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# Corporate Governance Practices and the Performance of Selected Post-Consolidated Nigerian Deposit Money Banks

**Obafemi Tunde Olutokunbo[1], Shuaib Abdulbakar Adeade[2], Olaiya Abiola Lawal[3]**

[1]Department of Accountancy, Federal Polytechnic, Offa, Kwara State, Nigeria

[2]Lincoln University College, Malaysia.

[3]Lincoln University College, Malaysia.

**ABSTRACT:** The nature of the relationship between Corporate Governance (CG) practices and performance of Nigerian Deposit Money Banks (NDMBs) have yet to be clearly established in the extant literature regardless of the volume of studies. This study therefore examined the relationship between CG practices and the performance of post-consolidated NDMBs.

The study adopted a panel research design. Secondary data sourced from annual reports and accounts of sampled NDMBs covering a period of ten (10) years (2010-2019) formed the only source of data for this study. The study population consisted of twenty-two listed NDMBs from where a sample of fourteen was randomly selected.CG proxied by Board Size (BS), CEO duality (CEOdu) and Performance proxied by Return on Equity (ROE) and Return on Asset (ROA) were analyzed using Panel regression

The result revealed significant positive relationship between BS (ROE; $\beta = 0.1509$, at $\rho = 0.0051$,), CEOdu (ROE; $\beta = 1.4656$, at $\rho = 0.0242$, ROA; $\beta = 0.6079$, at $\rho = 0.0060$), respectively. The result further revealed negative but insignificant relationship between CG and performance (ROI; $\beta = -0.0127$, at $\rho = 0.07971$, ROA; $\beta = -0.0043$, at $\rho = 0.7891$).

The study concluded that there is a correlation between CG variables and performance of NDMBs. The study therefore recommended that NDMBs should ensure that they are not only seen to maintain a clear cut separation of the roles of board Chairman and CEO as a matter of principle but should actually enforce it. In addition to this, they should not deviate from the present adherence to the provisions of the corporate governance practices as it relates to audit committee composition.

**KEYWORDS:** Corporate Governance; Performance**.**

## 1. INTRODUCTION

### 1.1 Background to the Study

The subject of corporate governance has spurred research interests with respect to principal- agent relationship expropriation in recent times, especially with the existence of publicly quoted companies as emphasized by Claessens & Fan (2002) who opined that corporate governance has received much attention in recent years. The prominent corporate accounting scandals of Enron Corporation, World Com, Tyco, and Parmalat have led to contemporary discussion on the best mechanisms for protecting the stakeholder's interest and ensuring shareholder wealth maximization. Also, in Nigeria the emphasis on the need for corporate governance reform spring up as a result of incidences of fraudulent financial reporting reported in the case of Cadbury Nigeria Plc., and the recent crisis in the banking industry.

Several cases of performance inefficiencies, deterioration in performance or total liquidation of various organizations around the world, have been levied against managerial leadership and corporate governance (CG). Specifically for the financial sector (banking in particular), poor managerial performance and poor CG had been identified as the major culprits in virtually all known cases of financial institution's distress in the Nigeria, which even led to consolidation reform in 2004, and yet re-emerged afterwards, and led to another reform in late 2009 that necessitated the bail-out of ten (10) banks which nearly collapsed due to so many reasons of which poor CG practices take prominence (Sanusi, 2010).

The case of the Nigerian post consolidated deposit money bank is thus not an exception. To this end, as the ultimate goal of almost any business is to maximize shareholders' wealth; it cannot be denied that sound corporate governance is a prerequisite to ensure that the corporate objective is achieved. As a result, corporate governance in general and bank corporate governance

in particular have inspired a great number of theorists and researchers. In fact, there has been a great deal of attention given to these interesting issues on various national and international levels.

The expectation of the issuer of Nigerian code of corporate governance is for it to be observed to the letter. Regrettably, most banks in Nigeria have failed to do this. For the sake of efficiency and effectiveness, organizations are expected to have a minimum number of people (size) with diverse background and experience make up the board. This will tend to allow for pooling of intellectual capabilities of the members of the board. The intention of the issuer of the Nigerian code of corporate governance is that when the size of the board is large with diverse capabilities, it will help in contributing meaningful ideas that will enhance overall performance of banks in Nigeria, this has however not been the case within the Nigerian banking industry.

Most financial institutions around the globe and particularly those in Nigeria have experienced series of distresses leading to collapse. Even some that survived such ugly trend were had to be bailed out by the CBN. The cause of this may not be unconnected with poor corporate governance practices which allowed most of the banks have a single individual performing the dual role of the Chairman of the board and that of the Chief Executive Officer (CEO). The unethical combination of these roles has given no room to properly check and balances expected of corporate entity of banks' status. The loss of confidence by investors in the banking industry is therefore an indicator of poor corporate governance practice in quoted NDMBs (Oyebode, 2009).

### 1.2 Statement of the Problem

Firms are seriously concerned about their existence, sustenance and continuity which are hinged upon consistent performance of selected post consolidation Nigerian deposit money banks .Corporate governance practices on companies' fortunes, drains its performance and consequently affect capital accumulation, expansion, growth and diversification capabilities. Corporate governance strategies have also occupied the concerns of many researchers to examine determinants o in the corporate environment (Al-Harshani, 2008).Berger,, Clarke, Cull,., Klapper and Udell,., (2005). Investigated corporate governance and bank performance: A joint analysis of the static selection and dynamic effects of domestic, foreign and state ownership. Claessens and Fan(2002). Examined corporate governance in Asia: A survey International. Distributive firm confronted with problems of internal control system integration and advancement due to the level of adaptation of the organization strategy and control in providing for environmental connectivity with their internal control structure.

The effect of corporate governance practices will no doubt influence at which firms growth rate affected the proposed project. Increase in the board size will influence the shareholder's future value (Adelegan, 2002). But to what level does the relationship exist between board size and performance of selected firms? Such effect becomes descriptive to performance and may erode investors' confidence in Nigeria capital market and individual shareholders, (especially pensioners) as a result of this inability of firm to grow.

The effect of the CEO duality measurement of independent variable would have weight on firms performance , but to what extent does CEO duality have effect on performance of selected post consolidated firms which is not yet determined in various studies? Both management and shareholders should focus on how the company should implement proper corporate governance practices to achieve to generate adequate distributable profit to maximize the company's performance, and to solve the likely challenges hinged on managements. This statement of problem may be examined through an assessment of the effect of corporate governance on dependent variable within the selected firms.

The above statement of problem calls for more academic research or investigation and assessment to bring more about the reliable ideas and findings regarding the assessment of corporate governance practices in selected post consolidated Nigerian deposit money banks.

### 1.3 Objectives of the study

i. Analyze the nature of the relationship between board size and performance of selected post consolidated NDMBs.

ii. Examine the impact of CEO-duality on the performance of selected post consolidated NDMBs

### 1.4 Hypotheses of the study

The following hypotheses are formulated and tested, in the course of this study, to provide greater insight into the research work.

**$H_{01}$:** Board size has no significant impact the performance of post-consolidated NDMBs.

**$H_{02}$**: CEO duality has no significant impact on the performance of post-consolidated NDMBs.

## 2. LITERATURE REVIEW

### 2.1 Conceptual Analysis

#### 2.1.1 Concept of Corporate Governance Explained

According to Sanusi (2000), corporate governance is a system that ensures that directors and managers of enterprise execute their function within a framework of accountability and transparency. This will promote investors' confidence in the business

enterprise and when such enterprise is a bank, will boost public confidence, which is a core ingredient that gives flavour to the business of banking. The recent banking sector consolidation has made the issue of corporate governance imperative in order to guarantee investors' confidence in the sector.

Binh and Grang (2012) defines corporate governance could also be defined as the process structure through which the board of directors oversees what the executives do. Both the board and management have key roles to play to ensure the institution of corporate governance. Governance and management should be mutually re-enforcing in bringing about the best corporate governance performance. Transparency and disclosure of information are key attributes of good corporate governance, which banks must cultivate with new zeal so as to provide stakeholders with necessary information to judge whether their interest is being taken care of Corporate governance looks at the institution and policy framework for corporations- from their very beginning in entrepreneurship, through their governance structure, company law, privatization, to market exit and insolvency. Oyebode (2009) opines that good corporate governance, therefore, is the set of rules and practices that govern the relationship between managers and stakeholders of corporations as well as other stakeholders like employees, creditor, tax authorities, trade union and other public authorities. In other words, good corporate governance is all about proper conduct of the affairs of business.

Laan (2008), the objective of corporate governance is to achieve business excellence and enhance shareholder value, while not neglecting the need to balance the interest of all stakeholders. Though the board has the primary responsibility, best result are achieved through collaborative governance- involving all interested parties. Rose,(1999) opines that good corporate governance emphasizes the need of transparency, full disclosure, fairness to all stakeholders and effective monitoring of the state of corporate affairs.

**2.1.2 Central Bank of Nigeria and Code of Corporate Governance of Deposit Money Banks**

The Central Bank of Nigeria did issue a Code of Corporate Governance to guide the activities of both board and management of banks. The Central Bank of Nigeria's Code of Conduct Government for bank in Nigeria states that "poor corporate government was identified as one of the major factors in virtually all known instances of financial institutions' distress in the country…"

The Basel Committee on Banking Supervision states that "corporate governance involves the manner in which the business and affairs of banks are governed by their board of directors and senior management which affect how they:

- Set corporate objectives.
- Operate the banks' business on a day-to day basis
- Meet the obligations of accountability to their stakeholders and take into account, the interest of other stakeholders.
- Align corporate objectives and behavior with the expectation that banks will operate in a safe and sound manner and in compliance with applicable law and regulations.
- Protect the interest of depositors.

**2.1.3 Evolving Good Corporate Governance**

Good governance is not automatic, it must be developed overtime. Among the processes that board can and should follow to improve their own functioning are: Board training and exchange. Training sessions to ensure that board understands how microfinance works and how to evaluate Microfinance Institution performance. These can involve presentation by experts and members of Microfinance Institution staff, or peer-to-peer exchanges with board members from other institutions.

Board's retreats: According to Sanusi (2000), pointed out that annual (or biennial) retreats of the board are especially helpful in building consensus among board members regarding the balance of social and financial objectives and in considering major advances in strategy. They also enhance the ability of board members to work with each other .Opportunities to observe the business and talk with clients: Board members should participate in some field-based activities so they can gain a better understanding of the business operations on the ground.

Board evaluations: Randoy (2013) opines that Board should evaluate their structure, procedure, and performance at one-to two-year intervals. Ultimately, boards should strive to have an external board evaluation conducted to receive independent feedback. Regular assessments help boards gauge how close they are to good practice, identify areas of weakness, and make plans to address the weaknesses. Board often neglect this important function Board should engage in all of these activities in order to assure that they grow in their ability to make responsibility for their Microfinance Institutions and lead them into the future.

**2.2 Theoretical Framework: Agency Theory**

The theoretical frameworks upon which this study is anchored on, is agency theory. It posits that in the presence of information asymmetry the agent is likely to pursue interests that may hurt the principal, or shareholders (Rose, 1999; Fame, 1983 cited in

Binh and Giang, 2012). The theory having its roots in economic theory was exploited by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976).

Agency theory is defined as the relationship between the principals, such as shareholders and agents such as the company executives, managers and external auditors. An agency relationship arises whenever one or more individuals, called the principals, hire one or more other individuals, called agents, to perform some services and then delegate decision-making authority to the agents. Though, the organization may not be able to survive without knowledgeable managers and dispersed ownership, yet these managers will not necessarily act in the interest of the firm, and the minority shareholders will not find it in their best interest to closely monitor the activities of their top managers. To cut through this dilemma, several internal governance mechanisms have been developed. The principal-agent perspective on the distribution of tasks at the strategic apex level of the corporation naturally leads to a dominant monitoring task for directors in the interest of the principals – i.e., the shareholders (Laan, 2008).

Hence, CG = f (Separation of ownership/control, maximum private benefit, incentive of minority shareholders, knowledgeable managers and disperse ownership etc.)

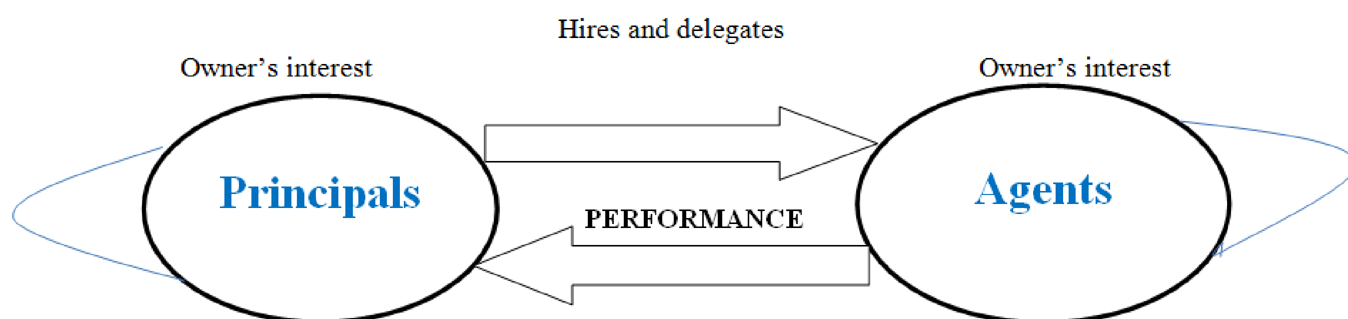


**Figure 2.1: Agency Model**

**Source: Abdullah and Valentine (2009).**

**2.3 Empirical Review**

Several studies have been conducted around the globe on the effect of corporate governance on the performance of firms. For instance, Lin and Zhang (2009) assessed the effect of bank ownership on performance in China using a panel of Chinese banks over the 1997–2004 periods. Specifically, a joint analysis of the static, selection, and dynamic effects of (domestic) private, foreign and state ownership was conducted with findings revealing that "Big Four" state-owned commercial banks are less profitable, efficient, and have worse asset quality than other types of banks except the "policy" banks (static effect). Further, the banks undergoing a foreign acquisition or public listing record better pre-event performance (selection effect); however, little performance change in either the short or the long term was found out.

Berger, Clarke, Cull, Klapper and Udell (2005), analyzed corporate governance and bank performance within the purview of a joint analysis of the static, selection, and dynamic effects of domestic, foreign, and state argue that it is important to include indicators of all the relevant governance effects in the same model. ''Non-robustness'' checks (which purposely exclude some indicators) support this argument. By using data from Argentina in the 1990s, the strongest and most robust results concern state ownership. It was further shown that state-owned banks have poor long-term performance (static effect), those undergoing privatization had particularly poor performance beforehand (selection effect), and these banks dramatically improved following privatization (dynamic effect), although much of the measured improvement is likely due to placing nonperforming loans into residual entities, leaving ''good'' privatized banks.

In 2013, Munisi and Randoy examined the extent to which publicly listed companies across Sub-Saharan African countries have adopted "good corporate governance" practices. They investigated the association of these practices with companies' accounting performance and market valuation. The findings indicated that companies across Sub-Saharan Africa have only partly implemented good corporate governance practices. A positive association between the constructed index of good corporate governance practices and accounting performance was also found out. However, the researchers found a negative association between the corporate governance index and the market valuation. When the sub-indices are considered, it showed that only the board of directors and the audit committee sub-indices are associated positively and significantly with accounting performance while only the audit committee sub-index is associated negatively and significantly with market valuation.

Kyereboah-Coleman (2007), while examining the effect of corporate governance on the performance of firms in Africa, using both market and accounting based performance measures, employed unique data from 103 listed firms drawn from Ghana, South Africa, Nigeria and Kenya covering the five year period 1997-2001 adopted a dynamic panel data framework. His results indicated that the direction and the extent of impact of governance are dependent on the performance measure being examined. Specifically, findings showed that large and independent boards enhance firm value and that combining the positions of CEO and board chair has a negative impact on corporate performance.

The above result also revealed that CEO's tenure in office enhances a firm's profitability while board activity intensity affects profitability negatively. The size of audit committees and the frequency of their meetings have a positive influence on market based performance measures and that institutional shareholding enhances market valuation of firms. Finally, results pointed out that both country and sector characteristics influence the impact of governance on corporate performance. The researcher recommended that for enhanced performance of corporate entities, a clear separation of the positions of CEO and board chair should be mandated while relative independent audit committees should likewise be maintained.

Within the Nigerian context, little emphasis have however been laid on how the two variables relate within the Nigerian banking sector. Okougbo (2011) investigated the relationship that exists between corporate governance and firm performance of some selected companies listed on the Nigerian Stock Exchange. The intent of the study was to determine whether corporate governance mechanisms- CEO duality, board size audit committee independence, and ownership concentration have an impact on firm performance surrogates by return on assets (ROA); return on equity (ROE), profit margin (PM).

Empirical evidence for fifty two (52) non-financial firms in Nigeria for a period of 2003 to 2008 was provided with the employment of Generalized Least Square (GLS) regression to examine the relationship existing between the variables. The results revealed that board size, audit committee independence, ownership concentration have a significant relationship with return on equity and profit margin. It is also observed that CEO duality has no impact on firm performance. The advocacy is for the Securities and Exchange Commission to take into cognizance industry specific effects before formulating codes of corporate governance that determine the characteristic of the audit committee or the board size. Proposition is also made to the Corporate Governance Committee of companies to Endeavour to do a regular appraisal of their corporate governance compliance status so as to understand its effect on performance.

Dabo in 2012 assessed interest rate liberalization, as part of financial sector reforms, in the manner it affects the performance of banks that experienced financial performance of the banks improved after the liberalization policy. The Wilcox on signed rank test was used to test for changes in profitability, deposit lending and operating efficiency. Therefore, the results of the study lend support to the proposition that banks in Nigeria witnessed performance improvement when government liberalization's programmer.

Aliyu et al in 2014 investigated the mediating role of management control system in the relationship between corporate governance and the performance of bailed-out banks in Nigeria. The work proposes the mediating influence of management control systems using performance measurement as a proxy in the relationship between corporate governance and performance of banks in an era of post banking crisis that called for a bailout reform. Since the performance measurement information is used to influence the behavior of organizational resources to implement organizational strategies, this study will test its ability to strengthen and facilitates board's functional effectiveness in ensuring sound banks' performance after the bail-out reformusing Otley (2009), performance measurement model.

## 3. METHODOLOGY

### 3.1 Panel data design was used for this research

Population of the study consisted of twenty-two (22) NDMBs registered and licensed by the CBN whether quoted or not on the floor of the Nigerian Stock Exchange (NSE) as specified on its official website as at May, 2019 while a sample of fourteen banks were selected using random sampling technique. This followed an initial segregation into "old and new" generation banks categorization. Banks that have been in existence before the 2004 CBN consolidation exercise and still survived it are categorized as "old generation" while those that came up after the exercise are categorized as "new generation". Seven (7) banks are then randomly selected from each category to make up the fourteen (14) banks. Some other criteria used to arrive at this sample size were for those banks to have their annual report and accounts readily accessible for the study period (2008 - 2019) and to have been quoted on the floor of the NSE. Most of these banks have also been in existence over the entire ten (10) year study period (2008-2019).

Annual report and accounts of the sampled NDMBs with particular concentration on the Corporate Governance practices i.e. Board size, CEO-duality and Audit committee independence in addition to relevant performance indicator variables (i.e. net profit, return on asset, leverage, branch size, return on equity etc.) covering the period of 2008 – 2019 were used for this study.
Analytical techniques used in this study consisted of both descriptive and inferential statistics. Descriptive statistics such as Minimum, Maximum, Mean and Standard deviation among others were adopted to examine the subject matter of objectives one through three. Pearson Product Moment Correlation Coefficient (PPMCC) was used to analyze the nature of the relationship between board size and performance of selected post consolidated NDMBs. Tobin q and panel regression analysis were adopted to examine the impact of the combination of the posts of CEO and Chairman of the board on the performance of NDMBs and whether the independence of the audit committee affects the performance of NDMBs positively
Models specified for this work include;

$$BDsize_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 BrSz_{it} + \beta_{4it} ROA + \beta_5 Profit + \varepsilon_{it.....} \quad ...Eq\ (3.1)$$

$$CEOdu_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 ROEit + \beta_4 Profit_{it} + \varepsilon_{it....} \quad ....Eq\ (3.2)$$

Where:
BDsize – Board Size
CEOdu – CEO-duality
ROE – Return on Equity
BrSz – Branch Size
FS – Firm size
LEV – Leverage
Profit – Net Profit after Tax and Interest
$\varepsilon_{it}$ - Error Term
α - Intercept
β, η – Coefficient
Apriori Expectation $\beta_1\beta_2..........\beta_n > 1$

## 4. RESULTS AND DISCUSSION

### 4.1 Descriptive Analysis of the Study Variables

This section presents summary of the descriptive characteristics of all variables used in the study. Statistics reported under this section include mean, standard deviation, minimum and maximum of the pooled observations of all variables across unit and time period i.e. 14 NDMBs over 10 years period spanning from 2007 to 2016. Summary of the descriptive statistics is presented in table 4.1 and 4.2.
It was generally noticed from the 140 observations as presented in table 4.1 that Return on Equity (ROE) has a mean value of about 27% and a standard deviation of 47%. The minimum and maximum values of ROE are -141% and 232% respectively. The above table in addition showed that on average, the Nigerian Deposit Money Banks (NDMBs) in this research produced the average Return on Asset (ROA) of 65.9 % with a standard deviation of 16.2%. The minimum and maximum percentage for (ROA) was -79% and about 110% respectively. The minimum figure for CEOdu was 30% while the maximum disclosure index is 92%. This further estimates the result of average CEO-duality for the 16 NDMB in table 4.1. The mean disclosure is about 67.5% with standard deviation of approximately 18% respectively.

**Descriptive Statistics 1**

| VARIABLES | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| ROE | 140 | -1.4100 | 2.3212 | 0.2661 | 0.4680 |
| BDsize | 140 | 0.4000 | 0.9000 | 0.7130 | 0.1145 |
| AUDind | 140 | 0.6667 | 1.0000 | 0.9454 | 0.1230 |
| CEOdu | 140 | 0.3000 | 0.9200 | 0.6752 | 0.1843 |

**Source: Author's Computation (2020)**

Table 4.2 below revealed that the minimum figure for ROA was average of – 79% while the maximum was109%. The mean and standard deviation is 65% and 16% respectively.

**TABLE 4.2: Descriptive Statistics 2**

| VARIABLES | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| ROA | 140 | -0.7913 | 1.0990 | 0.6588 | 0.1620 |
| BDsize | 140 | 0.4000 | 0.9000 | 0.7130 | 0.1145 |
| AUDind | 140 | 0.6667 | 1.0000 | 0.9454 | 0.1230 |
| CEOdu | 140 | 0.3000 | 0.9200 | 0.6752 | 0.1843 |

**Source: Author's Computation (2020)**

**4.2 Correlation Analysis**

This study conducted correlation analysis to measure the relationship between board size and performance of Nigeria Deposit Money Banks during post consolidation era. The result of the analysis presented in Table 4.3 revealed the simultaneous direction of movement between pairs of variables. Though the reported statistic does not predict causal-effect relationship, however the statistics revealed how the pooled observations of variables move together over time. From table 4.3 it was revealed that return on equity (ROE) correlated positively with return on asset (ROA), board size (BDsize), audit committee independence (AUDind) and correlated positively with chief executive officer duality (CEOdu). Specifically Table 4.3 reported correlation coefficients of 0.0983, 0.0683, 0.0209, for pairs including ROE and ROA, ROE and BDsize, ROE and CEOdu.

The reported coefficients revealed that there is weak positive correlation of return on asset and variables board size, and chief executive officer duality. However, the reported correlation coefficients revealed that there is weak correlation between all the explanatory variables though direction differs across pairs. However the establishment of the correlation between the dependents and independents variables of the study does not in any sense connote the direction and magnitude of causal-effect relationship that exist between them, hence the reported coefficient is only meant to give first hand overview of the direction of movement of each pairs of variables used in the study.

**Table 4.3: Pearson Product Moment Correlation Matrix**

| | ROE | ROA | BDsize | CEOdu |
|---|---|---|---|---|
| ROE | 1.0000 | | | |
| ROA | 0.8620 | 1.0000 | | |
| TQ | 0.0983 | 0.0987 | | |
| BDsize | 0.0784 | 0.0445 | 1.0000 | |
| AUDind | 0.0683 | 0.0359 | 0.0354 | |
| CEOdu | 0.0209 | 0.0028 | 0.1300 | 1.0000 |

**Source: Author's Computation (2020).**

**4.3 Test of Heterogeneity of the suitability of the use of Pooled OLS**

The result reported f-statistics values of 3.19 and 4.45 for models 1 and 2 respectively. The probability values of the reported f-statistics gave enough evidence to reject the null hypothesis that all cross sectional differential intercept are equal to zero (no significant difference) for models 1 and 2. Thus it stands that the cross sectional heterogeneity/uniqueness effect that exist among Nigeria deposit money banks in the discourse of corporate governance as it connect to performance cannot be ignored when performance is measured in terms of return on equity, and return on investment.

**Table 4.4: Test of Heterogeneity (Cross-Sectional Specific)**

| | **F-statistics** | **Probability** |
|---|---|---|
| **Model 1** | 3.19 | 0.0002 |
| **Model 2** | 4.45 | 0.0000 |

**Source: Author's Computation (2020)**

The heterogeneity test presented in table 4.4 reveals F-statistics and probability values corresponding to period specific effect for models 1 and 2 respectively. As reported in table 4.4, the f-statistics for the models stood at 2.59 and 1.42 with probability values of 0.0047 and 0.1696 for models 1 and 2 respectively. The result revealed that there is enough evidence to reject the null

hypothesis that all period specific differential intercept are equal to zero (no significant difference hypothesis) for model 1 but otherwise for model 2.

Thus it revealed and established that there is period specific effect in the investigation of the nexus between corporate governance and performance of NDMBs when the performance. From the above heterogeneity test, it become evident that fixed effect estimation corresponding to model 1 should be two-way, i.e. fixed effect estimation with both cross sectional specific effect and period specific effect. Hence the result of two-way estimation for model 1 is presented in table 4.4 below:

**Table 4.5: Test of Heterogeneity (Period Specific)**

| | F-statistics | Probability |
|---|---|---|
| **Model 1** | 2.59 | 0.0047 |
| **Model 2** | 1.42 | 0.1696 |

**Source: Author's Computation (2020)**

**4.4 Fixed Effect Estimation of Regression Analysis**

Fixed effect model takes cognizance of the heterogeneity/uniqueness that may exist across subject unit and/or over time, as such the model include fixed effect for each of the cross sectional unit and/or specific period. The fixed effect estimation covers both the one-way fixed effect model and the two-way fixed effect model. One-way fixed effect model only allows the intercept term (the fixed effect) to differ across individual subjects or time period, while the two-way fixed effect model allows for both the cross sectional and time effect. The fixed effect estimation employed in this study made use of the least square dummy variables (LSDV) technique, which included n-1/t-1 dummy variables for one-way fixed effect estimation and [(n-1) + (T-1)] for the two-way fixed effect estimation in order to avoid falling into the dummy variable trap (a situation of perfect collinearity).

Reported in table 4.5 is the fixed effect cross-sectional specific estimate for model1.

The results reveal coefficient estimates corresponding to the explanatory variables alongside deviation estimates for each of the insurance companies from the reference intercept terms corresponding to the base NDMBs. Specifically Table 4.5 reported the estimates for the model 1 which captured the relationship between corporate governance mechanism and performance using return on equity as performance measure.

As reported in the table below, coefficient estimates for board size (BDsize), and chief executive officer duality (CEOdu) stood at -.4900071, -.0254083 respectively. The reported estimates revealed that all the explanatory variables exert negative impact on return on equity (ROE) which connotes that return on equity of the selected banks will tends to decline in the presence of increased board size and chief executive officer duality (CEOdu) though such negative influence are not statistically significant following the corresponding probability values of the reported coefficient estimates which are above 5%.

In the same vein table 4.5 also reported deviations from the reference intercept term (i.e. intercept term corresponding to NDMBs) to be 6.310816, -20.90314, 6.687196, -23.0162, -26.48198, 58.53071, -13.60629, -.2783071, .3890362, 5.614589, 35.71109, -10.27098, 52.37013, -46.87254 for Bank; 11,2, 3, 4,13, 6, 7,8, 9, 10, 1, 12, 4 and14. Notably, the reported probability values corresponding to each intercept deviation terms in table 4.5 revealed that deviation from the reference intercept term is statistically significant for First Bank of Nigeria Plc and Guarantee Trust Bank respectively as reported in table 4.5. Adjusted R-square value of 0.5337which implies that about 53% of the systematic variation in the value of return on equity of the sampled deposit money banks can be explained by variation in the corporate governance surrogate variables including board size, audit committee independence and chief executive officer durability. Also the reported f-statistics and the corresponding probability values confirmed that all the explanatory variables included in the model jointly and significantly influence performance of deposit banks measured in terms of return on equity.

**Table 4.6: Fixed Effect Parameter Estimate (Cross Sectional Specific) Model 1**

| Variable | Coefficient | Standard Error | T-Test Values | Probability |
|---|---|---|---|---|
| C | 205.8333 | 77.34986 | 2.66 | 0.009 |
| BDsize | -.4900071 | .4203631 | -1.17 | 0.245 |
| CEOdu | -.0254083 | .0495462 | -0.51 | 0.609 |
| **Cross Sectional Effects** | | | | |
| Bank; 1 | 6.310816 | 19.47338 | 0.32 | 0.746 |
| 2 | -20.90314 | 26.16617 | -0.80 | 0.426 |

| 3 | 6.687196 | 19.85066 | 0.34 | 0.737 |
|---|---|---|---|---|
| 4 | -23.0162 | 19.13552 | -1.20 | 0.231 |
| 5 | -26.48198 | 26.25716 | -1.01 | 0.315 |
| 6 | 58.53071 | 21.1358 | 2.77 | 0.006 |
| 7 | -13.60629 | 20.10937 | -0.68 | 0.500 |
| 8 | -.2783071 | 19.47521 | -0.01 | 0.989 |
| 9 | .3890362 | 19.03662 | 0.02 | 0.984 |
| 10 | 5.614589 | 21.29425 | 0.26 | 0.792 |
| 11 | 35.71109 | 22.11165 | 1.62 | 0.108 |
| 12 | -10.27098 | 21.86027 | -0.47 | 0.639 |
| 13 | 52.37013 | 20.65383 | 2.54 | 0.012 |
| 14 | -46.87254 | 26.0857 | -1.80 | 0.074 |

R-square=0.5524, Adjusted R-square=0.5337, F-statistics=22.84, Prob (F-stat) =0.0002

**Source: Author's Computation (2020)**

Coefficient estimates reported in table 4.6 for board size (BDsize), and chief executive officer duality (CEOdu) stood at .6079605,-.0043453 alongside probability values of 0.006 0.789respectively. The result revealed that board size, audit committee independence exert significant position impact on the performance of selected deposit money banks measured in term of return on investment, while chief executive officer durability (CEOdu) exert insignificant negative impact on their return on investment.

As reported in table 4.6 the deviation from the intercept term corresponding to the reference deposit money banks stood at 1.437981, -8.143859, 2.547243, -1.07896, -13.48885, 13.15798, .2840852, 2.799821, 3.901802, 1.436796, 13.10058, -7.402317, 31.86221, -16.34074 for banks; 11, 2, 3, 4, 13, 6, 7, 8, 9, 10, 1, 12, 5 and 14 respectively. The reported deviation statistics revealed that only first bank Nigeria significantly deviate from the reference intercept term. R-square statistics reported in table 4.8 stood at 0.7302 which connotes that about 73% of the systematic variation in return on investment can be explained jointly by variation in corporate governance variables included in the model. F-statistics and probability values reported in the study revealed that board size (BD size), and chief executive officer durability (CEOdu) jointly and significantly influence deposit money banks performance measured in terms of return on investment.

**Table 4.7: Fixed Effect Parameter Estimate (Cross Sectional Specific) Model 2**

**Series: ROA BDSize, CEOdu**

| **Variable** | **Coefficient** | **Standard Error** | **T-Test Values** | **Probability** |
|---|---|---|---|---|
| C | 71.99589 | 25.35355 | 2.84 | 0.005 |
| BDsize | .6079605 | .2168955 | 2.80 | 0.006 |
| CEOdu | -.0043453 | .0162401 | -0.27 | 0.789 |
| **Cross Sectional Effects** | | | | |
| Bank; 1 | 1.437981 | 6.382937 | 0.23 | 0.822 |
| 2 | -8.143859 | 8.576686 | -0.95 | 0.344 |
| 3 | 2.547243 | 6.506603 | 0.39 | 0.696 |
| 4 | -1.07896 | 6.272195 | -0.17 | 0.864 |
| 5 | -13.48885 | 8.60651 | -1.57 | 0.119 |
| 6 | 13.15798 | 6.927843 | 1.90 | 0.059 |
| 7 | .2840852 | 6.591403 | 0.04 | 0.966 |
| 8 | 2.799821 | 6.383539 | 0.44 | 0.662 |
| 9 | 3.901802 | 6.239778 | 0.63 | 0.533 |
| 10 | 1.436796 | 6.979777 | 0.21 | 0.837 |
| 11 | 13.10058 | 7.247705 | 1.81 | 0.073 |
| 12 | -7.402317 | 7.165307 | -1.03 | 0.303 |
| 13 | 31.86221 | 6.769864 | 4.71 | 0.000 |
| 14 | -16.34074 | 8.550309 | -1.91 | 0.058 |

R-square=0.7302, Adjusted R-square=0.7106, F-statistics=4.15, Prob(F-stat) =0.0000

**Source: Author's Computation (2020)**

The cross section intercept deviation terms reported in table 4.7 stood at 2.053354, -10.11808, 7.526392, 18.09108, 16.68511, 36.82901, 8.516826, 15.56841, -17.35511, -35.05826, 41.8686, 5.653521, 44.39738, 15.31916 for banks; 1, 2, 3, 4, 13, 6, 7, 8, 9' 10, 1, 12, 5 and 14respectively. As reported in table 4.10 R-square value is 0.5643 meaning that about 56% of the systematic variation in performance of the deposit money banks measured in terms of Tobin's Q can be explained by variation in all the corporate governance variables combined. The reported f-statistics and probability values stood at 21.09 and 0.0000 respectively which connotes that all the explanatory variables jointly and significantly influence the performance of deposit money banks.

**Table 4.8: Random Effect Estimation (Model 1)**
**Series: ROE BDsize , CEOdu**

| Variable | Coefficient | Standard Error | Z-Test Values | Probability |
|---|---|---|---|---|
| C | 97.4346 | 53.28751 | 1.83 | 0.067 |
| BDsize | .0647115 | .3520766 | 0.18 | 0.854 |
| CEOdu | -.0299811 | .0494355 | -0.61 | 0.544 |

R-square=0.7272, Wald chi2 (5) =43.51, Prob> chi2 =0.0005

**Source: Author's Computation (2020)**

Table 4.8 reported the coefficient estimates of the model two, when the heterogeneity effect had been subsumed into the error term. Table 4.8 reported coefficient estimates of -.0333164, -.0043013, for BD size, and CEOdu, respectively. The result revealed that all the explanatory variables exert positive impact on performance of Nigerian deposit money banks measured in terms of return on investment. The result reported an R-square value of 0.3250 which connote that about 33% of the systematic variation in return on investment of selected Nigerian deposit money banks can be explained by variation in corporate governance variables included in the study. This shows that not much of the variation was explained by the joint explanatory variables.

**Table 4.9: Random Effect Estimation (Model 2)**
**Series: RO, BD size, CEOdu.**

| Variable | Coefficient | Standard Error | Z-Test Values | Probability |
|---|---|---|---|---|
| C | 47.46994 | 18.85333 | 2.52 | 0.012 |
| BDsize | -.0333164 | .1212674 | -0.27 | 0.784 |
| CEOdu | -.0043013 | .0164485 | -0.26 | 0.794 |

R-square=0.3250, Wald chi2 (5) =45.22, Prob> chi2 =0.0009

**Source: Author's Computation (2020)**

Table 4.9 reported the result of random estimation corresponding to the third model which measured performance. The table reported coefficient estimates of .4922794, .1129189, .1597109, -.8269589, .4154391 for board size, audit committee independence and chief executive durability respectively. The result revealed that all the explanatory variables except audit committee independent exert positive impact on performance of NDMBs measured in terms of Tobin's Q ratio. Reported R-square statistics stood at 0.5180 which implies that about 52% of the systematic variation in the performance of the sampled NDMBs (measured in terms of Tobin Q ratio) can be explained by variation in all the explanatory variables combined.

**Table 4.10: Hausman Test**

| | Chi-square stat | Probability |
|---|---|---|
| **Model 1** | 17.67 | 0.0006 |
| **Model 2** | 22.36 | 0.0000 |

**Source: Author's Computation (2018)**

**4.5 Pooled OLS Estimation of the relationship between study variables**

Pooled OLS estimator is the most restrictive panel data estimation technique, which assumes that the regression coefficients and constant estimates are the same for all cross sectional subject, over time. Therefore the model does not take cognizance of the possible heterogeneity/uniqueness in cross sectional units and/or over time periods.

Table 4.10 presented above reported the estimates of model 1 specified in the study with the focus of determining the relationship between corporate governance and performance of Nigeria deposit money banks. The corresponding tables present estimates of explanatory variables including board Size (BDsize), and chief executive officer duality (CEOdu) with respect to dependent variables return on equity (ROE) and return on asset (ROA) respectively.

Table above revealed the coefficient estimates reflecting the impact of all the explanatory variables on return on equity. Specifically it reported estimates of .0277012, and 0.5086251, for board size and CEOdu respectively. The reported probability values corresponding to the reported estimates in the table 4.10 stood at 0.019 and 0.310, for BDsize, and CEOdu, respectively. The estimates and corresponding probability values reported revealed that board size, audit committee independence and chief executive officers duality exert positive and negative impact on the performance of the sampled NDMBs measured in terms of return on equity.

It is necessary to emphasize that the reported coefficient estimates revealed that the financial performance of the sampled money deposit banks measure in terms of return on equity tends to respond by 0.5086251 for every unit increase in the proportion of outside directors sitting on the board, meaning when the board size changes in favor of the proportion of outside directors sitting on the board it has the capacity to trigger higher financial performance in terms of increased return on equity. The above table 4.14 also showed that the board activism has the capacity to spur the return on equity by 0.0277012for every one unit increase in the number of board meeting held by directors of the sampled banks.

Evaluation of the significance of the parameter estimates at 5% level of significance revealed among all the reported coefficient estimates only the estimates corresponding to corporate governance disclosure is statistically significant, which means that among all the explanatory variables corporate governance disclosure has significant impact on financial performance of the sampled banks measured in terms of return on equity. Adjusted R-square statistics reported in table 4.10 stood at 0.4253which means that about 42 percent of the systematic variation in financial performance of the sampled banks measured in terms of return on equity can be explained jointly by corporate governance variables including board size, audit committee and chief executive officer duality. This shows that the joint explanatory variables did not explain much of the variation. Reported f-statistics and probability values of 13.57 and 0.0008 respectively authenticate the level of significance of the joint influence of all explanatory variables used to proxy corporate governance and financial performance measure in terms of return on equity.

**Table 4.11: Pooled OLS Parameter Estimates Model 1**

**Series: ROE, BDSIZE and CEOdu**

| Variable | Coefficient | Standard Error | T-Values | P- Value | $R^2$ | Adj. R2 | Sig. |
|---|---|---|---|---|---|---|---|
| C | 54.69243 | 43.7499 | 1.62 | 0.106 | 0.4451 | 0.4253 | 0.0008 |
| BDSize | 0.0277012 | .0509505 | 2.36 | 0.019* | | | |
| CEOdu | -0.5086251 | .313047 | -1.02 | 0.310 | | | |

Dependent constant: ROE, F-statistics=13.57, 0.05 level of sig.

**Source: Author's Computation (2020)**

Table 4.11 the second model of this study investigated by analyzing the impact of variables including board size, audit committee independence and chief executive officer duality on the performance measured in terms of return on investment. The table reported specific coefficient estimates of 0.0093953, and -0.004114, for board size, and chief executive officer duality respectively. The reported coefficient estimates revealed that all the explanatory variables except board size exert negative impact on financial performance of the selected banks measured in terms of return on asset.

The result presented in table 4.11 showed that for every unit increase in the board size in favor of outside directors sitting on the board, return on asset increase by 0.0093953. On the other hand it was reported in table 4.11 that increase in directors independent and chief executive officer duality by a unit will engender a decline in the return on investment of the selected banks by -0.3055768 and 0.004114respectively. Table 4.11 reported probability values of 0.015, and 0.813board size (BDsize) and chief executive officer duality (CEOdu).

However, it was estimated from the result that board size and audit committee independence was statistically significant. While, chief executive officer duality was insignificant which implies that increase in the number of CEO duality of the sampled banks over the period covered significantly culminate into decline of financial performance measured in terms of return on investment. R-square statistics reported in table 4.11 stood at 0.6750. Adjusted R-square statistics mounted at 0.6491 which implies that about 65% of the systematic variation in return on investment can be jointly explained by corporate governance variables including BDsize, and CEOdu. F-statistics reported in table 4.11 stood at 2.60 alongside probability value of 0.0194 which authenticate the significance of the joint influence of corporate governance variables on performance of NDMBs measured in terms of return on asset.

**Table 4.11: Pooled OLS Parameter Estimates Model 2**
**Series: ROA, BDSize, CEOdu**

| Variable | Coefficient | Standard Error | T-Values | P- Values | $R^2$ | Adj. $R^2$ | Sig. |
|---|---|---|---|---|---|---|---|
| C | 34.96007 | 14.94321 | 2.34 | 0.020 | 0.6750 | 0.6491 | 0.0194 |
| BDsize | .0093953 | .0035957 | 2.61 | 0.015* | | | |
| AUDind | -3055768 | .0878237 | 3.48 | 0.001* | | | |
| CEOdu | -.004114 | .0174026 | -0.24 | 0.813 | | | |

F-statistics=2.60,

**Source: Author's Computation (2020)**

## 5. CONCLUSION AND RECOMMENDATION

### 5.1 Conclusion

The study concluded that there exist positive significant impact of board size on return on asset and Tobin's Q ratio of the sampled selected Nigerian deposit money banks. Likewise, audit committee independent was discovered to influence performance of the selected Nigerian deposit money banks measured in terms of return on investment. On the other hand, the study concluded that Chief executive officer duality exert negative impact on performance of Nigerian deposit money banks measured in terms of return on equity and return on investment. Generally, it is concluded that NDMBs that embrace and instill good corporate governance practices are likely perform exceedingly well.

### 5.2 Recommendation

It is therefore recommended that Nigeria Deposit Money Banks should ensure that they are not only seen to maintain a clear cut separation of the roles of board Chairman and Chief executive officer (CEO-duality) as a matter of principle but should actually enforce it. In addition to this, they should not deviate from the present adherence to the provisions of the corporate governance practices as it relates to audit committee composition.

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