ISSN (Online) : 2455 - 3662
SJIF Impact Factor :4.924

EPRA International Journal of

Multidisciplinary Research

Monthly Peer Reviewed & Indexed International Online Journal

Volume: 4 Issue:9 September 2018

Published By :
EPRA Journals

Volume: 4 | Issue: 9 | September 2018 SJIF Impact Factor: 4.924 ISSN (Online): 2455-3662

EPRA International Journal of
Multidisciplinary Research (IJMR)

PRE AND POST FINANCIAL CRISIS ANALYSIS OF CORPORATE GOVERNANCE AND FIRM PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

Dr. Egbunike Patrick Amaechi[1]
[1]Associate Professor,
Department of Accountancy,
Nnamdi Azikiwe University, Awka,
Nigeria.

Ndubuisi Chinedu Jonathan[2]
[2]PhD Research Scholar,
Department of Accountancy,
Nnamdi Azikiwe University, Awka,
Nigeria

ABSTRACT

A sound financial performance is the target of every bank and corporate governance, a checkmate of banks' excess. This research therefore is set to analyse the relationship between corporate governance and firm performance of money deposit banks in Nigeria. Descriptive survey research was used and data were collected via the annual reports of banks. The population of the research were the sixteen licenced deposit money banks listed on the Nigerian Stock Exchange. Judgemental sampling was used to select a sample of nine banks which includes: Diamond Bank Nig. PLC, First Bank Nig. PLC, United Bank for Africa Nig. PLC, Fidelity Bank Nig. PLC, Wema Bank Nig. PLC, Zenith Bank Nig. PLC, First City Monument Bank Nig. PLC, Guarantee Trust Bank Nig. PLC and Access Bank Nig. PLC. Pearson Coefficient of Correlation was the statistical tool used to analyse the hypotheses and that was done with the aid of Statistical Package for Social Sciences (SPSS). It was discovered that there is no relationship between corporate governance and firm performance before and after financial crisis for Nigerian deposit money banks; hence the study recommended that other operational mechanisms should be considered in measuring the financial performance of firms.

KEYWORDS: *Corporate Governance, Firm Performance*

1.0 INTRODUCTION

There is no gainsaying that the present economy deserves a sound, stable and better banking performance following the causative factors such as unethical and unprofessional practices, poor management quality among others which contributed to low level of bank performance and sometimes lead to failure of banks (Akingunola, Adekunle & Adedipe, 2013).

The recent Nigerian banks distress has posed many challenges to corporate governance in the Nigerian banking system. This distress has been largely due, not merely to inadequate corporate governance or leadership, but to failure of professional ethics as manifested in numerous instances of creative accounting practices, professional insensitive, internal control and risk position being seriously compromised or even colluding with fraudsters ((Akingunola, Adekunle & Adedipe, 2013).

Banks like many other economic organizations are expected to generate profit through effective and efficient utilization of resources (inputs) to create sound asset portfolio (output) and ensure continuity. The position of bank therefore in the nation is seen as the oil of the engine of economic development through financial intermediation and advisory services. Bank makes profit from the spread between interest charged on deposit and loan interest rate. These differentials ought to compensate adequately for the investors' contribution and the service provider as well, if corporate governance has to be used as s yardstick in determining bank performance. In view of the later, performance could be seen in terms of the absolute profits, rate of return, earnings per share, the quality of asset portfolio, level of liquidity and net contribution to the economic development of the nation. Performance however is not determined by inputs alone but is also dependent on the environment within which the bank operates. However, the level of bank's performance is determined also on how the institution can positively influence these environmental factors and effectively survive in a driven competitive environment.

Universally, there is a grounds well of interest in corporate governance. Particularly, the need to implement good corporate governance in the banking sector becomes more apparent after the recent financial crisis. This has been largely event-driven in the sense that it is in response to scandals and unexpected crisis, which in some cases abruptly terminated the existence of large corporate entities. The failure of WorldCom and Enron Incorporation, Oceanic and Intercontinental Banks PLC in Nigeria are cases in point. The failure of these institutions has been traced to several lapses associated with poor corporate governance including conflicts of interest of corporate governors.

The recent financial crisis emphasised the importance of effective corporate governance procedures to the survival of the economies. The crisis showed that even strong economies lacking transparent control, responsible corporate boards and shareholders right can collapse quite quickly as investors' confidence collapse. However, the need for the practice of good corporate governance was brought to the fore with the recent collapse of major corporate institutions in the USA. For the financial institutions, the retention of public confidence through the enthronement of good corporate governance remains of utmost importance given the role of the industry in the mobilization of fund, the allocation of credit to the deficit sectors of the economy, the payment and settlement system and the implementation of monetary policy.

The turmoil in the Nigerian banking system has required the Government to set up some policies in form of corporate governance to stem the tide of bank failures and distress in Nigeria. Therefore the CBN in conjunction with other supervisory institutions has decided to place emphasis on the monitoring of credit risk and provide incentives on prudent management of banks to aid transparency in the banking system, so that the Nigerian economy can forge ahead.

However, several empirical studies have provided the link between corporate governance and firm performance. Peters & Bagshare (2014), postulates that there is no significant differences among firms with low corporate governance quotient and those with higher corporate governance in terms of financial performance. However, in the work of Fatimoh (2011), he observed that corporate governance positively affects performance of banks.

In Nigeria, there has not been any study that compared corporate governance and firm performance before and after financial crisis. About five years after the recent financial crisis, there is need to study corporate governance and firm performance to determine if firms are heading same route that led to the crash of multinationals. However, because of varied opinions of scholars on corporate governance and firm performance, it is necessary to undertake this study comparatively using the same proxies and parameters to study corporate governance and firm performance before and after the global financial crisis.

1.1 OBJECTIVE OF THE STUDY

In a generic sense, the objective of this research is to analyse the relationship between corporate governance and firm performance of money deposit banks in Nigeria. However, in specific manner, it shall address the following:

1. To establish whether there is a significant relationship between board size and firm performance before the financial crisis;
2. To establish whether there is a significant relationship between board size and firm performance after the financial crisis;
3. To establish whether there is a significant relationship between proportion of non-

executive directors and firm performance before the financial crisis;

4. To establish whether there is a significant relationship between proportion of non-executive directors and firm performance after the financial crisis;
5. To establish whether there is a significant relationship between number of board committees and firm performance before the financial crisis;
6. To establish whether there is a significant relationship between number of board committees and firm performance before the financial crisis.

1.2 STATEMENT OF RESEARCH HYPOTHESES

HYPOTHESIS ONE

HO: There is no significant relationship between size of the board and firm performance before the global financial crisis.

HYPOTHESIS TWO

HO: There is no significant relationship between size of the board and firm performance after the global financial crisis.

HYPOTHESIS THREE

HO: There is no significant relationship between proportion of non-executive directors on the board and firm performance before the global financial crisis.

HYPOTHESIS FOUR

HO: There is no significant relationship between proportion of non-executive directors on the board and firm performance after the global financial crisis.

HYPOTHESIS FIVE

H0: There is no significant relationship between number of board committees and firm performance before the global financial crisis

HYPOTHESIS SIX

H0: There is no significant relationship between number of board committees and firm performance after the global financial crisis

1.3 Scope of the Study

In order to make this study more purposefully and research oriented, the research was delimited to nine (9) commercial banks in Nigeria. The study shall make a five (5) years study of corporate governance and bank performance before the financial crisis, thus covering a period of 2003-2007, and another five (5) years after the financial crisis covering from year 2010-2014.

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Corporate Governance

Corporate governance has been looked at and defined variedly by different scholars. They however pointed to the same end, hence giving more of a consensus in the definition. Coleman & Nicholas-Biekpe (2006) define corporate governance as the relationship of the enterprise to shareholders or in the wider sense as the relationship of the enterprise to the society as a whole. La Porta, Lopez & Shleifer (2000) view corporate governance as a set of mechanism through which outside investors protect themselves against expropriation by insiders, (i.e the managers and controlling shareholders). Krafft & Ravix (2005) simply define corporate governance as the general system by which firms are owned and managed. In another development, Kajola (2012) define corporate governance as a concept that relates to the way and manner in which financial resources available to an organisation are judiciously used to achieve the overall corporate objective of the organisation, it keeps the organisation in business and creates a greater prospect for future opportunities.

From the definitions above, it can be seen that corporate governance is a concept that defines the way in which managers of organisations should manage the resources entrusted to them by shareholders, creditors, depositors and other investors. Thus, the relationships of the board and management, according to Al-faki (2006), should be characterised by transparency to shareholders, and fairness to other stakeholders.

Corporate governance, as a concept, has been viewed from at least two perspectives. The narrow view which is concerned with the structures within a corporate entity or enterprise receives its basic orientation and direction. The broad perspective is regarded as being the heart of both a market economy and a democratic society (Oyejide & Soyibo, 2001). The narrow view perceives corporate governance in terms of issues relating to shareholder protection, management control and the popular principal-agency problems of economic theory. In contrast, Sullivan (2000), a proponent of the broader perspectives, uses the examples of the resultant problems of the privatization crusade to prove that issues of institutional, legal and capacity building as well as the rule of law are at the very heart of corporate governance. Arun & Turner (2002), contend that the narrow approach to corporate governance views the subject as the mechanism through which shareholders are assured that the managers will act in their interest. However, Macey & O'Hara (2001) believe that the broader view of corporate governance should be adopted in the case of banking institutions because of the peculiar contractual form of banking which demands that corporate governance mechanism for should encapsulate depositors as well as shareholders.

Akingunola, Adekunle & Adedipe (2013), identify pillars of corporate governance to encompass; effective body responsible for governance, separate and independent of management, An approach to governance that recognized and protects the rights of members and all stakeholders Institutions to be governed and managed in accordance with its mandate; and An enabling environment within which the institutions' human resources could contribute and bring to bear their full creative powers.

2.1.2 Firm Performance

Olusanmi, Uwuigbe & Uwuigbe (2015) define firm performance as increasing of shareholders' return. To Ogbechie & Koufopoulos (2010), firm performance is tied to the effectiveness of the board. Akingunola, Adekunle & Adedipe (2013), assert that firm performance could be seen in term of how the management operates or the result of their actions. They went further to say that performance could be seen in terms of absolute profits, rate of return, earnings per share, the quality of asset portfolio, level of liquidity and the net contribution to the economic development of the nation.

Performance however is not determined by inputs alone but also dependent on the environment within which the firm operates. This environment is referred to as "PESTLM" comprising Political, Economic, Social cultural, Technological, Legal and Marketing. The level of firm performance is determined also on how the institution can positively influence these environmental factors and effectively survive in a competitive driven environment (Akingunola, Adekunle & Adedipe, 2013).

In another development, Peters & Bagshaw (2014) opined that firm financial performance relates to the various subjective measures of how well a firm can use its given assets from primary mode of operation to generate profit. Kothari (2001) defines the value of a firm as the present value of the expected future cash flows after adjusting for risk at an appropriate rate of return. To Eyenubo (2013), it is the success in meeting pre-defined objectives, targets and goal within a specified time target. Qureshi, (2007), put forward four different approaches in which the value of a firm has been identified in corporate finance literature. These are: the financial management approach which focus on the evaluation of cash flows and investment levels before identifying and assessing the impact of financing sources on firm value; the capital structure approach which studies the impact of capital structure changes on the value of firm and how different factors impact directly or inversely the debt and equity component of the firm capital structure; the resource based approach which explains the value of firm as an outcome of firm's resources; and finally, the sustainable growth approach which is a summary of the above three approaches to firm value, taking into account the firm's operating performance, its investment and financing needs, the financing sources, and its financing and dividend policies for sustainable development of firm's resources and maximization of firm value.

2.1.3 Financial Crisis

There is yet to be a universally accepted definition of financial crises. While financial crises have common elements, they do come in many forms. Claessens & Kose (2013) identify the various phenomena associated with financial crises as: substantial changes in credit volume and asset prices; severe disruptions in financial intermediation and the supply of external financing to various actors in the economy; large scale balance sheet problems (of firms, households, financial intermediaries and sovereigns); and large scale government support (in the form of liquidity support and recapitalization). As such, financial crises are typically multidimensional events and can be hard to characterize using a single indicator.

While financial crises can take various shapes and forms, in terms of classification, broadly two types can be distinguished. Reinhart & Rogoff (2009) distinguish two types of crises: those classified using strictly quantitative definitions; and those dependent largely on qualitative and judgmental analysis. The first group mainly includes "currency" and "sudden stop" crises and the second group contains "debt" and "banking crises". A currency crisis involves a speculative attack on the currency resulting in a devaluation (or sharp depreciation), or forcing the authorities to defend the currency by expending large amount of international reserves, or sharply raising interest rates, or imposing capital controls. A sudden stop (or a capital account or balance of payments crisis) can be defined as a large (and often unexpected) fall in international capital inflows or a sharp reversal in aggregate capital flows to a country, likely taking place in conjunction with a sharp rise in its credit spreads. Since these are measurable variables, they lend themselves to the use of quantitative methodologies.

2.2 Theoretical Framework

This research reviewed the theories of Agency and Stakeholder.

Agency Theory: The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick, independently and roughly concurrently. Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency, though the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions. Ross lays out the problem with great clarity as well as brevity in a paper he delivered at the December 1972 economics meeting and which was published in the AER Proceedings issue in May 1973. He clearly identifies the agency problem as generic in society, not merely as a problem in the theory of the firm. In relation to the practice of corporate governance, it clearly shows that huge responsibility is placed on the neck of the agent by the principals. To fulfil the ultimate goal of the agency theory by the agents, the need to apply it in corporate governance is such that it is inevitable to the whole process and operation of the corporate organisation. Oso & Semiu (2012), noted that the recent Nigerian experience of failed banks is a reflection of poor understanding and application of agency theory which led to bad practice of corporate governance.

Stakeholders' Theory: The shareholder theory was propounded by Milton Friedman in 1983. It is based on the premise that management are hired as the agent of the shareholders to run the company for their benefit, and therefore they are legally and morally obligated to serve their interests. The stakeholders' theory came in to fill the gap created by the omission found in the agency theory which identifies shareholders as the only interest group a corporate entity has, thus was widened to include multiple principals. The stakeholders' theory suggests that companies have a social responsibility that requires them to consider the interest of all parties affected by their action. Freeman, Wicks and Parmar (2004), suggested that if organisations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organisations' purpose.

2.3 Emperical Review

Yusoff, Mohammed & Lame (2015), investigated the relationship between corporate governance and firm performance before and after the financial crisis for year 2006-2013 of the financial sector in Malaysia. Independent directors, board size and CEO duality were used as the independent variables while Earnings Per Share and Return on Asset were used as the dependent variables. Data for the study were collected from company's annual reports for the year 2006 and the year 2013. Sixty (60) companies in the finance sector were used and spearman's correlation was used as the statistical tool. The study revealed that the independent directors and CEO duality have not influenced firm performance before and after financial crisis. The board size was however found to have negative relationship with financial performance for both years. The study concluded that there is no relationship between corporate governance before and after financial crisis.

Ajala, Amuda & Arulogun (2012), examined the effect of corporate governance on the performance of Nigeria banking sector. Secondary sources of data were used from annual reports of banks and fifteen (15) banks listed in the Nigerian Stock Exchange were studied for the period of 2006 to 2010. Pearson correlation and the regression analysis were used as the statistical tool. The study revealed that a negative but significant relationship exist between board size and the financial performances of these banks while a positive and significant relationship was observed between directors equity interest, level of corporate governance disclosure index and performance of sampled banks.

Oki & Maimaka (2015), investigated the impact of corporate governance disclosure practices on bank performance in Nigeria. The study used secondary data from the annual reports of banks listed on the Nigerian stock exchange. Ten (10) commercial banks in Nigeria were studied for a period of 2000 to 2009 using panel regression technique to determine the influence of corporate governance disclosure practices on the performance of banks in Nigeria. The regression result indicates that the extent of disclosure is positively related with performance that is banks that had higher degree of disclosure also posted better performance.

Fatimoh (2012), studied the impact of corporate governance on the performance of banks in Nigeria. This study made use of secondary data obtained from the financial reports of nine (9) banks for a period of ten (10) years (2001- 2010). Data were analysed using multiple regression analysis. The study supported the hypothesis that corporate governance positively affects performance of banks. The study also showed that poor asset quality (defined as the ratio of non-performing loan to credit) and loan deposit ratios negatively affect financial performance and vice visa.

Jegede, Akinlabi & Soyebo (2013), examined the corporate governance implication for banks performance in Nigeria. Secondary source was used in gathering the data required for the research work. A regression analysis of the latent variables was adopted to examine the impact of corporate governance on bank performance for eight (8) selected banks in Nigeria for a period of 1999 to 2009. The results of the study showed that board size is statistically significant to bank performance while bank age and board committee have negative effect on bank performance.

Nworji, Adebayo & David (2011), investigated issues, challenges and opportunities associated with corporate governance and Bank failure in Nigeria and to see if a significant relationship exists between corporate governance and Banks failure. A structured questionnaire was used to collect relevant data from the staff of eleven randomly selected commercial banks based in Lagos. The statistical technique for data analysis and test of hypothetical proposition was the Pearson product coefficient of correlation(r.) The result of the findings revealed that the new code of corporate governance for Banks is adequate to curtail Bank distress and that improper risk management, corruption of Bank officials and over expansion of Banks are the key issues why Banks fail. The study concluded that Corporate Governance is necessary for the proper functioning of banks and that Corporate Governance can only prevent bank distress only if it is well implemented.

Azeem, Hassan & Kouser (2013), examined the impact of quality corporate governance on firm performance. Corporate governance scores were calculated by adopting an index from earlier studies. This index consists of two sections: structure (ownership concentration and managerial ownership) and independence (board independence and audit committee independence). High scores for the index denote quality corporate governance and vice versa.

By using the fixed effects estimation method of panel data of 50 largest (by market capitalization) companies (listed at Karachi Stock Exchange), the study found that quality corporate governance significantly determining firm performance. Leverage (measured by debt ratio) moderates the relationship between quality corporate governance and firm performance by implying stronger relation for high levered firms and negative relationship of governance scores with performance for the case of low levered firms, firm size (measures by log natural of total assets) also changes the intensity of relation for variables of study (stronger relation for larger firms but no relation for small size firms). However, adoption of accounting standards was found to have no any significant for the association between the governance scores and firm performance.

Onakoya, Ofoegbu & Fasanya (2011) examined the impact of corporate governance on bank performance in Nigeria during the period 2005 to 2009 based on a sample of six selected banks listed on Nigerian Stock Exchange market making use of pooled time series data. The study found that corporate governance has been on the low side and have impacted negatively on bank performance.

Joshua, Joshua & Tauhid (2013), assessed the impact of Corporate Governance application on the financial performance of some Deposit Money Banks in Nigeria. The study used both descriptive and historical research methods. Method used in data collection was secondary source. The t-test analysis technique was adopted to estimate the relationship between the application of Corporate Governance principles and financial performance for three (3) banks for the period of 2002-2008. The study found that there is no significant relationship between board structure and banks' financial performance.

Adewale (2014), examined the extent to which corporate governance contributed to financial crisis in the Nigerian banking industry between the periods 2000 and 2010. Panel data on post consolidated banks in Nigeria for the pre and post 2004 consolidation reforms were used. Two measures of bank performance (return on equity and net interest income) were used as dependant variable on a model that included both number of board members and related insider loans as measures of corporate governance. It was found that while size of board was significantly positive insider loan was negatively related to bank performance.

Kyereboad-Coleman (2007) examined the effort of corporate governance on the performance of firms in Africa by using both market and accounting based performance measure. The study used unique data from 103 listed firms drawn from Ghana, South Africa, Nigeria and Kenya covering the five year period 1997-2001. The analysis was carried out within the dynamic panel data framework. Their results indicate that the direction and the extent of impact of governance are dependent on the performance measure being examined. Specifically, the findings show 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 study also finds that CEO's tenure in office enhances a firm's profitability whiles board activity intensity affects profitability negatively. The size of audit committees and the frequency of their meetings have positive influence on market based performance measures and that institutional shareholding enhances market valuation of firms. Finally, the results pointed out that sector characteristics influence the impact of governance on corporate performance.

Based on the empirical review above, it was discovered that most research works on corporate governance and firm performance while either on pre or post financial crisis analysis. The first attempt to study corporate governance and firm performance before and after financial crisis were Yussof, Mohammed and Lame, (2015). Their study however was limited in scope because a single year was used for their analysis both before and after financial crisis. Their study however was based in Malaysia, an Asian continent. This study therefore will expand the scope of coverage by using five years before and after financial crisis for analysis of firms in Nigeria, an African continent.

2.4 Gap in Literature

The empirical literatures reviewed above revealed that several researchers have attempted to establish the link between corporate governance and firm performance. Notably among these studies in Nigeria are: Ajala, Amuda & Arulogun (2012) examined the effect of corporate governance on the performance of Nigeria banking sector; Oki & Maimaka (2015) investigated the impact of corporate governance disclosure practices on bank performance in Nigeria; Fatimoh (2012) studied the impact of corporate governance on the performance of banks in Nigeria, he covered a period of 2001-2010 in his research; Jegede, Akinlabi, & Soyebe (2013) examined the corporate governance implication for banks performance in Nigeria; Nworji, Adebayo & David (2011) investigated issues, challenges and opportunities associated with corporate governance and bank failures in Nigeria, the study identified poor corporate governance as key to bank failures. All of these researches examined the effect, impact, disclosure, practices, implication, issues, challenges and opportunities associated with corporate governance and firm performance.

However, Yussoff, Mohammed & Lame (2015) studied the corporate governance and firm performance before and after financial crisis in Malaysia, analysing the Malaysian financial sector. They used 2006 as the year of study before financial crisis and 2013 as the year of study after financial crisis. This research however will fill a gap in literature by studying the work of Yussoff, Mohammed & Lame in Nigeria (corporate governance and firm performance before and after financial crisis in Nigeria). The research also expanded the year of study to five (5) years (2003-2007) before financial crisis and five (5) years (2010-2014) after financial crisis. The comparison was done using the same proxies. The study was narrowed down specifically to Money Deposit Banks in Nigeria.

3.0 METHODOLOY

This study was a descriptive and quantitative type of survey in nature. This is because it provides an accurate description or picture of a particular situation or phenomenon at one or more points in time. This approach aimed at collecting data on, and describing in a systematic manner, the characteristics, features or facts about a given population. It is aimed at describing certain variables in relation to the population.

In determining the relationship between corporate governance and bank performance among the listed banks in Nigeria, the study made use of descriptive content analysis technique as a means of eliciting data from the audited annual reports of the listed firms. Over the past decades, the use of content analysis has become common among researchers especially as it relates to corporate governance performance and financial reporting (Beattie & Thomson 2007). Researchers have used content analysis of annual reports and corporate documents to derive indicators of commitment to social expectations (Cook & Deakin 1999); it involves the “codification” of qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information (Bhasin 2011).

The population of this study is made up of the sixteen (16) commercial banks currently listed on the Nigeria Stock Exchange. Specifically, the study adopted judgmental sampling technique in order to achieve the objective of the study based on the researcher's knowledge of the population. Elements of the population were selected based on the satisfaction of some predetermined criteria. The selection was based only on those firms with web presence and whose annual reports for the period (2003-2007 and 2010-2014) under review are in the domain of the Nigeria Stock Exchange.

Nine (9) banks were selected from the population to include; Asses Bank Nigeria PLC, Diamond Bank Nigeria PLC, Fidelity Bank Nigeria PLC, First Bank Nigeria PLC, First City Monument Bank Nigeria PLC, Guaranty Trust Bank Nigeria PLC, United Bank for Africa PLC, Wema Bank PLC and Zenith Bank PLC. These banks were conveniently chosen primarily based on availability of published information for the period of the study. The banks also maintained their identity even after the 2010 bank distress in Nigeria. However, some banks included in the sample size acquired another distressed bank, such as; Assess Bank acquired Intercontinental Bank, and First City Monument Bank acquired FinBank.

The proxies that were used for corporate governance are: Board Size, Proportion of non-executive directors, and number of board committees. Proxies for the financial performance of the banks also include the accounting measure of performance; Return on Equity (ROE), Return on Assets (ROA) and Earnings Per Share (EPS).

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Presentation of Data

Figure 4.1: Return on equity before financial crisis

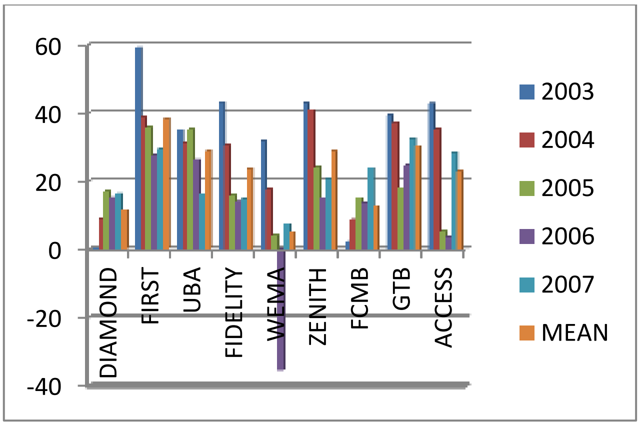


Figure 4.2: Return on equity after financial crisis

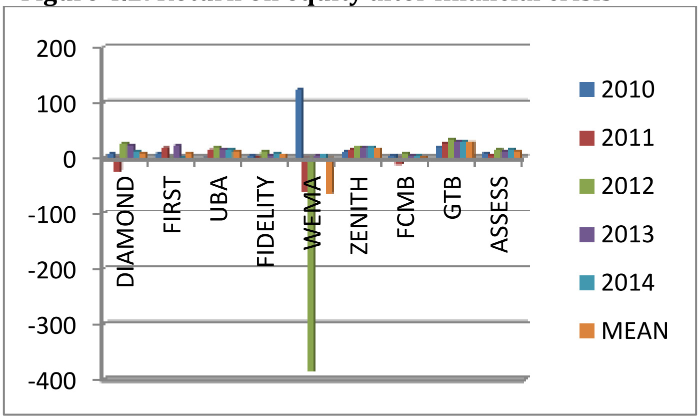


Figure 4.3: Return on asset before financial crisis

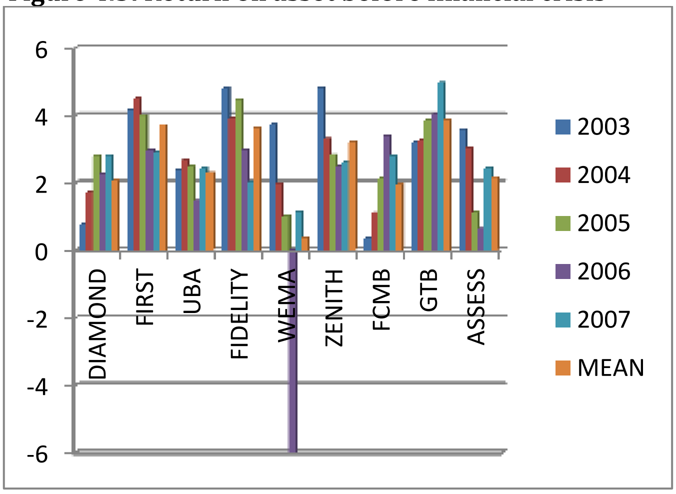


Figure 4.4: Return on asset after financial crisis

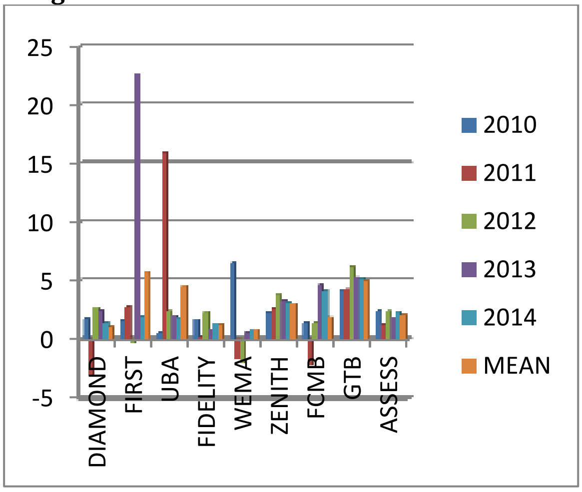


Figure 4.5: Earnings per share before financial crisis

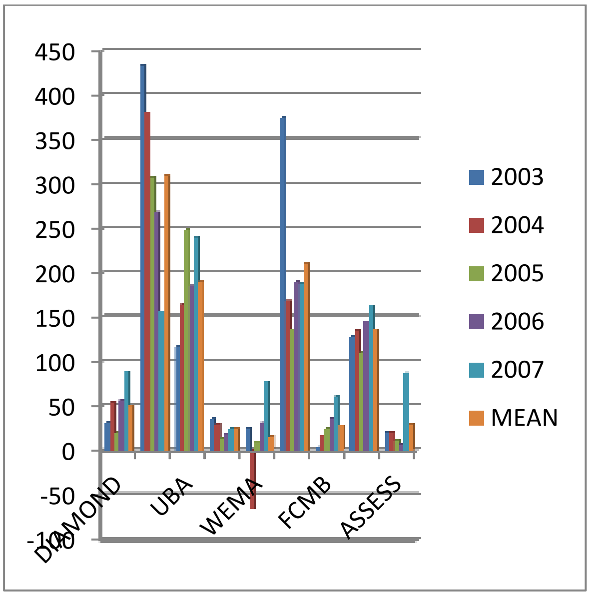


Figure 4.6: Earnings per share after financial crisis

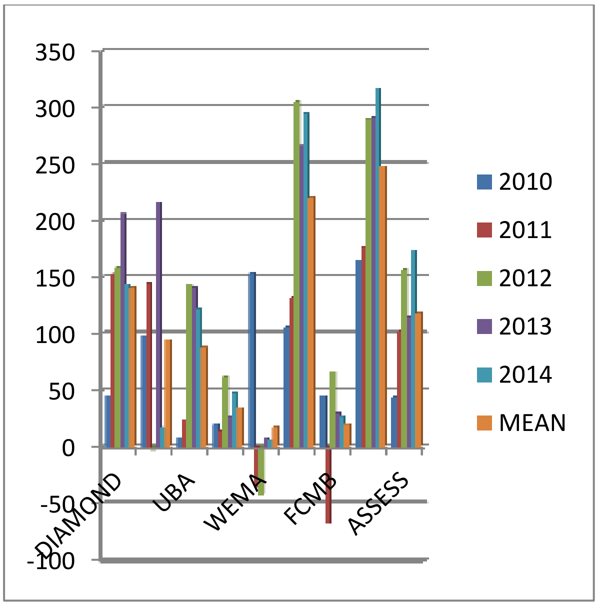


Figure 4.7: Board size before and after financial crisis

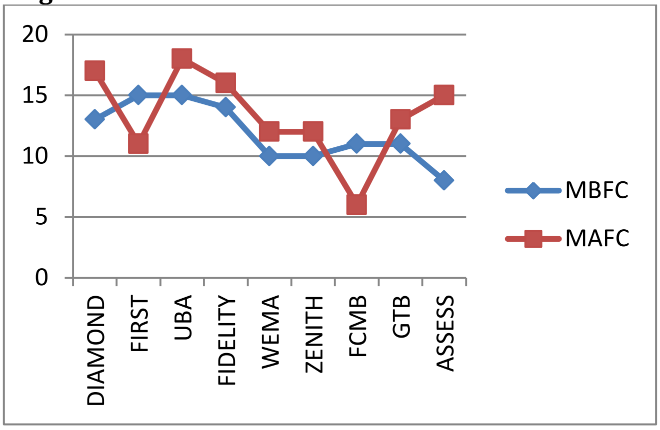


Figure 4.8: Proportion of non-executive directors before and after financial crisis

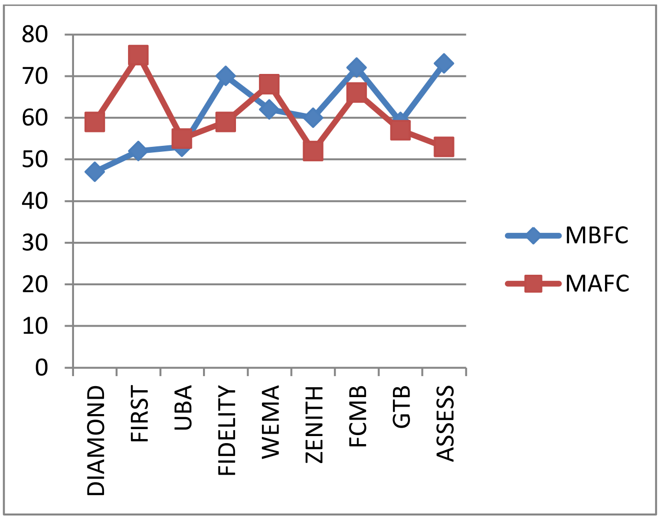
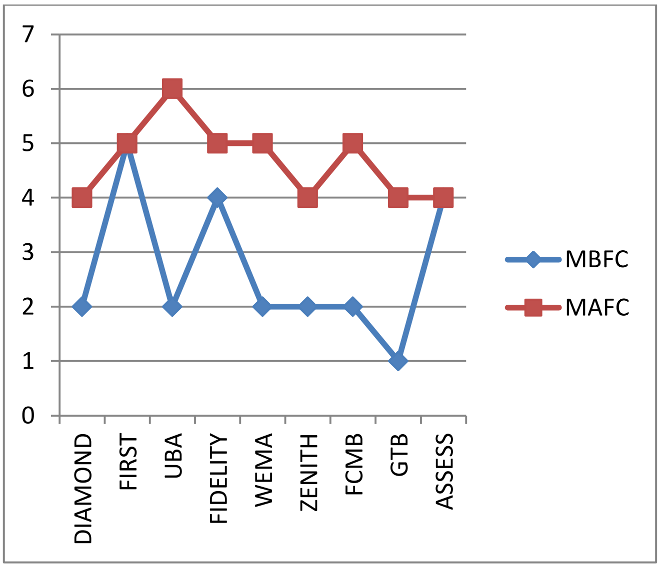


Figure 4.9: Number of board committees before and after financial crisis



4.2 TEST OF HYPOTHESES

HYPOTHESIS ONE

HO: There is no significant relationship between size of the board and firm performance before the global financial crisis.

Figure 4.10: Correlations for Hypothesis One

		Board Size	Return on Equity	Return on Asset	Earnings Per Share
BOARD SIZE	Pearson Correlation	1	.377	.372	.463
	Sig. (2-tailed)		.318	.324	.209
	N	9	9	9	9
RETURN ON EQUITY	Pearson Correlation	.377	1	.842**	.821**
	Sig. (2-tailed)	.318		.004	.007
	N	9	9	9	9
RETURN ON ASSET	Pearson Correlation	.372	.842**	1	.554
	Sig. (2-tailed)	.324	.004		.122
	N	9	9	9	9
EARNINGS PER SHARE	Pearson Correlation	.463	.821**	.554	1
	Sig. (2-tailed)	.209	.007	.122	
	N	9	9	9	9

**. Correlation is significant at the 0.01 level (2-tailed).

From the correlation result, size of the board has a weak positive correlation of .377, .372, .463 with return on equity, return on asset and earnings per share respectively before financial crisis. This implies that how large the size of a board is only has a weak positive relationship on financial performance of commercial banks in Nigeria. This also implies that an increase in board size will lead to only a less than proportionate increase in performance.

DECISION: Since the computed correlation coefficient r .377, .372, .463 is less than the critical r value .666 for two-tailed test at 0.05 level of significance, we therefore accept the null hypothesis and reject the alternate hypothesis, meaning that, there is no significant relationship between size of the board and firm performance before the global financial crisis.

HYPOTHESIS TWO

HO: There is no significant relationship between size of the board and firm performance after the global financial crisis.

Hi: There is a significant relationship between size of the board and firm performance after the global financial crisis.

Figure 4.11: Correlations for Hypothesis Two

		Board Size	Return on Equity	Return on Asset	Earnings Per Share
BOARD SIZE	Pearson Correlation	1	.182	-.039	.182
	Sig. (2-tailed)		.639	.920	.639
	N	9	9	9	9
RETURN ON EQUITY	Pearson Correlation	.182	1	.527	.630
	Sig. (2-tailed)	.639		.145	.069
	N	9	9	9	9
RETURN ON ASSET	Pearson Correlation	-.039	.527	1	.462
	Sig. (2-tailed)	.920	.145		.210
	N	9	9	9	9
EARNINGS PER SHARE	Pearson Correlation	.182	.630	.462	1
	Sig. (2-tailed)	.639	.069	.210	
	N	9	9	9	9

**. Correlation is significant at the 0.01 level (2-tailed).

From the correlation result, size of the board has a weak positive correlation of .182 and .182 with return on equity and earnings per share respectively and a negative correlation of -.039 with return on asset after the financial crisis. This implies that how large the size of a board is only has a weak positive relationship on financial performance of commercial banks in Nigeria. This also implies that an increase in board size will lead to only a less than proportionate increase in performance

DECISION: Since the computed correlation coefficient r .182, -.039, .182 are less than the critical r value .666 for two-tailed test at 0.05 level of significance, we therefore accept the null hypothesis and reject the alternate hypothesis, meaning that, there is no significant relationship between size of the board and firm performance after the global financial crisis.

HYPOTHESIS THREE

HO: There is no significant relationship between proportion of non-executive directors on the board and firm performance before the global financial crisis.

4.12 Correlations for Hypothesis Three

		Proportion of Non-Executive Directors	Return on Equity	Return on Asset	Earnings Per Share
Proportion of Non Executive Directors	Pearson Correlation	1	-.211	-.100	-.565
	Sig. (2-tailed)		.586	.798	.113
	N	9	9	9	9
Return on Equity	Pearson Correlation	-.211	1	.842**	.821**
	Sig. (2-tailed)	.586		.004	.007
	N	9	9	9	9
Return on Asset	Pearson Correlation	-.100	.842**	1	.554
	Sig. (2-tailed)	.798	.004		.122
	N	9	9	9	9
Earnings Per Share	Pearson Correlation	-.565	.821**	.554	1
	Sig. (2-tailed)	.113	.007	.122	
	N	9	9	9	9

**. Correlation is significant at the 0.01 level (2-tailed).

From the correlation result, the proportion of non-executive directors on the board has a very weak negative correlation of -.211, -.100, -.565 with return on equity, return on asset, earnings per share before the financial crisis. This implies that how large the proportion of non-executive directors on the board is only has a very weak negative relationship on financial performance of commercial banks in Nigeria. This also implies that an increase in the proportion of non-executive directors on the board will lead to only a less than proportionate decrease on performance

DECISION: Since the computed correlation coefficient r -.211, -.100, -.565 is less than the critical r value .666 for two-tailed test at 0.05 level of significance, we therefore accept the null hypothesis and reject the alternate hypothesis, meaning that, there is no significant relationship between proportion of non-executive directors on the board and firm performance before the global financial crisis.

HYPOTHESIS FOUR

HO: There is no significant relationship between proportion of non-executive directors on the board and firm performance after the global financial crisis.

Figure 4.13 Correlations for Hypothesis Four

		Proportion of Non-Executive Directors	Return on Equity	Return on Asset	Earnings Per Share
PROPORTION OF NON-EXECUTIVE DIRECTORS	Pearson Correlation	1	-.464	.123	-.528
	Sig. (2-tailed)		.208	.753	.144
	N	9	9	9	9
RETURN ON EQUITY	Pearson Correlation	-.464	1	.527	.630
	Sig. (2-tailed)	.208		.145	.069
	N	9	9	9	9
RETURN ON ASSET	Pearson Correlation	.123	.527	1	.462
	Sig. (2-tailed)	.753	.145		.210
	N	9	9	9	9
EARNINGS PER SHARE	Pearson Correlation	-.528	.630	.462	1
	Sig. (2-tailed)	.144	.069	.210	
	N	9	9	9	9

**. Correlation is significant at the 0.01 level (2-tailed).

From the correlation result, the proportion of non-executive directors on the board has a negative correlation of -.464, and -.528 with return on equity and earnings per share respectively and a weak positive correlation of .123 with return on asset after the financial crisis. This implies that how large the proportion of non-executive directors on the board is only has either a negative or weak positive relationship on financial performance of commercial banks in Nigeria. This also implies that an increase in the proportion of non-executive directors on the board will either lead to a decrease or less than proportionate increase on performance.

DECISION: Since the computed correlation coefficient r -.464, .123, -.528 is less than the critical r value .666 for two-tailed test at 0.05 level of significance, we therefore accept the null hypothesis and reject the alternate hypothesis, meaning that, there is no significant relationship between proportion of non-executive directors on the board and firm performance after the global financial crisis.

HYPOTHESIS FIVE

HO: There is no significant relationship between number of board committees and firm performance before the global financial crisis

Figure 4.14 Correlations for Hypothesis Five

		No of Board Committees	Return on Equity	Return on Asset	Earnings Per Share
Board Committees	Pearson Correlation	1	.382	.281	.212
	Sig. (2-tailed)		.311	.465	.584
	N	9	9	9	9
Return on Equity	Pearson Correlation	.382	1	.842**	.821**
	Sig. (2-tailed)	.311		.004	.007
	N	9	9	9	9
Return on Asset	Pearson Correlation	.281	.842**	1	.554
	Sig. (2-tailed)	.465	.004		.122
	N	9	9	9	9
Earnings Per Share	Pearson Correlation	.212	.821**	.554	1
	Sig. (2-tailed)	.584	.007	.122	
	N	9	9	9	9

**. Correlation is significant at the 0.01 level (2-tailed).

From the correlation result, the number of board committees has a very weak positive correlation of .382, .281 and .212 with return on equity, return on asset and earnings per share before the financial crisis. This implies that how numerous the numbers of board committees is only has a very weak positive relationship on financial performance of commercial banks in Nigeria. This also implies that an increase in the number of board committees will lead to only an insignificant increase on performance

DECISION: Since the computed correlation coefficient r .382, .281, and .212 are less than the critical r value .666 for two-tailed test at 0.05 level of significance, we therefore accept the null hypothesis and reject the alternate hypothesis, meaning that, there is no significant relationship between number of board committees and firm performance before the global financial crisis.

HYPOTHESIS SIX

H0: There is no significant relationship between number of board committees and firm performance after the global financial crisis

Figure 4.15 Correlations for Hypothesis Six

		Board Committees	Return on Equity	Return on Asset	Earnings Per Share
Board Committees	Pearson Correlation	1	-.291	.179	-.663
	Sig. (2-tailed)		.448	.644	.051
	N	9	9	9	9
Return On Equity	Pearson Correlation	-.291	1	.527	.630
	Sig. (2-tailed)	.448		.145	.069
	N	9	9	9	9
Return On Asset	Pearson Correlation	.179	.527	1	.462
	Sig. (2-tailed)	.644	.145		.210
	N	9	9	9	9
Earnings Per Share	Pearson Correlation	-.663	.630	.462	1
	Sig. (2-tailed)	.051	.069	.210	
	N	9	9	9	9

**. Correlation is significant at the 0.01 level (2-tailed).

From the correlation result, the number of board committees has a negative correlation of -.291 and -.663 with return on equity and earnings per share respectively and a weak positive correlation of .179 after the financial crisis. This implies that how numerous the numbers of board committees is does have a negative and very weak positive correlation on financial performance of commercial banks in Nigeria.

DECISION: Since the computed correlation coefficient r -.291, .179 and -.663 is less than the critical r value .666 for two-tailed test at 0.05 level of significance, we therefore accept the null hypothesis and reject the alternate hypothesis, meaning that, there is no significant relationship between number of board committees and firm performance after the global financial crisis.

5.1 SUMMARY OF FINDINGS

From the results of the correlation coefficient of the different hypotheses, the study found the following:

i. There is no significant relationship between size of the board and firm performance before the global financial crisis.
ii. There is no significant relationship between size of the board and firm performance after the global financial crisis.
iii. Proportion of non-executive directors on the board has no significant relationship with

firm performance before the global financial crisis.

iv. Proportion of non-executive directors on the board has no significant relationship with firm performance after the global financial crisis.

v. Significant relationship does not exist between number of board committees and firm performance before the global financial crisis.

vi. Significant relationship does not exist between number of board committees and firm performance after the global financial crisis.

5.2 Conclusion

Corporate governance is considered to involve a set of complex indicators, which face substantial measurement error due to complex nature of the interaction between governance variables (board size, board composition, etc) and firm performance indicators (Jegede, Akinlabi and Soyebo, 2013). Nevertheless, previous empirical studies have provided the nexus between corporate governance and firm performance. However, despite the volume of the empirical work, there is no consensus on the impact of corporate governance on bank performance. Consequently, this lack of consensus has produced a variety of ideas on how corporate governance influence bank performance.

The study showed that corporate governance variables such as board size, board committees and proportion of non-executive directors on the board has no significant relationship with bank performance before and after the financial crisis. The study established a weak positive relationship between board size and return on equity both before and after the financial crisis. This can be concluded to mean that irrespective of the size of the board, its relationship with performance is insignificant. The study also discovered a very weak negative relationship between proportion of non-executive directors on the board and return on asset before the financial crisis. However, this was positive after the financial crisis, though not significant. Finally, the study found a very weak positive relationship between number of board committees and earnings per share before the financial crisis and a negative relationship after the financial crisis, though not significant.

From the foregoing, the researcher comfortably concluded that there is no significant relationship between corporate governance before and after the financial crisis

5.3 Recommendations

Based on the findings of the study, the following recommendations were made:

- ✓ Team spirit should be the guiding principle of every board for better performance irrespective of the size of the board.
- ✓ Qualified professionals who are conversant with oversight functions should constitute the board
- ✓ Banks should devise its own programs to expose board and top management to requisite skills and technical know-how with the dynamics of financial markets.
- ✓ There should be a combination of self-government regulations so as to detect rule violations and also monitor systemic problems for early solutions.
- ✓ Banks should take issues of transparency, accountability and disclosure very seriously, cutting it across governance, management and operational levels.
- ✓ Other corporate governance mechanisms should be considered in measuring the financial performance of firms for better testing of the other variables.

REFERENCES

1. *Adewale, A.O. (2014). Corporate governance and bank performance in Nigeria: further Evidence from Nigeria. International Journal of Business and Management, 9(8).*
2. *Ajala, O.A., Amuda, T. & Arulogun L. (2012). Evaluating the effect of corporate Governance on the performance of Nigerian banking sector. Review of Contemporary Business Research, 1(1), 32-42.*
3. *Akingunola, R.O., Adekunle, O.A & Adedipe, O.A. (2013). Corporate governance and Bank's performance in Nigeria (post – bank's consolidation). European Journal of Business and Social Sciences, 2(8), 89-111.*
4. *Al- Faki, M. (2006). Transparency and corporate governance for capital market development in Africa: The Nigerian case study. Securities Market Journal, 3, 9-28.*
5. *Arun, T.G & Turner, J.D (2002). Corporate Governance of Banks in Developing Economies: Advising Group on Corporate Governance (AGCG) Report on Corporate Governance and International Standards, Reserve Bank of India.*
6. *Azeem, M., Hassan, M., & Kouser, R. (2013). Impact of quality corporate governance on Firm performance: A ten year perspective. Pakistan Journal of Commerce and Social Sciences, 7(3), 656-670.*
7. *Bhasin M. L., (2011). Intellectual capital disclosures in the annual reports: A comparative Study of the Indian and Australian IT companies, International Journal of Management and financial Accounting, 3 (4), 379-402.*
8. *Claessens S. & Kose A. (2013). Financial crisis: explanations, types and implications. IMF working paper.*
9. *Coleman, A & Nicholas- Biekpe, N. (2006). Does Board and CEO Matter for Bank Performance? A Comparative Analysis of Banks in Ghana, Journal of Business Management, University of Stellenbosch Business School (USBS), Cape Town, South Africa vol. 13, 46- 59.*

10. *Cook J. & Deakin S. (1999). Stakeholding and corporate governance: Theory and evidenceOn economic performance, ESRC Centre for Business Research, University of Cambridge.*
11. *Eyenubo A. S. (2013). The impact of bigger board size on financial performance for firms: The Nigerian experience, Journal of Research in International Business and Management, 3 (3), 85-90.*
12. *Fatimoh, M. (2011). Impact of corporate governance on banking sector performance in Nigeria. International Journal of Economic Development Research and Investment, 2(2).*
13. *Freeman, R. E, Wicks, A.C., & Parmar, B. (2004). Stakeholder theory and corporate Objective revisited, Organization Science, 15 (3), 364-369.*
14. *Jegede, C.A., Akinlabi, B.H., & Soyebe Y.A. (2013). Corporate governance efficiency and Bank performance in Nigeria. World Journal of Social Sciences, 3(1), 178-192.*
15. *Joshua, O., Joshua, S.G., & Tauhid, S. (2013). Corporate governance principles application and the financial performance of deposit money banks in Nigeria: An impact Assessment. Research Journal of Finance and Accounting, 4(2)*
16. *Kajola, S.O., (2012). Corporate Governance and Firms' Performance: The Case of Nigerian Listed Firms. European Journal of Economic and Administrative Sciences, issue 14.*
17. *Kothari, S. P (2001). Capital market research in accounting, paper presented to JAR Rochester Conference April 2000.*
18. *Krafft, J & Ravix, J (2005). The governance of innovative firms: An evolutionary Perspective'. Economics of Innovation & New Technology, 14(3), 125-147.*
19. *Kyereboah-Coleman, A. (2007). Relationship between corporate governance and firm Performance: an African perspective.*
20. *La Porta, R., Lopez- De-Silaness, F. & Shlefeifer, A. (2000). Investor Protection & Corporate Governance, Journal of Financial Economics, 58(1-2), 3-27.*
21. *Macey J.R. & O'Hara M. (2001). The Corporate Governance of Banks Economic Policy Review 16(2), 89-102.*
22. *Nworji, I.D., Adebayo, O. & David, A.O (2011). Corporate governance and bank failure in Nigeria: issues, challenges and opportunity. Research Journal of Finance and Accounting, 2(2)*
23. *Ogbechie, C. & Koufopoulos, D.N. (2007). Corporate governance practices in publicly Quoted companies in Nigeria. International Journal of Business Governance and Ethics, 3(4), 350-381*
24. *Oki, E.U., & Maimako S.S. (2015). Corporate governance disclosure practices and bank Performance in Nigeria: An empirical investigation. International Journal of Managerial Studies and Research, 3(1), 49-56.*
25. *Olusanmi O., Uwuigbe U., & Uwuigbe O.R. (2015). The effect of risk management on Bank's financial performance in Nigeria. Journal of Accounting and Auditing: Research and Practice 2015(7). Doi: 10.5171/2015239854*
26. *Onakoya, B.O., Ofoegbu D.I, & Fasanya I.O. (2011). Corporate governance and bank Performance: A pooled study of selected banks in Nigeria. European Scientific Journal, 8(28).*
27. *Oso, L. & Semiu B. (2012). The concept and practice of corporate governance in Nigeria: The need for public relations and effective corporate communication. J.Communications, 3(1), 1-6.*
28. *Oyejide, T. A, & Soyibo, A (2001). Corporate governance in Nigeria, Development Policy Centre Ibadan, Nigeria. A paper presented at the conference on corporate governance, in Accra, Ghana, 29-30.*
29. *Peters, G.T., & Bagshaw, K.B. (2014). Corporate governance mechanisms and financial Performance of listed firms in Nigeria: A content analysis. Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics, 1(2).*
30. *Qureshi, M. A (2007). System dynamics modelling of firm value, Journal of Modelling in Management, 2 (1), 24-39.*
31. *Reinhart, C. M., & K. S. Rogoff, (2008) Is the 2007 U.S. Subprime Crisis So Different? An International Historical Comparison. American Economic Review, 98(2), 339–444.*
32. *Sullivan,J.D. (2000). Corporate Governance: Transparency between government and Business. Paper presented to the Mediterranean Development Forum3, World Bank funding Cairo Egypt, March 7.*
33. *Yusoff, W.F., Mohammed, M.I. & Lame, S.M. (2015). Corporate governance and firm Performance before and after financial crisis 2006-2013: Analysis of financial sector in Malysia. Archieves of Business Research, 3(3), 1-10. Doi: 10.14738/abr.33.1115.*