only includes five of Nigeria's commercial banks: First Bank of Nigeria PLC, GT Bank Plc, Zenith Bank Plc, UBA Plc, and ACCESS bank Plc. Since these banks retain a sizable portion of depositors' money, their failure might bring down Nigeria's financial systems, so they are systemically important banks. Additionally, access to data was taken into account when choosing the sampled deposit money banks. The study specifically covers the years 2015 through 2020. The sampling time period was taken into consideration because it included significant occurrences that had an impact on the banking sector, most notably the 2020 Finance Act. The time frame included the period when the COVID19 pandemic changed how banking and financial institutions operated. The study does not evaluate all commercial banks or all useful corporate governance tools, despite looking at some of the techniques used by the selected banks in terms of corporate governance. However, it only focuses on the mechanisms that banks utilize most frequently for corporate governance. Because of this, the researchers have focused analysis solely on those corporate governance standards, which is felt may have a bigger impact on bank performance in the Nigerian context.

2. LITERATURE REVIEW

Theoretical review: Some theories underpinning the implementation of corporate governance in organizations are examined namely,

Stakeholder Theory: In accordance with Clarkson (1994), who defines stakeholder theory, the company may be a system of stakeholders operating inside the other intensive system of the host society, which provides the necessary institutional framework for the firm's operations in terms of law and commerce. By converting their ownership into goods and services, the business seeks to create wealth or value for its stakeholders. Blair (1995) backs up this assertion by arguing that management and administration should work to increase the overall amount of money the company generates. Giving employees with the firm or agency who supply crucial, specialized inputs (firm-specific human capital) a bigger voice, providing them with ownership-like incentives, and aligning their interests with those of outsiders and passive stakeholders could be the key to achieving this. According to the statement, Porter (1992) advises lawmakers to support essential clients, suppliers, financial advisers,

employees, and community leaders having long-term ownership in board representation. Businesses should designate relevant owners, customers, suppliers, employees, and community representatives to the company's governing board, according to Porter (1992). Long-term owners would then immediately have a voice in governance.

Stewardship Theory: According to stewardship theory, managers "are relentlessly committed to achieving high levels of business profit and shareholder returns" (Donaldson & Davis 1994). The theory offers arguments in support of business schools offering management degrees. Additionally, the theory enhances a manager's standing in the community and at work. Stewardship theorists assert that administrators frequently have interests that are aligned with those of shareholders, in contrast to agency theorists who view CEOs and administrators as expedient and self-seeking. Donaldson and Davis (1991) present a different model in which the structure of role-holders is constructed as intended by the urge to attain and experience intrinsic satisfaction through performance of inherently difficult work. Along with accountability and job effort, this results in appreciation from peers and managers. They concluded that once managers have been employed by a company for a long time, there is a "merging of individual ego and with the organization's image." Additionally, managers may carry out their responsibilities out of a sense of duty.

Agency Theory: Agency theory in its simplest version provides a solution to the agency problems brought on by the division of possession (shareholders) and administration (managers). The theory "provides a valuable technique of showing relationships where those interests may be further brought into harmony by good observance and a well-planned compensatory mechanism" when the interests of the parties' conflict (Davis, Schoorman, and Donaldson, 1997). Principal-agent theory and positivist agency theory are two streams of agency theory that have evolved over time, according to Eisenhardt (1989), who evaluated and criticized agency theory.

Principal-agent relationship: Principal-agent analysis considers the principal-agent relationship according to a generic framework. Any agency relationship, such as one between an employer and employee or a lawyer and a client, may be covered by this approach. According to Eisenhardt (1989), principal-agent analysis is abstract, mathematical, and may seem less approachable for those studying structures. It primarily focuses on the theoretical implications of the relationship, as opposed to the positivist stream that is more concerned with empirical and pragmatic insights.

The positivist approach to agency theory is particularly relevant in the context of businesses, especially at the firm level. Here, the principal-agent relationship is often seen between shareholders (principals) and managers (agents). Shareholders entrust managers with the running of the company, but the interests of managers and shareholders may not always align.

Empirical Review

In the midst of turbulent political and economic circumstances, Newman, Charity, Blessing, and Hilja (2020) looked at the effect of corporate governance on the financial performance of banks. The financial performance of commercial banks in the Republic of Zimbabwe was examined in the context of diverse economic and political situations, taking into account factors such as leverage ratios, board size, board composition, audit committee, and their consequences. Return on equity was used to evaluate banks' performance (ROE). The annual reports of five banks were used to collect secondary data. 2010–2013, which was considered as a period of comparatively stable economic and political conditions, and 2014–2017, which was characterized as a time of severe political and economic volatility, were the study's two main time periods. In the Republic of Zimbabwe, banks' financial performance was found to be significantly predicted by the used corporate governance standards, according to the study. The profit of banks in the Republic of Zimbabwe during each time was significantly explained by the board size, composition, subcommittees, and leverage (stable and turbulent environments).

Erasmus, Germain, and Richard examined corporate governance and how it impacted the financial success of commercial banks in Ghana (2021). A sample of 20 commercial banks and 100 cardinal observations were used in the study. Orbis Info was used to extract data from banks' seven-year audited financial accounts between 2011 and 2017. In the study, bank earnings were swapped out for return on assets (ROA). Cost-to-income ratio, bank size, interest margin, board composition, bank age, and board size were all independent variables in the study. A random effect and statistical regression are used. The empirical results showed a significant association between bank profit and board composition, bank size, and interest margin. However, there is a considerable relationship between bank age and cost-to-income magnitude. However, the relationship between cost and income magnitude and bank age had a considerable negative impact on bank profit. On the other hand, bank profit was not significantly impacted by board size.

Marus, Fabian, Arthur, and Sammy (2021) examined the effect of corporate governance on firm’s financial performance amongst private business enterprises in Uganda. The study used descriptive and survey design. A mixed method approach which involved both qualitative and quantitative techniques were also used. The study found out that corporate governance significantly influences the financial performance of hotels and manufacturing firms in Lira City and majority of the firms investigated performed on average financially. It was also established that firms whose boards demonstrate high integrity were likely to register positive changes in their financial performance than firms whose boards do not. The study also noted that board independence would propel the firm to grow to greater heights. The study recommends that hotel and manufacturing firm owners should exercise some discipline and leave boards to operate independently. This would allow the board to remain focused on the long-term goals of the firm. The hotel and manufacturing firm owners should be cautious in selecting board members lest they attract many that would increase the firm’s liabilities.

In 2016, Twinkle and Saurabh conducted a study exploring the influence of corporate governance, specifically board performance, on the financial performance of certain IT companies in India. The research focused on the relationship between the board committee (BC) and composition of board (COB) with the Return on Assets (ROA) and Return on Capital Employed (ROCE) of these companies. Their analysis was based on the annual reports of the top five Indian IT firms, namely TCS, Infosys, Wipro, HCL Technologies, and Tech Mahindra, over a one-year period from 2014 to 2015.

The study revealed a significant positive correlation between board governance and the financial performance of the selected IT companies. The BC and COB both showed a positive correlation with ROA and ROCE, with BC demonstrating a significant impact. The study emphasized the crucial role of the board in a company's performance and the importance of having a competent mix of executive and independent directors. It also highlighted the heterogeneity in board operations across different companies. The results underscored the significance of the relationship between corporate governance and financial performance from the stakeholders' perspective.

Tamer (2015) undertook an empirical investigation of the effects of corporate governance (CG) practices in publicly traded Egyptian enterprises on company performance and financial hardship in a developing market like Egypt. The corporate governance index (CGI), which has four dimensions—disclosure and transparency, the make-up of a company's governing body, shareholders' rights and investor relations, and possession and management structure—was used in this study to evaluate the extent of CG practices at a particular firm. The effects of CG on performance and financial stress are evaluated using a sample of 86 non-financial enterprises listed on the Egyptian Exchange. Using the letters of the Tobin alphabet, business performance is calculated. The Altman Z-score is utilized as a long-term indicator of financial hardship because it measures finances. As the Z-score rises, the risk of experiencing financial hardship reduces. corporate governance practices in Egyptian listed firms are usually found to be at shockingly low levels, according to the corporate governance index score. The results disprove the idea that corporate governance procedures and financial performance are linked. The prevalence of financial troubles and corporate governance practices have a very minor negative association.

Adams and Mehran (2018) found that board independence and diversity significantly influenced bank performance. Their study suggested that banks with more diverse boards and independent directors had better risk management and decision-making processes.

Similarly, ownership structure has also been a significant area of study. A paper by Jiang, Levine, and Lin (2019) showed that banks with a dispersed ownership structure

tended to have better performance than those with concentrated ownership. They argued that dispersed ownership could lead to a more effective system of checks and balances.

Transparency and disclosure practices, as part of corporate governance, have also been found to play a significant role in bank performance. A study by Huafang and Jianguo (2020) indicated that increased transparency and disclosure could enhance investor confidence and, in turn, improve bank performance.

Akinyomi and Olutoye (2018) found that the composition of the board, especially the presence of independent directors, significantly influenced Nigerian bank performance. They concluded that independent directors could provide unbiased oversight, leading to better managerial decisions and overall performance.

Another critical aspect of corporate governance is the ownership structure. A study by Afolabi (2019) showed that banks in Nigeria with a dispersed ownership structure tended to perform better than those with concentrated ownership. The study also noted that foreign ownership could lead to better performance due to the infusion of superior management practices.

The role of transparency and disclosure practices in corporate governance has also been emphasized. According to a study by Oyejide and Soyibo (2020), increased transparency and disclosure could enhance stakeholder confidence and improve bank performance in Nigeria.

However, the relationship between corporate governance and bank performance is not straightforward. A study by Umoren and Udo (2021) noted that other factors, such as regulatory environment and market conditions, could also influence this relationship.

3. RESEARCH METHODOLOGY

Research Design: Ex-post facto research design, which relies on past banking industry occurrences rather than conducting an experiment, was used in this study. Therefore, it discusses corporate governance and how it affects financial performance.

Population and sample size of the Study: The research population includes all banking financial institutions that are publicly traded on the Nigerian Stock Exchange (NSE). This is Nigeria's banking sector. According to the Central Bank of Nigeria, there are 23 commercial banks in Nigeria (2020). First Bank, Guaranty Trust Bank, United Bank for Africa, Zenith Bank, and Access Bank were the companies chosen as sample; they are all listed on the Nigerian stock exchange. Utilizing practical sampling techniques, the sample was chosen. The banks were chosen because the bank were categorized as top five Nigerian banks by market capitalisation, posted combined gross earnings of N4. 5 trillion for their 2022 full-year operations. The five banks, which are FBN Holdings, United Bank for Africa (UBA), GTCO, Access Holdings and Zenith Bank achieved gross earnings of N4.5 trillion, a 20 per cent growth compared to N3.6 trillion posted in 2021.

Instrument for Data Collection and Validation: For this work, information was gathered from the financial statements of First Bank, Guaranty Trust Bank, United Bank for Africa, Zenith Bank, and Access Bank from 2015 to 2020.

Method of Data Analysis: The study made use of secondary data that was collected and calculated from the banks' published annual reports and accounts of the sampled banks for the relevant time periods. This was accomplished through obtaining data on the study's variables.

The impact of corporate governance on the performance of the chosen Nigerian banks is examined using panel data analysis. Time series and cross-sectional data are both included in panel data. On the other hand, cross-sectional data may experience the heteroscedasticity issue whereas time series may become non-stationary with time.

The study's association between the variables was estimated using pooled regression. The model treats the performance of the sampled banks, as measured by return on assets (ROA) as the dependent variable, and the audit committee, board size, and board composition of the sampled banks as the independent factors.

The following is a description of the model used in the study to determine the link between the dependent variables (return on asset (ROA) and the explanatory factors (audit committee, board size, and board composition);

$$ROA_{it} = f(AC, BS, BC) \quad (1)$$

$$ROA_{it} = \beta_0 + \beta_1 AC_{it} + \beta_2 BS_{it} + \beta_3 BC_{it} + \mu_{it} \quad (2)$$

Where:

$ROA_{it} = \frac{PAT_{it}}{TOTAL\ ASSET_{it}} =$ Bank performance proxied by return on asset (ROA) for firm i, in period t

AC = A company's board of directors' members make up an audit committee, which is in charge of monitoring the financial reporting and statements. In order to provide truthful and accurate reports I in year t, the audit committee is required by law to consist of both outside board members and individuals with knowledge in finance or accounting.

BS = The term "board size" refers to the total number of directors serving on the board of each examined company, including the CEO and Chairman for each accounting year for company i in year t.

BC = Board composition refers to the individuals who make up a company's board of directors, which is in charge of defending the interests of shareholders.

PAT = profit after tax. It is the net income that a company has left after it deducts all its expenses, including operating costs, interest payments, and taxes, from its total revenue. As the name suggests, PAT is calculated after accounting for all tax payments.

μ_{it} = Error term/ unexplained variable for firm i, in period t

β_0 = constant term (intercept)

β_{it} = coefficient to be estimated for firm i, in period t

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

Presentation of Data: Time series and cross-sectional data are included in the data used for the panel data study. The 2015–2020-time frame was covered by the data used for the analysis. The information related to bank performance was measured by return on assets (ROA), and audit committees (AC), board sizes (BS), and board makeup (BC) constituted the independent variables. In the subsection Table 1 that reflect the variables' synthesis values are presented.

Correlation Matrix showing Association between variables: In addition to giving a general overview of the data collection, this section of the analysis makes an effort to describe its key characteristics. Table 1 presents the correlation matrix to ensure the problem of autocorrelation is addressed.

Table 1 Correlation Matrix

	ROA	**AC**	**BC**	**BS**
ROA	1.00	0.51	0.37	0.24
AC	0.51	1.00	0.78	0.69
BC	0.37	0.78	1.00	0.76
BS	0.24	0.69	0.76	1.00

Source; Output of EVIEWS-9, 2022

ROA= Bank performance proxy by average return on asset of the sampled banks in period t
AC = Average audit committee for the sampled banks in period t
BS = Average Board size for the sampled banks in period t
BC = Average Board composition for the sampled banks in period t

Table 1 displays the correlation matrix for the bank performance proxy by average return on assets (ROA) of the sampled banks, average audit committee (AC) for the sampled banks, average board size (BS) for the sampled banks, and average board composition for the sampled banks (BC).

According to Table 1, the following correlation coefficient were observed:

- A moderate positive association exist between bank performance proxy by average return on assets (ROA) of the sampled banks and average audit committee (AC) for the sampled banks. This was evident by the correlation coefficient value of 0.51.
- A positive association exist between bank performance proxy by average return on assets (ROA) of the sampled banks and average board size (BS) for the sampled banks. This was evident by the correlation coefficient value of 0.37.
- A weak positive association exist between bank performance proxy by average return on assets (ROA) of the sampled banks and average board composition for the sampled banks (BC). This was evident by the correlation coefficient value of 0.24.

- A strong positive association exist between average audit committee (AC) for the sampled banks and average board composition for the sampled banks (BC). This was evident by the correlation coefficient value of 0.78.
- A strong positive association exist between average audit committee (AC) for the sampled banks and average board size for the sampled banks (BS). This was evident by the correlation coefficient value of 0.69.
- A strong positive association exist between average board composition (BC) for the sampled banks and average board size for the sampled banks (BS). This was evident by the correlation coefficient value of 0.76.

Hypothesis Testing: This aspect of the chapter presents the test of the hypothesis stated in the introduction. This is achieved by testing for the significance of the regression coefficient of variables in the research. **It has to be emphasised that the Hausman test was conducted which led to the choice of the random effect regression used in the establishment of the relationship between the dependent and the independent variables in this study**

Table 2: Regression Analysis

Dependent Variable: ROA Method: Panel EGLS (Cross-section random effects)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.151893	0.039039	-3.890828	0.0006
AC	0.031324	0.007758	4.037690	0.0004
BC	0.002302	0.001794	1.282744	0.2109
BS	-0.001783	0.000781	-2.282398	0.0309
	Effects Specification			
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			0.010271	1.0000
	Weighted Statistics			
R-squared	0.372005	Mean dependent var		0.021131
Adjusted R-squared	0.299544	S.D. dependent var		0.014761
S.E. of regression	0.012354	Sum squared resid		0.003968
F-statistic	5.133873	Durbin-Watson stat		0.871935
Prob(F-statistic)	0.006376			

Source; Researcher's Computation, 2022

The model showing the regression of performance of banks in the sample proxied by return on asset (ROA) and audit committee (AC), board composition (BC) and board size (BS) is stated below:

$$ROA_{it} =- 0.152 + 0.031AC_{it} + 0.002BC_{it} - 0.0017BS_{it} + \mu_t$$

Hypothesis One
H0: Audit Committee does not significantly affect Return on Asset (ROA) of selected banks.

H1: Audit Committee have a significant effect on Return on Asset (ROA) of selected banks.

The sample banks' performance as measured by return on asset (ROA) and corporate governance as measured by the Audit Committee was positive as shown in Table.2. A 3.1% improvement in the performance of the sample's banks, as measured by return on assets, is predicted by the regression coefficient of the Audit Committee (AC), which has a value of 0.031.
The outcome also showed that, at a 5% level, the regression coefficient for the Audit Committee (AC) is statistically significant (since its probability value of 0.0.000 is less than 0.05).
Conclusion: It was concluded that Audit Committee have a significant effect on Return on Asset (ROA) of selected banks.
Hypothesis Two
H0: Board Size does not significantly affect Return on Asset (ROA) of selected banks.
H1: Board size significantly affects Return on Asset (ROA) of selected banks.
Table 2's results also showed a negative relationship between board size and the performance of the sample's banks as measured by return on assets (ROA). According to the regression coefficient of board size (BS), which has a value of -0.0017, an increase in board size (BS) will result in a 0.17% decline in the sample's banks' return on asset performance (ROA).
The outcome also showed that, at a 5% level, the regression coefficient for board size (BS) is statistically significant (since its probability value of 0.0309 is less than 0.05).
Conclusion: It was concluded that Board size significantly affects Return on Asset (ROA) of selected banks.
Hypothesis Three
H0: Board composition does not significantly affect Return on Asset (ROA) of selected banks.

H1: Board composition significantly affects Return on Asset (ROA) of selected banks.

Table 2 findings showed a positive relationship between bank performance in the sample, as measured by return on asset (ROA), and board composition (BC), for the sampled banks. According to the positive regression coefficient for Board composition (BC) for the sampled banks, with a value of 0.0020, bank performance as measured by ROA would improve by 0.2% for every percentage change in Board composition (BC) for the sampled banks.

The outcome also demonstrated that the regression coefficient for Board composition (BC) is not statistically significant at a 5% level (since its probability value of 0.2109 is greater than 0.05).

Therefore, it was determined that the Board's composition has an insignificant impact on the chosen banks' Return on Asset (ROA).

Discussion of Findings

i. Audit Committee have a significant effect on Return on Asset (ROA) of selected banks. The results support the research by Nse, Beauty, and Best-Okwu (2021), who discovered that the size, independence, and frequency of the governing council meetings have a substantial impact on financial success. Accordingly, the results back up Gabriela's (2016) argument that there is a strong positive correlation between financial success and the size of the audit committee. The results, however, did not support the analysis by Ojeka, Iyoha, and Obigbemi (2014), who found no connection between the size of the audit committee and financial success.

ii. Board size significantly affects Return on Asset (ROA) of selected banks. The result is consistent with the argument made by Uwuigbe and Fakile (2012), who found that banks with boards less than 13 are more viable than those with boards larger than 13. The study came to the conclusion that there is a substantial inverse association between board size and bank financial performance after finding that banks with larger boards earned lower profits than those with smaller boards. The finding is in line with a 2013 study by Kiambati, Ngugi, Katuse, and Waititu that found that major enterprises' performance has been said to be significantly influenced by the size of their boards of directors. The fact that many businesses use their boards more as a stand-in for internal staff training and management skills shows that in major businesses, directors primarily assist the chief executive officer's control role. In contrast to Topal and Dogan's (2014) study, which found a favorable relationship between board size and Return on Asset, the findings of this study negate that stance.

iii. Board composition does not significantly affect Return on Asset (ROA) of selected banks. The result contradicts Müller's (2013) assertion that the features of corporate boards, including board independence and the percentage of foreign directors among all directors, have a significant, beneficial impact on business performance (both contemporaneous and subsequent). The research further negates the findings of Cherotich and Obwog (2018), who found a significant positive association between board independence and the financial success of Kenya's listed companies as well as a significant positive relationship between board gender composition and their performance.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion: The relationship between corporate governance and firm performance has drawn the attention of academics and scholars, who are becoming more and more interested in the topic. No firm conclusions have yet been drawn from the findings of these investigations, despite the abundance of empirical literature. Few studies have demonstrated how financial institutions' corporate governance differs from that of non-financial institutions in regulated financial systems, where financial institutions are required to operate under legislative and prescriptive procedures, policies, rules, and regulations, limiting the directors' discretionary power. The objective of this study is to ascertain how corporate governance impacts the financial performance of a regulated Nigerian banking sector. Six years of panel data from five deposit money institutions were examined using a random effect model.
The audit committee, board size, and board composition are the explanatory variables in this study, whereas return on asset is the dependent variable. The results showed that, as measured by both return on asset and board size, the financial performance of deposit money banks in Nigeria was significantly improved.

The findings also indicated that, as determined by return on assets, the board size of the tested deposit money institutions in Nigeria had a negative and significant impact on their financial performance. According to the report, enlarging the board will improve the financial performance of Nigerian deposit money banks because a board that is improperly formed will hurt banks' bottom lines.

The results revealed that board composition has a negligibly positive effect on the performance of Nigerian deposit money institutions when using ROA as a measure of financial success. The research shows that a better board composition enhances the financial performance of the deposit money banks company. As a result, deposit money institutions in Nigeria should check that the board of directors is free from unethical activities. According to the study's findings, all of the corporate governance proxies examined had a considerable impact on deposit money banks' financial success as shown by return on assets.

Recommendations

Given the findings and conclusion made in this study, the study recommends that:

i. The study makes two recommendations in relation to the significant influence of the audit committee on the financial performance of banks: the audit committee members should be permitted to operate independently, and the audit committee's membership should be reviewed on a regular basis to increase transparency in the audit committee's performance of its duties.
ii. The study suggests that banking financial institutions and other organizations should have a reasonable board size that includes more non-executive directors (representatives of the stakeholders) than executive directors. This recommendation appears not to be in agreement with Famogbiele (2012) and Olayiwola (2018), who claim that only the CEO management should be on

the board for effective democratic decision-making of the board, which invariably results in a sound corporate strategy.

iii. The study suggests that a balanced board composition be implemented in response to the observed association between board composition and the financial performance of deposit money institutions as measured by ROA (with emphasis on women inclusion in board). As a result, the organization will be able to adjust to the shifting demands of the commercial environment and will be able to play its part in promoting sustainable corporate performance. However, this must be done with the highest professionalism.

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