Effect of Corporate Governance on Financial Performance of Selected Deposit Money Banks in Nigeria

Author’s Details:
1 Omosebi, Tolulope R. (Ph.D in view) - Department of Finance, School of Management Sciences, Babcock University Ilishan-Remo, Ogun State, Nigeria - tolumosebi@gmail.com
2 Adesanya, Adeboye O. (Ph.D in view) - Department of Finance, School of Management Sciences, Babcock University-Ilishan-Remo, Ogun State, Nigeria, boyebukunmi2012@gmail.com
3 Alalade, Yimka S. A. (Ph.D) - Department of Finance, School of Management Sciences, Babcock University-Ilishan-Remo, Ogun State, Nigeria

Abstract
Despite reforms in the financial system ranging from bailouts and other related economic reforms to rejig the system, corporate governance still poses a fundamental concern to financial system regulators and investors alike. Financial system failures and other unfriendly activities have made corporate governance a relevant topical issue in industrialized and emerging nations alike. Hence, this study focused on the effect of corporate governance on the financial performance of selected deposit money banks in Nigeria between 2015-2019. The study made use of ex post-facto research design. The study employed secondary source of data obtained from the audited annual report and financial statement of five (5) Deposit Money Banks listed on the Nigerian Stock Exchange. A purposive sampling method was employed to select six quoted banks in Nigeria. The study used estimated technique of Descriptive statistics, Pearson Product Moment Correlation (PPMC) analysis and Ordinary Least Square- Multiple regression method for analysis. Result of correlation analysis shows that there is no significant relationship \( r = -0.013, n=30, p (.947) > .05 \) between board member when tested on financial performance of selected deposit money banks in Nigeria. The association between board independent size and financial performance of Deposit Money Banks in Nigeria was negative \( r = -0.639, n=30, p (.000) < .05 \); there is also a negative significant relationship between board composition and financial performance of Deposit Money Banks in Nigeria \( r = -0.525, n=30, p(.012) < .05 \) while there is no significant relationship between bank size and financial performance of Deposit Money Banks in Nigeria \( r = -0.31, n=30, p(.873) > .05 \). None of the predictor variable in their individual capacity was able to affect significantly, the Return on Assets of the Deposit Money Banks in Nigeria. The study concluded that the role corporate governance plays on the achievement of good performance is imperative and highly significant. The study recommended among others, a review of existing laws on corporate governance for continuous relevance and adequacy, updating the rules with loop holes now exploited to breach the law.

Keywords: Deposit Money Banks, Board member size, Board independent size, Board composition, financial performance and Corporate governance.

1. INTRODUCTION
Despite reforms in the financial system ranging from bailouts and other related economic reforms to rejig the system, corporate governance still poses a fundamental concern to financial system regulators and investors alike. Financial system failures and other unfriendly activities have made corporate governance a relevant topical issue in industrialized and emerging nations alike. The subject of corporate governance remains a focus of global importance, more so, after the scandalous failure of some prominently high-profiled companies like Enron, the energy giant; WorldCom, the telecom giant; and Xerox, the world producer of office equipment, which sent shock waves throughout the business world, considering the aftermaths in the scale and audacity of their fraudulent practices. These activities of these organizations seem to only show the tip of a dangerous iceberg of deep-seated financial scandals and corruption far hidden beneath the surface (Okoi & Ocheni, 2014).

Nigeria has vibrant but challenging financial environment characterized by endemic systemic governance problems, capacity complains and defaulting in compliance and implementation of laws which has inhibited financial and economic growth. The global economic crisis and the decline in the value of investment of
Deposit Money Banks (DMBs) banks particularly in Nigeria are due to distorted credit management and this problem is associated with poor corporate governance. Given the fury of activities that have affected the efforts of banks to comply with the various consolidation policies and the antecedents of some operators in the system, there are concerns on the need to strengthen corporate governance in banks (Ibitamuno, Onuchuku & Nteegah, 2018).

1.2 Statement of the Problem

Before the consolidation of 2005, there were about 89 commercial banks in Nigeria, however, the nefarious activities of these banks led to a loss in confidence of the clients (potential and existing) in the Nigerian banking system. According to Ibitamuno, Onuchuku and Nteegah (2018), there was persistent challenge in the banking industry, which was that the regulatory and supervisory structures in place were grossly inadequate to monitor the activities of the banks and there were reported cases of sanctioned irresponsibility amongst the banks’ executives and managements, while the industry, itself, was fret with disreputable notoriety for ethical manipulations. Poor corporate governance has been recognized as one of the foremost reasons in practically all identified occurrences of bank distress and failures in the Nigerian economy. The successions of broadly exposed instances of financial and accounting immodesties documented in the Nigerian banking industry in 2009 involving Oceanic Bank, Intercontinental Bank, Union Bank, Afri Bank, Fin Bank and Spring Bank are all linked to the lack of watchful oversight functions by the board of directors, with established instances of the board surrendering control to corporate managers, who pursue their own self-interests and the board being remiss in its accountability to stakeholders (Isaac & Nkemdilim, 2016).

Accordingly, Afolabi and Dare (2015) had also advocated the elevation of the philosophy of whistle-blowing, thereby, creating special courts within the judiciary for the trying of corporate offences, and thus encouraging business ethics through ethical education. They also opined that the system should provide protection for whistle blowers by ensuring their anonymity to avoid being persecuted for reporting issues that are unethical. Also, Caprio, Laeven and Levine (2008) opined that there should be a revision of bank supervision and corporate governance reforms to ensure that deliberate transparency reductions and risk mispricing are acted upon. According to Sanusi (2010), the current banking crisis in Nigeria, has been linked with governance malpractices within the consolidated banks which has therefore become a way of life in large parts of the sector. He further said that corporate governance in many banks failed because boards ignored these practices for reasons including being misled by executive management, participating themselves in obtaining unsecured loans at the expense of the depositors and not having the qualifications to enforce good governance on bank management. As a result, various corporate governance reforms have been specifically aimed at appropriate changes to be made to the board of directors in terms of its composition, size and structure (Abidin, Kamal and Jusoff, 2009).

1.2 Aims and Objective of the Study

The main objective of this study is to determine the effect of corporate governance on the performance of selected deposit money banks in Nigeria.

The specific objectives are to:

i. examine the effect between Board member size and financial performance of Deposit Money Banks in Nigeria.
ii. determine the effect of Board independent size on financial performance of Deposit Money Banks in Nigeria.
iii. establish the effect between Board composition and financial performance of Deposit Money Banks in Nigeria.
iv. assess the effect between Bank size system and responsiveness of service delivery on financial performance of Deposit Money Banks in Nigeria.

1.3 Research Questions

i. What is the relationship between Board member size and financial performance of Deposit Money Banks in Nigeria?
ii. How does Board independent size affect financial performance of Deposit Money Banks in Nigeria?
iii. To what extent does Board composition affect financial performance of Deposit Money Banks in Nigeria?
iv. What is the effect between Bank size system and responsiveness of service delivery on financial performance of Deposit Money Banks in Nigeria?

1.4 Research Hypotheses

The study will be guided by the following hypotheses stated in null form:

H01: There is no significant positive relationship between board member size and financial performance of Deposit Money Banks in Nigeria.
H02: There is no significant positive relationship between board independent size financial performances of Deposit Money Banks in Nigeria
H03: There is no significant positive relationship between board composition and the financial performance of Deposit Money Banks in Nigeria
H04: There is no significant positive relationship between bank size and the financial performance of Deposit Money Banks in Nigeria.

1.5 Scope of the study

The study is central to Deposit Money Banks that are listed on the Nigerian Stock Exchange (NSE), and it covers four (4) out of the twenty-two (22) listed deposit money banks in Nigeria over a period of five (5) years (2015-2019).

1.6 Significance of the Study

This research work is of great significance to:

a. Banks: This study enables the banks to know their stance in relation to corporate governance issues. The board of directors will find this information useful in benchmarking the performance of their banks.
b. Bank regulators: This research provides an insight into a better understanding of the degree to which the banks that are reporting on their corporate governance have been compliant with the codes of corporate governance and where they are experiencing difficulties.
c. Investors: Investors are well-informed of the corporate governance mechanisms and how they affect the performance of banks. This will help the investors in their investment decisions.
d. Academia: This work is also beneficial to Lectures/students who will teach or learn about corporate governance.
e. Researchers: The result of this study serves as a reference material for further research in this field of study.

1.7 Justification for the Study

As a follow up to the findings by Abidin, Kamal and Jusoff (2009) that various corporate governance reforms have been specifically aimed at appropriate changes to be made to the board of directors in terms of its composition, size and structure, the study has selected as proxy for corporate governance, Board size, Board Independent size and Board composition as three of the dependent variables such that the contribution to literature will be able to verify earlier findings

1.8 A priori Expectations
The study expected that Corporate Governance represented by the proxies Board member size, Board independent size, Board composition, Bank size would not Financial Performance

In light of the above, a priori expectation is represented as below:

<table>
<thead>
<tr>
<th>A priori expectations IF:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P ≤ 0.05; H₀,1 will be rejected.</strong></td>
</tr>
<tr>
<td><strong>P ≤ 0.05; H₀,2 will be rejected.</strong></td>
</tr>
<tr>
<td><strong>P ≤ 0.05; H₀,3 will be rejected.</strong></td>
</tr>
<tr>
<td><strong>P ≤ 0.05; H₀,4 will be rejected.</strong></td>
</tr>
</tbody>
</table>

2. REVIEW OF RELATED LITERATURE

In a study by Atta (2021), the main aim of the study was to examine the relationship between corporate governance and the financial performance of universal banks in Ghana. Specifically, the study sought to examine the relationship between board size and financial performance; to investigate the relationship between director’s equity and financial performance and to assess the relationship between board-gender diversity and financial performance. The target population for this study was the twenty-three (23) universal banks in Ghana and the sample size for the study are eight (8) universal banks. The study adopted a purposive sampling technique. The study relied on secondary data to investigate the relationship between board size, board equity interest and board gender diversity and firm performance of selected universal banks in Ghana. Version 20 of the Statistical Package for Social Sciences (SPSS) to conduct analysis. The study concluded that corporate governance has a positive relationship with financial performance and recommends that, the regulatory authorities should diligently exercise their oversight functions to ensure strict compliance with extant regulations on corporate governance so as to consolidate, or possibly, improve on the gains of the initiative.

Bezawada, and Adavelli (2020) examined corporate governance, board characteristics, performance and asset quality of Indian banks and investigates the impact of a set of board characteristics on performance and asset quality of banks. The study selected a sample of 34 scheduled commercial banks, accounting for about 90% of the total banking assets and banking business India, for ten years from 2009 to 2018, variables used for the study are three broad categories: performance variables used as proxy for dependent variables: ROA, broad variables: Board Size, Independent Directors, Busy Director, Executive Directors, Board Size, Number of meetings, and control variables Bank Size and Capital adequacy ratio. Descriptive and inferential statistics were employed and panel data analysis was used since the sample data is a mixture of time series and cross-sectional data.

The study finds that the board size and percentage of independent directors have significantly positive impact on ROA. The percentage of executive directors is having significantly negative relationship with the ROA. The board size and percentage of independent directors have significantly negative relationship with banks’ NNPAs. The research suggests that the board of directors play a significant role in bank governance in India.

Josuha, Effiong and Imong (2019) examined corporate governance mechanisms and structure of listed deposit money banks (DMBs) in Nigeria. The study covered DMBs listed in the Nigerian Stock Exchange (NSE) for a ten-year period from 2007 to 2016 and data were obtained from the selected banks annual financial reports. Data were presented using tables and analysed using panel data regression. The corporate governance mechanisms of board size (BSIZE), board composition (BCOM) and audit committee (ACOM) were used as independent variables. Performance of the listed DMBs was measured by return on asset (ROA) which is the dependent variable while the bank size (FSIZE) was used as a control variable. The findings of the study revealed that while board size had a positive but insignificant relationship with performance; audit committee, board composition and bank size all had positive and significant relationships with financial performance of
banks. The study recommended that DMBs listed in the Nigerian Stock Exchange should strive to have an average of fourteen members in their boards to avoid decision-making problems which are characterized by larger board of directors and should therefore comprise a mix of executive and nonexecutive directors with the relevant credentials, competence, and experience to serve on the board of banks. Additionally, the audit committee of banks should meet often to enable them to review the financial reports of the banks and make appropriate recommendations that will help to improve the performance of the banks.

Ibrahim, Adesina, Olufowobi and Ayinde (2018) examined corporate governance structures of quoted banks in Nigeria. The study used secondary data from 2013 to 2017. Data were sourced from selected annual report and accounts of three quoted banks listed in the Nigerian Stock Exchange. The study utilised both descriptive statistics and ordinary least square multiple regression method. The results showed that corporate governance has significant influence on sustainability of deposit money banks. The results further indicated that the proportion of share held by shareholders, board composition, board size are key corporate governance mechanism which enhances stability of deposit money banks. The study recommended that board of directors’ size of quoted banks in Nigeria should not be too large and must be meeting regularly to effectively and efficiently carry out their oversight functions and responsibilities.

Isah, Abdu and Nuruddeen (2018) in their study examined the effect of corporate governance on financial performance of deposit money banks in Nigeria. It adopted ex post factor research design, which made the use of secondary data in ensuring that data obtained are sufficient for a reasonable conclusion. Financial performance of banks was measured using Return on Assets (ROA) and corporate governance was measured using three variables: board size, board composition and audit committee. Partial correlation and regression was used to analyze the data. The results showed that board size and board composition have a negatively and insignificantly impact on financial performance, while audit committee size have positive but insignificant effect on financial performance of deposit money banks in Nigeria. It also revealed that small board size (board of director) contributes positively and significantly to the financial performance of deposit money banks in Nigeria. The study recommends that banks should maintain relatively small board size dominated by outside directors within the provisions of the code of corporate governance for banks but the board should comprise of members, who are conversant with oversight function and having capacity to add significant value in decision making toward achieving greater performance.

Okoye and Achuimonu (2018). This study seeks to empirically determine the effect of corporate governance on the profitability of banking sector in Nigeria. Return on equity (ROE) and return on assets (ROA) were adopted as proxies for banking sector profitability while capital adequacy ratio (CAR), liquidity ratio (LQR) and ratio of non-performing loans to total loans (NPL) were adopted as proxies for corporate governance. Inflation rate was introduced as a control variable. Empirical evidence from the study shows significant impact of corporate governance on the profit performance of the Nigerian banking sector. It went on to recommend that the regulatory authorities (CBN, NDIC and SEC) should diligently exercise their oversight functions to ensure strict compliance, by the banking sector, to extant regulations on corporate governance so as to consolidate, or possibly, improve on the gains of the initiative.

Uguru and Obasi (2017) examined the effect of corporate governance on financial performance of Nigeria banking industry. Specifically, the study ascertained the influence of board gender, board size, board committee, board composition and frequency of board meetings on the liquidity risk of Deposit Money Banks (DMBs) in Nigeria. The study adopted ex-post facto research design. The data was obtained from annual reports of DMBs in Nigeria covering the period of 2006 through 2015. The dependent variable was financial performance and liquidity risk was used as the proxy while the independent variables are board gender, board size, board committee, board composition and frequency of board meetings. The effect of independent variables on the dependent variable was examined using multiple regression method that was computed with the aid of e-view 8.0 version. The results showed that board gender, board size and board committee negatively but significantly
influence the liquidity risk of DMBs in Nigeria while board composition and frequency of board meetings revealed a positive and significant effect on liquidity risk of DMBs in Nigeria.

Hajer and Anis (2016) carried out a study on the analysis of the impact of governance on bank performance of Tunisian banks. The empirical analysis was on a sample of eight Tunisian commercial banks listed on the stock exchange over the period 2000 to 2011. The explanatory variables are the number of the staff, the capital, the total bank assets, equity, and net income. The explained variables are ROA, ROE, and efficiency. Descriptive and Inferential statistical tools were employed in the work OLS method was used for analysis and estimation of result. Findings of the study shows that the impact of governance on the performance of Tunisian commercial banks present divergent results. This discrepancy is linked to several characteristics of these banks other than their size, the size of their boards, the percentage of foreign directors, representatives of state and public institutions, and the duality of their directions and especially to other mechanisms in particular governance of the ownership structure.

Manini and Abdullahi (2015) examined the impact of corporate governance mechanisms (audit committee size, board gender diversity and board size) on banks’ profitability based on the annual reports of forty-two banks in Kenya in the period 2014. The study controls for the effect of bank size and capital of the banks. Descriptive and inferential statistics (correlation multiple linear regression) data analysis method were employed to analyse estimation results. The study found that proxies of corporate governance such as audit committee size, board gender diversity and bank capital exerted no significant effect on bank profitability. Furthermore, it was shown that board size negatively influenced return on equity while bank size is positively associated with return on equity.

Okoye, Evbuomwan, Achugamou and Araghan (2016)’s study sought to empirically determine the effect of corporate governance on the profitability of banking sector in Nigeria. Return on equity (ROE) and return on assets (ROA) were adopted as proxies for banking sector profitability while capital adequacy ratio (CAR), liquidity ratio (LQR) and ratio of non-performing loans to total loans (NPL) were adopted as proxies for corporate governance. Inflation rate was introduced as a control variable, the study covered period 2003. Secondary data on the selected variables or proxies were collected and analyzed with aid of econometric tests. The Augmented Dickey Fuller (ADF) method was used to determine the stationary trend of the data. Ordinary least squares (OLS) analytical technique was used to determine the effect of the selected proxies for corporate governance on banking sector profitability. Statistical significance of impact was determined at 10 per cent level of significance. The Gap observed in work is that the recommendation did not see need for review of extant regulations to confirm their continued relevance in view of development that had taken place between years of compilation and the time for the work.

3. METHODOLOGY
This section discusses the methodological issues of the study.

3.1 Research Design
An Ex-post facto design was adopted for this study (known as after the fact research design).

3.2 Data type and source
The study employed secondary source of data obtained from the audited annual report and financial statement of Deposit Money Banks listed on the Nigerian Stock Exchange.

3.3 Data validation
Data employed was obtained from published audited annual report and financial statement deemed to have been validated through various regulatory processes.

http://www.ijmsbr.com/
3.4 Population
Population for the study consisted of 22 listed Deposit Money Banks on the Nigeria Stock exchange over the period 2015 – 2019 which is the period the study covers.

3.6 Sampling Method and size
A purposive sampling method was employed to select six quoted banks in Nigeria: Zenith Bank PLC, United Bank for Africa PLC, Access Bank PLC, Union bank, Guaranty Trust Bank and First Bank of Nigeria PLC having highest customer deposit out of 22 listed Deposit Money Banks on the Nigeria Stock exchange over the period 2015 – 2019 with a view to determine the pattern in which the corporate governance has been of influence on Return on Assets of Deposit Money Banks in Nigeria for five years financial summary.

3.7 Data Analysis Technique.
This study used estimated technique of Descriptive statistics, Pearson Product Moment Correlation (PPMC) analysis and Ordinary Least Square- Multiple regression method with the aid of using SPSS 23 package. The SPSS file contained both descriptive and inferential statistics regarding the financial performance and market value of the sampled firms. The descriptive data included, for example, mean and standard deviation. Inferential statistics included, ANOVA analysis, t test, and multiple regression analysis.

Prior to conducting multiple regression, result of the PPMC was reviewed. The correlation matrix helped identify which variables that should be included in the actual regression analysis and also allowed researcher to accept or reject individual null hypotheses for each of the mechanisms of the independent variable. Management scholars have used multiple regression models in corporate governance studies to examine the relationship between corporate governance with corporate financial performance. We have several examples under the chapter two of this work. The use of multiple regression analysis was to investigate the relationships of corporate governance and financial performance of selected Deposit Money Banks in Nigeria: the goal was to determine if sound corporate governance implementation was correlated with a better corporate financial performance and market value. The study model is as given under next heading

3.8 Model Specification
The model of the study established the relationship between the dependent variable of Return on Assets (ROA) and independent variables of Corporate Governance The same empirical model Adopted in the work of Asaolu (2004) and Olayiwola (2016).

The model specification is as stated below:

\[
\text{ROA} = f (\text{CG}) \quad \text{(1)}
\]

Where;
ROA represents Return on Assets
CG represents Corporate Governance

Equation (1) showcase the functional relationship between Return on Assets (ROA) and Corporate Governance measured by

Board Members Size -BMZ
Board Independence Size - BIZ
Board Composition Size -BCZ and
Bank Size (BS)

The above equation can be re-specified in an explicit form as shown below:

\[
\text{ROA} = \beta_0 + \sum \beta_1 \text{BMZ}_i + \beta_2 \text{BIZ}_t + \beta_3 \text{BCZ} + \beta_4 \text{BS} + \varepsilon \quad \text{(2)}
\]

\[
\text{ROAt} = \beta_0 + \sum_{it} \beta_1 \text{BMZ}_i + \beta_2 \text{BIZ}_t + \beta_3 \text{BCZ} + \beta_4 \text{BS} + \varepsilon \quad \text{(3)}
\]

Where;
ROA = Return on Assets
CG is a vector of corporate governance variables which include board members size (BMS), Board independence size (BIS), board of composition size (BCS) and bank size (BS)

\[ \beta_0 = \text{Constant Parameter}, \beta_1 - \beta_4 \]

\[ \sum = \text{Summation}, e = \text{Error Term}, i = \text{Cross section} \]

\[ t = \text{Time series} \]

4. ANALYSIS RESULTS AND DISCUSSION

Research Hypothesis One
Research hypothesis one: There is no significant positive relationship between board member size and financial performance of Deposit Money Banks in Nigeria.
This hypothesis states that there is no positive significant relationship between board member size and financial performance of Deposit Money Banks in Nigeria. To test this hypothesis, the data was subjected to Pearson Product Moment Correlation (PPMC). The result is presented in Table 1.

Table 1: Pearson Product Moment Correlation (PPMC) showing the relationship between board member size and financial performance of Deposit Money Banks in Nigeria

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>n</th>
<th>r</th>
<th>p-value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board member size</td>
<td>14.700</td>
<td>2.8545</td>
<td>30</td>
<td>-.013</td>
<td>.947</td>
<td>Not Sig.</td>
</tr>
<tr>
<td>Financial performance</td>
<td>0.0271</td>
<td>0.0165</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table 1 shows that there is no significant relationship between board member size and financial performance of Deposit Money Banks in Nigeria \( (r = -.013, n=30, p (.947)>.05) \). Hence, board member size did not influence the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore accepted.

Research hypothesis two: There is no significant positive relationship between board independent size financial performance of Deposit Money Banks in Nigeria.
This hypothesis states that there is no positive significant relationship between board independent size and financial performance of Deposit Money Banks in Nigeria. To test this hypothesis, the data was subjected to Pearson Product Moment Correlation (PPMC). The result is presented in Table 2.

Table 2: Pearson Product Moment Correlation (PPMC) showing the relationship between board independent size and financial performance of Deposit Money Banks in Nigeria

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>n</th>
<th>r</th>
<th>p-value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board independent size</td>
<td>8.400</td>
<td>1.1626</td>
<td>30</td>
<td>-.639*</td>
<td>&lt;.0001</td>
<td>Sig.</td>
</tr>
<tr>
<td>Financial performance</td>
<td>0.0271</td>
<td>0.0165</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table 2 shows that there is a negative significant relationship between board independent size and financial performance of Deposit Money Banks in Nigeria \( (r = -.639, n=30, p(.000)<.05) \). Hence, board independent size negatively enhanced the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore rejected.

Research hypothesis three: There is no significant positive relationship between board composition and the financial performance of Deposit Money Banks in Nigeria.
This hypothesis states that there is no positive significant relationship between board composition and financial performance of Deposit Money Banks in Nigeria. To test this hypothesis, the data was subjected to Pearson Product Moment Correlation (PPMC). The result is presented in Table 3.
Table 3: Pearson Product Moment Correlation (PPMC) showing the relationship between board composition and financial performance of Deposit Money Banks in Nigeria

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>n</th>
<th>r</th>
<th>p-value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board composition</td>
<td>0.5915</td>
<td>0.1424</td>
<td>30</td>
<td>-.452*</td>
<td>.012</td>
<td>Sig.</td>
</tr>
<tr>
<td>Financial performance</td>
<td>0.0271</td>
<td>0.0165</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table 3 shows that there is a negative significant relationship between board composition and financial performance of Deposit Money Banks in Nigeria (r = -.452, n=30, p(.012)<.05). Hence, board composition negatively enhanced the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore rejected.

Research hypothesis four: There is no significant positive relationship between bank size and the financial performance of Deposit Money Banks in Nigeria.

This hypothesis states that there is no positive significant relationship between bank size and financial performance of Deposit Money Banks in Nigeria. To test this hypothesis, the data was subjected to Pearson Product Moment Correlation (PPMC). The result is presented in Table 4.

Table 4: Pearson Product Moment Correlation (PPMC) showing the relationship between bank size and financial performance of Deposit Money Banks in Nigeria

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>n</th>
<th>r</th>
<th>p-value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank size</td>
<td>3913561.030</td>
<td>1691995.204</td>
<td>30</td>
<td>-.031</td>
<td>.873</td>
<td>Not Sig.</td>
</tr>
<tr>
<td>Financial performance</td>
<td>0.0271</td>
<td>0.0165</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level

Table 4 shows that there is no significant relationship between bank size and financial performance of Deposit Money Banks in Nigeria (r = -.031, n=30, p(.873)>.05). Hence, bank size did not influence the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore accepted.

Research hypothesis five: There is no significant joint contribution of Board member size, Board independent size, Board composition, and Bank size on financial performance of Deposit Money Banks in Nigeria. To test this hypothesis, the data was subjected to multiple regression analysis with financial performance of Deposit Money Banks in Nigeria as the dependent variable. The results are presented in Table 5.

Table 5: Summary of Regression analysis showing joint contribution of Board member size, Board independent size, Board composition, and Bank size on financial performance of Deposit Money Banks in Nigeria

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.735</td>
<td>.540</td>
<td>.466</td>
<td>0.01206</td>
</tr>
</tbody>
</table>

A N O V A

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>DF</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.004</td>
<td>4</td>
<td>0.001</td>
<td>7.337</td>
<td>&lt;.0001</td>
<td>Sig.</td>
</tr>
<tr>
<td>Residual</td>
<td>0.004</td>
<td>25</td>
<td>0.0001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.008</td>
<td>29</td>
<td>0.0001</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 shows the joint contribution of Board member size, Board independent size, Board composition, and Bank size on financial performance of Deposit Money Banks in Nigeria on financial performance of deposit
banks in Nigeria. The table also shows a coefficient of multiple correlation of \( R = .735 \) and a multiple \( R^2 \) of .540. This means that 54.0% of the variance was accounted for by four predictor variables when taken together. The significance of the composite contribution was tested at \( \alpha = 0.05 \). The table also shows that the analysis of variance for the regression yielded F-ratio of 7.337 (significant at 0.05 level). This implies that the joint contribution of the independent variables to the dependent variable was significant and that other variables not included in this model may have accounted for the remaining variance.

Table 6: Summary of Regression analysis showing relative contribution of Board member size, Board independent size, Board composition, and Bank size on financial performance of Deposit Money Banks in Nigeria

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.189</td>
<td>0.043</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member size</td>
<td>-0.005</td>
<td>0.003</td>
<td>-888</td>
<td>-1.717</td>
</tr>
<tr>
<td>Board independent size</td>
<td>-0.001</td>
<td>0.006</td>
<td>-054</td>
<td>-1.373</td>
</tr>
<tr>
<td>Board composition</td>
<td>-0.125</td>
<td>0.068</td>
<td>-1.082</td>
<td>-1.853</td>
</tr>
<tr>
<td>Bank size</td>
<td>-1.579E-9</td>
<td>0.0001</td>
<td>-1.62</td>
<td>-1.006</td>
</tr>
</tbody>
</table>

Table 6 reveals the relative contribution of the four independent variables to the dependent variable, expressed as beta weights, viz: Board member size (\( \beta = .888, p>.05 \)), Board independent size (\( \beta = -.054, p>.05 \)), Board composition (\( \beta = -.082, p>.05 \)), and Bank size (\( \beta = -.162, p>.05 \)) respectively. Hence, none of the independent variables could independently and significantly predicts financial performance of Deposit Money Banks in Nigeria in the study.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Result of correlation analysis when influence of Board member size was tested on financial performance of the deposit money banks shows that there is no significant relationship (\( r = -.013, n=30, p (.947)>.05 \)). Hence, board member size as a stand-alone factor did not influence the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore accepted.

Test of relationship or association between board independent size and financial performance of Deposit Money Banks in Nigeria was in negative (\( r = -.639, n=30, p(.000)<.05 \)). Hence, board independent size negatively enhanced the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore accepted.

Correlation analysis result shows that there is a negative significant relationship between board composition and financial performance of Deposit Money Banks in Nigeria (\( r = -.452, n=30, p(.012)<.05 \)). It then establish that board composition negatively enhanced the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore accepted.

Result of correlation analysis shows that there is no significant relationship between bank size and financial performance of Deposit Money Banks in Nigeria (\( r = -.031, n=30, p(.873)>.05 \)). Hence, bank size did not influence the financial performance of deposit money banks in Nigeria. The null hypothesis is therefore accepted.

None of the predictor variable in their individual capacity was able to affect significantly the Return on Assets of the Deposit Money Banks in Nigeria.

The Regression analysis paints a different picture when joint contribution of the independent variables was considered. With a result of a coefficient of multiple correlation of \( R = .735 \) and a multiple \( R^2 \) of .540, which
translate that 54.0% of the variance was accounted for by four predictor variables when taken together. The significance of the composite contribution was tested at α = 0.05. The table also shows that the analysis of variance for the regression yielded F-ratio of 7.337 (significant at 0.05 level).

Table 5 shows the joint contribution of Board member size, Board independent size, Board composition, and Bank size on financial performance of Deposit Money Banks in Nigeria on financial performance of deposit banks in Nigeria. The table also shows a coefficient of multiple correlation of R = .735 and a multiple R^2 of .540. This means that 54.0% of the variance was accounted for by four predictor variables when taken together. The analysis of variance for the regression yielded F-ratio of 7.337 (significant at 0.05 level) also implies that the joint contribution of the independent variables to the dependent variable was significant and that other variables not included in this model may have accounted for the remaining variance.

The beta weights, viz: Board member size (β = -.888, p>.05), Board independent size (β = -.054, p>.05), Board composition (β = -.082, p>.05), and Bank size (β = -.162, p>.05) respectively is interpreted to mean that none of the independent variables could independently and significantly predicts financial performance of Deposit Money Banks in Nigeria in the study.

5.2 Conclusion
The role corporate governance plays on the achievement of good performance is imperative and highly significant especially when the predictor variables are flex beyond those employed in this study. This may not be unconnected since the concept deals with the processes, policies, rules, regulations, laws and strategies for mitigating risk affecting the way in which a corporation is directed, controlled through the influence of the board of directors and top executive members of the enterprise.

Some of review of literature by scholars and recent intervention by the Central Bank of Nigeria the apex regulatory authority for banks in Nigeria on the concept of corporate governance and performance of Deposit Money Banks in Nigeria showed that many banks in Nigeria lack transparency on the part of the stewards (Board of Directors) especially and probably the fear of appointment of new Board members: First Bank PLC case is trending.

5.3 Recommendations for further Studies
Following the findings that the selected independent variable only explain the effect of corporate governance on performance of deposit money banks other researcher may introduce more predictor variable as proxy for corporate governance. Weakness of the internal control system and management overriding control often renders corporate governance ineffective.

Based on the above findings and Conclusion the following are recommended for action:

Given the implication of impaired practice of corporate governance on performance of the banks and the multiplier effect such will have on the economy, and given the importance of intermediation role these banks play in the economic development, the regulatory and supervisory authority for deposit banking activities in Nigeria should do the following:

1. Review of existing laws on corporate governance for continuous relevance and adequacy, updating the rules with loop holes now exploited to breach the law.
2. Increase rate and interval for conducting checks on the institutions.
3. Lay emphasis on stress test for bank to nip the misdemeanors of unethical conduct by officers of the banks in the bud. Special focus for scrutiny to be on the Board of director membership and members.
4. Deposit money banks should maintain relatively small board size dominated by outside directors within the provision of the code of corporate governance for banks. Also, the board should comprise of competent members, who are conversant with oversight function and with capacity to add significant value in decision making toward achieving greater performance.
REFERENCES


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