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# The Impact of Corporate Governance on Financial Performance of Listed Deposits Money Banks in Nigeria

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*Abstract:* **This study examines the impact of corporate governance on financial performance of listed deposits 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 size. Partial correlation and regression was used to analyze the data using STATA version 14 and SPSS. The results showed that board size and board composition have a positive and significant impact on financial performance, while audit committee size have positive but insignificant effect on financial performance of Commercial Banks in Nigeria. It also revealed that small board size (board of directors) contributes positively and significantly to the financial performance of Commercial 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.**

*Keywords:* **Corporate Governance, Bank Performance, Board size, Board composition, Audit Committee size.**

## 1. INTRODUCTION

There have been many banks collapses and financial crises in recent years linked to a lack of effective corporate governance, however, the Nigeria Code of Corporate Governance recommends that corporate governing bodies should be comprised of an appropriate balance of knowledge, diversity, and independence for discharging their duties objectively and more efficiently. Therefore, corporate governance is the process and structure used to direct and control the business and affairs of companies for promoting business prosperity and corporate accountability. The ultimate objective is the realization of long-term shareholder value while taking into account the interest of other stakeholders. (Nigerian Code of Corporate Governance, 2018).

In Nigeria, the issue of corporate governance has been on the front burner status by all sectors of the economy. This is in recognition of the failure of the critical role of corporate governance in the success or failure of companies (Ogbechie, 2011). In developing economies, the banking sector among other sectors has witnessed several cases of collapses or failure, of which some Nigerian examples include: Savannah Bank Plc, Society Generale Bank Ltd and recently acquired Oceanic Bank, Bank of the North, Afri Bank, Mainstream Bank and the 2019 merger between Diamond Bank and Access Bank plc. Therefore, with the failure in Nigeria banks and the activities of some of the bank operators, there are concerns on the need to strengthen corporate governance in banks. This will boost public confidence and ensure efficient and effective functioning of the banking system (Soludo, 2012).

Financial performance on the other hand is measured by Return on assets which is a profitability ratio that provides how much profit a company is able to generate from its assets. It measures how efficient a company's management is generating earnings from the its economic resources or assets on their statement of financial position (Adepoju 2017). Therefore Return of assets is an important indicator of the performance of the banks since it determine the profitability of the banks. It is defined by net income to total asset (Dhar & Bakshi, 2013). Therefore, Pitt and Tucker (2008) see organisational performance as a vital sign of the organisation, showing how well activities within a process or the outputs of a process achieve a specific goal. It is also defined as process of assessing progress towards achieving pre-determined goals, including information on the efficiency by which resources are transformed into goods and services, the quality of these outputs and outcomes, and the effectiveness of organisational objectives (Amaratunga & Baldry, 2013). It is therefore, against this background that this study seek to examine the impact of corporate governance on the financial performance of deposits money banks in Nigeria.

**Statement of Research Problem.**

Nigerian Banks are faced with myriad of problems despite the mandatory action of banks consolidation pronounced by CBN in 2005 so as to make banks more effective and strengthen their performance. However, several banks collapses resulting from weak systems of corporate governance and internal control system have highlighted the need to improve and reform corporate governance at an international level. (Onakoya, 2011).

Notably, there are several studies with mixed outcome carried out on the impact of corporate governance on banks financial performance in different countries with some studies revealing that corporate governance significantly influences financial performance (Arifin, Suhadak & Astuti 2012; Aggarwal, 2013; Ghaffar, 2014; Ene & Alem 2016; Sutrisno, 2016). Such other studies also show that corporate governance negatively influences firm value, and financial performance, hence there is no conclusive position among scholars.

However, despite a number of studies on the impact of corporate governance on the performance of Nigeria firms none or only few research studies were concentrated on the financial performance of listed deposits money banks in Nigeria. This therefore establishes an important gap in the literature making the research of this kind significant.

**Objective of the Study**

The main objective of this study is to assess the impact of corporate governance on the financial performance of listed deposits money banks in Nigeria. While the specific objectives of the study are:

1. To determine the effect of board size on the financial performance of deposits money banks in Nigeria.
2. To examine the effect of board composition on the on the financial performance of deposit money Banks in Nigeria.

**Research Questions**

In an attempt to achieve the above research objectives, this study seek to find answers to the following research questions.

1. What is the significant and positive effect of bank board size on the financial performance of listed deposits money banks in Nigeria?

2. Is there any significant and positive relationship between Board composition and financial performance of listed Deposits money banks in Nigeria?

**Research Hypotheses**

In line with the above research questions, two null hypotheses are formulated to provide a presumable answers to the above research questions which is intended to guide the study.

**$Ho_1$:** Board size has no significant and positive effect on the financial performance of listed deposits money banks in Nigeria.

**$Ho_2$**: There is no significant and positive relationship between Board composition and the performance of listed deposits money banks in Nigeria.

## 2. REVIEW OF RELATED LITERATURE

### 2.1 Conceptual Literature

The concept of corporate governance takes its lead from a Greek word "kyberman" meaning to steer, guide and govern; it then revolved to Latin, where it was known as "gubernare" and to French as "governor". To be precise, corporate governance is the process of decisions making and the process by which decisions may be implemented, hence forth, it has much a different meaning to different organizations (Abu-Tapanjeh, 2008). In recent years, corporate governance was seen as a system of checks and balances between/among the board, management and investors so as to produce an efficiently functioning corporation, ideally geared to produce long-term value (Brancato and Plath, 2013). Jayashree (2016) defines it thus: "Corporate Governance when used in the context of business organization is a system of making directors accountable to shareholders for effective management of the companies in the best interest of the company and the shareholders along with concern for ethics and values.

Adebisi, (2013) opine that, the concept of corporate governance characterizes a set of rules and incentives through which the management of an organization is being directed and controlled. Demaki (2011) emphasises that corporate governance is an institutional arrangement that checks the excesses of controlling managers. The whole essence of corporate governance is to ensure that the business is run well and investors receive a fair return (Kajola, 2018). A firm is said to have observed corporate governance rule if it is managed with diligence, transparency, responsibility and accountability aimed at maximizing shareholders' wealth (Pandy,2015). Hence, timely and detail disclosure of material financial information is desirable in assessing any corporate governance framework. More so, good corporate governance involves a system by which governing institutions and all other organizations relate to their communities and stakeholders to improve their quality of life (Ato, 2012). Corporate governance is therefore important to ensure transparency, accountability and fairness in corporate reporting. In this regard, corporate governance is not only concerned with corporate efficiency, it relates to company strategy and life cycle development. Corporate governance is based on the level of corporate responsibility a company exhibits with regard to accountability, transparency and ethical values.

The corporate governance framework is an important element in effective development of equity market, research and development, entrepreneurship and economic growth (Maher & Anderson,

2011). Indeed, effective corporate governance improves economic efficiency, access to domestic and foreign capital, human resources productivity and development of market economy. Therefore, creating an effective corporate governance framework could enhance efficiency and transparency in the Nigerian financial system.

Corporate performance is an important concept which relates to the ways and manners in which the resources (human, machine, finance) of an institution are effectively used to achieve the overall corporate objective of an organization (Adegbemi, Donald & Ismail, 2012). What keeps an organization in business is simply its ability to judiciously use its available resources and make sure that the providers of economic resources and its managers mutually benefit from the use of the resources.

### 2.2 Corporate Governance Mechanisms

The corporate governance mechanisms relate to the tools, techniques and instruments via which accountability is ensured. It is the various medium through which stakeholders monitor and shape behavior to align with set goals and objectives. Thus, corporate governance mechanism is the processes and systems by which a country's company laws and corporate governance codes are enforced (Adekoya, 2012). Therefore, this study will consider corporate governance mechanisms from the perspective of Board Size, Board Composition and Audit Committees Size (Akpan & Roman, 2012; Abdulazeez, Ndibe & Mercy, 2016).

#### (a) Board Size

Board size refers to the number of people on the board-executive or non- executive directors. The Central Bank of Nigeria's Code of Corporate Governance for Banks and Discount Houses in Nigeria (2014) recommends that the number of non-executive directors should be more than that of executive directors subject to a maximum board size of 20 directors. This is considered to be a crucial characteristic of the board structure. Large boards could provide the diversity that would help companies to secure critical resources and reduce environmental uncertainties. Olayinka (2010) opines that this positively affects performance by reducing high earnings management, restatements and fraud.

Fama & Jensen, 2008 (as cited in Bandsal & Sharma, 2016) argue that the increase in the number of the members of the board slows down the decision-making processes of the firm, causing the board to pass off the problems, thus, leading to a decrease in firm value and effectiveness. Lipton and Lorsch (2010) suggested that as size of the board grows, the decision-making processes will slow down and this will cause communication problems and impacts the firm's performance negatively.

**(b) Board Composition**

Board composition refers to the number of independent non-executive directors on the board relative to the total number of directors. An independent non-executive director is defined as an independent director who has no affiliation with the firm except for their directorship (Clifford & Evans, 2011). There is an apparent presumption that boards with significant outside directors will make different and perhaps better decisions than boards dominated by insiders. Bansal & Sharma, (2016) suggest that non-executive directors can play an important role in the effective resolution of agency problems and their presence on the board can lead to more effective decision-making, hence improved firm performance.

Bocean, 2001 (as cited in Mirza & Javed, 2013), gave five principles of corporate governance:

1. Protection of shareholders' rights.
2. Equitable treatment of shareholders.
3. Protection of stakeholders' rights.
4. Proper disclosure and transparency.
5. Fulfillment of responsibilities by board.

**2.3 Board Size and Composition as Prescribed by CBN, 2014**

According to (2014 CBN) guideline, the board size and composition of a bank in Nigeria shall compose of the following:

- The size of the Board of any bank or discount house shall be limited to a minimum of five (5) and a maximum of twenty (20).
- Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in business and financial matters, in accordance with the extant CBN Guidelines on Fit and Proper Persons Regime.
- The Board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than that of Executive Directors.
- The Board of banks shall have at least two (2) Non-Executive Directors as Independent Directors while that of discount houses shall have at least one (1) as defined in the CBN guidelines on the Appointment of Independent Directors.

**(c) Audit Committees size**

Shareholders' interests are protected through the activities of audit committee, because management may not always act in the interest of investors (Poundel & Martin, 2012). Studies in favor of larger audit committee posited that when more people are involved in checking the activities of managers, wrongdoings will be reduced and performance will be enhanced. A number of studies have revealed positive relationship between audit committee size and firm performance (Davidson & Dadalt, 2002; Coleman-Kyereboah, 2007). However, other studies reported that there is no positive relationship between audit committee size and the performance of firms (Kajola, 2008). Hence, there exist a mixed reaction with respect to the relationship between audit committee size and firm performance. The position of Poundel and Martins (2012) make logical sense as the interest of shareholders can be protected by a number of individuals who will be difficult to manipulate, especially when they are large in number.

**2.4 Corporate Governance and Banks**

Corporate governance is a crucial issue for the management of banks, which can be viewed from two dimensions. One is the transparency in the corporate function, thus protecting the investors' interest (reference to agency problem), while the other is concerned with having a sound risk management system in place (special reference to banks) (Uwuigbe,2011).

However, the Basel Committee on Banking Supervision (1999) states that from a banking industry perspective, corporate governance involves the manner in which the business and affairs of individual institutions are governed by their boards of directors and senior management. This thus affect how banks:

1. Set corporate objectives (including generating economic returns to owners);
2. Run the day-to-day operations of the business;
3. Consider the interest of recognized stakeholders;
4. Align corporate activities and behaviours with the expectation that banks will operate in safe and sound manner, and in compliance with applicable laws and regulations; and protect the interests of depositors.

**2.5 Firm Financial Performance**

Firm Financial Performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. George and Karibo (2014) defined it as the success in meeting pre-defined objectives, targets and goal within a specified time target. Some of the aspects that must be considered when attempting to define performance are: time frame and its reference point. It is possible to differentiate between past and future performance. And it has been shown that past superior performance does not guarantee that it will remain superior in the future (Santos & Brito, 2012).

**Theoretical Review Framework**

Several economic and accounting theories have been proposed to run an effective system in an organization; therefore, corporate governance is generally classified under different theories. However, three models of corporate governances were identified in the literature analysis as theories. The models are steward-ship theory, the agency theory and the shareholders theory model (Akintoye 2010).

**The stewardship theory**

This upholds that, because people can be trusted to act in the public good in general and in the interest of their shareholders in particular, it makes sense to create management and authority structures, because they provide unified command and facilitate autonomous decision making, enable companies to act (and react) quickly and decisively to market opportunities. This approach leads, for instance, to the combination of the roles of chairman and CEO, and for audit committees to be either non-existent or lightweight. Resistance to the modern corporate governance movement to a day tends to be based on this theory.

**The agency theory**

This theory sees shareholders as the principals and management as their agents. Agents will, however, act with rational self-interest as employee directors of a company, they will aspire to maximize their monetary compensation, job stability and other perks, and do no more than seek to appease shareholders. They cannot, in other words, be expected to act in the interests of the shareholders. They need, instead, to be monitored and controlled to ensure that the principals' best interest are served. This theory is the basis for most of today's corporate governance activity.

**Shareholders Theory**

Shareholder value theory is the dominant economic theory in use by business. Maximising shareholder wealth as the purpose of the firm is established in our laws, economic and financial theory, management practices, and language. Business schools hold shareholder value theory as a central tenet. Nobel Laureate Milton Friedman (1970) strongly argues in favor of maximising financial return for shareholders. His capitalistic perspective clearly considers the firm as owned by and operated for the benefit of the shareholders. He says 'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. Friedman's statements reflect three fundamental assumptions that lend support to the shareholder view of the firm. The first is that the human, social, and environmental costs of doing business should be internalized only to the extent required by law. All other costs should be externalized. The second is that self-interest as the prime human motivator. As such, people and organizations should and

will act rationally in their own self-interest to maximize efficiency and value for society. The third is that the firm is fundamentally a nexus of contracts with primacy going to those contracts that have the greatest impact on the profitability of the firm.

Therefore, Having reviewed the above theories, this study is anchored on shareholders theory, because the goal of the firm is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud in order to maximize shareholders wealth. The Board of directors is accountable and responsible for the performance and affairs of the bank. Specifically, and in line with the provisions in the Companies and Allied Matters Act (CAMA) 2004, directors owe the bank the duty of care and loyalty and to act in the interest of the bank's employees and other stakeholders.

**Empirical reviews.**

Several studies have investigated on the corporate governance and banks performance in

Nigeria, and in different part of the world with diverse techniques and opinions. The outcomes of the investigations however, have shown that there are many conflicfting empirical findings. For instance, Emeka and Alem, (2016) investigated the effects of Corporate Governance on Bank's Financial Performance in Nigeria, covered years 2004-2013. They discovered that there were effects of relative size of non-executive directors and the board size on return on investment (ROA). They found that the relationship between corporate governance and bank performance in Nigeria is quite significant.

Olayinka, (2010) investigated the Impact of Board Structure on Corporate Financial Performance of banks in Nigeria using Ordinary Least Squares (OLS) regression to estimate the relationship between corporate performance measures and the independent variables. Findings from the study showed that there is strong positive association between board size and corporate financial performance.

Adekunle and Adedipe (2013) on Corporate Governance and Bank's Performance in Nigeria (Post – Bank's Consolidation), they considered estimated models. Binary probit was adopted to test the covariance matrix computed on structured questionnaire to bank's clients and it was discovered that the variables such as independence, reliance, and fairness helps in the effective performance of banks.

Kyereboah-Coleman (2006) examined how corporate governance indicators such as board size, board composition and CEO duality impact financing decisions of 47 firms listed on the Nairobi Stock Exchange. They found that firms with larger board sizes employ more debt and the independence of a board correlates negatively and significantly with short-term debts.

Uwuigbe (2011) examined Corporate Governance and financial performance of Banks in Nigeria. He measured variables for corporate governance as board size, the proportion of non-executive directors, directors' equity interest and corporate governance disclosure index. His study revealed that a negative but significant relationship exists between board size, board composition and the financial performance of these banks, while a positive and significant relationship was also noticed between directors' equity interest, level of governance disclosure and performance.

Dzingai and Fakoya (2017) assessed the effect of corporate governance structures on firm financial performance in Johannesburg Stock Exchange (JSE) for the period 2010–2015. They found that a weak but negative correlation between ROE and board size but positive correlation between ROE andh board independence.

Akingunola, (2015) examined the corporate governance and banks' performance in Nigeria. They used earnings, return on equity and return on assets as variables. They employed the ordinary least squares regression method to analyze their data. They revealed that bank deposits mobilized and credits created over this period increased over the years but were more positively related to bank performance during the period of consolidation although not significant.

In a related research conducted by George and Karibo (2014) on Corporate Governance Mechanisms and Financial Performance of Listed Firms in Nigeria: A Content Analysis, the study adopted a content analytical approach to obtain data through the corporate website of the respective firms and website of the Securities and Exchange Commission. A total of 33 firms were selected for the study cutting across three sectors: Manufacturing, Financial and Oil & Gas. The result also showed that the banking sector has the highest level of corporate governance disclosure compared to the other two sectors.

## 3. METHODOLOGY

this section constitutes the description of the research design to be use, population of the study, the sample size and sampling technique, sources and method of data collection, the technique of data analysis as well as the measurement of variable instrument. This study is historical in nature hence the research design adopted is the ex-post factor research design. The choice of the ex-post factor design is chosen because this study is reporting on what is already in existence, (that is published annual financial statements of quoted banks).

The population for the purpose of this study consist of all the deposits money banks whose shares are quoted on the Nigeria Stock Exchange as at 31st December 2019 (which are 16, out of the 20 banks operating in the country with recent merger between Access and Diamond banks.

However, out of the population of sixteen (16) listed banks in the Nigeria stock exchange, this study will employ purposive or judgmental sampling technique to select eight (8) listed deposits money banks operating currently in Nigeria. This selection will be based only on banks whose shares are quoted on the floor of the Nigeria Stock Exchange (NSE) and whose financial statements are available.

For the purpose of this study, secondary source of data collection is used in collecting the required data. The data will be collected from financial statements of the eight (8) deposits money banks selected from the Nigerian Stock Exchange listing for the period of Five years (2015 – 2019).

After data being presented and tabulated under the descriptive statistics accordingly, the Ordinary Lease Squares Regression Analysis will be employed as the technique of data analysis to test the pre-set hypothesis which was intended to guide the study.

In determining the impact of corporate governance on the financial performance of listed deposits money banks in Nigeria, the dependent variable (FINANCIAL PERFORMANCE), will be measured using proxies such as ROA, ROI and ROCE respectively. While the other independent variable (CORPORATE GOVERNANCE) are measured by other control variables such as: volume of shares traded, firm size, Board composition and Audit committee size.

## 4. RESULTS AND DISCUSSIONS

This part of the chapter, presents the results of the analysis conducted on the secondary data generated from the annual financial report and accounts of the eight (8) selected Nigerian deposits money banks quoted on the Nigerian stock exchange as at 31 December 2019. However, the descriptive statistics, correlation, regression and Anovas-test results are presented in the subsequent sub sections of this chapter.

**Regression Results on Return on Assets as Dependent Variables.**

As stated earlier, this study uses regression analysis to tests the null hypothesis; which states that there is no relationship between effective corporate Governance and the financial performance of DMBs relating the effective corporate Governance variables (Board size, Board composition, and Audit committee size) to the two profitability variables (ROE & ROA).

**Table 1: Computed Financial Summary of the 8 Quoted Dmbs in Nigeria for the Year 2019**

| | **Financial performance.** | | **Elements of Effectiveness of corporate Governance.** | | | |
|---|---|---|---|---|---|---|
| **Banks** | ROE | ROA | BOS | BCS | BIS | BMM |
| Access Bank Plc | 3.807333 | 0.1538 | 8.9228 | 0.0234 | 0.0325 | 0.2713 |
| Eco Bank Plc | 0.0692 | 0.0065 | 1.0313 | 0.0110 | 0.0193 | 0.0010 |
| Fidelity Bank Plc | 0.0472 | 0.0071 | 1.2333 | 0.0107 | 0.0179 | 0.2264 |
| Guarantee Trust Bank Plc | 0.2595 | 0.0449 | 1.1585 | 0.0758 | 0.0137 | 0.1451 |
| First Bank of Nigeria Plc | 0.1340 | 0.0143 | 1.0929 | 0.0172 | 0.0204 | 0.1456 |
| Unity Bank Plc | 0.1303 | 0.0116 | 9.9226 | 0.0152 | 0.0072 | 0.1503 |
| United Bank for Africa Plc | 0.1790 | 0.0209 | 2.7971 | 0.0279 | 0.0210 | 0.3168 |
| Union Bank Plc | 0.0172 | 0.0036 | 0.5215 | 0.0065 | 0.0384 | 0.0765 |
| **Total** | **1.3373** | **0.3173** | **29.7335** | **0.2654** | **0.2739** | **2.0021** |
| **Means** | **0.1216** | **0.0288** | **2.7030** | **0.0241** | **0.0249** | **0.1820** |

*Source: Annual report and accounts of the various DMBs for year 2019*

Calculation of variables: the variables are computed as thus:

**ROE** = Ratio of net profit to Equity.

**ROA** = Ratio of net profit to Assets

**BOS** = Corporate Governance measured by Ratio of board members size

**BCS** = Corporate Governance measured by ratio of board composition size

**BIS** = Corporate Governance measured by Ratio of board independence size.

**SMT=** Proportion of shareholders more than 10,001 share,

**BMM**= Board management meeting

**BAS**= Bank size represent natural Logarithm of total assets of each bank,

**Table 1.1: Descriptive Statistics of the model**

| | ROA | BOS | BIS | BCS | SMT | BMM |
|---|---|---|---|---|---|---|
| **Mean** | 3.807333 | 12.20000 | 2.800000 | 6.600000 | 23.48267 | 4.933333 |
| **Median** | 3.670000 | 12.00000 | 3.000000 | 7.000000 | 24.58000 | 4.000000 |
| **Maximum** | 6.590000 | 16.00000 | 4.000000 | 8.000000 | 30.10000 | 7.000000 |
| **Minimum** | 1.670000 | 9.000000 | 2.000000 | 6.000000 | 16.03000 | 4.000000 |
| **Std. Dev.** | 1.527891 | 2.274078 | 0.774597 | 0.632456 | 5.456381 | 1.162919 |
| **Skewness** | 0.231520 | 0.461711 | 0.343622 | 0.490990 | -0.334918 | 0.695354 |
| **Kurtosis** | 1.954384 | 1.948338 | 1.846939 | 2.357143 | 1.506356 | 1.943216 |
| **Bera** | 0.817325 | 1.224189 | 1.126158 | 0.860969 | 1.674783 | 1.906788 |
| **Probability** | 0.664539 | 0.542214 | 0.569453 | 0.650194 | 0.432838 | 0.385431 |
| **Sum** | 57.11000 | 183.0000 | 42.00000 | 99.00000 | 352.2400 | 74.00000 |
| **Dev.** | 32.68229 | 72.40000 | 8.400000 | 5.600000 | 416.8093 | 18.93333 |
| **Obs** | 15 | 15 | 15 | 15 | 15 | 15 |

***Source: SPSS Computation Version 16 (2020)***

Table 1.1 provides the summary of descriptive statistics of ROA, BOS, BIS, SMT, BMM and BAS for the study. Given the scope of the study (2015-2019) and the frequency of the annual data, all the variables have 15 observations. As shown in Table 1, the sum, range, mean, maximum and minimum, standard deviation and variance as well as the skewness and kurtosis of our variables of interest are evident. The various statistics indicate that, the variables have different distributions. The skewness and kurtosis statistics provide useful information about the symmetry of the probability distribution of various data series as well as the thickness of the tails of these distributions respectively. These two statistics are particularly of great importance since they are used in the computation of Jarque-Bera statistic, which is used in testing for the normality or asymptotic property of a particular series. All of the variables in the study are positively skewed showing that they have a long right tail and SMT which is negatively skewed indicates a long left tail. Kurtosis statistics of the all variables are less than 3 implying the extent of flatness of the distribution of the data series relative to normal

## 5. SUMMARY OF RESULTS AND IMPLICATIONS ON FINDINGS

From the above regression result, it shows that both board size and board composition has coefficients of 0.0001 and 0.000115 for the two values which are both statistically significant less than 1%. These results provide evidence of rejection of hypothesis (H1) which states that there is no significant relationship between board independent size (BIS) and return on equity of deposits money banks in Nigeria. Also the results provide evidence for the rejection of hypothesis (H2) which states that there is no significant relationship between board composition and return on assets (ROA) of deposits money banks in Nigeria. Moreover the implications of these two results show that board size and board

composition significantly affect bank performance in Nigeria negatively. This finding suggests that a smaller board size and board composition can increase banks' performance as well as the smaller size can take fast and adequate efficient decision for the performance of the banks, whereas large board size tend to be slow when taking decisions. The findings of this study are consistent with the findings of (Ajala, Amuda, and Arulogun (2012), Bawa and Lubabah (2012), and Muhibudeen, Nuhu, and Farouk (2015). Also the findings support the view of Bebeji, Mohammed and Tanko (2015), who concluded that smaller board size contributes more to financial performance than larger board size in order to achieve the goal and objective in and effective and efficiency manner.

## 6. CONCLUSION AND RECOMMENDATION

The results of the descriptive statistics above showed that money deposit banks in Nigeria have relatively moderate board sizes, and that the ratio of outside directors to the total number of directors in the banks is very high in compliance with the requirement of corporate governance code, which specifies that the number of non-executive directors shall be higher than the executive directors. This study specifically verified whether Return on Assets of quoted banks in Nigeria can be influenced by banks' corporate governance. Findings revealed that the proportion of shareholders more than 10,001 share, board of composition size and bank size exert a positive and considerable relevance to return on assets of quoted banks in Nigeria. Based on the findings this study concludes that deposits money should adopt a smaller board size and board composition which can increase banks' performance as well as the smaller size can take fast and adequate efficient decision for the performance of the banks, whereas large board size tend to be slow when taking decisions.

Therefore based on the findings arrived at in this study and the conclusion drawn above, the following recommendations were proffered:

1. The board of director's size of quoted banks in Nigeria should not be too large and should be meeting regularly to effectively and efficiently carry out their oversight functions and responsibilities.

2. Deposit money banks should maintain relatively small board size dominated by outside directors within the provision of the code of corporate governance for

Banks.

3. 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.

4. Seminars and workshops on corporate governance culture should be organized by the banking sectors for staff and board members.

5. It is beneficial for banks to change audit firms regularly as prescribed by the Central Bank of Nigeria and should consider the quality of their services. Also, banks should consider forming a partnership with a company which has international audit experience especially with the adoption of International Financial Reporting Standard. External auditors' role should be strictly limited to audit within the bank.

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